

# Hyfusin Group Holdings Limited 凱富善集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8512

## Share Offer

Sole Sponsor



Joint Bookrunners



Joint Lead Managers



# IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

## Hyfusin Group Holdings Limited 凱富善集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

### LISTING BY WAY OF SHARE OFFER ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Number of Offer Shares : 275,000,000 Shares  
Number of Placing Shares : 247,500,000 Shares (subject to reallocation)  
Number of Public Offer Shares : 27,500,000 Shares (subject to reallocation)  
Offer Price : Not more than HK\$0.36 per Offer Share and expected to be not less than HK\$0.28 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)  
Nominal Value : HK\$0.01 each  
Stock Code : 8512

Sole Sponsor



Joint Bookrunners



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraphs headed "Documents delivered to the Registrar of Companies in Hong Kong" and "Documents available for inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or before Monday, 9 July 2018. The Offer Price will be not more than HK\$0.36 per Offer Share and is expected to be not less than HK\$0.28 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed on or before Monday, 9 July 2018 or such later date as may be agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not become unconditional and will lapse immediately. In the case of such event, an announcement will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.fleming-int.com](http://www.fleming-int.com).

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus (which is HK\$0.28 to HK\$0.36 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, an announcement of the reduction of the number of Offer Shares in the Share Offer and/or the indicative Offer Price range will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.fleming-int.com](http://www.fleming-int.com) not later than the morning of last day for lodging applications under the Public Offer.

**Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including but not limited to the section headed "Risk factors" of this prospectus.**

The obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the paragraph headed "Underwriting arrangements and expenses" under the section headed "Underwriting" in this prospectus. It is important that you read carefully such section for further details.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the Application Forms and the offering of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the Application Forms should inform themselves about, and observe any restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

29 June 2018

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.

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## EXPECTED TIMETABLE

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If there is any change in the following expected timetable, we will issue an announcement on the website of our Company at [www.fleming-int.com](http://www.fleming-int.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

**2018**

(Note 1)

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from . . . . . 9:00 a.m. on Friday, 29 June

Application lists for Public Offer open <sup>(Note 2)</sup> . . . . . 11:45 a.m. on Friday, 6 July

Latest time for lodging **WHITE** and

**YELLOW** Application Forms . . . . . 12:00 noon on Friday, 6 July

Latest time for giving **electronic application**

**instructions** to HKSCC <sup>(Note 3)</sup> . . . . . 12:00 noon on Friday, 6 July

Application lists for Public Offer close <sup>(Note 2)</sup> . . . . . 12:00 noon on Friday, 6 July

Expected Price Determination Date on or before <sup>(Note 4)</sup> . . . . . Monday, 9 July

Announcement of the final Offer Price, indication of the level of interest in the Placing, the level of applications of the Public Offer and the basis of allocation of the Public Offer Shares to be published on our Company's website at [www.fleming-int.com](http://www.fleming-int.com) and the website of the Stock Exchange

at [www.hkexnews.hk](http://www.hkexnews.hk) on or before . . . . . Wednesday, 18 July

Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at [www.fleming-int.com](http://www.fleming-int.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) (for further details, please see the section headed "How to apply for Public Offer Shares — 10. Publication of results"

of this prospectus) from . . . . . Wednesday, 18 July

Results of allocations in the Public Offer will be available at

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

with a "search by ID" function from . . . . . Wednesday, 18 July

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## EXPECTED TIMETABLE

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2018

Despatch/collection of refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications (if applicable) in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Public Offer on or before <sup>(Notes 6 to 9)</sup> . . . . . Wednesday, 18 July

Despatch/collection of Share certificates and/or deposit of Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before <sup>(Notes 5 to 8 and 10)</sup> . . . . . Wednesday, 18 July

Dealings in Shares on GEM expected to commence at 9:00 a.m. on . . . . . Thursday, 19 July

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*Notes:*

1. All times and dates refer to Hong Kong local times and dates, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 July 2018, the application lists will not open and close on that day. For further details, please see the paragraph headed “9. Effect of bad weather on the opening of the application lists” under the section headed “How to apply for Public Offer Shares” of this prospectus.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed “5. Applying by giving **electronic application instructions** to HKSCC via CCASS” under the section headed “How to apply for Public Offer Shares” of this prospectus.
4. The Price Determination Date is expected to be on or before Monday, 9 July 2018. If, for any reason, the Offer Price is not agreed on or before Monday, 9 July 2018 between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.
5. Share certificates for the Public Offer Shares are expected to be issued on or before Wednesday, 18 July 2018 but will only become valid certificates of title at 8:00 a.m. on Thursday, 19 July 2018 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
6. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Union Registrars Limited from 9:00 a.m. to 1:00 p.m. on Wednesday, 18 July 2018 or any other day as announced by us as the date of despatch of Share certificates/refund cheques.

Individuals who are eligible and opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

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## EXPECTED TIMETABLE

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7. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit to their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
8. Uncollected Share certificates (if any) and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the paragraph headed "13. Despatch/collection of Share certificates and refund monies" under the section headed "How to apply for Public Offer Shares" of this prospectus.
9. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.36 per Offer Share.
10. Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 19 July 2018 provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

Details of the structure of the Share Offer, including the conditions thereto, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

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# CONTENTS

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## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer. The contents on the website at [www.fleming-int.com](http://www.fleming-int.com) which is the official website of our Company do not form part of this prospectus.*

	<i>Page</i>
<b>Characteristics of GEM</b> .....	i
<b>Expected Timetable</b> .....	ii
<b>Contents</b> .....	v
<b>Summary</b> .....	1
<b>Definitions</b> .....	14
<b>Forward-looking Statements</b> .....	27
<b>Risk Factors</b> .....	29

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## CONTENTS

---

<b>Information about this prospectus and the Share Offer</b> .....	49
<b>Directors and parties involved in the Share Offer</b> .....	53
<b>Corporate information</b> .....	58
<b>Industry overview</b> .....	61
<b>Regulatory overview</b> .....	72
<b>History, development and Reorganisation</b> .....	93
<b>Business</b> .....	114
<b>Relationship with our Controlling Shareholders</b> .....	180
<b>Substantial Shareholders</b> .....	187
<b>Directors, senior management and staff</b> .....	190
<b>Share capital</b> .....	211
<b>Financial information</b> .....	215
<b>Future plans and use of proceeds</b> .....	278
<b>Underwriting</b> .....	287
<b>Structure and conditions of the Share Offer</b> .....	299
<b>How to apply for Public Offer Shares</b> .....	307



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## CONTENTS

---

<b>Appendix I</b>	<b>— Accountants' Report</b> .....	<b>I-1</b>
<b>Appendix II</b>	<b>— Unaudited Pro Forma Financial Information</b> .....	<b>II-1</b>
<b>Appendix III</b>	<b>— Property Valuation</b> .....	<b>III-1</b>
<b>Appendix IV</b>	<b>— Summary of the Constitution of the Company and Cayman Islands Company Law</b> .....	<b>IV-1</b>
<b>Appendix V</b>	<b>— Statutory and General Information</b> .....	<b>V-1</b>
<b>Appendix VI</b>	<b>— Documents Delivered to the Registrar of Companies and Available for Inspection</b> .....	<b>VI-1</b>

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in our Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in our Shares.*

*Various expressions used in this summary are defined under the section headed “Definitions” in this prospectus.*

### Overview

Our Group principally engages in the manufacturing and sale of candle products with headquarters in Hong Kong and operations in Vietnam. We mainly manufacture and sell daily-use candles, scented candles and decorative candles. We also manufacture and sell other products such as diffusers. During the Track Record Period, our major customers are mostly U.S. and U.K. department store operators and buying agents, including among others, Hobby Lobby, Meller Design, Sainsbury’s, Target, Waitrose and Williams Sonoma. According to the Frost & Sullivan Report, we ranked the third, the fourth and the fourth among the candle manufacturers in Vietnam in terms of estimated export value, estimated revenue and estimated production capacity of candle products in 2017, respectively.

We mainly manufacture our candle products based on the requirements and specifications from our customers. However, we would also assess the design and specifications and put forward our suggestions to our customers. We offer a wide variety of services to our customers ranging from product design, raw material selection and procurement, provision of sample candle before mass production, laboratory testing to recommendation to improve the product quality.

Our production facilities are located in Dong Nai Province of Vietnam. As at the Latest Practicable Date, we employed over 800 production workers to operate and manage our production lines. We mainly manufacture our products in our production facilities. However, during the Track Record Period, we outsourced certain orders to the Subcontractor (i) when the order quantity per item is relatively small; (ii) to increase production efficiency during our peak seasons; or (iii) to produce hand-made sculptures which are used for making the moulds for production of silicon moulded decorative candles. For the three years ended 31 December 2017, the total amount paid to the Subcontractor accounted for approximately 9.4%, 20.8% and 20.2%, respectively, of our cost of sales. For the details of subcontracting, please refer to the paragraph headed “Subcontracting” under the section headed “Business” in this prospectus.

Our key customers would from time to time conduct audit at our production facilities and no material irregularities were spotted during the Track Record Period. We would conduct final inspection of our candle products before delivery to some of our customers. Please refer to the paragraph headed “Quality control” under the section headed “Business” in this prospectus for details of our quality control measures.

### Competitive strengths

We believe our success and our potential for further growth are attributable to, among other things, the following competitive strengths:

- we are one of the leading candle manufacturers in Vietnam with strong expertise, product know-how and quality control;

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## SUMMARY

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- we have established long-term relationships with our customers; and
- we have an experienced and dedicated management team with extensive industry experience.

For details, please refer to the paragraph headed “Competitive strengths” under the section headed “Business” on pages 115 to 116 in this prospectus.

### **Business strategies**

We plan to implement the following strategies to enhance our overall competitiveness and to increase our market share in the future:

- upgrade existing production facilities and acquire new premises and machinery;
- install an ERP system; and
- uplift marketing efforts and explore new business opportunities.

For details of our business strategies, please refer to the paragraph headed “Our business strategies” under the section headed “Business” on pages 117 to 130 of this prospectus.

### **Pricing**

We determine our price of products on a cost-plus basis. In arriving at our profit margin, we take into account factors such as the internally accepted profit margin, type of candle products, seasonal demand, order size, price trend and availability of raw materials.

During the Track Record Period, the price for daily-use candles ranged from approximately HK\$1.1 per order unit to HK\$154.4 per order unit; the price for our scented candles ranged from approximately HK\$0.4 per order unit to HK\$178.5 per order unit; the price for decorative candles ranged from approximately HK\$3.9 per order unit to HK\$390.5 per order unit; and the price of our other products ranged from approximately HK\$2.4 per order unit to HK\$814.8 per order unit.

### **Customers and suppliers**

For the three years ended 31 December 2017, the percentage of our total revenue attributable to our largest customer accounted for approximately 21.6%, 26.6% and 21.8%, respectively, while the percentage of our total revenue attributable to our five largest customers combined accounted for approximately 72.7%, 68.5% and 63.3%, respectively. For details of our five largest customers, please refer to the paragraph headed “Our customers” under the section headed “Business” in this prospectus.

For the three years ended 31 December 2017, the percentage of purchases from our single largest supplier for each respective period accounted for approximately 23.8%, 27.0% and 22.4% of our total purchases, respectively and the percentage of purchases from our five largest suppliers accounted for approximately 57.3%, 67.8% and 55.7% of our total purchases, respectively. For details of our five largest suppliers, please refer to the paragraph headed “Our suppliers” under the section headed “Business” in this prospectus.

### **Financial information**

The following table sets forth a summary of our audited consolidated financial information during the Track Record Period. This summary should be read in conjunction with the section headed “Financial information” in this prospectus and the Accountants’ Report as set out in Appendix I to this prospectus.

## SUMMARY

### *Results of operations*

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue .....	146,006	158,434	162,525
Cost of sales .....	(104,883)	(114,674)	(121,402)
Gross profit .....	41,123	43,760	41,123
Profit (loss) for the year .....	11,032	8,773	(11,057)
Gross profit margin <sup>(Note)</sup> .....	28.2%	27.6%	25.3%

*Note:* Calculated as the revenue minus the cost of sales, divided by the revenue.

Revenue generated from the U.S. increased by approximately HK\$11,064,000 from approximately HK\$78,549,000 for the year ended 31 December 2015 to approximately HK\$89,613,000 for the year ended 31 December 2016. The growth was mainly due to the increases in both sales volume and average selling price of daily-use candles for the year ended 31 December 2016. Such increase in sales of daily-use candles was mainly attributable to the sales to Customer A, for details of which please refer to the paragraph headed “Principal components of our consolidated statements of profit or loss and other comprehensive income” under the section headed “Financial information” in this prospectus.

Revenue generated from the U.S. increased by approximately HK\$3,931,000 from approximately HK\$89,613,000 for the year ended 31 December 2016 to approximately HK\$93,544,000 for the year ended 31 December 2017. The increase in revenue from the U.S. for the year ended 31 December 2017 was the combined effect of (i) the increase in sales volume of scented candles to the U.S. as a result of (a) Customer F, who had designated our Group as its key vendor in 2017; (b) a customer in the U.S. started to purchase scented candles from us since the second half of the year ended 31 December 2016; and (c) another customer in the U.S. who started to purchase scented candles from us since the second half of the year ended 31 December 2017, and (ii) the decrease in sales volume of daily-use candles due to the decrease in sales of daily-use candles to Customer D and Customer A mainly as a result of change of the consumers’ preference as confirmed by our Directors.

Revenue generated from the U.K. decreased during the year ended 31 December 2016 compared with the year ended 31 December 2015. During the year ended 31 December 2016, which was the year in which Brexit took place, our Directors noted that there was a decrease in sales to some of our U.K. customers. It is generally expected that following Brexit, GBP might have the trend of depreciation against US\$. Our Directors consider the depreciation of GBP could also result in prolonged uncertainty regarding aspects of the U.K. economy which may damage customers’ confidence and/or reduce consumer spending in the U.K.. Also, since the sales to our customers in the U.K. were settled in US\$, in anticipation of Brexit, GBP had depreciated against US\$ during the year ended 31 December 2016, such depreciation of GBP against US\$ caused the downward adjustments of the selling price of some products to certain customers in the U.K.. However, such decrease in sales to the U.K. was partially offset by increase in sales of gel candles to Customer B during the year ended 31 December 2016. For the details of the geographical segment of revenue, please refer to the paragraphs headed “Principal components of our consolidated statements of profit or loss and other comprehensive income” in the section headed “Financial information” in this prospectus.

Our gross profit margin decreased from approximately 28.2% for the year ended 31 December 2015 to approximately 27.6% for the year ended 31 December 2016. Such decrease was mainly due to the decrease in gross profit margin of scented candles resulting from the increase in their costs of fragrance. Furthermore, as a result of the Brexit referendum which took place during the year ended 31 December 2016, GBP had depreciated against US\$ during the year ended 31 December 2016, such depreciation of GBP against US\$ resulted in pricing pressure on some candle products sold to some

## SUMMARY

of our customers in the U.K.. Our gross profit margin decreased from approximately 27.6% for the year ended 31 December 2016 to approximately 25.3% for the year ended 31 December 2017. Such decrease was mainly due to (i) the change in product mix attributable to the decrease in sales of daily-use candles which generally has a higher gross profit margin than other types of candles and the decrease in gross profit margin of daily-use candles and scented candles; and (ii) the failure to fully pass on the increase in fragrance costs to our customers with the fact that the increase in the cost of fragrance was mainly due to the percentage increase of fragrance in our candle products to cope with the trend of the consumers' preferences in recent years. For further details, please refer to the paragraphs headed "Principal components of our consolidated statements of profit or loss and other comprehensive income" and "Period-to-period comparison of results of operations" in the section headed "Financial information" in this prospectus.

Set out below are the gross profit and the gross profit margins for each product type during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Candles						
— Daily-use candles	26,059	31.9	28,685	31.5	21,947	29.3
— Scented candles	10,674	26.3	9,079	25.0	12,935	24.3
— Decorative candles	3,739	21.1	5,360	21.1	5,198	21.1
Others <sup>(Note)</sup>	651	10.6	636	11.2	1,043	10.6
<b>Total/overall:</b>	<b>41,123</b>	<b>28.2</b>	<b>43,760</b>	<b>27.6</b>	<b>41,123</b>	<b>25.3</b>

*Note:* Others mainly consist of diffusers.

Set out below are the revenue, sales volume and average selling price by product types during the Track Record Period:

	Year ended 31 December								
	2015			2016			2017		
	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	HK\$'000	units '000	HK\$	HK\$'000	units '000	HK\$	HK\$'000	units '000	HK\$
Candles									
— Daily-use candles	81,610	101,278	0.8	91,006	89,466	1.0	74,787	102,334	0.7
— Scented candles	40,513	3,722	10.9	36,257	4,753	7.6	53,212	6,226	8.5
— Decorative candles	17,726	1,015	17.5	25,463	1,572	16.2	24,690	1,540	16.0
Others <sup>(Note 1)</sup>	6,157	505	12.2	5,708	273	20.9	9,836	562	17.5
<b>Total/overall:</b>	<b>146,006</b>	<b>106,520</b>	<b>1.4</b>	<b>158,434</b>	<b>96,064</b>	<b>1.6</b>	<b>162,525</b>	<b>110,662</b>	<b>1.5</b>

*Notes:*

- Others mainly consist of diffusers.
- Average selling price is calculated by dividing revenue by sale volume.

## SUMMARY

Set out below are the revenue, sales volume and average selling price by customer types during the Track Record Period:

	Year ended 31 December								
	2015			2016			2017		
	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	<i>HK\$'000</i>	<i>units '000</i>	<i>HK\$</i>	<i>HK\$'000</i>	<i>units '000</i>	<i>HK\$</i>	<i>HK\$'000</i>	<i>units '000</i>	<i>HK\$</i>
Retailers . . . . .	104,774	95,019	1.1	125,217	85,195	1.5	119,317	54,888	2.2
Buying agents . . . . .	21,002	4,537	4.6	16,622	5,128	3.2	12,511	3,620	3.5
Others . . . . .	20,230	6,964	2.9	16,595	5,741	2.9	30,697	52,154	0.6
<b>Total/overall: . . . . .</b>	<b>146,006</b>	<b>106,520</b>	<b>1.4</b>	<b>158,434</b>	<b>96,064</b>	<b>1.6</b>	<b>162,525</b>	<b>110,662</b>	<b>1.5</b>

*Note:* Average selling price is calculated by dividing revenue by sale volume.

The revenue from others increased significantly by approximately 85.0% from approximately HK\$16,595,000 for the year ended 31 December 2016 to approximately HK\$30,697,000 for the year ended 31 December 2017. Such increase was mainly due to i) increase in sales to a new customer in the U.S., a wholesaler who is satisfied with the quality of our Group's products; and ii) increase in sales to a new customer in Israel, a wholesaler who began to purchase tea light candles from our Group starting from the second half year of 2017.

Set out below are the revenue, sales volume and average selling price by geographical location during the Track Record Period:

	Year ended 31 December								
	2015			2016			2017		
	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	<i>HK\$'000</i>	<i>units '000</i>	<i>HK\$</i>	<i>HK\$'000</i>	<i>units '000</i>	<i>HK\$</i>	<i>HK\$'000</i>	<i>units '000</i>	<i>HK\$</i>
U.S. . . . .	78,549	61,127	1.3	89,613	62,091	1.4	93,544	45,846	2.0
U.K. . . . .	59,943	43,680	1.4	49,560	29,134	1.7	49,758	27,673	1.8
Others <sup>(Note 1)</sup> . . . . .	7,514	1,713	4.4	19,261	4,839	4.0	19,223	37,143	0.5
<b>Total/overall: . . . . .</b>	<b>146,006</b>	<b>106,520</b>	<b>1.4</b>	<b>158,434</b>	<b>96,064</b>	<b>1.6</b>	<b>162,525</b>	<b>110,662</b>	<b>1.5</b>

*Notes:*

1. Others mainly include Norway, Spain, Switzerland, Netherlands and Australia.
2. Average selling price is calculated by dividing revenue by sale volume.

## SUMMARY

### *Financial position*

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets . . . . .	34,649	34,835	29,107
Current assets . . . . .	47,248	58,785	76,297
Current liabilities . . . . .	43,787	55,651	64,977
Net current assets . . . . .	3,461	3,134	11,320
Net assets . . . . .	35,237	35,174	38,620

### **Significance of seasonality of our business operations**

Our business operations, results of operations and financial condition are subject to seasonality. Our utilisation of production capacity is generally at a higher level between May and September and at a lower level between October and April and we generally generate more revenue between June and October compared with between November and May. Further, our Directors consider, and as confirmed by Frost & Sullivan, that pricing is more competitive for candle products with lower quality requirements during the non-peak season when candle manufacturers have excess capacity. Therefore, our revenue, cost of sales and gross profit are generally lower for the first half of the financial year compared with the second half. Similarly, our current assets (among others, inventories) and current liabilities (among others, trade and other payables) are usually higher as at 30 June 2016 and 2017 compared with as at 31 December 2015, 2016 and 2017 due to the seasonality effect.

### *Cash flow*

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flow(s) before			
movements in working capital . . . . .	19,910	16,369	(4,344)
Net cash generated from			
(used in) operating activities . . . . .	20,774	7,004	(5,781)
Net cash used in investing activities . . . . .	(3,211)	(3,845)	(1,933)
Net cash used in financing activities . . . . .	(11,194)	(1,846)	(297)
Net increase (decrease) in cash and			
cash equivalents . . . . .	6,369	1,313	(8,011)
Cash and cash equivalents			
at the beginning of the year . . . . .	3,733	10,102	11,415
Cash and cash equivalents			
at the end of the year . . . . .	10,102	11,415	3,404

## SUMMARY

For the year ended 31 December 2017, our net cash flow used in operating activities was approximately HK\$5,781,000, mainly due to the combined effects of (i) approximately HK\$4,344,000 operating cash outflow before movements in working capital mainly resulted from the loss before tax mainly due to the listing expenses of approximately HK\$19,499,000; (ii) increase in inventories of approximately HK\$14,870,000 mainly resulted from increase in finished goods for the purchase orders which been placed and before shipment and increase in raw materials mainly resulted from the increase in inventory level of containers and our Directors confirmed that such increase mainly due to planned production for the orders of scented candles. As at the Latest Practicable Date, approximately 92.5% of our inventories as at 31 December 2017 had been consumed and sold in which 100% of the finished goods had been sold; and (iii) the increase in trade and other receivables of approximately HK\$3,691,000, which was partially offset by (i) the increase in trade and other payables of approximately HK\$18,548,000 mainly resulted from the increase in accruals for listing expenses of approximately HK\$11,591,000; and (ii) the increase in other non-current liabilities of approximately HK\$35,000.

For the year ended 31 December 2016, our net cash flow generated from operating activities was approximately HK\$7,004,000, mainly due to the combined effects of (i) approximately HK\$16,369,000 operating cash flows before movements in working capital mainly resulted from the profit before tax; and (ii) the increase in trade and other payables of approximately HK\$3,794,000, which was partially offset by (i) the increase in trade and other receivables of approximately HK\$8,621,000; and (ii) the income tax paid of approximately HK\$5,325,000.

For the year ended 31 December 2015, our net cash flow generated from operating activities was approximately HK\$20,774,000, mainly due to the combined effects of (i) approximately HK\$19,910,000 operating cash flows before movements in working capital mainly resulted from the profit before tax; (ii) the decrease in inventories of approximately HK\$3,490,000; and (iii) the increase in trade and other payables of approximately HK\$1,096,000, which was partially offset by (i) the increase in trade and other receivables of approximately HK\$2,287,000; and (ii) the income tax paid of approximately HK\$1,451,000.

### **Key financial ratios**

	Year ended 31 December		
	2015	2016	2017
Return on total assets <sup>(Note 1)</sup> .....	13.5%	9.4%	N/A
Return on equity <sup>(Note 1)</sup> .....	31.3%	24.9%	N/A
Current ratio .....	1.1 times	1.1 times	1.2 times
Quick ratio .....	0.8 times	0.9 times	0.8 times
Gearing ratio <sup>(Note 2)</sup> .....	99.7%	127.5%	89.6%
Interest coverage <sup>(Note 1)</sup> .....	9.5 times	7.7 times	N/A
Net profit margin <sup>(Note 1 and 3)</sup> .....	7.6%	5.5%	N/A

#### *Notes:*

1. Return on total assets, return on equity, interest coverage and net profit margin for the year ended 31 December 2017 are not computed as our Group was loss making during this period.
2. Gearing ratio is calculated by dividing total debt by total equity as at the end of each of the financial year. Total debts are defined to include payables incurred not in the ordinary course of business.
3. Net profit margin is calculated by dividing profit (loss) for the year by revenue for each of the financial year.

Our gearing ratio increased from approximately 99.7% as at 31 December 2015 to approximately 127.5% as at 31 December 2016 principally due to the increase in amounts due to directors and the increase in short-term borrowings mainly resulting from increases in import loans



## SUMMARY

and bank loans for working capital. The gearing ratio then decreased to approximately 89.6% as at 31 December 2017 principally due to new shares allotted and issued to our Pre-IPO Investor during the first half year of 2017 and the decrease in amount due to directors.

Our net profit margin decreased from approximately 7.6% for the year ended 31 December 2015 to approximately 5.5% for the year ended 31 December 2016 mainly due to increase in (i) listing expenses; and (ii) increase in administrative expenses mainly resulted from the consultancy fee paid for the candles' market research consultation services.

Our Directors considered that our Group may be exposed to the depreciation of GBP against US\$ after the Track Record Period given that our sales to our U.K. customers were denominated in US\$ and GBP generally had the trend of depreciation against US\$ during the Track Record Period.

Our net profit decreased from approximately HK\$11,032,000 for the year ended 31 December 2015 to approximately HK\$8,773,000 for the year ended 31 December 2016 mainly due to increase in (i) listing expenses; and (ii) administrative expenses mainly resulted from the consultancy fee paid for the candles' market research consultation services.

Our Group recorded a loss for the year ended 31 December 2017 of approximately HK\$11,057,000 while a profit of HK\$8,773,000 was recorded for the year ended 31 December 2016. This was mainly due to (i) the decrease in gross profit of approximately HK\$2,637,000; and (ii) increase in listing expenses of approximately HK\$18,491,000. After excluding the effect of the listing expenses of approximately HK\$19,499,000, our gain for the year ended 31 December 2017 would have been approximately HK\$8,442,000.

Please refer to the paragraph headed "Major financial ratios" under the section headed "Financial information" of this prospectus for further discussion and analysis of our financial information.

### Utilisation rate of production facilities

As at the Latest Practicable Date, we had a total of 15 production lines, in which 9, 2, 3 and 1 were mainly for manufacturing our daily-use candles, scented candles, decorative candles and other products, respectively. The table below sets forth our production capacity, production volume and utilisation rate for our production facilities during the Track Record Period:

Season	Year ended 31 December 2015			Year ended 31 December 2016			Year ended 31 December 2017		
	Production capacity	Production volume	Utilisation	Production capacity	Production volume	Utilisation	Production capacity	Production volume	Utilisation
	(units) '000	(units) '000	(%)	(units) '000	(units) '000	(%)	(units) '000	(units) '000	(%)
	(Note 1)		(Note 2)	(Note 1)		(Note 2)	(Note 1)		(Note 2)
Peak season (Note 3) . . . . .	58,074	43,282	74.5	56,412	42,959	76.2	71,388	62,763	87.9
Non-peak season (Note 4) . . . . .	66,447	43,019	64.7	66,038	46,356	70.2	65,058	45,276	69.6
<b>Total . . . . .</b>	<b>124,521</b>	<b>86,301</b>	<b>69.3</b>	<b>122,450</b>	<b>89,315</b>	<b>72.9</b>	<b>136,446</b>	<b>108,039</b>	<b>79.2</b>

*Notes:*

1. Production capacity is estimated by the daily production volume (in units) and multiplied by the expected number of days of production during the period indicated.
2. Utilisation rate is computed by dividing actual production volume by estimated production capacity.

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## SUMMARY

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3. The peak season is from May to September.
4. The non-peak season is from October to April.

The overall production facility utilisation rate increased from approximately 72.9% for the year ended 31 December 2016 to approximately 79.2% for the year ended 31 December 2017. The increase was mainly due to the increase in the production of scented candles and daily-use candles. The increase in the production of daily-use candles with lower average selling price for the year ended 31 December 2017 as compared to the year ended 31 December 2016 was due to a relatively large increase in the production volume of tea light candles to a customer in Israel at a lower selling price compared to other types of daily-use candles.

### **Controlling shareholders**

Immediately following the completion of Capitalisation Issue and Share Offer, our Company will be owned as to 58.5% by AVW. AVW is wholly owned by Mr. Andrew Wong and Mr. Vincent Wong in equal shares. Accordingly, each of AVW, Mr. Andrew Wong and Mr. Vincent Wong will be regarded as our Controlling Shareholders. Please refer to the section headed “Relationship with our Controlling Shareholders” on pages 180 to 186 of this prospectus for further details.

### **Pre-IPO investment**

On 7 November 2016, (a) Fleming Hong Kong as issuer; (b) Vibes (i.e. the Pre-IPO Investor) as purchaser and subscriber; and (c) Mr. Andrew Wong and Mr. Vincent Wong as vendors, entered into the Pre-IPO Investment Agreement pursuant to which, the Pre-IPO Investor would beneficially own 22% of Fleming Hong Kong upon completion.

The Pre-IPO Investor is an investment holding company ultimately beneficially owned by Ms. Li and Ms. Zheng. Ms. Li and Ms. Zheng have experiences in finance and capital investments, while they do not have any business experience in our Group’s industry. For further information, please refer to the paragraph headed “Pre-IPO investment” under the section headed “History, development and Reorganisation” on pages 93 to 113 of this prospectus.

### **Dividend**

During the two years ended 31 December 2016, Fleming Hong Kong declared dividends of HK\$2,400,000 and HK\$8,400,000, respectively, and Britain Link declared dividends of nil and HK\$300,000, respectively.

Investors should note that historical dividend distributions are not indicative of our Company’s future dividend distribution policy. Our Company does not have any predetermined dividend payout ratio. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on our Group’s future operations and earnings, capital requirements and surplus, general financial conditions, and other factors that our Directors deem relevant.

### **Listing expenses**

Assuming the Offer Price of HK\$0.32 per Public Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses are estimated to be approximately HK\$37.5 million, of which approximately HK\$20.5 million were charged to our

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## SUMMARY

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Group's profit and loss during the Track Record Period. The remaining amount of approximately HK\$0.9 million will be charged to our Group's profit and loss for the year ending 31 December 2018, and approximately HK\$16.1 million is to be accounted for as a deduction from equity in accordance with the relevant accounting standard after Listing.

Please refer to the paragraph headed "Listing expenses" in the section headed "Financial information" in this prospectus for further details.

### **Compliance, litigation and potential claims**

During the Track Record Period, there were no litigation or arbitration proceedings pending or threatened against any of us or any of our Directors. For details, please refer to the paragraph headed "Non-compliance, litigation and potential claims" under the section headed "Business" in this prospectus.

### **Our recent development and adverse material change**

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business model remained unchanged. Subsequent to the Track Record Period and up to the Latest Practicable Date, we secured sales orders which are expected to be shipped during the seven months ending 31 July 2018 of approximately HK\$115,521,000. As at the Latest Practicable Date, 92.5% of our inventories balance as at 31 December 2017 had been consumed and sold, 100% of our trade receivables balance had been subsequently settled, and 100% of our trade payables as at 31 December 2017 had been subsequently settled.

We currently expect that our financial results for the year ending 31 December 2018 will be negatively impacted by (i) the non-recurring listing expenses to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income; and (ii) the expected increase in administrative expenses, which are mainly due to the increase in staff costs mainly resulting from the additional finance and administrative staff recruited in the second half year of 2017 while there is full effect for the year ending 31 December 2018, partially offset by the expected increase in gross profit. For further details regarding our listing expenses, please refer to the paragraph headed "Listing expenses" in the section headed "Financial information" of this prospectus.

Recently, our sales of scented candles is increasing significantly as compared with that of our other types of products, including daily-use candles. While it is expected that there will be an increase in our overall gross profit, since the gross profit margin of scented candles is generally lower than that of daily-use candles, the overall gross profit margin and net profit margin of our Group may as a result decrease.

Save as disclosed above, our Directors confirm that, since 31 December 2017 and up to the date of this prospectus, there was no material adverse change in the business operations, trading and financial position or prospects of our Group.

## SUMMARY

### Share offer statistics

	Based on the indicative Offer Price of HK\$0.28 per Offer Share	Based on the indicative Offer Price of HK\$0.36 per Offer Share
Market capitalisation <sup>(Note 1)</sup> . . . . .	HK\$308,000,000	HK\$396,000,000
Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2017 per Share <sup>(Note 2)</sup> . .	HK\$0.093	HK\$0.109

*Notes:*

- (1) The calculation of market capitalisation is based on 1,100,000,000 Shares expected to be in issue immediately upon completion of the Share Offer and the Capitalisation Issue.
- (2) Please refer to “A. Unaudited pro forma statement of adjusted consolidated net tangible assets” in Appendix II to this prospectus for details regarding the assumptions and calculation basis used.

### Use of proceeds

Based on the Offer Price of HK\$0.32 per Offer Share (being the mid-point of the indicative Offer Price range), we estimate that the net proceeds from the Share Offer will be approximately HK\$50.5 million. We intend to allocate the net proceeds from the Share Offer for the purposes and in the amounts set out below:

	From the Latest Practicable Date to 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	For the six months ending 30 June 2020	For the six months ending 31 December 2020	Total	Approximate % of net proceeds
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	%
Upgrade existing production facilities . . . . .	3.9	3.1	—	—	—	7.0	13.9
Acquire new premises and machinery . . . . .	—	11.6	8.9	10.5	—	31.0	61.4
Install an ERP system . . . . .	1.2	1.1	—	—	—	2.3	4.6
Partial repayment of bank loans . . . . .	7.8	—	—	—	—	7.8	15.4
Working capital and general corporate use	2.4	—	—	—	—	2.4	4.7
<b>Total . . . . .</b>	<b>15.3</b>	<b>15.8</b>	<b>8.9</b>	<b>10.5</b>	<b>—</b>	<b>50.5</b>	<b>100.0</b>

*Notes:*

- (1) We intend to utilise our net proceeds and complete our implementation plan by 30 June 2020. Therefore there is no implementation plan for the six months ending 31 December 2020.
- (2) The estimated expanded production capacity includes approximately 5.5 million units of scented candles and approximately 1.3 million units of daily-use candles.

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## SUMMARY

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### Reasons for the Listing

Our Directors consider the following:

- (i) there is a growth potential in the scented candles market in which there was an increasing revenue trend for scented candles during the Track Record Period. As advised by Frost & Sullivan, the U.S. market for scented candles is expected to grow with a CAGR of 10.12% from 2017 to 2021. Also, Customer F, 2017 New Customer A and 2018 New Customer have indicated their expected increases in demand for scented candles for the year ending 31 December 2018, which in our Directors' view, may translate into a significant increase in orders of scented candles. Therefore, our Group is required to materialise the expansion plan to capture the potential growth;
- (ii) our Directors consider that subcontracting would not be feasible in coping with the expected increase in demand for our products because of difficulties in controlling the quality of our products produced by the subcontractor to ensure that they will meet our customers' specifications and requirements. Moreover, some of our customers have specifically disallowed any subcontracting arrangement;
- (iii) the new machinery to be acquired for the expansion plan is expected to be more efficient and precise in production as compared to our existing plant and machinery;
- (iv) our Group is experiencing operational inconvenience when using the third party warehouse whereas the new premises to be acquired in our expansion plan will have certain space reserved for storage purpose while the majority of the area is intended to be used for production purpose;
- (v) part of the new premises will be designated for use as showroom to better serve our customers because our Directors believe that many of our customers prefer to meet with the management personnel of our Group at our production facilities in Vietnam and examine the samples at a showroom on site;
- (vi) given that our Group has to maintain certain bank balances and cash level for meeting our Group's working capital requirement and our unutilised banking facilities as at 30 April 2018 were mainly reserved for trading purpose, it is considered that our Group will not have sufficient internal financial resources for our expansion plan;
- (vii) debt financing is not desirable as compared to Listing as the borrowed fund is repayable and interest expenses incurred would impair our financial position, given that our gearing ratio was relatively high as at 31 December 2017;
- (viii) the Listing will enhance our Group's reputation and corporate profile on an international level and will boost our customers' confidence in us; and
- (ix) other commercial benefits due to our listing status such as more favorable terms for debt financing, etc.

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## SUMMARY

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Having considered the above, our Directors believe that it is commercially justifiable to pursue the Listing. Please refer to the section headed “Future plans and use of proceeds” in this prospectus for further details.

### **Risk factors**

We summarise below the most material risks to our operations:

- our business, financial condition and results of operations may be affected by the decrease in sales orders from major customers;
- our business is concentrated in the U.S. and the U.K. and is highly susceptible to any adverse economic or social conditions in these markets which would materially and adversely affect the demand for our products;
- fluctuations in prices of raw materials or unstable supply of raw materials could negatively impact our operations and may adversely affect our profitability;
- we do not enter into long-term supply contracts with our suppliers and our production cost and schedule may be adversely affected if we fail to secure supply;
- we rely on our key management personnel;
- if we fail to collect trade receivables that are long overdue from our customers, our cash flow position and results of our operation may be adversely affected;
- we experienced net operating cash outflow for the year ended 31 December 2017 and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future;
- any increase in our labour costs or other factors affecting labour supply would reduce our profit margins, profitability and liquidity, as well as materially and adversely affect our financial condition and results of operations, and labour shortage could disrupt our production; and
- any failure to maintain an effective quality control system could have a material and adverse effect on our business, financial conditions and results of operations.

Prospective investors should refer to all the risk factors which may affect your investment decision in relation to the Share Offer as set out under the section headed “Risk factors” on pages 29 to 48 of this prospectus.

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## DEFINITIONS

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*In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise.*

“Accountants’ Report”	the accountants’ report of our Group prepared by the reporting accountants set out in Appendix I to this prospectus
“Application Form(s)”	<b>WHITE</b> Application Form(s) and <b>YELLOW</b> Application Form(s), or where the context so requires, any of them
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 23 June 2018 to become effective upon Listing, and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“AVW”	AVW International Limited, a company incorporated under the laws of BVI with limited liability on 4 July 2017, which in beneficially-owned by Mr. Vincent Wong and Mr. Andrew Wong in equal shares, being one of our Controlling Shareholders
“Board” or “Board of Directors”	the board of Directors
“Brexit”	the result of the remain-or-leave referendum held by the U.K. on 23 June 2016 on its membership within the EU, which favoured the exit of the U.K. from the EU
“Britain Link”	Britain Link Limited (英連有限公司), a company incorporated in Hong Kong with limited liability on 1 August 2011 and an indirect wholly-owned subsidiary of our Company after the Reorganisation
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

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## DEFINITIONS

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“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 824,999,800 Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in the section headed “3. Written resolutions of our Shareholders passed on 23 June 2018” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individual(s) or corporation(s)
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“China” or “PRC”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time



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## DEFINITIONS

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” and “our Company”	Hyfusin Group Holdings Limited (凱富善集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 5 July 2017 under the Companies Law
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and unless the context requires otherwise, refers to AVW, Mr. Vincent Wong and Mr. Andrew Wong
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 23 June 2018 entered into between our Controlling Shareholders and our Company (for itself and as trustee of our subsidiaries), pursuant to which our Controlling Shareholders have given certain tax and other indemnities in favour of our Company (for itself and as trustee of our subsidiaries), further particulars of which are set out in the paragraph headed “E. Other information — 1. Estate duty, tax and other indemnity” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 23 June 2018 and given by the Controlling Shareholders in favour of our Company (for itself and as trustee of our subsidiaries) pursuant to which the Controlling Shareholders agreed not to, among other things, engage or participate in any business which is in competition with our business, further particulars of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus

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## DEFINITIONS

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“Director(s)”	the director(s) of our Company
“ERP”	Enterprise Resource Planning
“EU”	European Union
“Fleming China”*	泛明工藝禮品(深圳)有限公司, a company established in the PRC with limited liability on 21 June 2007 and was deregistered in the PRC on 9 December 2016
“Fleming Hong Kong”	Fleming International Limited (泛明實業有限公司), a company incorporated in Hong Kong with limited liability on 29 June 1993 and indirect wholly-owned subsidiary of our Company after the Reorganisation
“Fleming International”	Fleming Group International Limited (泛明國際集團有限公司), a company incorporated under the laws of BVI with limited liability on 5 July 2017 and direct wholly-owned subsidiary of our Company after the Reorganisation
“Fleming Vietnam”	Fleming International Vietnam Limited, a company established under Vietnamese laws with limited liability on 12 October 2004 and indirect wholly-owned subsidiary of our Company after the Reorganisation
“Frost & Sullivan”	Frost & Sullivan International Limited, an Independent Third Party, a market research and consulting firm
“Frost & Sullivan Report”	an independent market research report commissioned by us and prepared by Frost & Sullivan on the overview of the candle manufacturing and products industry in which our Group operates, an extract of which is set out in the section headed “Industry overview” in this prospectus
“GBP”	Great British Pound, the lawful currency of the U.K.
“GEM”	GEM of the Stock Exchange

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## DEFINITIONS

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“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Government” or “Hong Kong Government”	the government of Hong Kong
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or any of them, or where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HKFRSs”	the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and interpretation issued by the HKICPA
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hobby Lobby”	Hobby Lobby Stores, Inc., a company incorporated in the U.S. and a customer of our Group during the Track Record Period
“Hong Kong” or “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Union Registrars Limited, our Hong Kong branch share registrar and transfer office
“Hong Kong dollars”, “HK\$” or “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

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## DEFINITIONS

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“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective associates
“Joint Bookrunners”	I Win Securities Limited and Great Wall Securities Limited, being the joint bookrunners to the Share Offer
“Joint Lead Managers”	I Win Securities Limited, TC Capital, AMC Wanhai Securities Limited and China Yinsheng International Securities Limited, being the joint lead managers to the Share Offer
“Latest Practicable Date”	20 June 2018, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing
“Listing”	the listing of our Shares on GEM
“Listing Date”	the date expected to be on Thursday, 19 July 2018, on which dealings in our Shares first commence on GEM
“Listing Division”	the listing division of the Stock Exchange
“Meller Design”	Meller Design Solutions Limited, a company incorporated in the U.K. and a customer of our Group during the Track Record Period
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company conditionally adopted on 23 June 2018 to become effective upon Listing, and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“Mr. Andrew Wong”	Mr. Wong Man Chit (黃聞捷), one of our executive Directors and Controlling Shareholders, the chief executive Officer of our Group, elder brother of Mr. Vincent Wong

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## DEFINITIONS

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“Mr. Chan”	Mr. Chan Cheong Tat (陳昌達), an independent non-executive Director, being the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee
“Mr. Ho”	Mr. Ho Chi Wai (何志威), an independent non-executive Director, being the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee
“Mr. Vincent Wong”	Mr. Wong Wai Chit (黃偉捷), one of our executive Directors and Controlling Shareholders, the chairman of our Board, younger brother of Mr. Andrew Wong
“Mr. Yu”	Mr. Yu Pui Hang (余沛恒), an independent non-executive Director, being the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee
“Ms. Li”	Ms. Li Yin Ping (李燕萍), a director of Pioneer and Vibes, with the latter being the Pre-IPO Investor, and owns 50% of the issued share capital of Vibes through Pioneer; a Substantial Shareholder of our Company
“Ms. Wong”	Ms. Wong Fong (王芳), a non-executive Director
“Ms. Zheng”	Ms. Zheng Xiaochun (鄭曉純), a director of Pioneer and owns 50% of the issued share capital of Vibes, the Pre-IPO Investor, through Pioneer; a Substantial Shareholder of our Company
“Nomination Committee”	the nomination committee of the Board

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## DEFINITIONS

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“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.36 per Share and expected to be not less than HK\$0.28 per Share at which the Offer Shares are to be offered under the Share Offer, to be determined in the manner as set out in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Offer Share(s)”	collectively, the Placing Shares and the Public Offer Shares
“Pioneer”	Pioneer Unicorn Limited (鋒麟有限公司), a company incorporated under the laws of BVI with limited liability on 30 May 2016, which is wholly-owned by Ms. Li and Ms. Zheng in equal shares, one of our Substantial Shareholders
“Placing”	the conditional placing of the Placing Shares at the Offer Price for and on behalf of our Company to professional, institutional and other investors, as described under the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Shares”	the 247,500,000 new Shares (subject to reallocation) initially being offered for subscription under the Placing, as described under the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Underwriter(s)”	the underwriter(s) that are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing and to be entered into, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriter

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## DEFINITIONS

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“Pre-IPO Investment Agreement”	the agreement for sale and purchase and subscription for shares in Fleming Hong Kong dated 7 November 2016 entered into, among others, Fleming Hong Kong as issuer, Mr. Andrew Wong and Mr. Vincent Wong as vendors, Vibes as purchaser
“Pre-IPO Investor”	Vibes, more information of which is set out in the section headed “History, development and Reorganisation”
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Date”	the date, expected to be on or before Monday, 9 July 2018 or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), on which the Offer Price is fixed for the purpose of the Share Offer
“Processing Agreement”	the processing agreement entered into between Fleming Hong Kong and the processing party, which is an Independent Third Party, on 2 January 1997
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong at the Offer Price, on and subject to the terms and conditions described in the section headed “Structure and conditions of the Share Offer” in this prospectus and the Application Forms
“Public Offer Share(s)”	the 27,500,000 new Shares (subject to reallocation) initially offered by our Company for subscription in the Public Offer, as described under the section headed “Structure and conditions of the Share Offer” of this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer, whose names are set out under the paragraph headed “Public Offer Underwriters” under the section headed “Underwriting” of this prospectus

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## DEFINITIONS

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“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 28 June 2018 relating to the Public Offer entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, particulars of which are set out in the section headed “History, development and Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by our Shareholder in relation to the repurchase of our Shares, further information on which is set forth in the paragraph under “A. Further information about our Company and our subsidiaries — 7. Repurchase by our Company of its own securities” in Appendix V to this prospectus
“RMB” or “Renminbi”	the lawful currency of the PRC
“Sainsbury’s”	Sainsbury’s Supermarkets Ltd, a company incorporated in the U.K. and a customer of our Group during the Track Record Period
“SFC” or “Securities Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of our Company
“Share Offer”	collectively, the Placing and the Public Offer



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## DEFINITIONS

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“Shareholder(s)”	holder(s) of our Share(s)
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 23 June 2018, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus
“Sole Sponsor” or “TC Capital”	TC Capital International Limited, a licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sponsor of the Listing and an independent third party and one of the Joint Lead Managers to the Share Offer
“Stock Exchange” or “HKEX”	The Stock Exchange of Hong Kong Limited
“Subcontractor”	a privately-owned company incorporated in the PRC, which provided subcontracting services for the production of candle products and hand-made sculptures to our Group during the Track Record Period
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, for the purpose of this prospectus, refers to those individuals and corporations disclosed under the paragraph headed “Substantial Shareholders” under the section headed “Substantial Shareholders” in this prospectus or, where the context so requires, any one of them
“Success Glory”	Success Glory Worldwide Limited, a company incorporated under the laws of BVI with limited liability on 2 March 2004 and indirect wholly-owned subsidiary of our Company after the Reorganisation
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buybacks approved by the SFC, as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Target”	Target Global Sourcing Limited and Target Sourcing Services Limited. Target Sourcing Services Limited is the direct sole shareholder of Target Global Sourcing Limited, both of which are incorporated in Hong Kong and customers of our Group during the Track Record Period
“Track Record Period”	the period comprising the three financial years of our Group ended 31 December 2017
“Underwriter(s)”	collectively, the Public Offer Underwriter(s) and the Placing Underwriter(s)
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.” or “USA”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.K.”	the United Kingdom
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“USD” or “US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“Vibes”	Vibes Management Company Limited (華以思管理有限公司), a company incorporated in Hong Kong with limited liability on 30 May 2016 and a Pre-IPO Investor, which is wholly owned by Pioneer, one of our Substantial Shareholders and more information of which is set out in the section headed “History, development and Reorganisation” in this prospectus
“Vibes Enterprises”	Vibes Enterprises Company Limited (華以思企業有限公司), a company incorporated under the laws of BVI with limited liability on 4 July 2017, which is wholly owned by Vibes, one of our Substantial Shareholders
“Vietnam”	the Socialist Republic of Vietnam

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## DEFINITIONS

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“Vietnamese Government”	the central government of Vietnam, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“VND” or “Vietnamese Dong”	Vietnamese Dong, the lawful currency of Vietnam
“sq.ft.” or “ft <sup>2</sup> ”	square foot (feet)
“sq.m.” or “m <sup>2</sup> ”	square metre(s)
“Waitrose”	Waitrose Limited, a company incorporated in the U.K. and a customer of our Group during the Track Record Period
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“Williams Sonoma”	Williams-Sonoma-Singapore Pte. Ltd., a company incorporated in Singapore and a customer of our Group during the Track Record Period
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
“%”	per cent

*Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

\* The English names of the PRC entities mentioned in this prospectus are translation or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements including, without limitation, the words and expressions such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “potential”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. These forward-looking statements reflect the views of our management as of the date of this prospectus with respect to future events and are not a guarantee of future performance or developments. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties.

These statements relating to us that are based on the beliefs, intentions, expectations or predictions of our management for the future as well as assumptions made by and information currently available to our management as of the date of this prospectus. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects;
- our ability to implement the business plans;
- our future developments, trends and conditions in the industry;
- geographical market in which we operate;
- our strategies, plans, objectives and goals;
- changes to regulatory and operating conditions and environment in the industry and geographical market in which we operate;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- certain statements in the section headed “Financial information” of this prospectus with respect to trends in prices, volumes, operations, margins, overall market trends and risk management;
- the general economic trends and conditions; and

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## **FORWARD-LOOKING STATEMENTS**

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- other factors beyond our control.

Subject to the requirements of the applicable laws, rules (including the GEM Listing Rules) and regulations, we do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information or statements. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed under the section headed “Risk factors” in this prospectus. In this prospectus, unless otherwise stated, statements of or reference to our initiations or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments. Our Directors confirm that these forward-looking statements are made after due and careful consideration.

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## RISK FACTORS

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*You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our Shares. Our operations involve certain risks, many of which are beyond our control. You should pay particular attention to the fact that our operations are mainly conducted in the Vietnam and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, results of operations and financial condition could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

#### **Our business, financial condition and results of operations may be affected by the decrease in sales orders from major customers**

For each of the three years ended 31 December 2015, 2016 and 2017, sales to our Group's five largest customers accounted for approximately 72.7%, 68.5% and 63.3%, respectively, of our total sales. If our major customers cease to purchase or reduce substantially their order size in the future, whether due to their decisions to change supplier or any other reason, we may not be able to seek alternative customers within a short period of time, the business and financial performance of our Group will be materially adversely affected.

We cannot assure you that our major customers may continue to purchase from us at the current levels, or at all, and they may become insolvent or otherwise default on payments under such orders, fail to take delivery of our products in accordance with the purchase orders, or purchase similar products from our competitors. Any significant reduction of sales to or loss of any of our major customers could materially and adversely affect our business, financial condition and results of operations.

We generally do not have long-term purchase commitments from our export sales customers and our sales are typically made on individual purchase orders. We are not the exclusive supplier for these customers and we do not have guaranteed orders from them. There is no assurance that these customers will not purchase from other suppliers whom they perceive to offer equal or superior products or services, or whom offer lower prices than us. Therefore, there is no certainty that we will continue to generate revenue from these customers. If demand for our major customers' products deteriorates or if there are any other developments adverse to our major customers such as any significant changes in the operations or financial condition of our major customers, including consolidation or change of ownership, restructuring or liquidation, our business, operating results and financial condition may be materially and adversely affected.

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## RISK FACTORS

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**Our business is concentrated in the U.S. and the U.K. and is highly susceptible to any adverse economic or social conditions in these markets which would materially and adversely affect the demand for our products**

During the Track Record Period, an aggregate of 94.9%, 87.9% and 88.2% of our revenue was derived from our total sales to the U.S. and the U.K. markets, respectively. In particular, approximately 41.1%, 31.3% and 30.6 % of our revenue was derived from the U.K. market for each of three years ended 31 December 2017, respectively. Our Directors expect to continue to derive a significant proportion of our revenues from these markets. Our future prospects and success will depend on the continued economic and social prosperity of these regions. In particular, any material adverse change in the economic or social conditions of the U.S. and the U.K. such as (i) an unexpected downturn in the local economy; (ii) changes in government policies, laws, rules or regulations; (iii) the emergence of new entrants with stronger industry recognition and financial resources than us; or (iv) natural disasters, epidemics or other acts of god which will disrupt local manufacturing plants or transportation avenues, may materially and adversely affect the demand for our products, our expansion plans as well as our financial conditions and results of operations.

Currently, the U.S. Department of Commerce does not impose any anti-dumping duties on candle products imported from Vietnam to the U.S. However, the U.S. government imposed an anti-dumping duty of 54.21% on petroleum wax candles imported from the PRC in 1986 as a measure to maintain the competitiveness of the U.S. local candle manufacturers against those in the PRC. The anti-dumping duty was raised to 108.3% in 2004 and was further extended in 2011 to cover all shapes, sizes, styles and types of candles containing any amount of petroleum wax. We cannot assure you that the U.S. Department of Commerce will not impose similar anti-dumping duties on candle products imported from Vietnam, and that the duties will not cause any adverse impact on the demand from our customers or the price we charge for our products. If this occurs, our business, financial condition and results of operations could be materially and adversely affected.

In addition, our Group faces potential risks associated with the result of the referendum on the U.K.'s membership of the EU, which took place on 23 June 2016, and potential uncertainty following the outcome of the referendum. Brexit could affect the operational and regulatory regime to which our Group is currently subject to in the U.K.. Brexit could also have an impact on the fiscal, monetary and regulatory landscape in the U.K. and could have a material impact on its economy and the future growth of its various industries, including those in which our Group and our U.K. customers operate. Following Brexit, GBP generally had the trend of depreciation against US\$ during the Track Record Period. It could also result in prolonged uncertainty regarding aspects of the U.K. economy which may damage customers' and/or investors' confidence and/or reduce consumer spending in the U.K.. Any of these events could have an adverse effect on our Group's business, financial condition, results of operations and prospects.

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## RISK FACTORS

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**Fluctuations in prices of raw materials or unstable supply of raw materials could negatively impact our operations and may adversely affect our profitability**

During the Track Record Period, raw materials constituted a significant portion of our cost of sales, accounted for approximately 67.3%, 55.5% and 58.0% of our cost of sales respectively. Our primary raw materials include wax, fragrance, packaging materials and containers. We were and are subject to the price fluctuation in raw materials used in our manufacturing process. For details of price fluctuation of our key raw materials, please refer to the paragraph headed “Operational costs” under the section headed “Industry overview” of this prospectus.

Supplies of these raw materials may also be subject to a variety of factors that are beyond our control, including but not limited to market shortages, suppliers’ business interruptions, government control, weather conditions and overall economic conditions, all of which may have an impact on their respective market prices from time to time. In the future, there may be periods of time when there are increases in the price of our raw materials due to disruption of raw material supplies. In the event that we are unable to pass our cost increases to customers in a timely manner, it may adversely impact our profit margins. For example, where there is a potential time lag between when prices for raw materials increase under our purchase orders and when we can implement a corresponding increase in price under our sales orders with our customers. Our business prospects, financial condition and results of operations may be adversely affected by the increase and volatility of these costs. Such cost increases may also increase our working capital needs, which could reduce our liquidity and cash flow.

Further, as at the Latest Practicable Date, we did not have any hedging arrangements protecting us from price fluctuations in raw materials. If we cannot pass on the increase in our costs to our customers or absorb an increase in such costs through improving our manufacturing and operating efficiency, adjusting our pricing strategy or other measures, our business, financial condition and results of operations may be materially and adversely affected.

**We do not enter into long-term supply contracts with our suppliers and our production cost and schedule may be adversely affected if we fail to secure supply**

During the Track Record Period, our five largest suppliers accounted for approximately 57.3%, 67.8% and 55.7% of our total purchases, and purchases from our largest supplier accounted for approximately 23.8%, 27.0% and 22.4% of our total purchases.

We do not have long-term supplies commitment from our suppliers. There is no assurance that our suppliers will be able to supply the required raw materials or services to us in a timely manner or that they will not significantly increase the prices at the time of our purchase. There is also no assurance that our suppliers would be able to deliver to us the raw materials or services up to our



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## **RISK FACTORS**

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required standard. In either case, our production schedule and business could be materially and adversely affected. In addition, we may not be able to secure alternative supplies of raw materials or services of similar quality from other suppliers at prices and terms acceptable to us. In such event, our business, financial condition and operating results may be materially and adversely affected.

### **We rely on our key management personnel**

Our future success is highly dependent on the ongoing efforts of our management and key personnel, in particular our executive Directors, namely Mr. Andrew Wong and Mr. Vincent Wong, and members of our senior management, namely Mr. Choi Ka Shing and Mr. Nguyen Quy Bao. We rely on such management and key personnel for their extensive knowledge of and experience in the candle industry. We may not be able to retain the services of our management or key personnel, or attract and retain management or key personnel in the future. We may also be unable to attract or retain the specialised personnel required to achieve our business objectives, and failure to do so could adversely affect our business and prospects. In the event that any member of our management or any of our key personnel joins a competitor or forms a competing company, we may not be able to replace them easily and we may lose our technical know-how, research and development capability, customers, business partners and other key staff members.

### **If we fail to collect trade receivables that are long overdue from our customers, our cash flow position and results of our operation may be adversely affected**

For the three years ended 31 December 2017, our total trade receivables amounted to approximately HK\$19,443,000, HK\$24,825,000 and HK\$30,230,000 and a provision of impairment of trade receivables of approximately HK\$149,000 was made for the year ended 31 December 2015. Our trade receivables of approximately HK\$7,129,000, HK\$5,122,000 and HK\$6,061,000 respectively, were past due but not impaired as at 31 December 2015, 2016 and 2017, respectively. We generally offer our customers a credit term of 30 to 90 days after the date of invoice during the Track Record Period and our trade receivables turnover days are approximately 46.1 days, 51.0 days and 61.8 days for the three years ended 31 December 2017, respectively. We cannot assure that we will be able to collect all trade receivables, in particular those overdue by more than three months from our customers. Any default or delay in payment by our customers or our failure to collect trade receivables from them may cause provisions for trade receivables to be made in the future, and may adversely affect our cash flow position and results of operations.

### **We experienced net operating cash outflow for the year ended 31 December 2017 and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future**

Our sales are subject to seasonality and we generally experience lower sales during November to May. Our Group experienced operating cash outflow before movement in working capital for the year ended 31 December 2017. We recorded net cash used in operating activities of approximately

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## RISK FACTORS

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HK\$5,781,000 for the year ended 31 December 2017, which was principally attributable to (i) approximately HK\$4,344,000 operating cash outflow before movements in working capital mainly resulted from the loss before tax mainly due to accrual of the non-recurring listing expenses of approximately HK\$19,499,000; (ii) the increase in inventories of approximately HK\$14,870,000 mainly resulted from increase in finished goods for the purchase orders which had been placed and awaited to be shipped and increase in raw materials mainly resulted from the increase in inventory level of containers mainly due to, as confirmed by our Directors, planned production for the orders of scented candles. As at the Latest Practicable Date, approximately 92.5% of our inventories as at 31 December 2017 had been consumed and sold in which 100% of the finished goods had been sold; and (iii) increase in trade and other receivables of approximately HK\$3,691,000; which was partially offset by (i) increase in trade and other payables of approximately HK\$18,548,000 mainly resulted from the increase accruals for listing expenses of approximately HK\$11,591,000; and (ii) the increase in other non-current liabilities of approximately HK\$35,000. Please refer to the section headed “Financial information” in this prospectus for further details.

We cannot assure you that we will not experience net operating cash outflow in the future. For example, our inventory level may significantly increase if our customers place relatively large of orders at the time, which may lead to net operating cash outflow. If we face a net operating cash outflow in the future, (i) we may not have sufficient working capital to cover our operating costs and we may have to fund our operating costs by obtaining bank borrowings on unfavourable terms, resulting in significant finance costs; and (ii) we may not be able to meet our payment obligations, including our trade payables. Our business, financial position and results of operations will therefore be materially and adversely affected.

**Any increase in our labour costs or other factors affecting labour supply would reduce our profit margins, profitability and liquidity, as well as materially and adversely affect our financial condition and results of operations, and labour shortage could disrupt our production**

As at the Latest Practicable Date, we had over 800 production workers. For each of the years ended 31 December 2015, 2016 and 2017, our labour costs amounted to approximately HK\$15,368,000, HK\$17,543,000 and HK\$17,459,000, representing approximately 14.7%, 15.3% and 14.4% of our total costs of sales respectively. Labour costs in Vietnam have increased in recent years and have affected our Group’s cost structure.

The Vietnamese Government introduced minimum wages in mid-1990s as part of its market reforms. The country’s average monthly minimum wage has since been adjusted on an annual basis increasing from VND2.6 million (equivalent to approximately HK\$893.1) in 2015 to VND2.9 million (equivalent to approximately HK\$996.2) in 2016, then to VND3.1 million (equivalent to approximately HK\$1,064.9) in 2017 and further increased to VND3.3 million (equivalent to approximately HK\$1,133.6) in 2018. It is expected that further increments will continue to be applied

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## RISK FACTORS

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annually. As a result of such minimum wage increments, which is beyond our control, our costs of labour are likely to continue to increase in the near future which will adversely affect our business, financial condition, results of operations and growth prospect.

Further, there may be labour disputes, work stoppages or strikes in the future. Our employees in Vietnam are represented by a trade union set up in 2005. We have entered into a collective labour agreement with such trade union, which is subject to periodic renegotiation. We may not be able to successfully conclude the renegotiation of our collective labour agreements on satisfactory terms, which may result in work stoppages or labour disputes. Increases in our labour costs and future disputes with our workers may materially and adversely affect our business, financial condition, results of operations and prospects.

There is no assurance that we will be successful in retaining and recruiting suitable and qualified workers in sufficient numbers and in time for our existing and future manufacturing operations at reasonable costs or at all, and any prolonged shortage of labour could materially and adversely affect our operations and financial results. In the event that such labour costs significantly increase and our Group is unable to identify and adopt appropriate means to reduce costs or pass on such increase in costs to our customers, our margins and profitability could be materially and adversely affected. Such cost increases may also increase our working capital needs, which could reduce our liquidity and cash flow, as well as materially and adversely affect our financial condition and results of operations.

**Any failure to maintain an effective quality control system could have a material and adverse effect on our business, financial conditions and results of operations**

The quality of our products is dependent on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the system and our ability to ensure that our employees adhere to our quality control policies and guidelines. We are subject to various codes of conduct of certain of our customers relating to occupational health and safety and environmental conditions. Any failure of our quality control system could result in the production of defective or substandard products, which in turn may impair our reputation, result in delays in the delivery of our products and the need to replace defective or substandard products, which could have a material and adverse impact on our business, financial conditions and results of operations.

**Unsatisfactory performance by our subcontractor(s) or unavailability of subcontractor(s) may adversely affect our operations and profitability**

During the Track Record Period, we engaged an independent subcontractor in the PRC mainly for (i) the production of small orders of candle products at Fleming Hong Kong's quality standard mainly due to production efficiency; (ii) increase in production efficiency during our peak season; and (iii) the production of hand-made sculptures which are used for making the moulds for the production of silicon moulded decorative candles. For details, please refer to the paragraph headed "Raw materials and suppliers" in the section headed "Business" in this prospectus.

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## **RISK FACTORS**

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We monitor the work of the subcontractor but we may not be able to control the quality of work done by the subcontractor to the same extent as work done by our employees. Should our subcontractor fail to discharge their obligations, it could significantly affect our ability to deliver our products in a timely fashion, which may result in a loss of revenue and may damage our relationships with our customers. In addition, if the cost of subcontracting increases and we are unable to pass on such higher costs to our customers, our profit margins may be significantly reduced, thereby adversely affecting our financial condition and results of operations. There is no assurance that our subcontractor will comply with our requirements or the quality of their products or services will be satisfactory. Any quality problems related to our subcontractor, if undetected, may adversely affect our business and reputation.

### **Product liability claims may be brought against us and may materially and adversely harm our business, financial conditions, and results of operations**

We are exposed to risks associated with product liability claims if the use of our products results in personal damage or injury. Further information on regulatory requirements of the candle products industry is set forth under the section headed “Regulatory overview” of this prospectus. We also cannot assure you that any future changes of the rules and regulations in Vietnam, the U.S. and the U.K. in relation to candle products will not impose costly compliance requirements on us or otherwise subject us to future liabilities. We cannot assure you that product liability claims against us will not arise in the future, whether due to product quality, defects or other causes. As a result, any dispute regarding quality of our products may give rise to claims against us for losses and damages. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. If any such claims were ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results of operations. Further, if a product liability claim or series of claims is brought against us for uninsured liabilities or in excess of our insurance coverage and we are ultimately held liable for such claim or series of claims, our business, financial condition and results of operation will be materially and adversely affected.

### **Our insurance coverage may not be sufficient to cover the risks relating to our operations and potential losses**

Our operations are subject to hazards and risks that are typically associated with manufacturing operations which may cause significant injury or damage to person or property. No assurance can be given that our insurance coverage will be able to cover all types of, or be sufficient to cover the full extent of any loss, theft of or damage to property or injury to person for which we may be held liable. Power failures or disruptions, the breakdown, failure or substandard performance of equipment, the destruction of buildings and other facilities due to fire or natural disasters such as hurricanes, severe winter storms, flood, droughts or earthquakes will severely affect our ability to continue our operations and may cause significant property damage and personal injuries. Our existing insurance policies may not be sufficient to compensate us for any losses arising from damage to our buildings, equipment and infrastructure. In addition, there are certain types of losses, such as those resulting

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## RISK FACTORS

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from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters, for which we cannot obtain insurance at a reasonable cost or at all. In the event that our insurance policies do not or cannot sufficiently compensate for the losses we sustain, we would have to pay for the difference ourselves and our business, financial condition and results of operations may be materially and adversely affected.

### **We may not be successful in maintaining our growth or implementing our market expansion plan**

Our ability to sustain our profit margin in the future depends on a variety of factors, including successful implementation of our expansion plans and business strategies, market demand for our products, our ability to respond to market preference, efficient utilisation of our management and financial resources and ability to recruit and retain suitable skilled personnel. Failure to do so will affect our gross profit margin and net profit margin adversely.

Nonetheless, we may not be able to sustain such growth rate. Even if we maintain such growth rates, we may not be able to manage the growth in an efficient and effective manner. In the event we are unable to maintain or manage our business growth, or otherwise experience pricing pressure or loss of market presence, we may experience stagnant or negative growth, thereby materially and adversely impairing our business, financial condition and operating results. As many factors affecting our future growth are beyond our control, we may not be able to achieve our historical growth rate.

Our business plans set forth in the paragraph headed “Our business strategies” under the section headed “Future plans and use of proceeds” of this prospectus are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties. These assumptions may not be correct, which could affect the commercial viability of our business plans. As such, there can be no assurance that our business plans will be implemented successfully as scheduled (in terms of, for instance, time and cost) or at all. If we fail to effectively and efficiently implement our business plans, we may not be successful in achieving desirable and profitable results. Even if we effectively and efficiently implement our business plans, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results from the implementation of our business plans. Our sales may not grow at the same rate as the increase in our production capacity, which may result in excess production capacity in our production facilities. Our financial condition, operating results and growth prospects may be materially and adversely affected if our future business plans fail to achieve positive results.

### **Our financial results may be materially and adversely affected by the potential increase in depreciation expenses and other operational expenses upon the carrying out of the upgrade of our existing production facilities and equipment, acquisition of new premises and machineries**

As detailed in the section headed “Future plans and use of proceeds” in this prospectus, we plan to upgrade our existing production facilities including installation of necessary fittings and upgrade our equipment such as server, computers and other administrative equipment. In addition, we plan to

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## RISK FACTORS

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acquire new premises and machineries in connection with the production of our products, including filling lines for glass and jar with multiwick inserter, machine for multiple wick positioning and lacquer dipping machine. To carry out the measures stated above, we intend to use approximately HK\$38.0 million of the net proceeds of the Share Offer of which approximately HK\$7.0 million to upgrade our production facilities, and approximately HK\$31.0 million to acquire new premises and machinery to be used for the production of our products. Additional depreciation expenses and other operational expenses associated with the carrying out of the above measures, estimated at a total of approximately HK\$3,285,000 annually, may be incurred in our income statements following the aforesaid capital expenditures, thus our financial results may therefore be adversely affected.

**We may not be able to keep up with the trends and develop products which are acceptable by our customers**

Our sales are subject to the candle products market trends which we may or may not be able to predict accurately. Our ability to understand the overseas candle products industry and its trends and to foresee market opportunities and direct our resources effectively to product development projects, will materially impact the success of our product development initiatives.

Products or techniques are continuously evolving and changing, and we cannot assure you that our products or techniques developed will be well accepted by the market, or such products or techniques can be developed and put into market in a timely manner or at all. We may also incur additional cost of development of products and techniques, such as expanding our product design team and product development team in order to meet the changing preference of the customers. In the event that we are unable to develop new products and techniques that meet the needs of our customers or that our competitors have developed new products and techniques which are well-received by the market, our business, financial condition and results of operations may be materially and adversely affected.

**Any unexpected disruption at our production facilities could have a material and adverse effect on our business, financial condition and results of operations**

Each of our production lines currently requires a complete overhaul once a year. We cannot assure you that there will be no sudden malfunction or stoppage of our production facilities during our daily operations and if any breakdown or malfunctions of machinery happened, our business, financial condition and results of operations could be adversely impacted.

Our production requires significant and constant supply of water and electricity which are currently provided by the local utilities company and bureau in Vietnam. Our reliance on such supply will further increase as we expand our production capacity. If at any time we do not have adequate electricity or water to sustain normal production due to blackouts, shortage of electricity or water, we may need to limit, delay or halt production, and any disruption to such supply may adversely affect our production flow, prevent us from meeting customer orders and/or increase our costs of production, which could adversely affect our business and financial performance.



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## **RISK FACTORS**

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### **We are exposed to foreign exchange risks**

During the Track Record Period, as our revenue are primarily denominated in US\$ and approximately 37.6%, 39.6% and 39.2% of our raw materials purchased was denominated in VND and our direct labour cost and product overhead were generally denominated in VND, we are exposed to exchange rate risk arising from US\$ and VND. We recognised an exchange gain of approximately HK\$533,000 for the year ended 31 December 2015, an exchange loss of approximately HK\$142,000 for the year ended 31 December 2016, and an exchange gain of approximately HK\$11,000 for the year ended 31 December 2017. In addition, we are exposed to the risks associated with the currency conversion and exchange rate system in Vietnam. Our profit margins will be negatively affected to the extent that we are unable to increase the US\$ selling prices of the products we sell to our overseas customers to account for any appreciation of other currencies against the US\$. Further, any future significant fluctuations in exchange rates will result in increases or decreases in our reported costs and earnings, and also adversely affect our business, financial condition, results of operations and prospects. If there is any material fluctuation in the exchange rates of one currency that we use to settle our payables against the other currency we received from our customers, and if we are unable to pass on the exchange risk to our customers, our results of operations and financial condition may be adversely affected.

Our purchases and expenses in relation to production have been and are expected to continue to be primarily denominated in VND and we are exposed to the risks associated with the fluctuation in the currency exchange rate of VND. Should VND appreciate against other currencies, the value of the proceeds from the Share Offer and any future financings, which are to be converted from HK\$ or other currencies into VND, would be reduced and might accordingly hinder the business development of our Group due to the lessened amount of funds raised. On the other hand, in the event of the devaluation of VND, the dividend payments of our Company, which are to be paid in HK\$ after the conversion of the distributable profit denominated in VND, would be reduced. Hence, substantial fluctuation in the currency exchange rate of VND may have a material adverse effect on the business, operations and financial position of our Group and the value of your investment in the Shares.

As at the Latest Practicable Date, we did not have any hedging arrangements protecting us from fluctuations in foreign exchange. If we cannot pass on the increase in our costs to our customers or absorb an increase in such costs through improving our manufacturing and operating efficiency, adjusting our pricing strategy or other measures, our business, financial condition and results of operations may be materially and adversely affected.

### **We rely on independent logistic companies and delivery agents**

We do not have our own transportation team. During the Track Record Period and up to the Latest Practicable Date, we relied on independent logistic companies and delivery agents for transportation or delivery of our products to locations designated by our customers. Should the logistic companies and delivery agents fail to discharge their delivery obligations, we may not be able to find other suitable companies or agents as replacements on a timely basis, and our business, financial performance and operations may thereby be adversely and materially affected.

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## RISK FACTORS

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The logistics service providers are responsible for any loss or damage to our products during delivery and are responsible for the insurance coverage in respect of our products delivered by them. There is no assurance that the logistics service providers have sufficient insurance coverage for our products delivered by them, if at all. As such, our customers may have liability claims against us if there is loss or damage to our products during delivery and the logistics service providers do not have any or sufficient insurance coverage. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. If any such claims are ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results operations.

**If we fail to properly protect the product designs and intellectual property rights of our customers, our reputation, business operations and results of operations may be adversely affected**

The specification provided by our customers may contain confidential information regarding proprietary product designs of our customers. We have policies and procedures to protect the intellectual properties of our Group and our customers.

Nevertheless, there is no assurance that the above-mentioned internal control procedures in relation to the protection of the product designs and the intellectual property rights of our customers will not fail. If we fail to properly protect the product designs and intellectual property rights of our customers, our reputation, business operations and results of operations may be adversely and materially affected.

**Our results of operations are subject to the seasonality of our customers' business, and comparison of our operating results between quarterly and interim results may not be meaningful**

Our sales are subject to seasonality. Based on our sales trends during the Track Record Period, we generally experience lower sales during November to May and higher sales in June to October, mainly due to festive season of Christmas which has an impact on the demand for consumables. As such, any comparison of our operating results between the quarterly and interim results may not be meaningful. Our Directors expect that the results of our operations will likely continue to be subject to seasonality in the future.

**We are exposed to environmental liabilities and may have to incur significant capital expenditure if additional or stricter laws and regulations are passed in relation to environmental protection**

We are subject to a variety of laws and regulations in Vietnam relating to the handling of wastewater and hazardous waste in our manufacturing processes. Compliance with existing and future environmental, health and safety laws could subject us to costs or liabilities, including fines,



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## RISK FACTORS

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impact our production capabilities; result in suspension of our business operations, expand or acquire facilities; and generally impact our financial performance. We currently do not carry any insurance relating to environmental protection for our annual cost for compliance with applicable environmental rules and regulations during the Track Record Period. If we are held liable for damages in the event of any violation of applicable environmental, health and safety laws, we may also be subject to adverse publicity and our financial condition and results of operations could be materially and adversely affected.

Under the relevant Vietnam environmental laws and regulations, the construction, expansion and operation of our production facilities are subject to certain environmental permits and other relevant Vietnam government environmental approvals. The failure to obtain or renew such permits or approvals in the future may subject us to warning, fines and penalties imposed by the relevant Vietnamese Government authorities and we may be required to suspend the use of production facilities or vacate the premises. In addition, as our production processes generate normal and hazardous waste, waste water and air pollutants, we are also required to comply with applicable national and local environmental regulations. We are also subject to environmental assessment and inspection by the environmental protection authorities from time to time. If we fail to comply with future applicable environmental regulations, we may be warned or required to pay substantial fines, suspend production or cease operations. Any failure by us to control the use or to restrict adequately the discharge of hazardous substances could subject us to potentially significant monetary damages and fines or suspensions in our business operations, which would have a material adverse effect on our business and results of operations.

In addition, we cannot assure you that future changes in Vietnam environmental protection laws and regulations will not impose costly compliance requirements on us or otherwise subject us to future liabilities. Any such regulation applicable to the manufacture of our products may require us to incur significant capital expenditure and increase our operating costs.

### **Our available-for-sale investments in unlisted bonds may materially and adversely affect our financial condition and results of operations**

During the Track Record Period, we invested in certain unlisted debt securities, amounting to approximately HK\$1,559,000, HK\$1,421,000 and HK\$1,918,000 as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively. For details of the unlisted debt securities, please refer to the section headed “Financial information — Available-for-sale investment”. According to the accounting policies applicable to our Group, unlisted debt securities are carried at fair value with changes in fair value recognised in other comprehensive income. The fair value is based on the reference prices of respective unlisted bonds provided by financial institution which is determined by using discounted cash flow with discount rate reflecting the credit risk of the issuers. The evaluation of the discount rate is a matter of judgment. Such treatment of gain or loss may cause significant volatility in or materially and adversely affect our financial performance.

### **Our transfer pricing procedures may be challenged, which may be subject to higher taxes**

We have adopted transfer pricing arrangement between Fleming Vietnam and Fleming Hong Kong. If the tax authorities in either Vietnam or Hong Kong believe that the transfer pricing were

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## RISK FACTORS

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manipulated by our affiliated corporation in a way that distorts the true taxable income of the corporations, the laws of such countries could require us to redetermine transfer prices and thereby reallocate the income of our affiliate corporations so as to reflect such income. Any reallocation of income from one of our corporations in a lower tax jurisdiction to an affiliated corporation in a higher tax jurisdiction would result in a higher overall tax liability to us.

**We may not be able to prevent others from unauthorised use of our intellectual property, which could harm our business and competitive position**

It is possible that any intellectual property rights held by us may be invalidated, circumvented, or challenged. There can be no assurance that such intellectual property rights will provide us with competitive advantages or adequately safeguard our proprietary rights.

It is often difficult to protect and enforce intellectual property rights in Vietnam. Even where adequate laws exist, it may not be possible to obtain swift and equitable enforcement of such laws, or to obtain enforcement of a judgment or an arbitration award by a court of another jurisdiction, and accordingly, we may not be able to effectively protect our intellectual property rights in Vietnam. Policing any unauthorised use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property.

### RISKS RELATED TO THE INDUSTRY

**We operate in a highly competitive environment and we may not be able to sustain our current market position**

Due to the evolving markets in which we compete, additional competitors with significant market presence and financial resources may enter those markets, and thereby intensify the competition. These competitors may be able to reduce our market share by adopting more aggressive pricing policies or by developing technology and services that gain wider market acceptance than our products. Existing and potential competitors may also develop relationships with our customers in a manner that could significantly harm our ability to sell and market our products to them.

The market for our candle products is competitive. We face competition in the market from both international and domestic manufacturers. Our ability to compete successfully in the candle products industry depends on various factors, including our ability to anticipate market trends, adopt new or innovate technologies, effective cost control, consistency in product quality, timely delivery of products to meet customers' schedules, customer services and technical expertise, and factors that are outside of our control, such as industry and general economic conditions. We cannot assure you that we will remain competitive or that our strategies will continue to be successful in the future. Intensified competition may result in loss of our market share, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

We also face competition from overseas manufacturers. If our key overseas customers start to rely or increase their reliance on overseas manufacturers to meet their requirements, we may not be able to increase our market share or find a market for our candle products, and our business, prospects, financial condition and results of operations may be adversely affected.

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## **RISK FACTORS**

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### **The current global market fluctuations and economic downturn could materially and adversely affect our business, financial condition and operations**

The global capital and credit markets have been experiencing volatility and disruption in the recent years. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit and the financial viability of the European banking and financial system have contributed to unprecedented levels of market volatility. These factors, combined with declining business activities and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible prolonged global recession. As a result, consumer demand for our candle products may significantly decrease, thereby materially and adversely affecting our business, financial condition and results of operations. If the economic downturn continues, our business operation and financial position may be adversely affected.

### **Epidemics, acts of war and other disasters may adversely affect our operations**

Our business is subject to general economic and social conditions in the countries where we operate and our major customers located such as the U.S. and the U.K.. Natural disasters, epidemics and other acts of God which are beyond human control may adversely affect the economy, infrastructure and livelihood of the people of Vietnam and the countries where our end customers located.

Our business, results of operations and financial condition may be adversely affected if such natural disasters occur. We may be required to disinfect our affected operational premises, which could adversely affect our operations. Even if we are not directly affected by the epidemic, it could slow down or disrupt the level of economic activity generally, which could in turn adversely affect our operating results.

In addition, acts of war and terrorist attacks may cause damage or disruption to our operations, employees, markets or clients, any of which could adversely impact our turnover, cost of sales, overall results and financial condition or the market price of the Shares. Potential war or terrorist attacks may also cause uncertainty and cause the business to suffer in ways that we cannot currently predict.

## **RISKS RELATED TO CONDUCTING BUSINESS IN VIETNAM**

### **Geopolitical risks, including risks arising from recent events in Vietnam, may have an adverse impact on our business, financial condition and results of operations**

We have operations in Vietnam whose economy and legal system remain susceptible to risks associated with an emerging economy and is subject to higher geopolitical risks than developed countries. Examples include the social unrests in Vietnam in 2014 targeting Chinese-related businesses, and territorial and other disputes among neighbouring countries in Asia. Social and political unrests could give rise to various risks, such as loss of employment and safety and security risks to persons and properties. Any such event may in turn have an adverse impact on our businesses, financial condition and results of operations.

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## RISK FACTORS

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### **Changes in the economic, political and legal environment of Vietnam, and Vietnam's less developed legal system, may adversely affect our business, financial condition and results of operations**

We started our operations in Vietnam more than a decade ago. Our business operations are subject to the economic, political and legal environment in Vietnam. Vietnam's economy differs from the economies of many countries in such respects as government involvement, level of development, growth rate, allocation of resources and inflation rate. Prior to the 1990s, Vietnam's economy was largely a planned economy. Since about 1987, increasing emphasis has been placed on the utilisation of market forces in the development of the economy. In connection with the development of the economy, the Vietnamese Government has adopted a 10-year socio-economic development strategy for 2010 to 2020 and a five year state plan for the period from 2011 to 2015. Although state owned enterprises still account for a substantial portion of Vietnam's industrial output, the Vietnamese Government in general is reducing the level of direct control that it exercises over the economy through state plans and other measures. It is our understanding that there is an increasing level of freedom and autonomy in areas such as resource allocation, production and management and a gradual shift in emphasis to a market economy and enterprise reform.

The legal system of Vietnam also differs from most common law jurisdictions, in that it is a system in which decided legal cases have little precedential value. The laws and regulations are subject to broad and varying interpretations by government officials and courts. For vague regulations, the courts of Vietnam have the power to read implied terms into contracts, adding a further layer of uncertainty. As a result, government officials and courts often express different views from lawyers' on the legality, validity and effect of a particular legal document. In addition, the views of governmental authority received on a particular issue have no binding effect or finality, so there is no guarantee that similar issues will be dealt with in a similar way by other governmental authorities. Furthermore, recognition and enforcement of legal rights through Vietnam courts, arbitration centres and administrative agencies in the event of a dispute is uncertain.

As part of its transition from a planned economy to a more market-oriented one, the Vietnamese Government has implemented a series of economic reforms, including lowering trade barriers and import quotas to encourage and promote foreign investment. In preparation for Vietnam's accession to the World Trade Organization in 2007, the Vietnamese Government has also promulgated a series of laws and regulations on local and foreign investment, including the Law on Investment, which regulates investments in Vietnam, and the Law on Enterprises, which sets out the types of corporate vehicle investors may establish to carry out their investment projects. However, conflicting interpretations between local regulators in different provinces and between different ministries, have created confusion over key issues. The Vietnam National Assembly issued new investment and enterprise laws in November 2014, which came into force on 1 July 2015, to improve the country's investment climate. In addition, in the context of pursuing and maintaining economic reforms, the Vietnamese Government has promulgated other laws and regulations in recent years designed to attract foreign investment and business development in Vietnam, which may intensify the competition in our industry.

Although the Vietnamese Government has made progress in economic reform and the development of laws and regulations, there remain inherent uncertainties and inconsistencies in the interpretation, implementation and enforcement of laws and government policies, including tax

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## RISK FACTORS

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regulations. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition, depending upon the outcome of these experiments. Furthermore, there can be no assurance that the Vietnamese Government will continue to pursue policies of economic reform or that any reforms will be successful or the impetus to reform will continue. If any of the changes adversely affect us or our business, or we are unable to capitalise on the economic reform measures of the Vietnamese Government, our business, financial condition and results of operations could be adversely affected.

**The economy in Vietnam may be subject to periods of high inflation which could materially and adversely affect our business, financial operation and results of operations and growth prospects**

Government anti-inflation policies and a decline in global commodity and petroleum prices have led to a decrease in Vietnam's inflation rate. While these inflation rates are lower than rates of earlier years, there can be no assurance that the Vietnamese economy will not be subject to future periods of high inflation. Should inflation in Vietnam increase significantly, our costs, including labour costs and transportation are expected to increase. Furthermore, high inflation rates could have an adverse effect on Vietnam's economic growth and business climate. As a result, a high inflation rate in Vietnam could materially and adversely affect our business, financial condition and results of operations and growth prospects.

**The VND may be subject to foreign exchange controls imposed by the Vietnamese Government**

In Vietnam, the VND is not generally freely convertible into other currencies. Under certain conditions, such as fulfilment of Vietnam's financial obligations, the Vietnamese Government allows foreign invested enterprises to convert VND into other currencies for repatriation of profits from their Vietnam operations abroad. However, there is no assurance that such rules and regulations will not be subject to change in the future and any tightening of foreign control laws in Vietnam may impair our ability to repatriate profits from our Vietnamese operations to our Company. If any of the above occurs, our business, results of operations and financial conditions may be materially and adversely affected.

**We require various approvals, licences and permits to operate our business and any failure to obtain or renew any of these approvals, licences and permits could materially and adversely affect our business and results of operations**

In accordance with the laws and regulations of Vietnam, we are required to maintain various approvals, licences and permits in order to operate our manufacturing business in Vietnam. We are required to obtain certificates of incorporation (enterprise registration certificate and investment registration certificate), and land and building titles and licences in relation environmental issues. Most of these licences are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

Compliance with the relevant laws and regulations may require substantial expense, and any non-compliance may expose us to liabilities. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time to remedy any deficiencies. We may also experience adverse publicity arising from such non-compliance with any laws and regulations that negatively impacts our brand.

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## RISK FACTORS

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We may experience difficulties or failures in obtaining the necessary approvals, licences and permits for new production facility. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licences and permits required for our existing business operations upon expiration in a timely manner or at all. If we cannot obtain or maintain all licences required by us to operate our business, planned new business operations and expansion may be delayed and our ongoing business could be interrupted. We may also be subject to fines and penalties.

### **Foreign investors may find it difficult to enforce foreign judgements obtained against our operations or our Directors or members of our senior management in Vietnam**

Our principal operating subsidiary is incorporated under the laws of Vietnam. A substantial portion of our assets are situated in Vietnam. In Vietnam, pursuant to the Civil Proceedings Code, Vietnamese courts will consider the recognition of civil judgements issued by the courts of a country, subject to certain restrictions, with which it has signed a relevant bilateral treaty with or on the basis of reciprocity. Countries with which such bilateral treaties have been entered into include Algeria, Belarus, Bulgaria, China, Cuba, Czechoslovakia, France, Hungary, Kazakhstan, Laos, Mongolia, North Korea, Poland, Russia, Taiwan and Ukraine. Should the foreign judgement be with a country that has not entered into such agreements or reciprocity, enforcement will only be possible via a Vietnamese judgement. As a result of the restrictions and limitations on the enforceability of foreign judgements, it could be difficult to enforce a foreign judgement against our principal subsidiary incorporated in Vietnam.

### **Our principal subsidiary is incorporated in Vietnam and our main assets are located in Vietnam, we, as shareholders of the subsidiary may not be accorded the same rights and protection under the Vietnamese company law that would be accorded under the Cayman Islands company law**

Our principal operating subsidiary is incorporated under the laws of Vietnam and our main assets are located in Vietnam. Although there may be certain similarities between the company law principles in the Cayman Islands with that of Vietnam in the sense that shareholder protection is an understood and recognised concept, the degree and extent of shareholder protection relating to the interests of minority Shareholders, rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors in Vietnam may be different from that under the laws of the Cayman Islands. Such differences also mean that legal remedies available to our Shareholders, particularly minority Shareholders, in Vietnam may also differ from that of the Cayman Islands. Please refer to Appendix IV to this prospectus for details.

## **RISK RELATING TO THE SHARE OFFER AND THE SHARES**

### **Sale or perceived sale of substantial amounts of the Shares in the public market after the Share Offer could adversely affect the prevailing market price of the Shares**

The Shares beneficially owned by the Controlling Shareholders are subject to certain lock-up periods under the GEM Listing Rules and further undertakings in favour of us. There is no assurance that the Controlling Shareholders, whose interests may be different from those of other Shareholders, will not dispose of their Shares following the expiration of the lock-up periods. Sale of substantial



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## RISK FACTORS

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amounts of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of our Shares. In addition, as the waiver of our Controlling Shareholders' undertakings is not solely subject to the approval of our independent non-executive Directors or independent shareholders, our Controlling Shareholder will have substantial influence with respect to any shareholder action or approval requiring a majority vote. Our Controlling Shareholders may take actions with which you may not agree or which are not in our Group or our public Shareholders' best interests.

Upon completion of the Share Offer and the Capitalisation Issue, our Controlling Shareholders will own 58.5% of our Shares in issue. Our Controlling Shareholders will therefore have significant influence over the operations and business strategy of our Group, and may have the ability to require our Group to affect corporate actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, our Company or those other Shareholders may be adversely affected as a result.

**There may be limited liquidity in our Shares and volatility in the price of our Shares on GEM and could result in substantial loss for investors purchasing our Shares in the Share Offer**

Our Shares have not been traded in an open market before completion of the Share Offer. The Offer Price may not serve as an indicator of the price of our Shares traded on GEM in the future.

The Offer Price is the result of negotiations between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and may be different from the market prices for our Shares after the Listing. There is no assurance that an active and liquid public trading market of our Shares will develop upon the Listing or if it does develop, that it may be sustained for any period of time after the Listing. The market price and trading volume of our Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond our control:

- variation in our results of operation;
- technology advancements;
- changes in securities analysts' analysis of our financial performance;
- our announcement of significant acquisitions, dispositions, strategic alliances or joint ventures;
- addition or departure of our key personnel;
- fluctuations in market prices and trading volume of our Shares;
- our involvement in litigation;

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## RISK FACTORS

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- development of GEM; and
- general economic and stock market conditions in Hong Kong.

All such factors may result in significant fluctuations in the market price and/or transaction volume of our Shares. There is no assurance that such changes will not occur.

### **Issue of new Shares under the Share Option Scheme or any future equity fund raising exercise will have a dilution effect and may affect our profitability**

We have conditionally adopted the Share Option Scheme but no option has been or will be granted thereunder prior to the Listing Date. Any exercise of the options to be granted under the Share Option Scheme in the future will result in a dilution in the shareholding of our Shareholders in our Company and may result in a dilution in the earnings per Share and net asset value per Share.

The fair value of the share options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based expense, which may adversely affect our Group's results of operations.

### **We may require additional funding for future growth**

We may be presented with opportunities to expand our business through acquisitions in the future. Under such circumstances, secondary issue(s) of securities after the Listing may be necessary to raise the required capital to capture these growth opportunities. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after the Listing, such new Shares may be priced at a discount to the then prevailing market price. Inevitably, existing Shareholders if not being offered with an opportunity to participate, their shareholding interest in our Company will be diluted. Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

## **RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES**

### **Certain statistics and facts in this prospectus are derived from various official government sources and publications or other sources and have not been independently verified**

This prospectus includes certain statistics and facts that are extracted from official government sources and publications or other sources. We believe that such statistics and facts are prepared by the relevant sources after having taken reasonable care. Whilst our Company believes that it is prudent for us to rely on such statistics and facts, there is no assurance that such statistics and facts are free from error or mistake. The statistics and facts from these sources have not been independently verified by our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the



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## RISK FACTORS

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Joint Lead Managers, the Underwriters, or any of their respective directors, affiliates or advisers or any other party involved in the Placing and no representation is given as to their accuracy and completeness. Due to possible flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such statistics or facts.

### **Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “expect”, “estimate”, “intend”, “may”, “plan”, “seek”, “should”, “will”, “would” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-Looking Statements” in this prospectus for further details.

### **We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us, our industry or the Share Offer**

There may be press articles, media coverage and/or research analyst reports regarding us, our industry or the Share Offer which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press, media or research analyst reports. We do not accept any responsibility for any such press articles, media coverage or research analyst reports or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

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# **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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## **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this prospectus misleading and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Copies of this prospectus are available, for information purposes only, at the respective offices of the Joint Bookrunners and the Public Offer Underwriters during normal office hours from 9:00 a.m. to 5:00 p.m. from Friday, 29 June 2018 to Friday, 6 July 2018 (both days inclusive).

## **INFORMATION ON THE SHARE OFFER**

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. So far as the Share Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Share Offer.

## **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sole Sponsor. The Offer Shares will be fully underwritten by the Underwriters pursuant to the Underwriting Agreements subject to the Offer Price being fixed by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date which is expected to be on or before Monday, 9 July 2018, or such later date as may be agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). For further information about the Underwriting Arrangements, please refer to the section headed "Underwriting" in this prospectus.

## **RESTRICTIONS ON SUBSCRIPTION OF OFFER SHARES**

Each person acquiring the Offer Shares will be required to, or be deemed by his, her or its acquisition of the Offer Shares to, confirm that he, she or it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus and the Application Forms. This prospectus is not an offer or invitation in any jurisdiction in which it is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdiction.

It is expected that, pursuant to the Share Offer, the Underwriters will conditionally offer the Offer Shares on behalf of our Company with investors.

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Further details of the structure and conditions of the Share Offer are set out under the section headed “Structure and conditions of the Share Offer” in this prospectus.

### **PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES**

The procedure for applying for the Public Offer Shares is set out in the section headed “How to apply for Public Offer Shares” in this prospectus and on the Application Forms.

### **APPLICATION FOR LISTING OF THE SHARES ON GEM**

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25.0% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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No part of the Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Offer Shares, they should consult an expert. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to the Offer Shares.

### **REGISTER OF MEMBERS AND STAMP DUTY**

The principal register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited, and the branch register of members of our Company will be maintained in Hong Kong by Union Registrars Limited.

The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

All the Offer Shares will be registered on the branch register of members of our Company in Hong Kong. Dealings in the Shares registered on the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Thursday, 19 July 2018. Shares will be traded in board lots of 10,000 Shares each. The stock code for the Shares is 8512. Our Company will not issue any temporary documents of title. Dealings in the Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be available on the GEM's teletext page information system. Delivery and payment for Shares dealt on GEM will be effected on the second business day following the transaction date. Only certificates for Shares registered on the branch register of members of our Company in Hong Kong will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

### **LANGUAGE**

If there is any inconsistency between the English version and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

### **ROUNDING**

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

### **EXCHANGE RATE CONVERSION**

Unless otherwise specified, amounts denominated in Vietnamese Dong, Renminbi and U.S. dollars have been translated, for illustration purposes only, into Hong Kong dollar in this prospectus at the following rates:

- HK\$1.00 = VND2,911.10;
- RMB1.00 = HK\$1.19; and
- US\$1.00 = HK\$7.81.

No representation is made that any amount in Vietnamese Dong, Renminbi, U.S. dollars or Hong Kong dollars can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential Address	Nationality
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#### *Executive Directors*

WONG Wai Chit (黃偉捷) (Chairman)	Flat G, 30/F, Tower 18 Mei Hay Court (South Horizons) 18 South Horizon Drive Hong Kong	Chinese
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WONG Man Chit (黃聞捷) (Chief executive officer)	2/F, 51 Stanley Village Road Stanley Hong Kong	Chinese
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#### *Non-executive Director*

WONG Fong (王芳)	Flat A, 21/F, Tower 2 The Austin 8 Wui Cheung Road Kowloon Hong Kong	Chinese
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#### *Independent non-executive Directors*

CHAN Cheong Tat (陳昌達)	Flat A, 7/F Block 3, City Garden North Point Hong Kong	Chinese
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HO Chi Wai (何志威)	Flat D, 2/F Block 12, Grand Del Sol 100 Fung Cheung Road Yuen Long, New Territories Hong Kong	Chinese
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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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YU Pui Hang (余沛恒)	Room B, 15/F Skyview Cliff 49 Conduit Road Mid-levels Hong Kong	Chinese
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For further information regarding our Directors, please see the section headed “Directors, senior management and staff” of this prospectus.

### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

#### **TC Capital International Limited**

Suites 1903-1904, 19th Floor  
Tower 6, The Gateway  
Harbour City  
9 Canton Road  
Kowloon, Hong Kong  
*(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*

#### Joint Bookrunners

#### **I Win Securities Limited**

Room 1916, Hong Kong Plaza  
188 Connaught Road West  
Sai Wan, Hong Kong  
*(A licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO)*

#### **Great Wall Securities Limited**

17/F, No. 148 Electric Road  
North Point, Hong Kong  
*(A licensed corporation for carrying on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO)*

#### Joint Lead Managers

#### **I Win Securities Limited**

Room 1916, Hong Kong Plaza  
188 Connaught Road West  
Sai Wan, Hong Kong  
*(A licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO)*

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### **TC Capital International Limited**

Suites 1903-1904, 19th Floor  
Tower 6, The Gateway  
Harbour City  
9 Canton Road  
Kowloon, Hong Kong  
*(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*

### **AMC Wanhai Securities Limited**

Room 1604-1605, 16/F  
West Tower, Shun Tak Centre  
168-200 Connaught Road  
Sheung Wan, Hong Kong  
*(A licensed corporation for carrying on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)*

### **China Yinsheng International Securities Limited**

6/F, 9 Des Voeux Road West  
Sheung Wan, Hong Kong  
*(A licensed corporation for carrying on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO)*

### **Legal advisers to our Company**

*as to Hong Kong law:*

#### **Fairbairn Catley Low & Kong**

23/F Shui On Centre  
6-8 Harbour Road  
Hong Kong

#### **Tung, Ng, Tse & Heung**

26/F., The C.M.A. Building  
64 Connaught Road Central  
Hong Kong



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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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*as to Vietnam law:*

**Phuoc & Partners Law Co., Ltd.**

68/1 Quoc Huong Street  
Thao Dien Ward, District 2  
Ho Chi Minh City  
Vietnam

*as to Cayman Islands law:*

**Appleby**

2206-19 Jardine House  
1 Connaught Place  
Central, Hong Kong

**Legal advisers to the Sole Sponsor and  
the Underwriters**

*as to Hong Kong law:*

**Vivien Teu & Co LLP**

**in association with Llinks Law Offices**

27/F Henley Building  
5 Queen's Road Central  
Central, Hong Kong

**Auditor and reporting accountants**

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

35/F One Pacific Place  
88 Queensway  
Hong Kong

**Industry consultant**

**Frost & Sullivan International Limited**

1706, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Property valuer**

**Jones Lang LaSalle Corporate Appraisal and  
Advisory Limited**

6/F Three Pacific Place  
1 Queen's Road East  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Compliance adviser**

**TC Capital International Limited**

Suites 1903-1904, 19th Floor

Tower 6, the Gateway

Harbour City

9 Canton Road

Kowloon, Hong Kong

*(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*

**Receiving bank**

**Industrial and Commercial Bank of China (Asia) Limited**

33/F, ICBC Tower

3 Garden Road

Central

Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	PO Box 1350 Clifton House, 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters and principal place of business in Hong Kong</b>	Unit Nos.4–8, 2/F Aberdeen Marina Tower 8 Shum Wan Road Aberdeen Hong Kong
<b>Company's website address</b>	<a href="http://www.fleming-int.com/">http://www.fleming-int.com/</a> <i>(information of this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. Lee Ka Wai (李嘉威) <i>Certified Public Accountant</i> Flat B, 3/F Block 3, Cronin Garden Sham Shui Po Kowloon Hong Kong
<b>Authorised representatives</b>	Mr. Wong Wai Chit (黃偉捷) Flat G, 30/F, Tower 18 Mei Hay Court (South Horizons) 18 South Horizon Drive Hong Kong  Mr. Lee Ka Wai (李嘉威) Flat B, 3/F Block 3, Cronin Garden Sham Shui Po Kowloon Hong Kong

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## CORPORATE INFORMATION

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<b>Compliance officer</b>	Mr. Wong Wai Chit (黃偉捷)
<b>Audit committee</b>	Mr. Chan Cheong Tat ( <i>Chairman</i> ) Mr. Yu Pui Hang Mr. Ho Chi Wai
<b>Remuneration committee</b>	Mr. Yu Pui Hang ( <i>Chairman</i> ) Mr. Chan Cheong Tat Mr. Ho Chi Wai
<b>Nomination committee</b>	Mr. Ho Chi Wai ( <i>Chairman</i> ) Mr. Chan Cheong Tat Mr. Yu Pui Hang
<b>Principal share registrar and transfer office</b>	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Union Registrars Limited Suites 3301-04, 33/F. Two Chinachem Exchange Square 338 King's Road, North Point Hong Kong

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## CORPORATE INFORMATION

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**Principal banker**

Shanghai Commercial Bank Limited  
Shanghai Commercial Bank Tower  
12 Queen's Road Central  
Hong Kong

OCBC Wing Hang Bank Limited  
161 Queen's Road Central  
Hong Kong

Shinhan Bank Vietnam  
Floor 9, Sonadezi Tower  
No.1, 1 Street, Bion Hoa IZ1  
Bien Hoa, Dong Nai  
Vietnam

Public Bank Vietnam  
(formerly known as VID Public Bank)  
251 Pham Van Thuan Street  
Tan Mai Ward, Bien Hoa City, Dong Nai  
Vietnam

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## INDUSTRY OVERVIEW

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*The information presented in this section has been prepared by Frost & Sullivan and reflects the estimates of market conditions based on publicly available sources and government publication, and is prepared primarily as a market tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading.*

### SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to provide industry information on the global candle manufacturing and distribution industry for the period from 2012 to 2021. The Frost & Sullivan Report has been prepared by Frost & Sullivan independent of our Company's influence. The fees payable to Frost & Sullivan for preparing the Frost & Sullivan Report is HK\$490,000. Founded in 1961, Frost & Sullivan has 45 global offices with more than 1,800 growth consultants, analysts and visionaries. It offers industry research and market strategies and provides growth consulting for several industries, including the candle industry.

Frost & Sullivan adopts a comprehensive data collection model, which includes conducting primary research with the industry stakeholders and participants, secondary research on the government statistics, industry reports and annual reports of listed companies, and data validation processes with industry experts. Projected data was obtained from historical data analysis plotted against macro-economic data as well as specific industry-related drivers and integration of expert opinions. Frost & Sullivan has developed its forecast on the following assumptions: (a) the social, economic and political environments will remain stable during the forecast period, (b) the development of the candle manufacturing and products industry will remain stable and healthy, (c) key industry drivers continue to affect the market over the forecast period. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in market information since the data of the Frost & Sullivan Report which may qualify, contradict, or have a material impact on the information in this section.

### OVERVIEW OF THE CANDLE MANUFACTURING MARKET

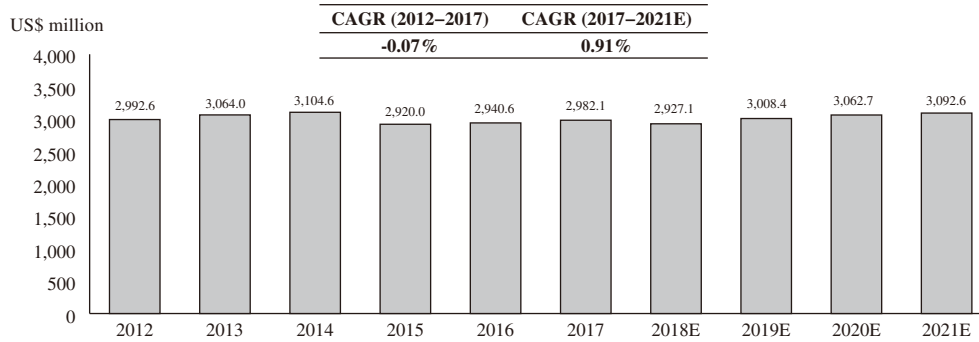
#### **Global candle manufacturing industry**

Candle is an ignitable wick embedded in wax or another flammable solid substance such as tallow or gel that provides light, and in some cases, a fragrance or decorative effect. Its usage for daily life is no longer only for illumination, but widely applied in home care including air freshening or aromatherapy and act as decor products. The major consumers of candle products are developed countries. Due to the discrepancy of supply and demand, candle products, especially low-end candles,

## INDUSTRY OVERVIEW

are usually exported from manufacturers in low labour cost countries to developed countries. The U.S. and some developed countries also engage in making and exporting high value-added candles such as decorative candles and scented candles.

### Export value of global candle industry from 2012 to 2021E

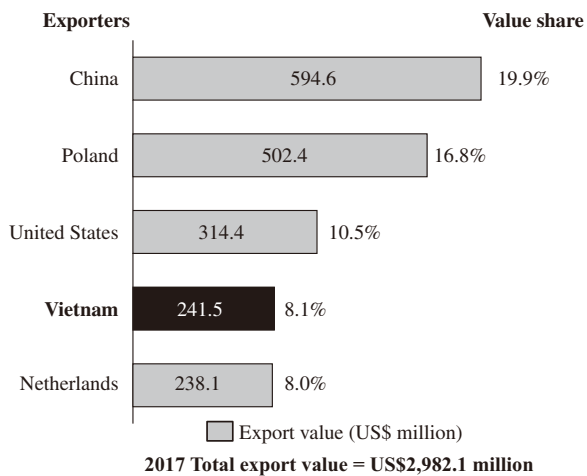


Source: Trade Map, Frost & Sullivan Analysis

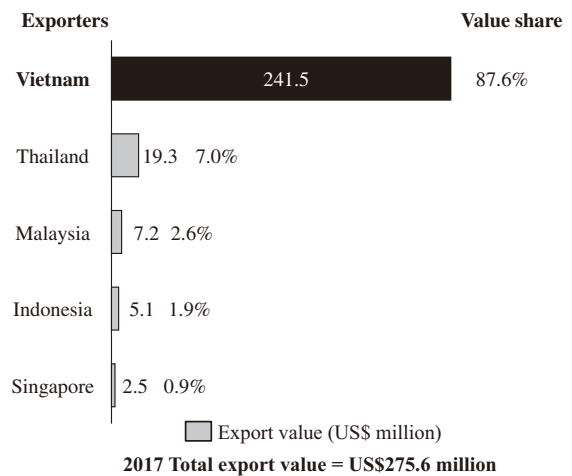
From 2012 to 2017, the global export value of candle industry has slightly decreased from US\$2,992.6 million to US\$2,982.1 million at a CAGR of -0.07%. Based on the expectation of consumption increase and economic recovery in western countries, the global export value of candle industry is expected to reach US\$3,092.6 million in 2021, at a CAGR of 0.91% from 2017 to 2021.

The following diagrams show the distribution of candle products exporting countries around the world and within Southeast Asia by export value in 2017:

#### Top 5 candle products exporting countries by export value in 2017



#### Top 5 candle products exporting countries in Southeast Asia by export value in 2017



Source: Trade Map

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## INDUSTRY OVERVIEW

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With an export value of US\$241.5 million representing approximately 8.1% of the value share, Vietnam was the fourth largest candle exporting country in the world and the largest candle exporting country within Southeast Asia in terms of export value in 2017, taking up 87.6% of the total market share.

In August 1986, the United States International Trade Commission (the “**Commission**”) determined that an industry in the United States was materially injured by reason of imports of candles from the PRC that were sold at less than fair value. The U.S. Department of Commerce issued an anti-dumping duty order on candles from the PRC (the “**Order**”) on August 28, 1986. The Commission has since conducted periodical review of the Order.

The products covered by the Order are certain scented or unscented petroleum wax candles made from petroleum wax and having fiber or paper-cored wicks. They are sold in the following shapes: tapers, spirals and straight-sided dinner candles; rounds, columns, pillars, votives; and various wax-filled containers. A candle is made of solid, fusible, combustible waxes or fatty substances surrounding and saturating a combustible wick. Candles are used to produce light, heat, or scent or for celebratory or ritual purposes. As a candle burns, its flame is fed by a supply of melted wax that flows up the wick as a result of capillary action.

The United States was the largest importing country of candle products with an import value of US\$464.7 million in 2017. The U.S. government imposed an anti-dumping duty of 54.21% on petroleum wax candles imported from the PRC in 1986 as a measure to maintain the competitiveness of the U.S. local candle manufacturers against those in the PRC. The anti-dumping duty was raised to 108.3% in 2004 and was further extended in 2011 to cover all shapes, sizes, styles and types of candles containing any amount of petroleum wax.

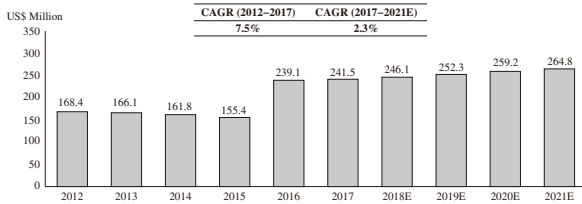
The anti-dumping duty had a negative impact on PRC candle manufacturers exporting to the U.S. market. As a result, many of the said PRC candle manufacturers were forced to close down or relocate to Southeast Asian countries where cost of production is lower, including Vietnam. This has led to the emergence of candle manufacturing and distribution market in Vietnam and Vietnam has become one of the key candle exporting countries in the world. Our Group is recognised as the first batch of foreign investors in candle manufacturing in Vietnam focusing on candle export to countries including the U.S..

Dumping occurs when an exporter sells a product abroad less than it charges at home, or for less than it costs to make. The anti-dumping duty was imposed by the U.S. Commerce Department on candle products originating in the PRC in order to maintain the competitiveness of the U.S. local candle manufacturers. However, since the candle products exported from Vietnam would not cause material injuries to domestic candle manufacturers in the U.S., no anti-dumping duty has been imposed on candles manufacturing in Vietnam. The likelihood of the imposition of anti-dumping duty on candle products from Vietnam in the future is minimal.

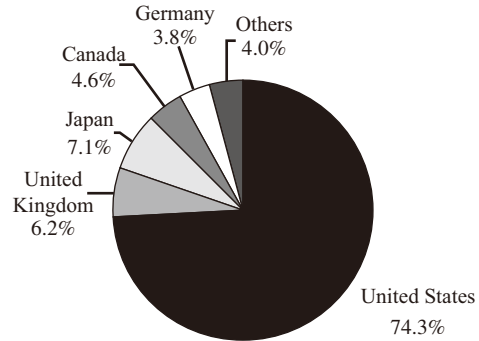


# INDUSTRY OVERVIEW

**Value of candle exports in Vietnam to the globe from 2012 to 2021E**



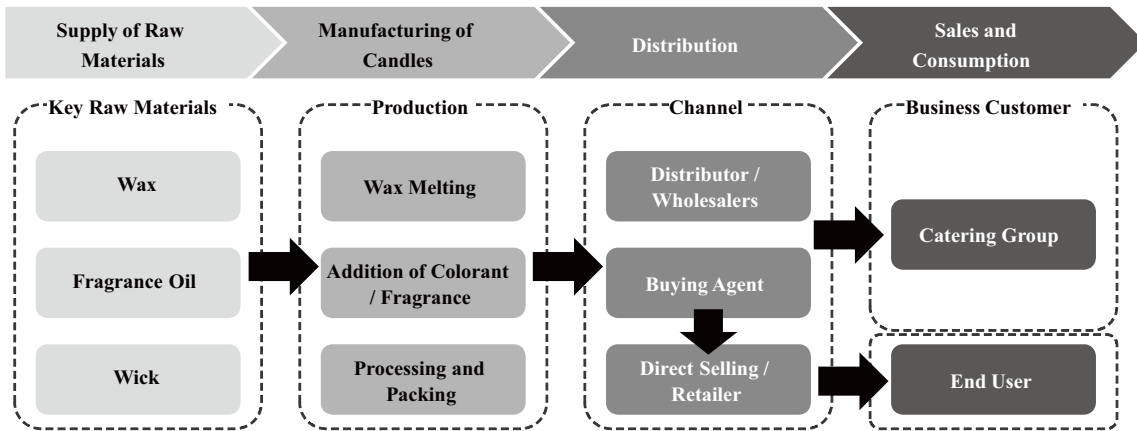
**Breakdown of value of exports in Vietnam by country in 2017**



Source: Trade Map, Frost & Sullivan Analysis

The value of candle exports in Vietnam increased from approximately US\$168.4 million in 2012 to approximately US\$241.5 million in 2017, at a CAGR of 7.5% from 2012. According to Frost & Sullivan, the value of candle exports in Vietnam is expected to reach US\$264.8 million in 2021 representing a CAGR of 2.3% from 2017. In 2017, the U.S. took up approximately 74.3% share of the value of candle exports in Vietnam and was Vietnam’s largest exporting destination of candle products. U.K. ranked third in the same year.

## Value chain analysis



The candle manufacturing and distribution process consists of four main stages including the supply of raw materials, manufacturing, distribution and sales. Depending on the business model, target customers for candle manufacturers could be retailers such as department store, homeware store and/or their appointed buying agents which source the candle products for retailers. Some large scale manufacturers are capable of exporting their candle products via distributors/wholesalers to the foreign customers, while some market players may have their own retail sales network such as physical and online stores.

# INDUSTRY OVERVIEW

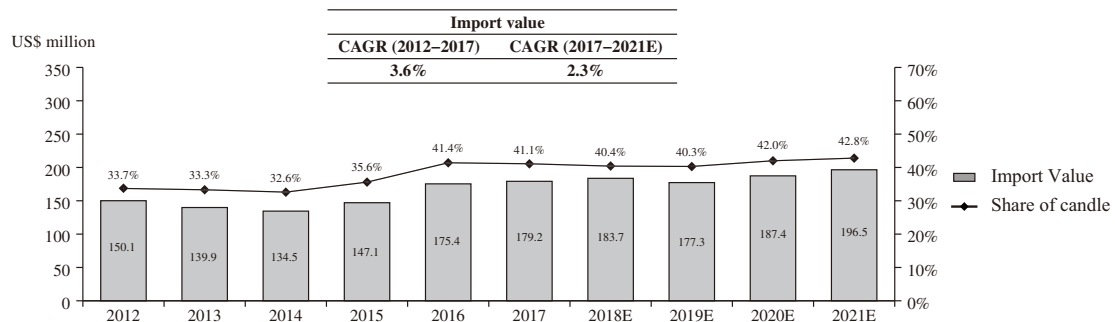
## Drivers of global candle manufacturing market

*Increasing demand from developing countries* — Candle products have been used traditionally in religious activities, festivals and everyday life in western countries. As cultural globalisation progresses, increasing number of consumers in developing countries purchase more candle products than before, which is in line with their rising awareness of quality of life. This is expected to stimulate the global consumption of candle products.

*Increasing consumption of mid-to-high end candle products* — As the economy in the U.S. and other developed countries continue to recover, the consumption of mid-to-high end candle products is expected to increase. Meanwhile, the swelling middle class in developing countries with up-scale lifestyle norms have developed a taste for candle products with decorative functions. This presents huge opportunities for the candle manufacturing industry. The market also has an increasing preference over candle products which are scented and with colour additives. With the preference for candle products with scent and coloured additives for use in rooms and households, increasing demand for scented and decorative candle products has provided the impetus for the whole market.

## U.S. market overview

### Import value and share of candle products in the U.S. from Vietnam from 2012 to 2021E



Source: Trade Map, Frost & Sullivan Analysis

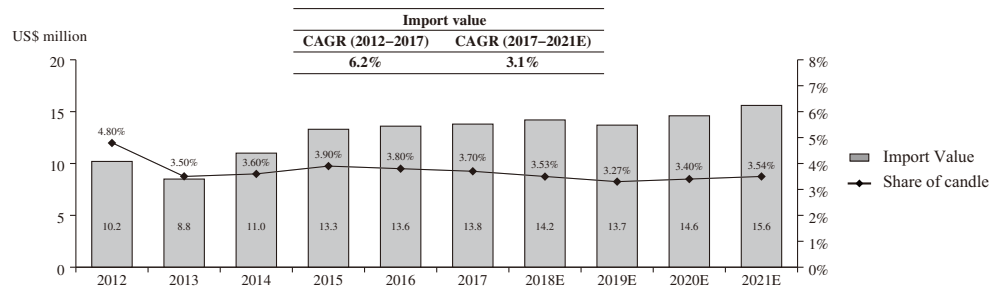
The import value of candle products in the U.S. from around the world was relatively stable from 2012 to 2015 and had increased by 2.4% from 2015 to 2016 due to the U.S.’s economic recovery. The recession in import during 2013 to 2015 was primarily due to the decline in consumption and changes in trade policy such as the extension of the scope of the anti-dumping duty for candles exporting countries. With the extension of scope of the anti-dumping duty on PRC candle product exporters, Vietnam experienced an overall upward trend in import value in the U.S. from Vietnam from approximately US\$150.1 million in 2012 to approximately US\$179.2 million in 2017. Similarly, the share of import value for candle products from Vietnam in the U.S. has registered a growth from 33.7% in 2012 to 41.1% in 2017. This indicates that imports from Vietnam have become increasingly important in the overall imports of candle products to the U.S.. According to the Frost & Sullivan Report, the import value and share of candle products in the U.S. from Vietnam are expected to reach approximately US\$196.5 million and 42.8% in 2021, respectively. The value of

## INDUSTRY OVERVIEW

candle products imported in the U.S. increased from US\$413.1 million in 2014 to US\$464.7 million in 2017. It implies that the domestic demand for candle products is increasing which is a strong indication that the market is trending up. Underpinned by rising disposable income and pursuit for a higher quality of life, the candle manufacturing industry is expected to benefit from sustained preference and demand for a variety of scented candles given that, as generally perceived by customers they are helpful in relieving stress from daily work and life. The scented candles market in the U.S. generated the revenue of US\$1.07 billion in 2017. Driven by the rising demand for scented candles, the market is expected to have a growth with a CAGR of 10.12% from 2017 to 2021 and the basis of such CAGR is that (i) the improvement of economy in the U.S. such as the decrease in the unemployment rate and the increase in forecasted disposable income per capita lead to the increase in spending on discretionary home accessories; (ii) the increasing customers' awareness of scented candles from famous brands and the increasing online sales of scented candles resulting from the rapid surge in mobile internet penetration and online shopping; and (iii) the growth of industries which usually consume scented candles for their services such as spa treatment services as the scented candles can create a better environment for their customers.

### U.K. market overview

#### Import value and share of candle products in the U.K. from Vietnam from 2012 to 2021E



Source: Trade Map, Frost & Sullivan Analysis

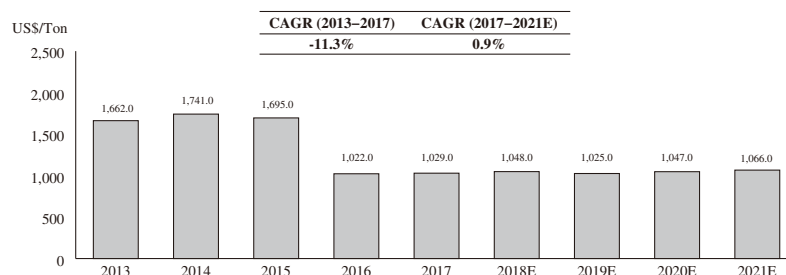
The import value of candle products in the U.K. from around the world had maintained an overall uptrend, from US\$211.8 million in 2012 to US\$352.7 million in 2017, representing a CAGR of 10.7%. However, the competition in the U.K. market is relatively stronger than the U.S. market, attributed to competition from other countries such as China in the U.K. market. The import value of candle products in the U.K. from Vietnam has been fluctuating over the past 5 years, with an overall growth from US\$10.2 million in 2012 to US\$13.8 million in 2017, representing a CAGR of 6.2%. Meanwhile, the share of import value for candle products in the U.K. from Vietnam recorded a decline from 4.8% in 2012 to 3.7% in 2017. According to the Frost & Sullivan Report, the import value and share of candle products in the U.K. from Vietnam are expected to reach approximately US\$15.6 million and 3.5% in 2021, respectively.

# INDUSTRY OVERVIEW

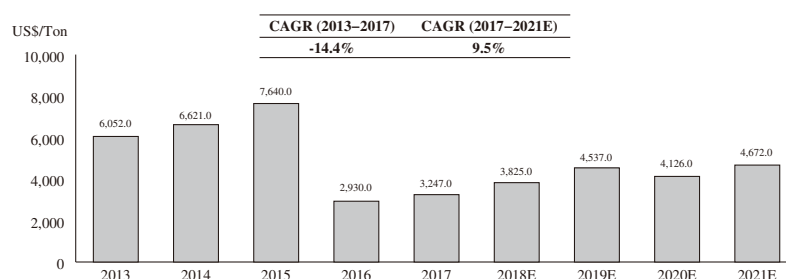
## OPERATIONAL COSTS

### Raw materials

#### Import value per unit of paraffin wax in Vietnam from 2013 to 2021E



#### Import value per unit of vegetable and insect wax in Vietnam from 2013 to 2021E



Source: Trade Map, Frost & Sullivan Analysis

Wax is the main component of candle products. Candle products are often made of mixed types of wax to vary the physical property. Paraffin wax is the largest raw materials component in candle products which nearly accounts for over 60% of raw materials component. Beeswax, a traditional insect wax for candle making, or palm wax is usually added to the wax blend as stiffening or softening materials to regulate the texture of candle products.

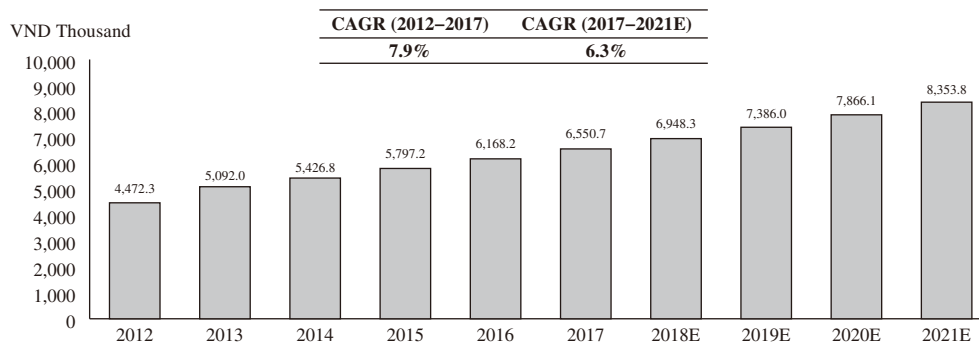
In Vietnam, most waxes rely on import trade. From 2013 to 2017, the import value per tonne of paraffin wax has declined from US\$1,662.0 per ton to US\$1,029.0 per ton, representing a CAGR of -11.3%. Vegetable and insect wax, while lesser quantity is needed, are more expensive than paraffin wax and have decreased from US\$6,052.0 per ton to US\$3,247.0 per ton, with a CAGR of -14.4% during the same period. China is the largest exporter of paraffin wax to Vietnam. The export value of paraffin wax from China to Vietnam increased from US\$10.6 million in 2015 to US\$26.3 million in 2016, demonstrating strong demand for paraffin wax in Vietnam. Higher export volume of paraffin wax from China and strong demand in Vietnam resulted in the remarkable decline in the import value per unit of paraffin wax in 2016. According to the Frost & Sullivan Report, the import value per tonne of paraffin wax and vegetable and insect wax are expected to be approximately US\$1,066.0 per ton and US\$4,672.0 per ton in 2021, representing a CAGR of 0.9% and 9.5% from 2017, respectively.

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## INDUSTRY OVERVIEW

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### Average monthly income of employed workers in the manufacturing industry in Vietnam from 2012 to 2021E



Source: General Statistics Office of Vietnam, Vietnam's National Wage Council, Frost & Sullivan Analysis

The Vietnamese Government implemented the minimum wage policy in 2011 and the minimum wage is being reviewed by the Vietnam's National Wage Council regularly. The average monthly income of employed workers in the manufacturing industry in Vietnam has increased mildly during the historical years, from VND4,472.3 thousand in 2012 to VND6,550.7 thousand in 2017, representing a CAGR of 7.9%. In 2017, the monthly minimum wage has been increased by 7.3% on average. With the ongoing review of minimum wages by the Vietnam's National Wage Council, the labour cost incurred on candle manufacturers are anticipated to increase in the future. According to the Frost & Sullivan Report, the average monthly income of employed workers in the manufacturing industry in Vietnam is expected to reach approximately VND8,353.8 thousand in 2021, representing a CAGR of 6.3% from 2017.

### COMPETITIVE LANDSCAPE OF CANDLE MANUFACTURING MARKET IN VIETNAM

The candle manufacturing and distribution market is characteristically labour intensive and the competition is homogeneous. A majority of low end candle products are made by OEM manufacturers with no patents and design, who usually sell products at low margins because only simple techniques are required. Therefore, the market concentration of low-end candle products is comparatively low. By contrast, the market concentration of mid-to-high end candle products is comparatively high since these manufacturers have strong competitiveness in branding, design, technique, customisation, marketing and business management. They usually have self-built and large-scale factories in low labour cost regions to increase profit margin.

The competition is comparatively intense. Leading candles manufacturers endeavour to enhance their core competitive strengths so as to increase market share. Large scale manufacturers provide a wide range of candle products and offer value-added services to cater to the specific needs from clients. Top 5 candle manufacturers in Vietnam accounted for approximately 50.2% of total exports value of candle products from 1 January 2017 to 31 December 2017. They export a large number of candle products to developed countries every year, such as the United States, the United Kingdom and Germany. Our Group ranked the third, the fourth and the fourth among all the candle manufacturers

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## INDUSTRY OVERVIEW

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in Vietnam in terms of estimated export value, estimated revenue and estimated production capacity from 1 January 2017 to 31 December 2017, respectively. Our Group is recognised as the first batch of foreign investors in candle manufacturing in Vietnam focusing on candle products export to developed countries.

**Top five Vietnam-based candle manufacturers by estimated export value  
from 1 January 2017 to 31 December 2017**

Ranking	Manufacturer	Estimated Export Value (US\$ million)	Market Share of Total Exports Value of Candle Products
1	Company A	43.8	18.1%
2	Company B	34.6	14.3%
3	Our Group	15.0	6.2%
4	Company C	14.7	6.1%
5	Company D	13.4	5.5%

**Top five Vietnam-based candle manufacturers by estimated revenue  
from 1 January 2017 to 31 December 2017**

Ranking	Manufacturer	Estimated Revenue (US\$ million)	Market Share of Total Revenue of Manufacture
1	Company A	48.3	18.2%
2	Company B	39.1	14.7%
3	Company C	17.8	6.7%
4	Our Group	17.3	6.5%
5	Company D	15.8	6.0%

**Top five Vietnam-based candle manufacturers by estimated production capacity  
from 1 January 2017 to 31 December 2017**

Ranking	Manufacturer	Estimated Production Capacity (million units)
1	Company A	336.8
2	Company B	278.7
3	Company C	187.6
4	Our Group	136.5
5	Company D	130.8

*Source: Frost & Sullivan Analysis*

*Notes:*

Company A mainly exports art candles and hand crafted candles to the developed countries, especially the U.S. and European countries.

Company B is a leading exporter of candle products in Vietnam which has established business relationships with many international retailers in the U.S. The company has production bases in Vietnam, Maryland (U.S.), and Hangzhou (China).

Company C is one of the leading manufacturer and exporter of quality wax products in Vietnam. Besides the manufacturing of candles for religious and daily use, the company also produces crafted art candles for numerous occasions.

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## INDUSTRY OVERVIEW

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Company D is an international supplier of candle products with production facilities located in Vietnam, Dong Guan (China) and Hong Kong. Product offerings include sculptural decor candles, seasonal candles, figural candles, religious candles, and other candle products.

### TRENDS AND THREATS OF THE GLOBAL CANDLE MANUFACTURING MARKET

#### **Emphasis on the design and scent of candle products**

To cater to the sophisticated needs of consumers, manufacturers have increasingly put emphasis on the design of decorative candle products to differentiate themselves from the ones manufactured by competitors. For example, candles designed for high-level venues and ceremonies usually require high quality and exquisite designs, which sell at a higher price than general candles. Distinct designs generally result in high profit margin for the manufacturers. Due to the fragrance added in the manufacturing process, scented candles are also usually sold at a higher price compared with general candles. The demand of scented candles has shown an upward trend in recent years driven by the rising pursuit for a better quality of life.

#### **Automation of manufacturing process**

Due to the labour intensive nature of candle manufacturing, automation can lead to significant savings in labour costs, as well as efficiency and precision improvements. From raw material mix to terminal product packing, mass production of candle products with automation manufacturing processes ensure the homogenies of product quality that would be difficult to achieve without automation. Thus, highly-automated candle factories increasingly play major roles in the market.

#### **Increasing labour cost**

As a typical labour-intensive industry, candle manufacturing is influenced by increasing labour cost, which then significantly impact the profit margin. Therefore, a common practice for candle manufacturers is to set up their manufacturing factory in developing countries where workers' salaries are at a relatively lower level. However, with the economic development of those countries, manufacturers are expected to encounter the rise of labour cost in the future.

### ENTRY BARRIERS OF CANDLE MANUFACTURING MARKET

*Requirement of technical knowledge and safety in production* — Candle manufacturing requires sophisticated knowledge in properties of chemicals and raw materials such as waxes, fragrances and dyes for formulation and shaping of candles. In particular, the manufacturing of decorative and scented candles with thousands of variants and forms requires precise selection and mixing of ingredients. On top of research and development capabilities, extensive experience and knowledge in production and workflow management are recognised as a pre-requisite in candle manufacturing industry, which covers procurement of raw materials, labour assignment, operation and maintenance for moulding/extrusion machines. As a result, technical requirement is expected to serve as a key barrier for new entrants without extensive experience in the candle manufacturing industry.

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## INDUSTRY OVERVIEW

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*Substantial set-up costs and continuous investment* — Setting up candle manufacturing facilities require significant investment, including rental cost for factories, purchase of equipment and machinery. In particular, manufacturers are likely required to adopt a high level of automation through purchasing of automated candle manufacturing machines in order to cope with stringent timeline for orders from customers, which require additional set-up costs. Moreover, recruitment of specialists and workers are also necessary for research and development, production and supervision. Thus, vast and continuous investment is needed for setting up candle manufacturing facilities and maintaining normal operations. Such pre-requisite is likely to put a heavy financial burden on new entrants to the industry.

### KEY SUCCESS FACTORS

*Product quality and features* — With strong candle consumption and potential growth for featured candle products such as scented and decorative candles, manufacturers with the capability to produce such types of candle products at a high quality are considered to be more competitive than others. In addition, manufacturers with better understanding of and capabilities to fulfil client requirements on product quality are highly preferred by corporate clients such as operators of department stores and chained retail shops.

*Track record* — Large, renowned retailers and other corporate clients generally have a strong preference towards candle suppliers with reliable product quality and excellent service. A proven track record of work with the major clients together with an outstanding product portfolio serves as a key differentiator among candle manufacturers. Such track record also enables a market player to further explore business opportunities from other potential clients.

*Service level* — To achieve client satisfaction, a successful candle manufacturer should provide a high level of service including timely order processing, sampling and mass production. In addition, provision of value-added services such as advisory on product development in view of market trends are highly preferred by clients with specific design requirements. As a result, capabilities to offer comprehensive manufacturing services is a key competitive edge for strong market players.



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## **REGULATORY OVERVIEW**

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This section sets forth a summary of the relevant laws and regulations relevant to our Group's business and operations (i.e. Hong Kong, Vietnam, United States and United Kingdom). As this is a summary, it does not contain detailed analysis of laws in these jurisdictions which are relevant to our business.

### **HONG KONG LAWS AND REGULATIONS**

Other than the Companies Ordinance that governs the overall conducts of a Hong Kong company which binds the Hong Kong subsidiaries in our Group and our Company (being a non-Hong Kong company registered in Hong Kong under Part 16 of the Companies Ordinance), or the general legal requirements that govern a company in carrying on a business or as an employer in Hong Kong, there is no specific law or regulation in relation to the licences and permits which are required for the operation of our business in Hong Kong. As confirmed by our Directors, to the best of their knowledge, save as disclosed in this prospectus (if any), our Group has obtained all necessary permits, approvals and licences to operate its existing business in Hong Kong from relevant government bodies since its establishment. Given the business engaged by our Group, our Directors confirmed that our Group had not been subject to any specific regulation and trading rules in Hong Kong and no particular or specific licence or permit was required for our Group to carry out our business in Hong Kong as at the Latest Practicable Date.

#### **Compliance**

Save as disclosed in this prospectus, our Directors confirm that we were in compliance in all material respects with the relevant laws and regulations of Hong Kong during the Track Record Period and up to Latest Practicable Date.

### **VIETNAMESE LAWS AND REGULATIONS**

#### **Investment Procedures**

Under the Law on Foreign Investment in Vietnam 1996, in order to register an investment project and establish an enterprises with 100% foreign invested capital, the foreign investors must register with the competent authority to obtain an investment licence. The investment licence covered both investment registration contents and enterprise registration contents of the enterprises with 100% foreign invested capital.

From 21 October 2006 to 30 June 2015, the investment licences under the Law on Foreign Investment in Vietnam 1996 still have its effectiveness upon they are expired or are re-registered to be replaced by investment certificates under the Law on Investment 2005. The covered contents of the investment certificates are similar to the investment licences as aforesaid. From 1 July 2015 up

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## REGULATORY OVERVIEW

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to the Latest Practicable Date, the investment certificates under the Law on Investment 2005 still have its effectiveness upon they are expired or are re-registered to be replaced by investment registration certificates under the Law on Investment 2014. The investment registration certificates will cover only investment registration contents while enterprise registration contents that have been recorded in enterprise registration certificates of economic organisations with foreign invested capital.

Under the applicable laws on investment, after foreign investors have fully discharged their financial obligations to the Vietnamese Government (including payment of taxes, statutory fees and other amounts as provided by laws), they are permitted to remit the followings abroad: their profits derived from business activities, payments received from the provision of technology and services and from intellectual property, the principal of and any interest on foreign loans, invested capital and proceeds from the liquidation of investments, and other sums of money and assets lawfully owned by the investors. When the foreign investors have lawful revenue coming from activities of foreign direct investment in Vietnam, the foreign investors can decide to use it for reinvestment or remittance abroad. Where the above-mentioned revenue is denominated in Vietnam Dong, the foreign investors can buy foreign currency at commercial banks in Vietnam for remittance abroad. There is no withholding tax on the remittance abroad of the dividends or profit distribution under the prevailing regulations of Vietnam. Before dividends may be remitted abroad, however, all taxes and financial obligations to the Vietnamese Government related to the dividends must be fully discharged.

According to prevailing laws on enterprises, a single-member limited liability company under ownership of a legal entity, for example Fleming Vietnam, shall apply one of the two following organisational structures: (1) president of company, director/general director, and controller; or (2) members' council, director/general director, and controller. A members' council must include from three to seven members. Fleming Vietnam has applied the organisational structure (2), including a members' council with three members, a general director and a controller.

### **Land Law**

The Land Law of 2013 taking effect from 1 July 2014 promulgates, amongst others, the regime of land use, the rights and obligations of land users in Vietnam.

By law, all land belongs to the people of Vietnam and is administered by the Vietnamese government. Private freehold ownership is not available in Vietnam, but land users have statutory rights to use land and are granted with land use right certificates. Rights to use land is classified and categorised by reference to different types of land use and types of land user.

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## REGULATORY OVERVIEW

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A foreign invested enterprise can use land and have its rights to use land by way of:

- (a) leasing from the State or industrial zone developers; or
- (b) receiving land allocation from the State for residential development; or
- (c) entering into a joint venture company with a Vietnamese party who contributed its capital by using land use rights; or
- (d) taking an assignment of a licensed project from other investors enclosing with land use rights assignment.

### **Export Processing Enterprise**

A company that is qualified as an export processing enterprise shall be entitled to certain investment incentives under the applicable laws in Vietnam.

Generally, an export processing enterprise is established and operating in export processing zones or an enterprise operating in an industrial zone and having all of its products exported. The legal status and investment incentives of an export processing enterprise must be recorded in the investment registration certificate. The investment registration certificate of Fleming Vietnam records it as an export processing enterprise.

As an export processing enterprise, by law, Fleming Vietnam is entitled to the preferential tax treatments including: (i) Fleming Vietnam is not subject to VAT for goods and services in transactions with relevant specific parties; and (ii) Fleming Vietnam is not subject to import and export tax for the goods imported from/exported to overseas. For other applicable taxes, during the Track Record Period, Fleming Vietnam declared and paid such taxes at normal rates.

In addition, under Decree 108/2006/ND-CP, Fleming Vietnam is classified into group of enterprises which is entitled to investment incentives in accordance with the laws on CIT. Under Decree 24/2001/ND-CP and Circular 199/2012/TT-BTC, Fleming Vietnam was entitled to opt an incentive on CIT rate. Accordingly, Fleming Vietnam had opted to be applied the preferential CIT rate of 15% from 2012 for the remaining time of its investment project (i.e. 2012–2016).

### **Labour and Employment**

The Labour Code of 2012 taking effect from 1 May 2013 regulates, among others, the rights, obligations, and responsibilities of employers and employees.

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## REGULATORY OVERVIEW

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### *(a) Labour contract*

A labour contract can only be one of the following types: (a) an indefinite term labour contract; (b) a definite term labour contract between 12 months and 36 months; and (c) a seasonal or specific job labour contract with a term of less than 12 months. A signed labour contract can be terminated in various circumstances.

### *(b) Internal Labour Regulations*

Employers who employ 10 or more employees must have internal labour regulations in writing (“ILRs”). The contents of the ILRs must not be contrary to the laws on labour or other relevant laws. The ILRs must contain the information about working hours and rest breaks, order in the workplace, occupational safety and hygiene in the workplace, protection of assets, trade secrets and confidentiality of technology and intellectual property of the employer, conduct by employees constituting a breach of labour discipline and penalties imposed on those breaches and liabilities for damages.

### *(c) Occupational health and safety*

The employers and employees are subject to various statutory requirements to ensure labour safety and hygiene at the workplace, and additionally the employees must comply with the regulations on labour safety and hygiene at the workplace issued by the employers. All types of machinery, equipment and materials with strict requirements for labour safety as detailed by the Vietnamese government from time to time, must be tested and verified prior to being commissioned for use, and must be periodically tested and verified by an organisation conducting technical labour safety testing and verification. Employers must provide employees who work in dangerous or toxic environment with sufficient personal protective equipment and facilities which are up to quality of standards as provided by the relevant laws, and the employees must use such equipment and facilities during work in accordance with the regulations of the Ministry of Labour, War Invalids and Social Affairs of the Vietnamese Government.

The employers must hold training classes on labour safety and hygiene for the employees, apprentices and trainees when they are recruited and when work is assigned to them. The employers also must arrange periodic health checks for employees as required under the labour code. In addition, the employers are obliged to: (i) ensure that the workplace meets the requirements on space, airiness, dust, steam, toxic gas and other harmful factors as prescribed in relevant technical regulations; (ii) ensure safe and hygienic working conditions for machines, equipment and workshops as required by the promulgated or applied national technical regulations or standards on occupational safety and hygiene at workplace; (iii) check and evaluate dangerous and harmful factors at the workplace in order to put forward measures to avert and minimise dangers and harms and improve

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## REGULATORY OVERVIEW

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working conditions and healthcare for employees; (iv) examine and maintain machines, equipment, workshops and warehouses on a periodic basis; (v) display signboards of instructions regarding occupational safety and hygiene covering operation of machines, equipment and workplaces at easy-to-read and visible locations at the workplace; and (vi) obtain an opinion from the organisation representing the labour collective at the grassroots level when formulating and implementing plans on activities ensuring occupational safety and hygiene.

### *(d) Expatriates*

To lawfully work in Vietnam, amongst other conditions, an expatriate is required to be issued with a work permit, except for case of being exempted from work permit subject to the confirmation by the local labour authority before such expatriate starts working in Vietnam. A work permit is valid for a maximum two years and subject to renewal.

Based on the issued work permit, the employer and the expatriate can officially enter into a labour contract. Such signed labour contract has to be filed with the competent labour management authority at provincial level within five business days from the date of execution.

### *(e) Statutory insurance*

Under the laws on insurance, Vietnamese employees working under indefinite-term labour contracts, the labour contracts with the definite term or the seasonal labour contract or the labour contract for a specific job with the term of full three months or more and the employer are subject to the statutory social insurance (including premiums of labour accident, occupational disease insurance), and unemployment insurance. For the employees (including Vietnamese and foreign employees) working under the indefinite-term labour contracts or the labour contracts with the term of full three months or more, they are subject to the health insurance. Vietnamese employees working under the labour contract with the definite-term of full one month to less than three months and foreign employees working in Vietnam with work permits or practicing certificates or practicing licenses granted by the competent Vietnam agencies shall be covered by the social insurance in accordance with the government's regulations from 1 January 2018 onwards. Nonetheless, as a matter of legal interpretation, due to lack of regulations in Vietnam on this matter as designated from the period of 1 January 2018 up to the Latest Practicable Date such legal provision is yet to be implemented in practice.

As the case may be, the employees shall be entitled to the regimes stipulated under the laws on social insurance, labour accident and occupational insurance, unemployment insurance and health insurance.

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## REGULATORY OVERVIEW

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In the event that the employees who are ineligible to participate in statutory insurances, the employer must pay such employees, in addition to their wages for work, a sum of money equivalent to the amount of contribution which would be paid for statutory insurances if the employee had been eligible simultaneously with wage payments.

Under the current laws, as at the Latest Practicable Date, the contribution rates of the statutory insurances are provided as follows:

<u>Subject</u>	<u>Social Insurance</u>	<u>Health insurance</u>	<u>Unemployment insurance</u>	<u>Labour accident, occupational disease insurance</u>
Employer . . . . .	17%	3%	1%	0.5%
Employee . . . . .	8%	1.5%	1%	0%

The wage as basis of contributing the above compulsory insurance premiums includes monthly wage rate for the work or position of employment plus wage-based allowances and other additional benefits (if any).

### **Foreign Exchange Control**

An enterprise with foreign direct investment like Fleming Vietnam must open a direct investment capital account (“DICA”) at one credit institution licensed to operate in Vietnam. Payment of investment capital, remittance of principal investment capital, profit, foreign loans and other lawful revenue must be conducted via this DICA. The DICA currency shall be the currency of capital contribution into the foreign-invested enterprises.

Any foreign loan (with offshore lenders) with a term of more than 12 months (from the disbursement date) must be registered with the State Bank of Vietnam.

### **Taxation**

Under the prevailing laws on taxation, during its operation and business activities, Fleming International Vietnam Limited shall be mainly subject to following taxes: (i) Corporate Income Tax (“CIT”); (ii) Personal Income Tax (“PIT”); (iii) Business License Tax (“BLT”); (iv) import and export tax; (v) natural resources tax (including non-agricultural land use tax and environmental protection tax); and (vi) Value Added Tax (“VAT”), etc.

#### ***(a) With respect to CIT***

In general, CIT is the tax imposed on the income earned by any organisation conducting activities of production or business in goods and services. CIT will be imposed on the income earned

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## REGULATORY OVERVIEW

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by Vietnamese enterprises during their business operation. Under the Law on CIT, enterprises with a total annual turnover in the immediate preceding year of no more than VND20,000,000,000 are subject to the tax rate of 20%. Other enterprises with a total annual turnover in the immediately preceding year of more than VND20,000,000,000 shall be subject to the tax rate of 22% until 31 December 2015, after that the tax rate will be lowered to 20% from 1 January 2016 onwards.

Fleming Vietnam had opted to apply the preferential CIT rate at 15% pursuant to Circular 199/2012/TT-BTC, Decree 24/2007/ND-CP and Decree 108/2006/ND-CP. Accordingly, Fleming Vietnam is entitled to the preferential CIT rate at 15%, for 12 years (remaining period from years 2012 to 2016).

Upon the termination of the preferential CIT rate at 15% applied to Fleming Vietnam, Fleming Vietnam shall be required to declare and pay CIT at the statutory CIT rate of 20% for any of its taxable income. Subsequently, application of the statutory CIT rate may cause a certain increase in CIT by Fleming Vietnam.

In order to comply with the CIT obligations, enterprises which are subject to CIT have to pay on a quarterly and annually basis and conduct CIT finalisation by the end of each tax year.

### ***(b) With respect to PIT***

Any individual resident with taxable income (as defined in the law on PIT) arises either within or outside the territory of Vietnam, or any non-resident individual with taxable income arises within the territory of Vietnam, is subject to PIT.

Fleming Vietnam as income-paying entity will be responsible to withhold, declare and pay PIT (if any) to the Vietnam government treasury on behalf of its employees on a monthly or quarterly basis and will conduct tax finalisation of all types of taxable income it paid to the employee by the end of each tax period.

### ***(c) With respect to BLT***

All enterprises operating businesses in Vietnam are subject to BLT which is paid on an annual basis. This tax will range from VND2,000,000 to VND3,000,000 subject to the registered charter capital of the enterprises. Fleming Vietnam is subject to VND3,000,000 BLT.

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## REGULATORY OVERVIEW

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*(d) With respect to import and export tax*

Most goods imported/exported across the borders of Vietnam, or which were brought from the domestic market into non-tariff zones or from non-tariff zones into the domestic market are subject to import and export tax. Exceptions to this include goods in transit, goods exported abroad from a non-tariff zone (including export processing enterprise in industrial zone), goods imported from foreign countries into non-tariff areas for use in non-tariff areas only, and goods passing from one non-tariff zone to another.

Import and export tax declarations are required upon registration of customs declarations with the customs offices.

*Export tax*

Prior 1 September 2016, export tax must be paid within 30 days of registration of customs declarations. Since 1 September 2016, export tax has to be paid before customs clearance or release.

Fleming Vietnam is an export processing enterprise as all goods produced by Fleming Vietnam for exporting purpose, these products shall be exempted from export tax.

*Import tax*

Prior to 1 September 2016, for imported goods being consumer goods, the import tax must be fully paid before the receipt of goods; and for imported goods being supplies and raw materials for the production of export goods, the time limit for tax payment shall be 275 days from the date the taxpayers register customs declarations. Since 1 September 2016, import tax has to be paid before customs clearance or release.

As Fleming Vietnam is an export processing enterprise, it is not subject to import tax for goods imported from overseas.



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## REGULATORY OVERVIEW

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*(e) With respect to non-agricultural land use tax*

Under the laws, non-agricultural production and business land including land for construction of industrial parks which are industrial clusters, industrial parks, export-processing zones and other production and business zones etc. are subject to non-agricultural land use tax.

In case an enterprise sub-leases the land from the industrial park developer, it is not clear on who will be the taxpayer, the industrial park developer or land sub-lessee because they are both land users. To resolve this issue, the General Tax Department of Vietnamese Government issued an official letter guiding that the industrial park developer is only obliged to declare and pay non-agricultural land use tax for the land area that has not been leased to the sub-lessees while the land sub-lessee who is issued with the land use right certificate must declare and pay non-agricultural land use tax.

*(f) With respect to VAT*

Pursuant to the Law on VAT, generally goods and services arising in the processes of manufacturing, business and consumption in Vietnam shall be subject to VAT, except for some objects stipulated under the Law on VAT. Accordingly, the goods forwarded through Vietnam's territory, goods temporarily imported or temporarily exported, raw materials imported for manufacturing or export processing under contracts with foreign partners and the goods and services traded between a foreign party and a party located in a non-tariff zone, or among parties located in non-tariff zones are not subject to VAT. In this context, export processing companies located outside export processing zone will still be entitled to tax regime similar to companies located in export processing zone.

Accordingly, the raw materials imported for export processing imported and goods exported by Fleming Vietnam are exempted from VAT.

### **Environment Protection**

Under the Law on Environmental Protection 1993 and its guiding regulations, projects falling into the list of projects which must be submitted for ratification of reports on environmental impact assessment must be made and have applied reports on the assessment of environmental impact to the competent authority. The other projects shall be registered as meeting the environmental standards on the basis of their self-making and analysing reports on the assessment of environmental impact. A certificate of registration on satisfaction of environmental standards shall be a legal proof for the competent authority to consider and allow the investor to continuously implement the project. Based on the objective and the scope of business of Fleming Vietnam's project, Fleming Vietnam is required to register its project to the satisfaction of environmental standards and get a confirmation on such registration from the provincial Department of Natural Resources and Environment.

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## REGULATORY OVERVIEW

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Pursuant to the current Law on Environmental Protection, subject to contents, characteristics and scales of specific projects, the investor must make and apply reports on the assessment of environmental impact or the environmental protection plan to the competent authority.

According to the Law on Environmental Protection 2005 and the Law on Environmental Protection 2014, the certificates and licences issued under the Law on Environmental Protection 1993 will remain effective. In addition, under the Law on Environmental Protection 2014 and its guiding regulations, if, until 1 April 2015, the facility has already been placed into official operation but has not yet obtained the confirmation on registration of satisfaction of environmental standards as required by the Law on Environmental Protection 1993, it is required to make and register the simple environmental protection plans with the competent authorities within 36 months as from 1 April 2015. The statutory timeframe for the relevant authority to issue the written acceptance of the simple environmental protection plan is 10 working days from the date of receiving a valid registration application. Even if the relevant facility has subsequently rectified the historical non-compliance by obtaining the written acceptance of the simple environmental protection plans, it may still be fined for the historical non-compliance. Depending on the level of seriousness, the relevant government authority has the discretion to suspend the operations of the non-compliant facility for a definite period of time.

### UNITED STATES REGULATORY OVERVIEW

#### Product Liability Law

In the U.S. there are two separate and distinct aspects that govern liability with respect to products. The first primary body of law that governs the manufacture, distribution and sale of products is product liability law. Products liability law sets out the full range of legal responsibilities of manufacturers, distributors and sellers of products. Exposure to the U.S. Products liability law is broad and allows consumers to sue the party who designed, manufactured, sold, or supplied an offending product. Generally speaking, any and all entities in the supply chain of a product, including non-U.S. manufacturers can potentially be held liable. This includes manufacturers of component parts (at the top of the chain), assembling manufacturers, the wholesalers, and the retail store owners (at the bottom of the chain).

There are four basic theories of recovery when dealing with a product alleged to be defective: strict products liability, negligence, breach of warranty, and tortious misrepresentation. A litigant is not limited to one theory in bringing a lawsuit, but rather can assert any and all theories simultaneously. Further, all four theories have broad application to a vast array of products.

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## REGULATORY OVERVIEW

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Strict products liability is generally the most common cause of action asserted in lawsuits involving allegedly defective products. This is because, unlike negligence, strict products liability wrongs do not depend on the degree of carefulness by the defendant. The analysis depends solely on the product and whether it was defective at the time it left the hands of the manufacturer. A product can be defective in its manufacture, that is the product does not conform to design specifications or performance standards, or it deviated in some material way from otherwise identical units of the same product line. A product can also be defective in its design. A product has a design defect when its design or configuration is what makes it unreasonably dangerous. Finally, a product can be defective because it lacks proper warning or instructions. These are generally called failure to warn claims.

With strict products liability, it is irrelevant whether the manufacturer or supplier exercised all due care in the design, manufacture, or marketing of the product; if there is a defect in the product that causes harm, it will be liable for it. Thus, strict product liability is liability without fault for an injury proximately caused by a product that is defective and not reasonably safe.

Negligence actions, on the other hand, require a plaintiff to show that (1) the defendant owed the plaintiff a duty of due care, (2) the defendant breached that duty by furnishing a defective product, and (3) the defendant's breach caused the plaintiff's injury. The analysis focuses on the acts or omissions of the manufacturer of the product. The duty to exercise reasonable care involves every phase of getting the product to the public. For example, not only must the product be manufactured with reasonable care, the product must also be designed in a way that is safe when used as intended. The product must be inspected and tested at appropriate stages in the manufacturing, distribution and selling process. The product must be made from appropriate (i.e., safe and non-defective) materials, and assembled with appropriate care to avoid against its negligent manufacture. The product's container or packaging must be adequate (and not itself dangerous or defective), and contain appropriate warnings and directions for use. An otherwise non-defective product can be made unsafe by the failure to provide adequate instructions for its safe use.

The breach of warranty cause of action is governed by contract law. In the simplest of terms, a warranty is a promise, claim, or representation made about the quality, type, number or performance of a product. In general, the law assumes that a seller always provides some kind of warranty concerning the product it sells and that it should be required to meet the obligation created by the warranty.

For the most part, the law that governs the sale of goods, in general, and warranties, in particular, is uniform from state to state. The law that governs the sale of goods is Article 2 of the Uniform Commercial Code (the "UCC"). The UCC has been adopted in every state. Under the UCC, there are two kinds of warranties: express and implied. An express warranty can be created by a representation by the seller, or by showing a sample of a product to the buyer where the buyer

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## REGULATORY OVERVIEW

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reasonably assumed that a second shipment of the same quality as the first would be provided. An implied warranty, on the other hand, is presumed to exist unless the buyer clearly and unambiguously disclaims it in writing as part of the sales agreement.

Finally, tortious misrepresentation is similar to warranty in that it seeks to hold a party liable for misrepresenting a material fact about the product which causes either damage or injury. The rules governing tortious misrepresentation are judge-made and vary from jurisdiction to jurisdiction.

### **Product Safety Regulations**

The second body of law applicable to the sale of products in the U.S. is product safety law. The law of product safety is regulatory law and is governed primarily by the Consumer Product Safety Commission (“CPSC”), an administrative agency of the U.S. federal government that regulates certain classes of products sold to the public. Candles and candle products fall under its jurisdiction. Product safety law operates *ex ante*, meaning that it seeks to prevent product-caused accidents and diseases before they occur. The Consumer Product Safety Improvement Act of 2008 (“CPSIA”) was passed by Congress in 2008. The CPSIA constituted a significant overhaul of consumer product safety laws in the United States and was designed to enhance federal and state efforts to improve the safety of all products imported into and distributed in the United States. Products imported into the U.S. which fail to comply with CPSIA’s requirements are subject to confiscation and the importer and/or distributor in the U.S. is subject to civil penalties and fines, as well as possible criminal prosecution. However, while the CPSC works closely with U.S. custom agents, its jurisdiction does not extend beyond the territorial limits of the U.S.

Under the CPSIA, a “general conformity certification” is required for any consumer product imported into the U.S. that is subject to a consumer product safety rule issued under the Consumer Product Safety Act (“CPSA”), or a similar rule, standard, regulation, or ban issued by the CPSA or under any statute issued by the commission. The requirement applies to all manufacturers and importers of goods. Those parties must certify that their products comply with all applicable consumer product safety rules and similar rules, bans, standards, and regulations under any law administered by the commission. Such laws include the CPSA, Federal Hazardous Substance Act, and Poison Prevention Act. The CPSIA specifies that certification must be based on a “test of each product or a reasonable testing program.” The certificate must accompany the product or shipment of products, and a copy must be furnished to each distributor or retailer. The certification must also be furnished to United States Customs. And, if requested by the CPSC, a copy must be furnished to the CPSC. Where there is more than one manufacturer or importer for a product, the party providing the certification should be the importer of the imported products.

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## REGULATORY OVERVIEW

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### Product Safety Violations and Recall

The CPSC has the power to protect the public from unreasonable risks of injury from the use of consumer products, including the power to develop product safety standards, conduct product recalls and ban products from the market. Products that are in violation of an applicable statute, rule, regulation, standard, or ban enforced by the CPSC are subject to seizure and condemnation proceedings under various statutes. Further, the CPSC may refuse admission of products after examination of a sample at the point of entrance.

When the CPSC determines that a product is in violation of a CPSC statute, rule, regulation, standard, or ban, the CPSC will notify the manufacturer, importer, repackager, or distributor of the violation in a letter of advice (“LOA”). The LOA generally will include specific corrective actions that the CPSC staff believes are appropriate to address the violation. Where appropriate, based on the nature of the violation, the hazard presented from the non-compliance, and the likelihood of injury associated with the noncomplying product, the CPSC may request that a firm stop sale and distribution and initiate a recall of the product from the marketplace.

Section 15(b) of the CPSA defines responsibilities, including reporting requirements, of manufacturers, importers, distributors, and retailers of consumer products. Each is required to notify the CPSC immediately (within 24 hours of obtaining reportable information) if it obtains information that reasonably supports the conclusion that a product:

- (1) fails to comply with a consumer product safety rule or a voluntary consumer product safety standard upon which the CPSC has relied under section 9 of the CPSA;
- (2) fails to comply with any other rule, regulation, standard, or ban under the CPSA or any other statute enforced by the CPSC;
- (3) contains a defect which could create a substantial product hazard described in section 15(a)(2) of the CPSA; or
- (4) creates an unreasonable risk of serious injury or death.

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## REGULATORY OVERVIEW

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### Laws Regulations and Standards regarding Candles

#### *Voluntary Standards*

The CPSC works with the American Section of the International Association for Testing Materials (“ASTM”) Subcommittee F15.45 for Candles and Candle Products to develop voluntary standards relating to candle safety. Although not mandatory, the National Candle Association (“NCA”), a major candle industry trade association representing about 90% of the candles made in the U.S., has reported that all of its member companies conform to the ASTM standards. Active standards under the subcommittee include:

- ASTM F-1972-16, Standard Guide for Terminology Relating to Candles and Associated Accessory Items.
- ASTM F-2058-07, Standard Specification for Candle Fire Safety Labeling.
- ASTM F-2179-14, Standard Specification for Annealed Soda-Lime-Silicate Glass Containers that are Produced for Use as Candle Containers.
- ASTM F-2326-09, Standard Test Method for Collection and Analysis of Visible Emissions from Candles as they Burn.
- ASTM F-2417-16, Standard Specification for Fire Safety for Candles.
  - Prescribes candle performance requirements (stability, flame height, secondary ignition, and end-of-useful-life behavior).
- ASTM F-2601-16a, Standard Specification for Fire Safety for Candle Accessories.
  - Prescribes requirements for certain candle accessories (stability and flammability accessories such as candle holders, candle rings, candle shades & toppers, and candle burners)

#### *Federal Laws and Regulations*

(i). *Fair Packaging and Labeling Act (15 U.S.C. §§ 1451–1461)*

The primary consumer product labeling law in the U.S. is the Fair Packaging and Labeling Act (“FPLA”), administered by the Federal Trade Commission. Under the FPLA, each packaged or labeled consumer commodity, unless an exemption applies, must “bear a label specifying the identity

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## REGULATORY OVERVIEW

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of the commodity; the name and place of business of the manufacturer, packer, or distributor; the net quantity of contents; and the net quantity per serving, use or application, where there is a label representation as to the number of servings, uses, or applications obtainable from the commodity.” Although, “[t]apered candles and irregularly shaped decorative candles which are either hand dipped or molded are exempt from the requirements of 16 C.F.R. § 500.7 which specifies that the net quantity of contents shall be expressed in terms of count and measure (e.g., length and diameter), to the extent that diameter of such candles need not be expressed. The requirements of § 500.7 for these candles will be met by an expression of count and length or height in inches.”

The FPLA also prohibits false or misleading statements about the nature or characteristics of a product (even if technically accurate) which are likely to deceive the average consumer or affect the consumer’s decision to purchase a product or service that he would not have taken otherwise.

*(ii). Tariff Act of 1930*

In addition to the FPLA, the Tariff Act of 1930 requires “every article of foreign origin (or its container, as provided in subsection (b) hereof) imported into the United States shall be marked in a conspicuous place as legibly, indelibly, and permanently as the nature of the article (or container) will permit in such manner as to indicate to an ultimate purchaser in the U.S. the English name of the country of origin of the article. 19 U.S.C. § 1304(a). Although, candle wickings individually are excepted from the country of origin marking requirements. 19 U.S.C. § 1304(a)(3)(J). However, if candle wickings are “imported in a container, the outermost container in which the article ordinarily reaches the ultimate purchaser is required to be marked to indicate the origin of its contents in accordance with the requirements of subpart C” of Part 134. 19 C.F.R. § 134.33.

*(iii). Federal Hazardous Substances Act (15 U.S.C. §§ 1261-1278)*

In addition to the above, the Federal Hazardous Substances Act (“**FHSA**”) requires certain hazardous household products to have warning labels. It also gives the CPSC the authority, through Section 30(a) of the CPSA(15 U.S.C. 2079(a)), to regulate or ban a hazardous substance.

Under FHSA Regulation 16 C.F.R. § 1500.12(a)(2), metal-cored candlewicks that have a lead content of more than 0.06% of the total weight of the metal core, and candles made with such wicks are declared hazardous substances under FHSA Section 3(a). Such candles or metal-cored candlewicks are banned from the U.S. unless (1) the metal core of each candlewick has a lead content of not more than 0.06% of the total weight of the metal core; and (2) each outer container or wrapper in which the candles/candlewicks are shipped, including each outer container or wrapper in which such candles are distributed to a retail outlet, is labeled “Conforms to 16 CFR 1500.17(a)(13).” 16

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## REGULATORY OVERVIEW

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C.F.R. §1500.17(a)(13)(i)-(ii). In addition, as discussed further below, the CPSIA requires that any shipment of metal-core wicks, or candles made with metal-core wicks, must carry certification indicating that the products have been tested and contain less than 0.06% lead by weight in compliance with the CPSC's ban on lead wicks.

### *California Specific Laws*

In addition to federal laws and regulations, state law may be applicable to certain product and import requirements. In California, Proposition 65 requires the state to publish a list of chemicals known to cause cancer or birth defects or other reproductive harm. Consumer products must be labeled if they include Proposition 65 substances above a “no significant risk” level. Businesses must provide a “clear and reasonable” warning before knowingly and intentionally exposing anyone to a listed chemical. A Proposition 65 warning is not required if the chemical in question is found at or below a recognised safety threshold or “safe harbor” level.

Under a Proposition 65 settlement, scented candles with a diameter of 3.5 inches or more must include a warning on the label that substantially says: “To reduce sooting, you must trim the wick to ¼ inch each time the candle is to be relit. Avoid using in drafty areas.” The warning must be in a typeface, size and location “as conspicuous as” other safety warnings on the label.

Apart from Proposition 65, if using plastic packaging containers, California's Rigid Plastic Packaging Container Program requirements may be applicable. Moreover, additional labeling regulations issued by the weights and measures divisions of other states may also be applicable to candles.

### **Import Laws and Regulations**

#### *Import Duties*

Manufactured goods imported from Vietnam are generally subject to U.S. import duties. Vietnam is subject to the general rates applicable to most countries with which the U.S. does not have a free-trade agreement in place. The rates of duty are set forth in the Harmonized Tariff Schedule of the U.S. (“**HTSUS**”) which identifies applicable duties for the universe of imported goods, organised by class and specific article. A candle is classified under HTSUS 3406.00.0000. The 2017 rates of duty are free. A glass candle holder may be interpreted to classify under HTSUS 9405.50.4000. The 2017 general rate of duty is 6%. The 2018 rate of duty for a candle is free according to Harmonized Tariff Schedule (2018) Revision 5 effective as of June 1, 2018 (“**2018 HTSUS**”). The 2018 general rate of duty for goods classified under HTSUS 9405.50.4000 remains 6% according to 2018 HTSUS.



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## REGULATORY OVERVIEW

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Import quotas control the amount or volume of various commodities that can be imported into the U.S. during a specified period of time. Quotas are established by legislation, Presidential Proclamations or Executive Orders. Quotas are announced in specific legislation or may be provided for in the HTSUS. Currently, there are no quotas on candles.

### *Product Certification*

Manufacturers and importers of certain general use products for which consumer product safety rules apply, must certify, in a written General Certificate of Conformity (“GCC”) based on testing or a reasonable testing program, that their products comply with those applicable rules. 15 U.S.C. § 2063(a). Candles made with metal-cored wicks that have a lead content of more than 0.06% of the total weight of the metal core, are a product that must be certified with a GCC. Under 16 C.F.R. § 1110.11, a GCC must contain the following:

- Identification of the product covered by the certificate;
- Citation to each consumer product safety regulation to which this product is being certified;
- Identification of the U.S. importer or domestic manufacturer certifying compliance of the product;
- Contact information for the individual maintaining records of test results;
- Date and place where this product was manufactured;
- Provide the date(s) and place when the product was tested for compliance with the consumer product safety rule(s) cited;
- Identification of any third party laboratory on whose testing the certificate depends.

A GCC must “accompany” the applicable product or shipment of products covered by the certificate. Moreover, an importer must “furnish” the GCC to its distributors and retailers. The “accompany” and “furnish” requirements are satisfied if the importer provides its distributors and retailers a reasonable means to access the certificate. Additionally, federal law requires an importer to provide a copy of the GCC to the CPSC and to the Commissioner of Customs, upon request.

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## REGULATORY OVERVIEW

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### *Anti-dumping and Countervailing Duties*

When the U.S. Department of Commerce finds that imported merchandise was sold in the U.S. at an unfairly low or subsidised price the Customs and Border Patrol is responsible for collecting the Antidumping and Countervailing Duties. The U.S. Customs' list of products whose imports are subject to these duties does not contain any orders applicable to candle imports from Vietnam.

### UNITED KINGDOM REGULATORY OVERVIEW

#### REGULATORY REQUIREMENTS IN THE EU AND U.K.

The below summary of regulatory requirements includes reference to EU legislation that either has direct effect in the U.K. or forms part of the U.K. product regulation, product liability, intellectual property and import, customs and export control regimes. As the U.K. accounts for the majority of our Group's imports into the EU, the below summary refers to U.K. legislation that implements the highlighted EU regulations and directives. EU regulations are directly effective in all EU member states and EU directives are implemented on a case by case basis under the national law of each member state.

#### **Product Regulation and Product Liability**

##### *Product Regulation*

Under the General Product Safety Directive (2001/95/EC) (“**GPSD**”), which is implemented in the U.K. by the General Product Safety Regulations 2005, all consumer products placed on the EU market have to be safe. As well as ensuring that only safe products are placed on the market, the producer of the product also has to ensure that consumers are informed of any risks associated with the product and comply with certain labelling requirements. Producers and distributors also have obligations to take corrective actions in respect of products posing a safety risk that have already been placed on the EU and U.K. market.

The EU Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (1907/2006/EC) (“**REACH**”) seeks to improve the protection of human health and the environment from the risks that can be posed by chemicals. REACH imposes a variety of obligations on those that manufacture chemicals substances, mixture and articles within the EU, as well as those that import products manufactured outside of the EU into the EU. It then imposes lesser obligations on all EU-based entities within a product's supply chain.

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## REGULATORY OVERVIEW

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The EU Packaging and Packaging Waste Directive (94/62/EC) is implemented in Great Britain by the Producer Responsibility Obligations (Packaging Waste) Regulations 2007 and the Packaging (Essential Requirements) Regulations 2015. Under the Regulations, producers of packaging have to ensure that it meets certain minimum essential requirements relating to, for example, reusability and hazardous substance content. Producers also have to contribute towards the cost of take back and recycling of waste packaging.

### *Product Liability*

The EU Directive on Liability for Defective Products (85/374/EEC) is implemented in the U.K. by Part I of the Consumer Protection Act 1987. This creates a strict liability regime for personal injury and damage to personal property caused by a defective product. A product is “defective” if the safety of the product is not as people generally are entitled to expect, taking into account the following factors: (a) the manner in which and the purposes for which the product has been marketed; (b) any instructions or warnings; (c) what might reasonably be expected to be done with the product; and (d) the time when the product was supplied. Claims can be brought against any entity that falls within the “producer” definition and liability is joint and several.

Product liability claims may also be brought under the tort of negligence in the U.K. (or an analogous non-contractual clause of action in other EC Member States). Claimants may also be able to bring a breach of contract claim in the event of a defective product, but will be limited in doing so by the doctrine of privity of contract.

### **Intellectual Property**

#### *Trade Marks*

The law relating to registered U.K. trade marks is contained primarily in the Trade Marks Act 1994 (“**TMA**”). The law relating to EU trade marks (“**EUTMs**”) is contained in the EU Trade Mark Regulation (207/2009/EC) (“**EUTM Regulation**”). It is also possible to register international trade marks ‘designating’ either the U.K. and/or the EU via the so-called Madrid system. By designating the U.K. and/or the EU in an international application (or in a subsequent designation), it is possible to obtain trade mark protection with the same effects as a direct U.K. and/or EU trade mark application.

The U.K. trade mark register is administered and maintained by the U.K. Intellectual Property Office (“**U.K. IPO**”), while EUTMs are administered and maintained by the EU Intellectual Property Office (“**EUIPO**”). International trade marks are administered and maintained by the International Bureau of the World Intellectual Property Organisation (“**WIPO**”).

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## REGULATORY OVERVIEW

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The application of legislation governing trade mark law in the U.K. will be under review as a result of the U.K.'s decision to withdraw from the European Union.

The proprietor of a registered trade mark has exclusive rights to use the mark in connection with the goods and services for which it is registered. The proprietor of a registered trade mark has the right to sue a third party for trade mark infringement if the third party uses, in the course of trade, a sign that is (a) identical to the proprietor's registered mark, and used in relation to identical goods or services; (b) is similar or identical to the proprietor's registered mark, and used in relation to similar or identical goods or services, and there exists a likelihood of confusion on the part of the public; or (c) identical or similar to the proprietor's registered mark where the mark has a reputation in the U.K. / Member States and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

In order to remain in force, a trade mark must be renewed every 10 years. Unregistered trade mark rights in the U.K. are protected under the common law tort of passing off.

### **Import and Export Controls Law and Regulations**

#### *Importation of Goods*

The EU customs framework is set out in three key regulations: (i) Regulation (EU) No 952/2013; (ii) Commission Delegated Regulation No 2015/2446; and (iii) Commission Implementing Regulation No 2015/2447 (each as amended) (collectively referred to as the "Union Customs Code"). The rules set out under the Union Customs Code are directly applicable in all EU Member States.

Under the Union Customs Code, the importation of goods into the EU (including the U.K.) is subject to the payment of customs duties. Relevant import value-added tax (in the context of the U.K., "U.K. VAT") is also chargeable on import in accordance with the framework set out in Council Directive 2006/112/EC (as amended). Excise duties may also be levied on import of certain products into the U.K., in accordance with the framework set out in Council Directive 2008/118 EC (as amended) as implemented in the U.K.. In addition, under certain circumstances, additional customs duties may be imposed under the EU's anti-dumping and countervailing measures. The framework for these measures is set out in Regulation (EU) 2016/1036 and Regulation (EU) 2016/1037 (each as amended). As per above, the rules set out under these measures are directly applicable in all EU Member States. The assessment of VAT and customs duties (including anti-dumping and countervailing duties, where applicable) and excise duties is undertaken by the relevant EU Member State customs authority.

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## REGULATORY OVERVIEW

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From a U.K. perspective, the declarant for goods imported into the U.K. is liable to pay relevant U.K. VAT and customs duties (including anti-dumping and countervailing duties, where applicable) to Her Majesty's Revenue and Customs ("**HMRC**"). The amount of U.K. VAT and customs duty is determined based on, *inter alia*, the declared value of the goods, the tariff classification of the goods and the country of origin of the goods. Anti-dumping and countervailing duties will only be applicable where the imported goods are subject to such anti-dumping and countervailing measures. The declarant is also under a duty to submit an import declaration to HMRC.

As our Group does not act as the declarant for goods imported into the U.K. (as such goods are imported into the U.K. on a 'free on board' basis), our Group would not ordinarily be liable for payment of U.K. VAT or customs duties (including anti-dumping and countervailing duties, where applicable) with respect to the supply of its candle products into the U.K. nor would our Group ordinarily be subject to any consequences for non-payment of such U.K. VAT or customs duties. Additionally, our Group's candle products that are imported into the U.K. are not currently subject to any EU anti-dumping or countervailing duties or any U.K. excise duties. However, because our Group is reliant on customers in the U.K., it is important for the Group to be aware of the tariff regime in the U.K..

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### HISTORY AND DEVELOPMENT

#### Overview

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 July 2017 in preparation for the Listing and is the holding company of our Group after the Reorganisation (details of which are set out in the paragraph headed “Reorganisation and corporate structure” below in this section), which focuses its business on the manufacturing and sale of candle products.

Our history can be traced back to 1993, when our founders, Mr. Andrew Wong and Mr. Vincent Wong, who are brothers, set up, with their personal wealth, Fleming Limited (later known as Fleming Industrial Limited and now known as Fleming International Limited, i.e. Fleming Hong Kong) in equal shareholdings, in Hong Kong for the trading business of, among others, porcelain products. In 1997, we set up our manufacturing facility in the Shenzhen city of the PRC for the then trading business, and in the same year, we first commenced the manufacturing of candle products in our Shenzhen facility.

#### Major developments and milestones

The following sets forth the important milestones in the development of the business of our Group up to the Latest Practicable Date:

<u>Year</u>	<u>Events</u>
1993	Established Fleming Hong Kong.
1997	Established a manufacturing facility in Shenzhen through the Processing Agreement.
1998	Set up in-house testing laboratory for testing of wax and inspection of internal finished goods.  Began business relationship with Meller Design, one of our long standing customers.
1999	Received orders from Hobby Lobby which subsequently became one of our key customers.
2000	Set up our current office in Aberdeen, Hong Kong with showroom facility.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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Year	Events
2004	Set up our candle factory in Vietnam.
2005	Received candles orders from our U.S. customer Target which became one of our key customers.  Received candles orders from Williams Sonoma, Inc. which became one of our key customers.
2006	Expansion in Vietnam factory.
2008	Received candles orders from Sainsbury's which became one of our key customers.
2009	Further expansion in Vietnam factory.
2011	Received candles orders from Waitrose which became one of our key customers.
2017	Admitted as a member of the National Candle Association in the U.S..  Selected by Williams Sonoma as one of its "Super Key Vendors".

### **Our Company**

Our Company was duly incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 5 July 2017 with an authorised share capital of HK\$380,000.00 divided into 38,000,000 Shares of par value HK\$0.01 each. Our Company is an investment holding company.

Our Company has a number of direct and indirect subsidiaries incorporated in BVI, Vietnam and Hong Kong. Details of the members of our Group and their respective corporate history are set out below.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### Our subsidiaries

#### *Fleming Hong Kong*

Fleming Hong Kong, principally engaged in the trading of, among others, candle products, is a limited liability company duly incorporated in Hong Kong on 29 June 1993 with an initial issued share capital of HK\$2.00, divided into two ordinary shares with one share each to Mr. Andrew Wong and Mr. Vincent Wong.

On or about 18 May 2004, six additional ordinary shares of Fleming Hong Kong were allotted with 3 shares each to Mr. Andrew Wong and Mr. Vincent Wong.

On or about 10 June 2004, two additional ordinary shares of Fleming Hong Kong were allotted to Goldwise Development Limited, an Independent Third Party.

By share transfer, on or about 14 May 2008 and 6 October 2008, Goldwise Development Limited transferred back a total of two ordinary shares of Fleming Hong Kong to Mr. Andrew Wong and Mr. Vincent Wong.

On or about 4 November 2016, 850 additional ordinary shares of Fleming Hong Kong were allotted with 425 shares each to Mr. Andrew Wong and Mr. Vincent Wong.

Fleming Hong Kong was wholly and beneficially owned by Mr. Andrew Wong and Mr. Vincent Wong in equal shareholdings (i.e. 430 shares each) immediately before the transfer and issuance of shares of Fleming Hong Kong pursuant to the Pre-IPO Investment Agreement (details of which are set out in the paragraph headed “Pre-IPO investment” below in this section).



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## HISTORY, DEVELOPMENT AND REORGANISATION

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### *Fleming China*

Fleming China was a limited company established in the PRC as a wholly foreign-owned enterprise duly incorporated on 21 June 2007 with registered capital of HK\$1,000,000.00. The entire registered capital of Fleming China was wholly and beneficially owned by Fleming Hong Kong. Fleming China was established for our operation and manufacturing in the PRC in preparation for the termination of the Processing Agreement, which the parties agreed to terminate in July 2007. Our Directors confirmed that, following our operation in Vietnam getting more established, the operation of Fleming China was ceased in 2008 and Fleming China was solvent at the time of termination of operation. Fleming China did not conduct annual inspection after that and as a result its business license was revoked on 31 December 2010. In 2016, our Group understood that the official administrative procedures for liquidation and deregistration of Fleming China were not yet completed. Accordingly, our Group conducted the necessary official administrative procedures and Fleming China completed the deregistration procedures with the relevant authority (i.e. Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局)) in the PRC on or about 9 December 2016.

### *Success Glory*

Success Glory is a limited liability company duly incorporated in the BVI on 2 March 2004 with authorised share capital of US\$50,000.00 divided into US\$1.00 each, of which 5,000 shares have been issued and credited as fully paid up. Success Glory is wholly and beneficially owned by Fleming Hong Kong and is principally engaged in investment holding.

### *Fleming Vietnam*

Fleming Vietnam was duly incorporated in Vietnam on 12 October 2004 with limited liability having a registered investment capital (authorised capital) of US\$4,000,000.00 and a legal capital (paid-up capital) of US\$1,800,000.00. The entire charter capital of Fleming Vietnam was wholly and beneficially owned by Success Glory. It is principally engaged in design, manufacture and trading of candle products.

### *Britain Link*

Britain Link was duly incorporated in Hong Kong with limited liability on 1 August 2011. The entire issued share capital of Britain Link was legally held by Mr. Chau Pong on trust for Mr. Andrew Wong and Mr. Vincent Wong, as wholly-owned beneficial owners, in equal shares (the “Trust”). It principally engages in trading of candle products.

The reason for setting up Britain Link and the above trust arrangement is that in or about mid-2011, a new customer, namely Customer E, approached our Group to place purchase orders for home fragrance and candles. Customer E requested Fleming Hong Kong to provide sales rebate as an

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## HISTORY, DEVELOPMENT AND REORGANISATION

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incentive for them to reach sales targets. Although no other customers of our Group was given any sales rebate, in order to commence business with Customer E and at the same time without jeopardising our relationships with other customers due to differentiated treatment, Mr. Andrew Wong and Mr. Vincent Wong decided to transact business with Customer E through a company different from Fleming Hong Kong. Therefore, they asked their uncle, Mr. Chau Pong, to hold a company on trust for them primarily for receiving sales orders from Customer E. For more background information of Customer E, please refer to the paragraph headed “Our customers” under the section headed “Business” of this prospectus.

Britain Link was hence set up by Mr. Andrew Wong and Mr. Vincent Wong, with Mr. Chau Pong being the sole shareholder and director. The incorporation fee was approved by Mr. Vincent Wong and paid by Fleming Hong Kong on behalf of Britain Link.

Due to the close relationship between Mr. Andrew Wong and Mr. Vincent Wong with Mr. Chau Pong, Mr. Andrew Wong and Mr. Vincent Wong decided that there was no need to execute a formal declaration of trust for the shares of Britain Link to be held by Mr. Chau Pong as trustee for and on behalf of them as beneficiary owners at the material time. Nevertheless, on 28 August 2017, in order to formalise the trust arrangement among the parties, Mr. Andrew Wong, Mr. Vincent Wong and Mr. Chau Pong executed a declaration of trust to confirm and record the existence of the Trust.

Other than being the sole shareholder (in the capacity of trustee of Mr. Andrew Wong and Mr. Vincent Wong) of Britain Link and being appointed as its sole director, Mr. Chau Pong did not have any particular role in Britain Link prior to his resignation from directorship. The daily operation and management of Britain Link, such as communication with Customer E and receiving orders from Customer E were carried out by staff of Fleming Hong Kong under the direct instruction and supervision of Mr. Andrew Wong and Mr. Vincent Wong, who were the de facto decision makers in charge of the overall management and operations of Britain Link since its incorporation. Britain Link also placed orders to suppliers through Fleming Hong Kong with the instruction and approval of Mr. Andrew Wong and Mr. Vincent Wong.

In about mid-2016, as confirmed by our Directors, it has become common for customers in the home fragrance and candles market to request for bulk purchase discount from suppliers. Therefore, since the first quarter of 2017, our Group has been conducting business with Customer E directly through Fleming Hong Kong. Our Directors confirm that Britain Link has not received order since 2017 and its business activities have become inactive since then. The Trust was terminated on 28 August 2017 following the share transfer as set out under the paragraph headed “Reorganisation and corporate structure” in this section. Mr. Chau Pong resigned as director on 13 September 2017.

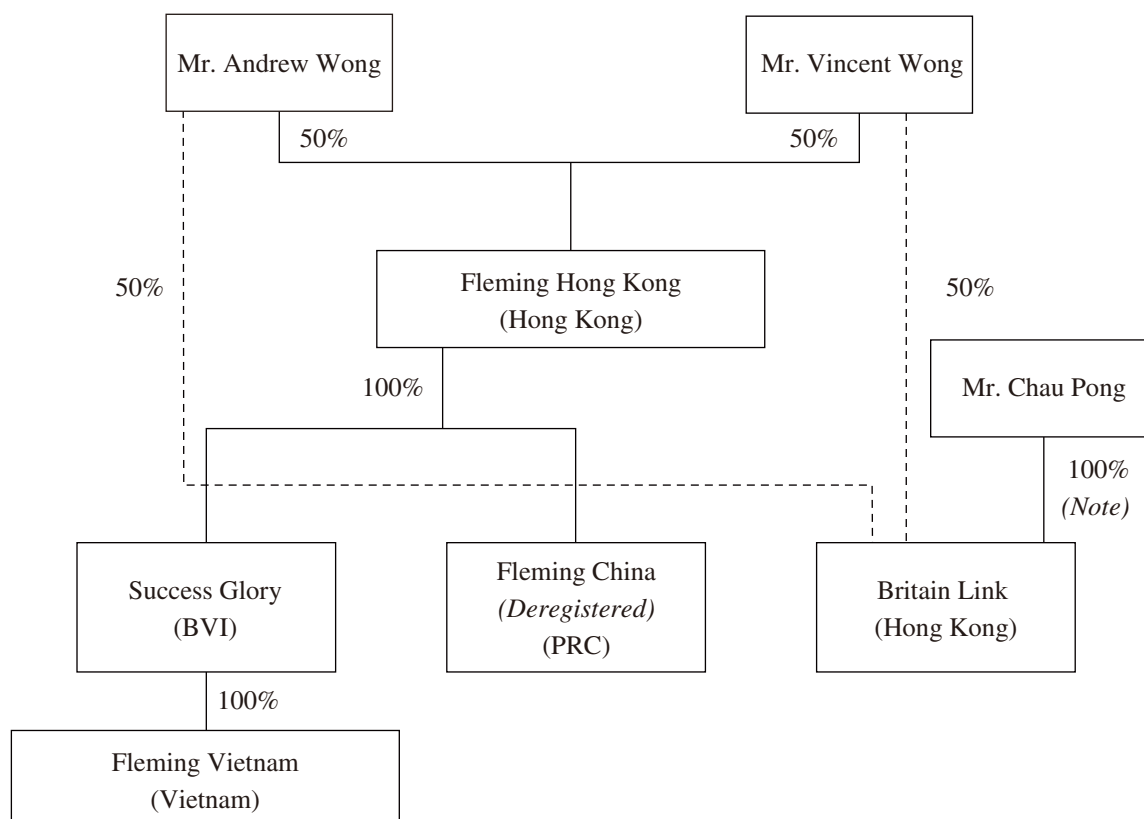
## HISTORY, DEVELOPMENT AND REORGANISATION

The following table sets forth the financial performance of Britain Link during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue . . . . .	14,362	9,833	205
Profit(loss) for the year . . . . .	243	(606)	52
Operating cash flows before movements in working capital . . . . .	267	(606)	52

The shareholding structure of our Group immediately prior to the transfer and issuance of shares of Fleming Hong Kong pursuant to the Pre-IPO Investment Agreement is set out in the below diagram:

### Structure of our Group immediately prior to the transfer and issuance of shares of Fleming Hong Kong pursuant to the Pre-IPO Investment Agreement



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## HISTORY, DEVELOPMENT AND REORGANISATION

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*Note:*

Britain Link was beneficially wholly owned by Mr. Andrew Wong and Mr. Vincent Wong in equal shares. Its entire issued share capital was held by Mr. Chau Pong on trust for and on behalf of Mr. Andrew Wong and Mr. Vincent Wong in equal shares.

### PRE-IPO INVESTMENT

On 7 November 2016, the Pre-IPO Investment Agreement was entered into between (a) Fleming Hong Kong as issuer; (b) Vibes (i.e. the Pre-IPO Investor) as purchaser and subscriber; and (c) Mr. Andrew Wong and Mr. Vincent Wong as vendors, pursuant to which upon completion of the transfer and subscription of shares, the Pre-IPO Investor will beneficially own 22% of Fleming Hong Kong.

### Background of the Pre-IPO Investor

Vibes, principally engaged in investment holding, is a company incorporated in Hong Kong with limited liability on 30 May 2016 with total issued share capital of HK\$10,000.00 wholly owned by Pioneer which is wholly and beneficially owned by Ms. Li and Ms. Zheng in equal shares. Pioneer is a company incorporated in the BVI and principally engaged in investment holding. Our Directors confirmed that Ms. Li and Ms. Zheng were introduced to Mr. Andrew Wong and Mr. Vincent Wong through social acquaintance where they had the opportunity to share the business prospect and opportunity of our Group and the investment environment of Vietnam.

Ms. Li and Ms. Zheng have, through their common social acquaintances, known each other for years. Both Ms. Li and Ms. Zheng have experiences in finance and capital investments and have served as director and/or senior management in private companies in Hong Kong and/or the PRC.

Among others, Ms. Li is a director of: (i) Cage Investment Company Limited, an investment holding company principally engaging in promotion and advertising services through its subsidiary; (ii) Elements Group Limited, a company which has yet to commence business since incorporation; (iii) Mega Marketing & Media Company Limited, a company principally engaging in marketing and promotion services; (iv) Sino Merit Enterprises Limited, a company which has yet to commence business since incorporation; (v) Top Sing International Company Limited, a company principally engaging in trading business; and (vi) Winz Strategy Company Limited, a company for holding a lease, in Hong Kong.

As for Ms. Zheng, among others, she is: (i) the managing director and general manager of Shenzhen Qianhai Huichen Trade Limited\* (深圳市前海匯琴貿易有限公司), a company principally engaging in general trading and consultancy services in matters relating to, among others, corporate and property in PRC; (ii) the director and general manager of Shenzhen Dongxiao Foundation

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## HISTORY, DEVELOPMENT AND REORGANISATION

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Investment Limited\* (深圳市東曉基業投資有限公司), a company principally engaging in property development, project investment and property management in PRC; (iii) the director of Shenzhen Fuyuan Li Investment Assets Management Limited\* (深圳市富遠利投資資產管理有限公司), a company principally engaging in investment and trusted assets management services, in PRC; and (iv) the director of Golden Flourish Trading Co., Limited, a company principally engaging in trading of tobacco and liquor products, in Hong Kong.

Both Ms. Li and Ms. Zheng do not have any business experience in our Group's industry.

Ms. Li and Ms. Zheng decided to invest in our Group after assessment of our Group's performance in respect of (i) financial position, (ii) business nature and operations, (iii) experience in candle manufacturing in Vietnam and (iv) business expansion plan.

Vibes is an investment holding company incorporated for the purpose of the pre-IPO investment and the shareholders of Vibes are Independent Third Parties not engaged in any business in competition with our Group.

To the best of our Directors' knowledge, Vibes had not participated in other listing as pre-IPO investors. Our Directors believe that the investment from the Pre-IPO Investor can strengthen the share capital base in enhancing the working capital of our Group, and as such, their introduction to our Group as Pre-IPO Investor was beneficial to our Group.

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Pre-IPO Investor and its ultimate beneficial owners are Independent Third Parties.

### **Principal terms of the pre-IPO investment**

The below table summarises the details and the principal terms of the Pre-IPO Investment Agreement:

<b>Name of the Pre-IPO Investor</b>	Vibes Management Company Limited
<b>Date of the Pre-IPO Investment Agreement</b>	7 November 2016

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## HISTORY, DEVELOPMENT AND REORGANISATION

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<b>Amount of consideration paid</b>	(a) HK\$8,000,000.00 (Consideration for transfer of 80 sale shares) (b) HK\$14,000,000.00 (Consideration for subscription of 140 shares)
<b>Payment dates of the consideration</b>	(a) HK\$8,000,000.00 on 28 November 2016 (for transfer of 80 sale shares) (b) HK\$14,000,000.00 on 7 February 2017 (for subscription of 140 shares)
<b>Basis of determination of the consideration</b>	The consideration was determined based on arm's length negotiations with reference to historical earnings and future prospects of our Group.
<b>Shares held after the Capitalisation Issue</b>	181,500,000
<b>Effective cost per Share paid (taking into account of the Capitalisation Issue)</b>	approximately HK\$0.12 (i.e. HK\$22,000,000.00 divided by 181,500,000 Shares)
<b>Discount to the Offer Price</b>	approximately 62.5% of HK\$0.32, being the mid-point of the indicative range of the Offer Price
<b>Use of proceeds</b>	The consideration for the subscription was used as general working capital of our Group and approximately 90% of which had been utilised as of the Latest Practicable Date.
<b>Strategic benefits to our Company</b>	Our Directors believe that the investment can strengthen the share capital base in enhancing the working capital of our Group.
<b>Specific rights of the Pre-IPO Investor</b>	None
<b>Shareholding in our Company before Listing</b>	22.0%
<b>Shareholding in our Company upon Listing</b>	16.5%

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### **Public float**

The Shares to be held by the Pre-IPO Investor upon Listing are not considered as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules as the Pre-IPO Investor will be a Substantial Shareholder of our Company upon Listing.

### **Lock-up requirements**

The shares held by the Pre-IPO Investor are subject to a lock-up period from the date of this prospectus to the date of six months after the Listing Date.

### **Sole Sponsor's confirmation**

The Sole Sponsor has confirmed that the investment by the Pre-IPO Investor is in compliance with the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 by the Stock Exchange, the Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and the Guidance Letter HKEX-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

## **REORGANISATION AND CORPORATE STRUCTURE**

In preparation for the Listing, our Group underwent the Reorganisation whereby our Company became the ultimate holding company of our Group. The Reorganisation involves the following stages, which are more particularly elaborated below:

### **Stage 1A — Transfer and subscription of shares in Fleming Hong Kong to and by Vibes**

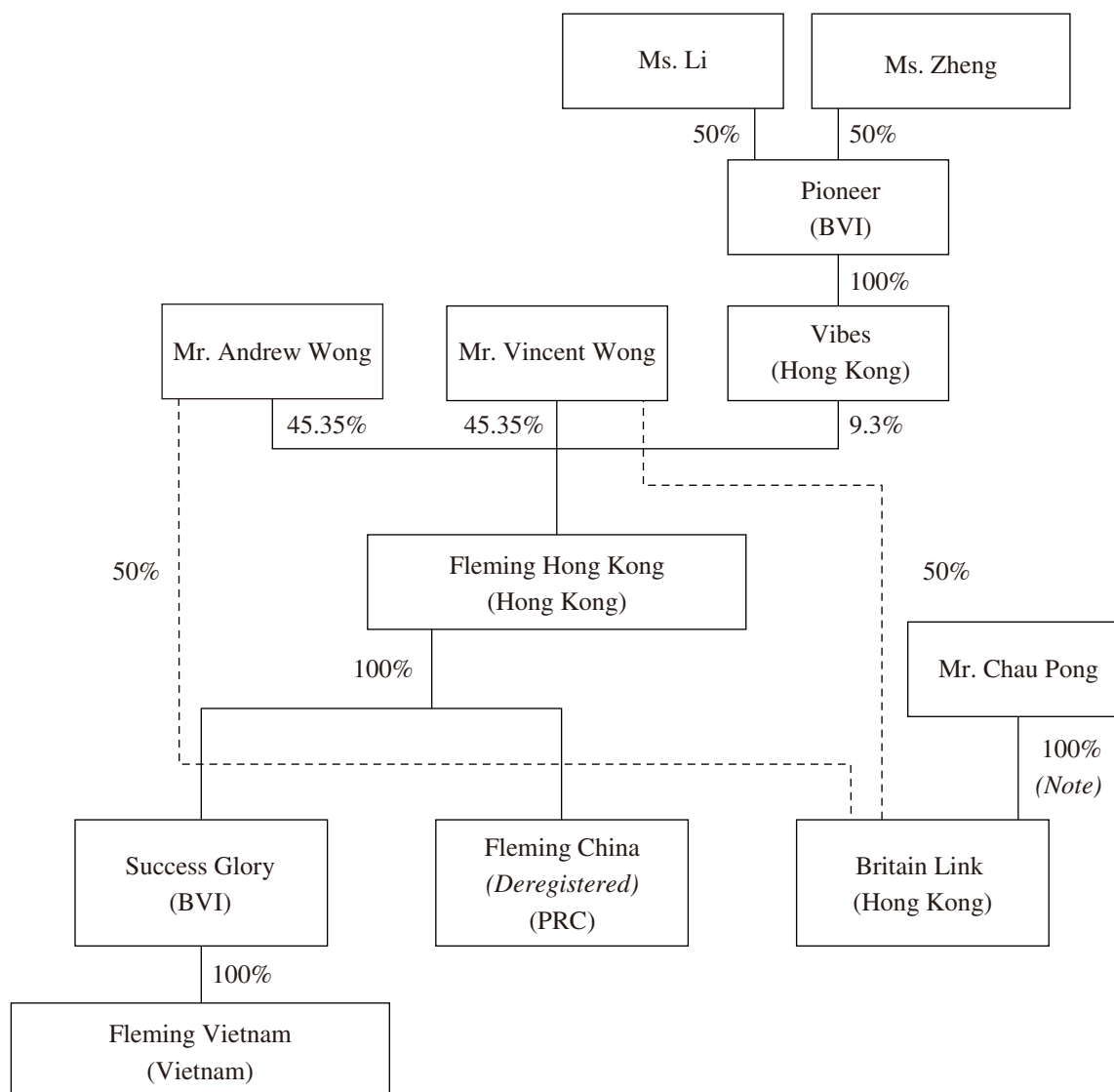
Pursuant to the Pre-IPO Investment Agreement, on 16 December 2016, each of Mr. Andrew Wong and Mr. Vincent Wong each transferred 40 shares of Fleming Hong Kong to Vibes at an aggregate consideration of HK\$8,000,000.00, which was arrived at after arm's length negotiations between the vendors and the purchaser and was determined with reference to historical earnings and future prospects of our Group. As a result, Fleming Hong Kong was wholly and beneficially held as to approximately 45.35%, 45.35% and 9.3% by Mr. Andrew Wong, Mr. Vincent Wong and Vibes, respectively.

On 7 February 2017, pursuant to the Pre-IPO Investment Agreement, Vibes subscribed for 140 shares of Fleming Hong Kong at an aggregate consideration of HK\$14,000,000.00, which was arrived at after arm's length negotiations between the parties to the Pre-IPO Investment Agreement and was determined with reference to historical earnings and future prospects of our Group. Upon completion of the aforesaid subscription, Fleming Hong Kong was wholly and beneficially owned as to 39%, 39% and 22% by Mr. Andrew Wong, Mr. Vincent Wong and Vibes respectively.

## HISTORY, DEVELOPMENT AND REORGANISATION

The corporate structure of our Group immediately after stage 1A of the Reorganisation (i.e. after the transfer and subscription of shares of Fleming Hong Kong) is set out in the following two diagrams.

### Structure of our Group upon completion of transfer of shares of Fleming Hong Kong



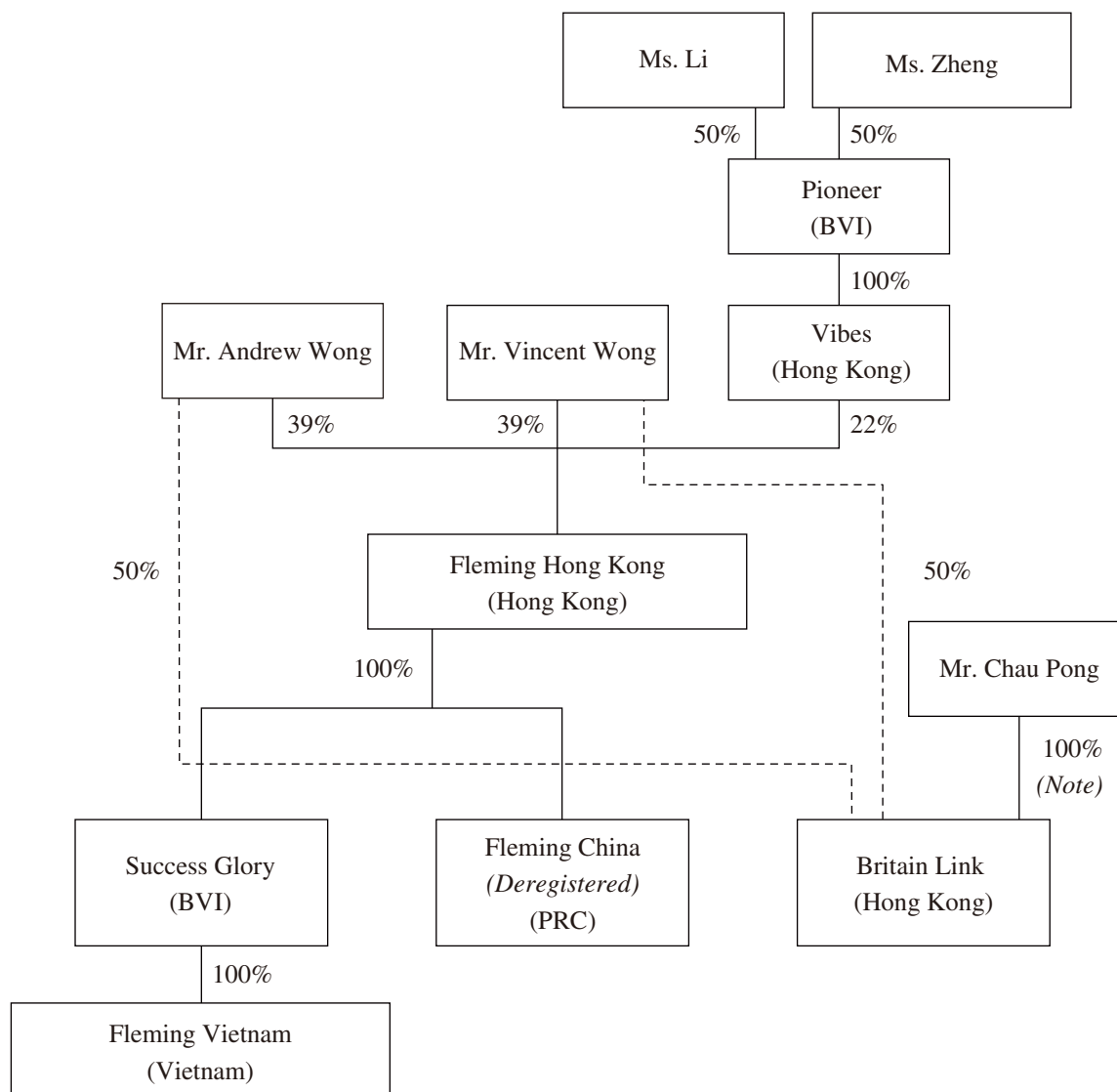
*Note:*

Britain Link was beneficially wholly owned by Mr. Andrew Wong and Mr. Vincent Wong in equal shares. Its entire issued share capital was held by Mr. Chau Pong on trust for and on behalf of Mr. Andrew Wong and Mr. Vincent Wong in equal shares.



# HISTORY, DEVELOPMENT AND REORGANISATION

## Structure of our Group upon completion of subscription of shares of Fleming Hong Kong



*Note:*

Britain Link was beneficially wholly owned by Mr. Andrew Wong and Mr. Vincent Wong in equal shares. Its entire issued share capital was held by Mr. Chau Pong on trust for and on behalf of Mr. Andrew Wong and Mr. Vincent Wong in equal shares.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### **Stage 1B — Termination of trust arrangement in relation to shares in Britain Link**

On 28 August 2017, one ordinary share of Britain Link was allotted and issued to Mr. Chau Pong, who held the said share as trustee for and on behalf of Mr. Andrew Wong and Mr. Vincent Wong in equal shares.

On 28 August 2017, Mr. Chau Pong (as transferor) and each of Mr. Andrew Wong and Mr. Vincent Wong (as transferees) entered into an instrument of transfer, pursuant to which Mr. Chau Pong transferred to each of Mr. Andrew Wong and Mr. Vincent Wong one share in Britain Link, which he held on trust for and on behalf of Mr. Andrew Wong and Mr. Vincent Wong, at nil consideration. After the aforesaid transfer, the entire legal and beneficial interests in Britain Link became owned by Mr. Andrew Wong and Mr. Vincent Wong in equal shares. Please refer to the paragraph headed “History and development” in this section for reasons of setting up Britain Link, the trust arrangement between Mr. Andrew Wong and Mr. Vincent Wong with Mr. Chau Pong, and the termination of the trust arrangement.

On 28 August 2017, Mr. Andrew Wong and Mr. Vincent Wong (as transferors) and Fleming Hong Kong (as transferee) entered into a sale and purchase agreement, pursuant to which each of Mr. Andrew Wong and Mr. Vincent Wong transferred 1 share in Britain Link to Fleming Hong Kong at a sum of HK\$1.00 per share.

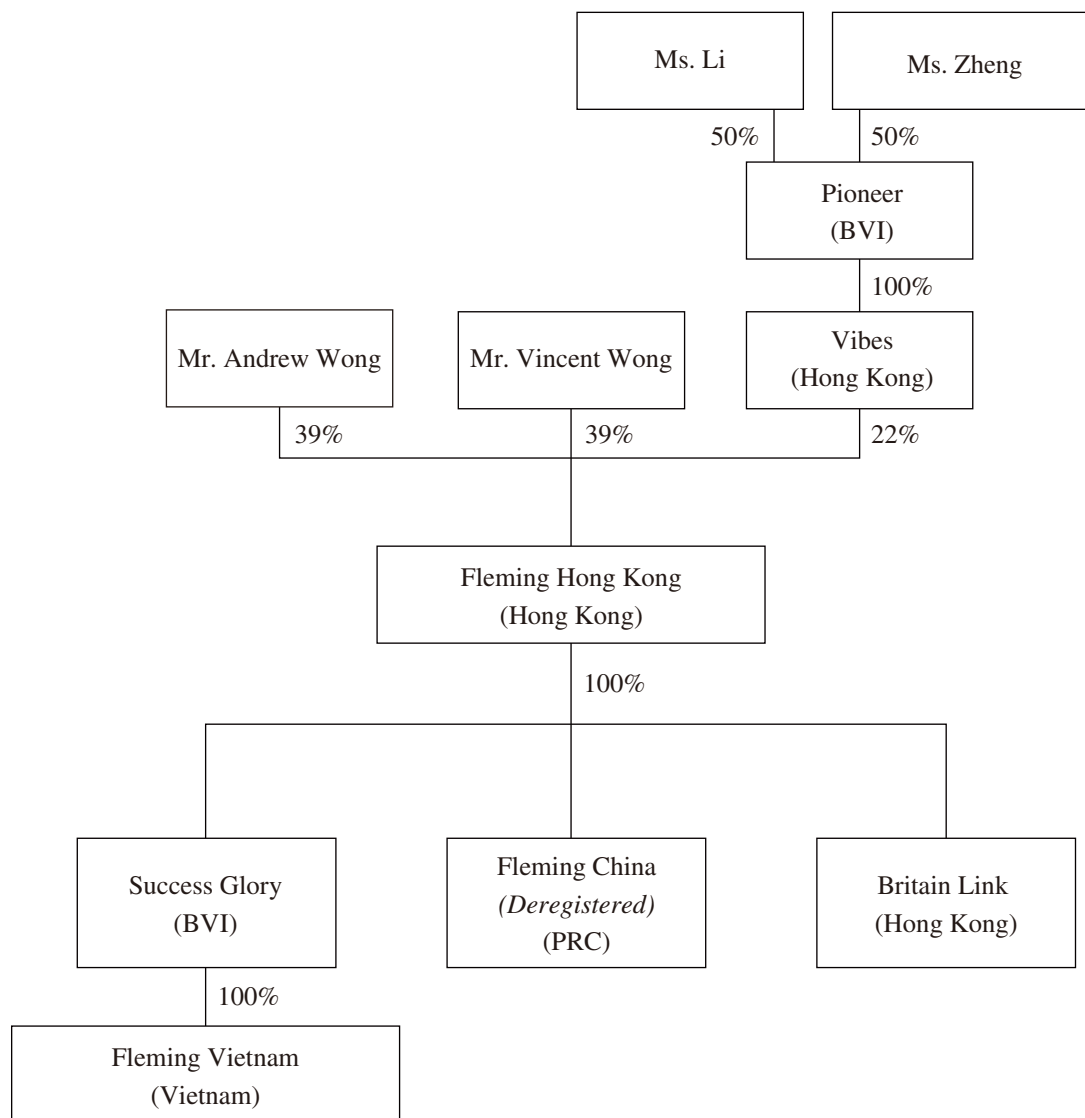
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## HISTORY, DEVELOPMENT AND REORGANISATION

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The corporate structure of our Group immediately after stage 1B of the Reorganisation is set out in below diagram:

### Termination of trust arrangement in relation to shares in Britain Link



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## HISTORY, DEVELOPMENT AND REORGANISATION

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### Stage 2 — Incorporation of overseas holding companies

AVW was duly incorporated in the BVI with limited liability on 4 July 2017. AVW is authorised to issue a maximum of 50,000 shares of par value US\$1.00 each, of which one share was allotted and issued fully paid to each of Mr. Andrew Wong and Mr. Vincent Wong on incorporation. As a result, Mr. Andrew Wong and Mr. Vincent Wong are the shareholders of AVW, each holding 50% of the issued shares of AVW. AVW is principally engaged in investment holding and will become a Controlling Shareholder upon Listing.

Vibes Enterprises was duly incorporated in the BVI with limited liability on 4 July 2017. Vibes Enterprises is authorised to issue a maximum of 50,000 shares of par value US\$1.00 each, of which 1 share was allotted and issued fully paid to Vibes on incorporation. As a result, Vibes is the sole shareholder of Vibes Enterprises, holding the entire issued share capital of Vibes Enterprises. Vibes Enterprises is principally engaged in investment holding and will become one of our Substantial Shareholders upon Listing.

Fleming International was duly incorporated in the BVI with limited liability on 5 July 2017. Fleming International is authorised to issue a maximum of 50,000 shares of par value US\$1.00 each. One share of Fleming International was allotted and issued fully paid to AVW on incorporation at par. As a result, AVW was the sole shareholder of Fleming International, holding one issued share of Fleming International. Fleming International will become the intermediate holding company of our Group upon Listing.

Our Company was duly incorporated in the Cayman Islands on 5 July 2017 to act as the ultimate holding company of our Group. The authorised share capital of our Company upon incorporation is HK\$380,000.00 divided into 38,000,000 ordinary shares of par value HK\$0.01 each. Upon its incorporation, one subscriber Share was allotted and issued as fully paid to the first subscriber, Reid Services Limited, an Independent Third Party, which was subsequently transferred to AVW. Further, 99 additional Shares were issued as fully paid, in which 77 shares were allotted to AVW and 22 Shares were allotted to Vibes Enterprises at par.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 30 August 2017.

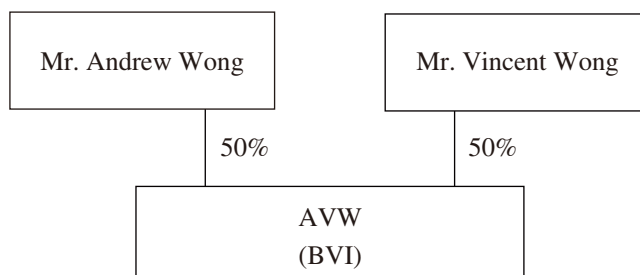
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## HISTORY, DEVELOPMENT AND REORGANISATION

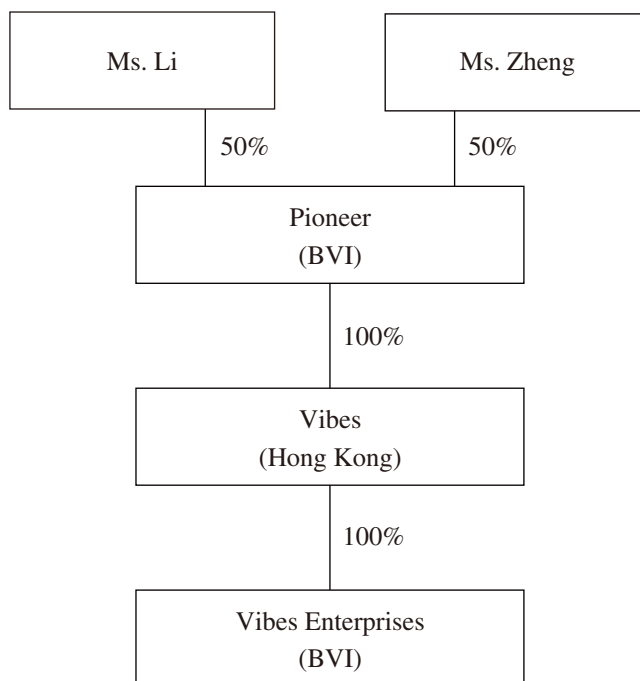
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The corporate structure of overseas holding companies immediately after stage 2 of the Reorganisation is set out in the following 4 diagrams.

### Incorporation of AVW



### Incorporation of Vibes Enterprises

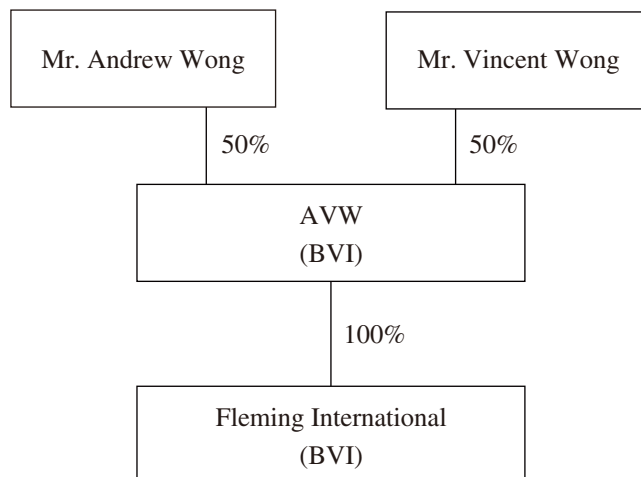


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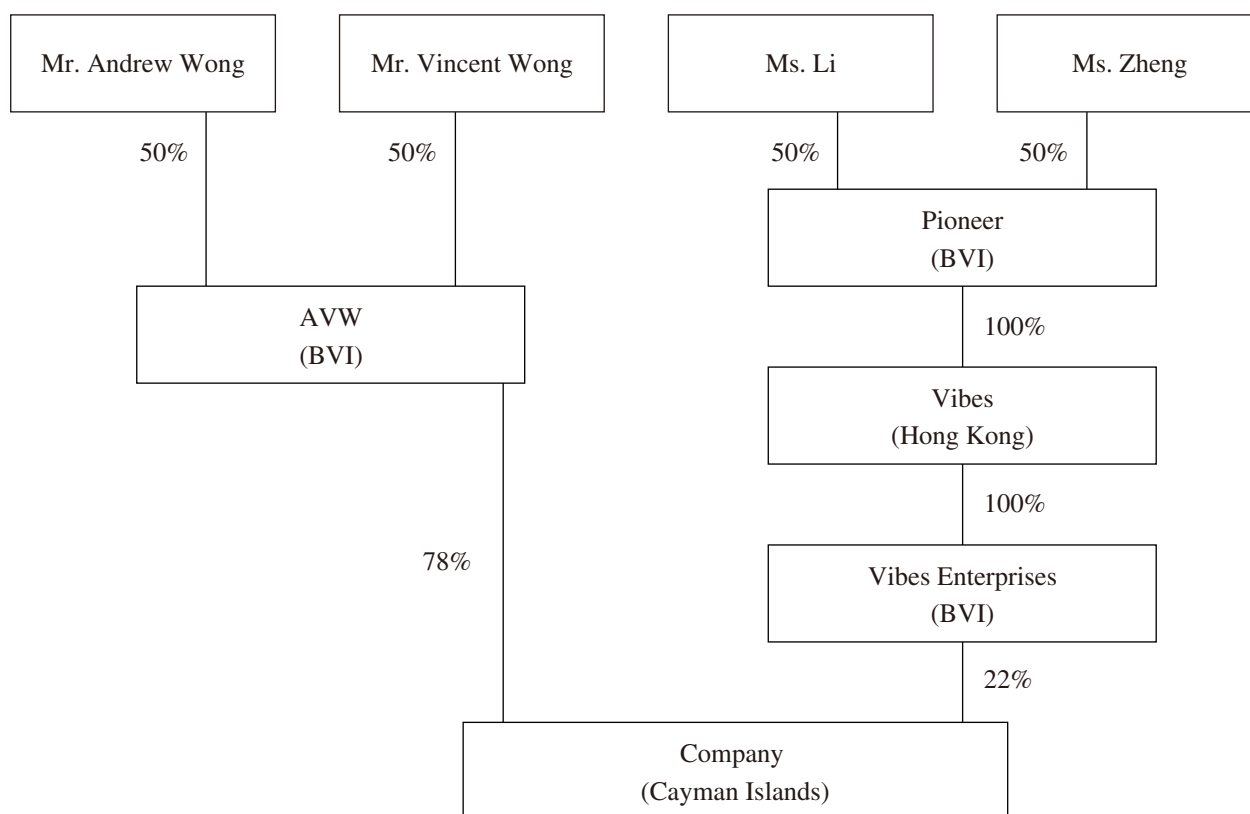
# HISTORY, DEVELOPMENT AND REORGANISATION

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## Incorporation of Fleming International



## Incorporation of our Company



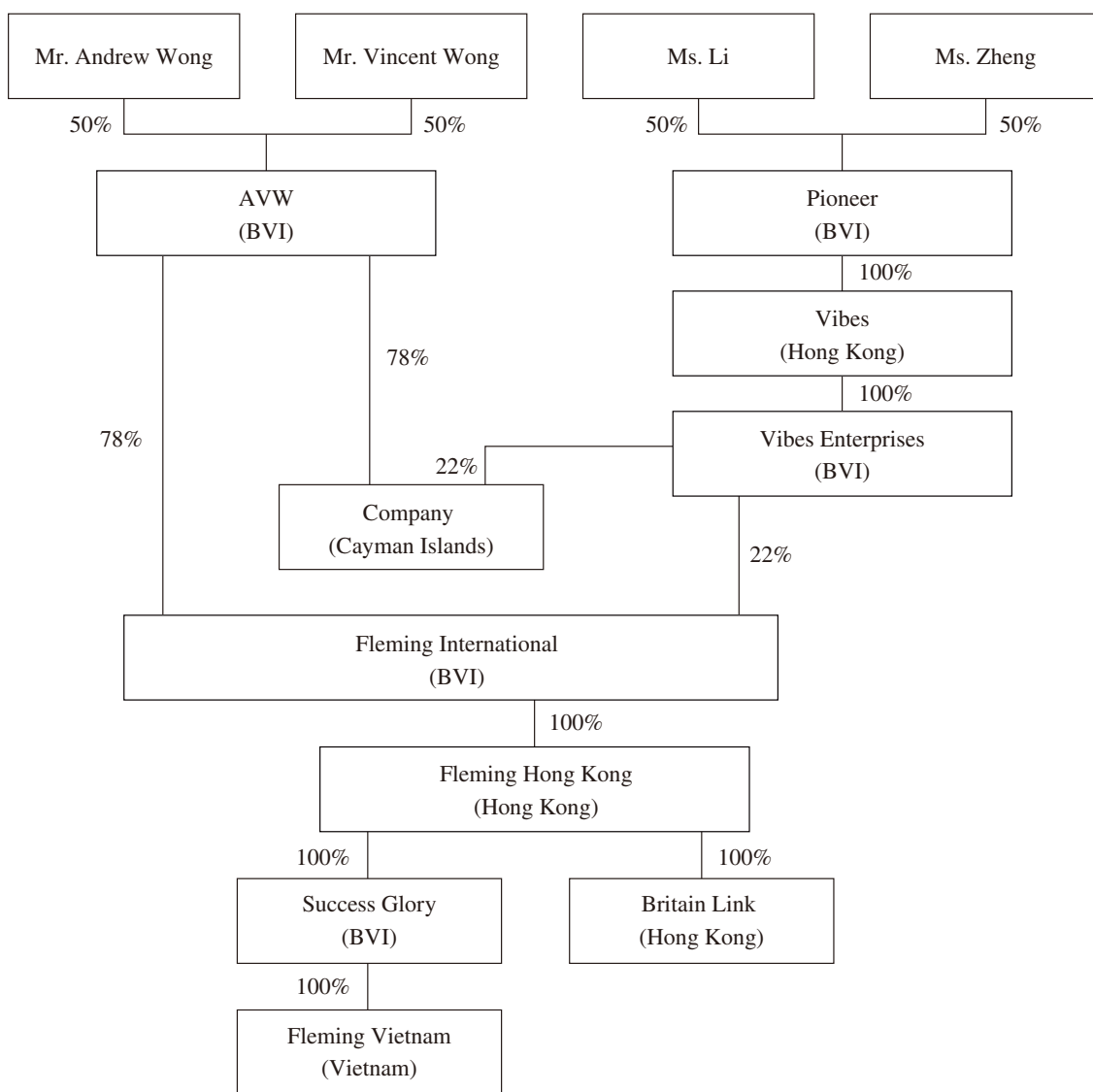
# HISTORY, DEVELOPMENT AND REORGANISATION

## Stage 3 — Acquisition of Fleming Hong Kong by Fleming International

On 8 September 2017, Fleming International acquired the entire issued share capital of Fleming Hong Kong (1,000 shares) from Mr. Andrew Wong, Mr. Vincent Wong and Vibes, respectively. The consideration for the acquisition was satisfied by the allotment and issue of 77 and 22 Fleming International’s shares respectively to AVW (at the direction of Mr. Andrew Wong and Mr. Vincent Wong) and to Vibes Enterprises (at the direction of Vibes), all credited as fully paid.

The corporate structure of our Group immediately after stage 3 of the Reorganisation is set out in following diagram.

## Structure upon completion of the acquisition of Fleming Hong Kong by Fleming International



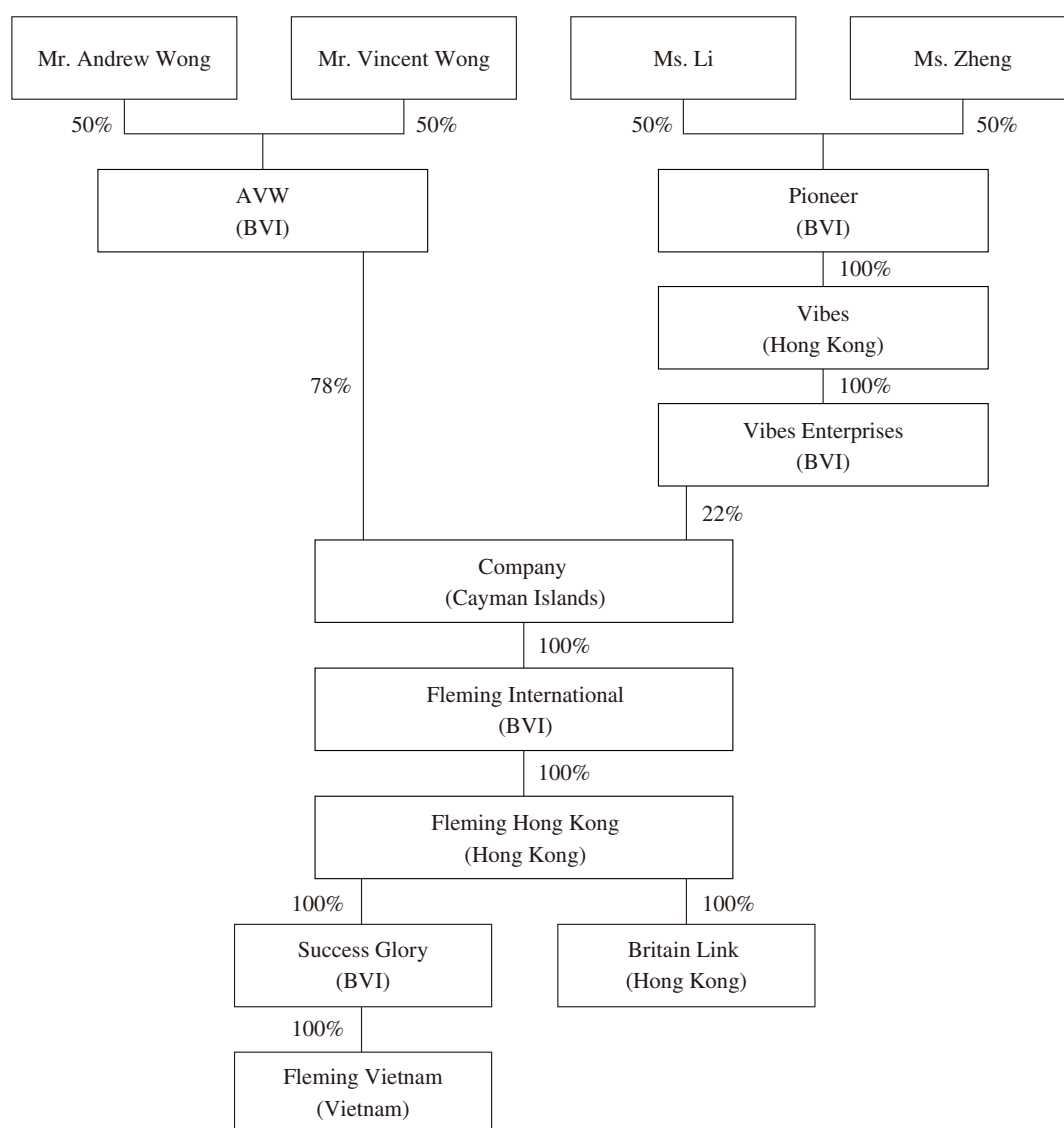
# HISTORY, DEVELOPMENT AND REORGANISATION

## Stage 4 — Acquisition of Fleming International by our Company

On 13 September 2017, our Company acquired the entire issued share capital of Fleming International (100 shares) from AVW and Vibes Enterprises, respectively. The consideration for the acquisition was satisfied by the allotment and issue of 78 and 22 Shares to AVW and Vibes Enterprises respectively, all credited as fully paid. As a result, Fleming International became wholly owned by our Company, while our Company continued to be owned as to 78% by AVW and 22% by Vibes Enterprises.

The corporate structure of our Group immediately after stage 4 of the Reorganisation is set out in below diagram.

### Structure upon completion of the acquisition of Fleming International by our Company





## HISTORY, DEVELOPMENT AND REORGANISATION

### Stage 5 — The Share Offer and Capitalisation Issue

Upon the approval of the Listing by the Board on 23 June 2018 and the Stock Exchange, our Company has offered 275,000,000 Shares at an offer price not more than HK\$0.36 per Offer Share and not less than HK\$0.28 per Offer Share each for subscription by the public and professional investors, representing a total of 25% of the issued share capital of our Company as enlarged by the Share Offer and the Capitalisation Issue (as described below) upon Listing (excluding Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme).

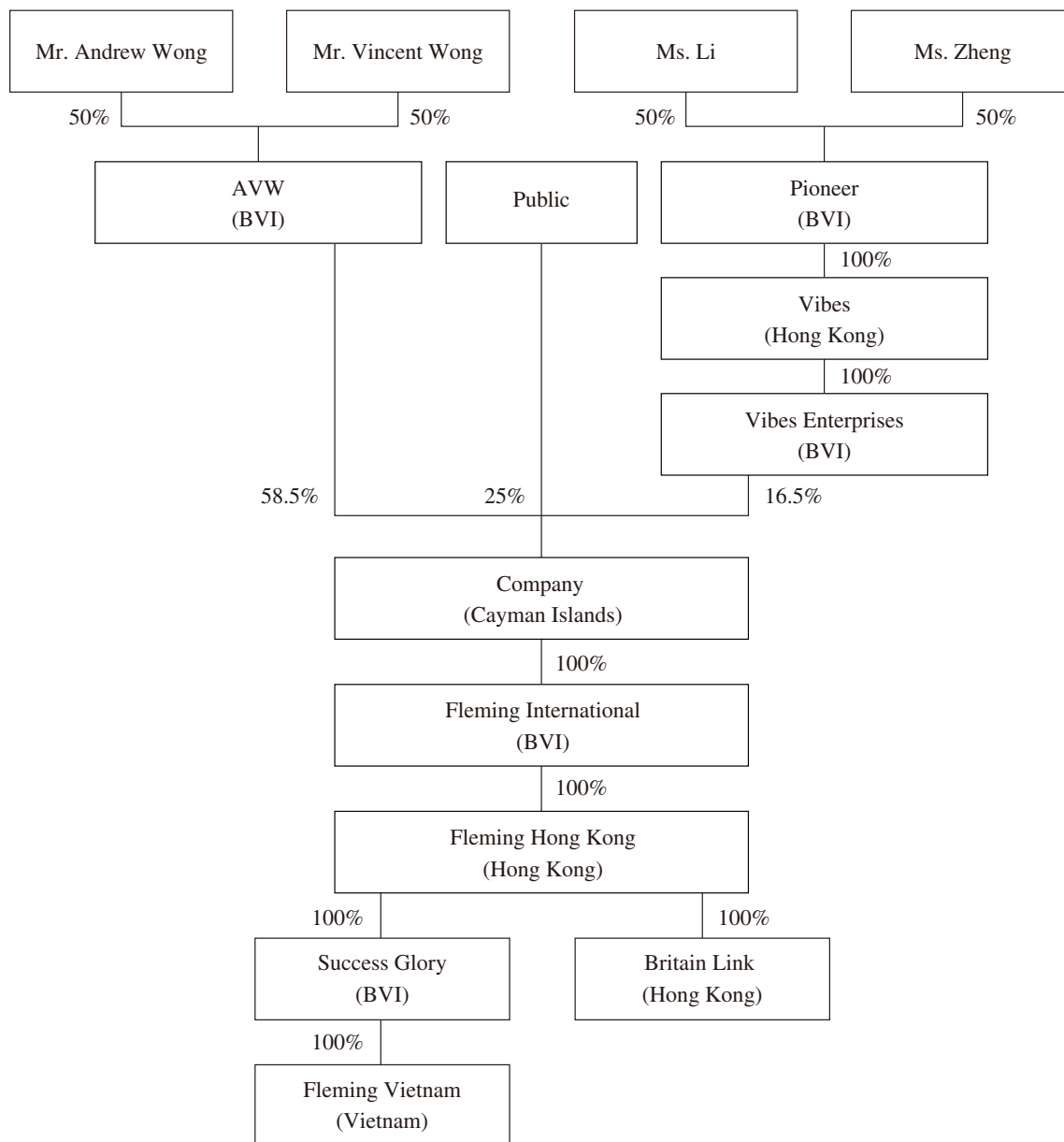
Upon the share premium account of our Company being credited with the proceeds from the allotment and issue of the Offer Shares, HK\$8,249,998 has been capitalised and applied in paying up in full at par 824,999,800 Shares which were allotted and issued to AVW and Vibes Enterprises, being the existing Shareholders of our Company before Listing. The shareholdings of the Shareholders immediately following completion of the Share Offer and the Capitalisation Issue are as follows:

	No. of existing Shares	No. of Shares after Capitalisation Issue	No. of Shares after Share Offer and Capitalisation Issue	Percentage of shareholding (approximate)
AVW . . . . .	156	643,499,844	643,500,000	58.5%
Vibes Enterprises . . . . .	44	181,499,956	181,500,000	16.5%
Public . . . . .	—	—	275,000,000	25.0%
Total . . . . .	200	824,999,800	1,100,000,000	100.0%

# HISTORY, DEVELOPMENT AND REORGANISATION

The shareholding structure of our Group immediately upon completion of the Share Offer and Capitalisation Issue above is set out in the below diagram.

## Structure immediately after the Share Offer and Capitalisation Issue



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## BUSINESS

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### OVERVIEW

Headquartered in Hong Kong with operations in Vietnam, we principally engage in the manufacturing and sale of candle products comprising daily-use candles, scented candles and decorative candles which accounted for approximately 95.7%, 96.4% and 93.9% of our total revenue for the three years ended 31 December 2017. We also manufacture and sell other products mainly consisting of diffusers. The candles manufactured by our Group are mainly purchased as gifts or for self-use. During the Track Record Period, our major markets were department store operators and buying agents headquartered in the U.S. and the U.K. including, among others, Hobby Lobby, Meller Design, Sainsbury's, Target, Waitrose and Williams Sonoma (the brand names under which their products are marketed include Williams Sonoma Home, Pottery Barn and West Elm). According to the Frost & Sullivan Report, we ranked the third, the fourth and the fourth among the candle manufacturers in Vietnam in terms of estimated export value, estimated revenue and estimated production capacity of candle products in 2017, respectively.

We mainly manufacture our candle products based on the requirements and specifications from our customers. Upon receipt of enquiry from our customers, we would assess the specifications of such products and communicate with our customers. Depending on the specific needs of these customers, we would put forward our suggestions for modification in terms of designs and specifications to our customers for their consideration. When customers decide on the final design and specifications, we would make samples and provide to our customers for approval. We offer a wide variety of services to our customers comprising product design, raw material selection and procurement, provision of sample candle products before mass production, laboratory testing and recommendation on the product's quality improvement.

Our production facilities are located in Amata Industrial Park in Dong Nai Province of Vietnam. As at the Latest Practicable Date, we employed over 800 production workers to operate and manage our production lines. We manufacture our products mainly in our production facilities. During the Track Record Period, we outsourced certain orders to our Subcontractor in the PRC (i) when the order quantity per item is relatively small; or (ii) to increase production efficiency during our production peak seasons; or (iii) to produce hand-made sculptures which are used for making the moulds for production of silicon moulded decorative candles. Our key U.S. and U.K. customers would from time to time conduct audit at our production facilities and no material irregularities were spotted during the Track Record Period. We would also conduct final inspection of our products before delivery for some of our customers. Please refer to the paragraph headed "Quality control" below in this section for details on quality control measures. For the three years ended 31 December 2017, the total subcontracting cost accounted for approximately 9.4%, 20.8% and 20.2%, respectively, of our cost of sales.

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## BUSINESS

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### COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

**We are one of the leading candle manufacturers in Vietnam with strong expertise, product know-how and quality control**

According to the Frost & Sullivan Report, we ranked the third, the fourth and the fourth among the candle manufacturers in Vietnam in terms of estimated export value, estimated revenue and estimated production capacity of candle products in 2017, respectively. We manufacture a wide range of candle products for our customers, including U.S. and U.K. department store operators and buying agents. Since our establishment of manufacturing facility in Shenzhen in 1997, we have accumulated extensive expertise and know-how in candle manufacturing.

We provide our customers with a wide variety of services ranging from product design, raw material selection and procurement, provision of sample candle products before mass production, laboratory testing to recommendation on the product quality improvement. With our machinery and our in-house laboratory testing facilities, we develop a range of candle products according to our customers' specifications so that our customers can source their candle products from us instead of through a number of other suppliers. Our capability to develop samples together with our automated production capabilities enables us to deliver reliable products without any major delay in delivery. Also, we are flexible in adjusting our product design and production, which enables us to be responsive to changing customers' needs and market demands.

We also have in place quality control measures. Before production of our candle products, we conduct laboratory tests on the sample candle products to ensure that the quality and safety meets the specifications and requirements of our customers. We would also conduct final inspection of our products before delivery for some of our customers. Each step of our principal production process is inspected by members of our production department in order to optimise production efficiency and ensure product quality. Our quality control department also carries out quality inspections by conducting sample checks on our semi-finished products and finished products before they are stored in the warehouse and delivered to our customers. During the Track Record Period and up to the Latest Practicable Date, there was no incident of failure in our quality control systems which had a material impact on us. During the three years ended 31 December 2017, the average defective rates during our candle product production were approximately 0.45%, 0.62% and 0.27%, respectively. For details of our quality control process, please refer to the paragraph headed "Quality control" below in this section. We assign our staff to visit the factories of some of our suppliers and subcontractor from time to time to ensure that their level of compliance and quality of goods and services meet our standards.

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## BUSINESS

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### **We have established long-term relationships with our customers**

We have established business relationships with our top five customers during the Track Record Period, ranging from 6 to 20 years as at the Latest Practicable Date. In particular, our business with Hobby Lobby started since 1999 and Meller Design started since 1998 emphasising our long-standing relationships with our key customers. Our Directors believe such long-term relationships reflect our consistently high quality and on time delivery of products, fulfilling their requirements in terms of compliance and our production capabilities. Our emphasis on and efforts in ensuring the quality of our products have been recognised by Sainsbury's, who has chosen us to join their self-inspection program, allows us to conduct final inspection of the finished products on their behalf before delivery. Furthermore, we are also selected by Williams Sonoma as one of the "Super Key Vendors". We believe our commitment to high and stable quality of our products constitutes a competitive edge over other candle manufacturers, which in turn enhances our reputation in the candle industry and increases our ability to attract new customers.

### **We have an experienced and dedicated management team with extensive industry experience**

We have extensive industry knowledge and production experience in the candle manufacturing industry. In particular, our founders, Mr. Vincent Wong, who is our chairman and executive Director, and Mr. Andrew Wong, who is our chief executive officer and executive Director, both have extensive experience in the candle manufacturing industry of over 20 years and have played a leading role in our overall business growth. Over the years, our management team has accumulated intimate knowledge of the candle manufacturing industry and developed strong relationships with key market participants. Their extensive experience and vision have enabled us to maintain our competitiveness and achieve strong growth in recent years. We believe that our experienced management team will continue to lead our business growth in the candle manufacturing industry. For more information on the experience and background of our management team, please refer to the section headed "Directors, senior management and staff" in this prospectus.

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## BUSINESS

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### OUR BUSINESS STRATEGIES

We plan to implement the following strategies to enhance our overall competitiveness and to increase our market share in the future. Please refer to the section headed “Future plans and use of proceeds” for details of our intended use of proceeds.

#### **Upgrade existing production facilities and acquire new premises and machinery**

During the Track Record Period, we did not have enough space in the existing factory for storage of our finished goods during the peak seasons. This was mainly because (i) some of our key customers required the production for their purchase orders to be fully completed and packed for delivery before inspection; and (ii) sometimes our finished goods remain in the factory even after inspection is done because of shipping arrangements as requested by our customers. As a result, during the Track Record Period, we leased storage space at a warehouse within the Amata Industrial Park for additional storage space mainly during the peak seasons. In order to enhance our competitiveness, we plan to acquire new premises in close proximity to our existing production facilities to serve as a warehouse and at a strategic location to serve as additional production facilities and showroom. Our Directors consider that the new premises can free up certain storage space of our existing production facilities for additional production lines.

As at the Latest Practicable Date, we had not identified any specific target premises yet. The target property type for the new premises will be for industrial use and the target size of approximately 8,000 sq.m. including the buildings and outdoor area will be used for additional production facilities, showroom, warehouse and other operating purpose, depending on the suitability and actual purchase cost. Our Directors confirm that we will not purchase the new premises from any connected person of our Company. Based on the quotation of a premise within the Amata Industrial Park that is similar to our targeted location and size, our budget for acquiring the new premises is approximately HK\$11.6 million. We expect the acquisition to be funded by the proceeds of the Share Offer.

The new premises to be acquired under the expansion plan are mainly for the purpose of expanding and upgrading our Group’s existing production facilities using the listing proceeds. In respect of the new premises, the total area is expected to be around 8,000 sq.m., out of which our Directors consider that approximately 500 sq.m., accounting for approximately 6.3% of the expected total area of the new premises, could be set aside for ancillary use as storage space. Considering that during the Track Record Period our Group did not have enough space in the existing factory for storage of our Group’s finished goods during the peak seasons and the current operational inconvenience that our Group is experiencing when using the third parties’ warehouse under the current lease arrangement, in that our Group would need to inform the lessors of the warehouse and go through the registration procedures with the lessors when delivering or removing our goods to and

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## BUSINESS

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from the third parties' warehouse, our Directors are of the view that the reservation of certain space in the new premises for storage purpose would not only help to avoid the existing operational inconvenience but also make a more efficient utilisation of the new premises upon the acquisition, while the majority of the area of such new premises is intended to be used for production purpose. In addition, given the new production lines are expected to be placed at the new premises, it would be more convenient and efficient to have space for storage at the new premises. Therefore, our Directors consider that utilising the listing proceeds for acquiring new premises as the primary purpose of expansion of our production and yet at the same time for the provision of accessory storage space is commercially and operationally justified.

To the best of the knowledge and belief of our Directors, many of our customers prefer to meet with the management personnel of our Group at our production facilities in Vietnam to discuss their plan of future orders and specifications and to review sample products at a showroom on site, and that it may not be always timely and convenient for them to further travel to our showroom in Hong Kong. Given the existing factory does not have enough space and the need for showroom as mentioned above, the showroom will be located at the new premises. Thus, our Directors believe that having a showroom in our new production facilities will allow us to house and display our sample products and to serve our customers better.

Our Directors confirm that the expected new production facilities including the showroom will be located in the Amata Industrial Park.

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## BUSINESS

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The table below sets out the breakdown of the estimated amounts for upgrading the existing facilities and acquiring new premises and machinery from the listing proceeds based on the quotations obtained by our Company:

	<i>HK\$'000</i>
<b>— Upgrade existing production facilities:</b>	
Demolition works . . . . .	198
Renovation of the production facilities including installation of necessary fittings and leasehold improvement in relation to:	
— Wall . . . . .	278
— Painting and flooring. . . . .	2,858
— Window. . . . .	615
— Ceiling panels . . . . .	252
— Mezzanine. . . . .	515
— Other installation. . . . .	1,864
Upgrading of equipment including server, computers and other administrative equipment. . . . .	460
	<hr/>
	7,040
	<hr/> <hr/>

Our Directors consider that the renovation work to be done to the existing production facilities is mainly on renovation work such as painting walls, patching holes on concrete floor and asphalt roads, epoxy painting on the floor of our production facilities and improving the environment in general.

Our Directors believe that the above renovation of our existing facilities would improve our production efficiency and management mainly because the improvement in flooring and painting and the other installation will provide clearer directories for our storage of inventories, including raw materials and work in progress. As a result, our production flow will be smoothed given the logistics of our inventories will be made more efficient during the production. Furthermore, our Directors believe that the renovation of flooring will improve our labour safety as non-slippery floor is expected to be renovated. Since our customers may inspect our production facilities in Vietnam, our Directors believe that the above renovation will enable us to further satisfy our customers' expectation and enhance their confidence when they visit our existing production facilities after such renovation.



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## BUSINESS

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Our Directors confirm that (i) the renovation work will not be carried out in a massive scale at the same time; (ii) the upgrading of our existing production facilities will be done in small scale and by stages, which can be done after working hours or during weekends and holidays so as to ensure that our production plans and shipment schedules are not affected; and (iii) there are alternative paths passing through the existing production facilities to allow the normal operation and production during the renovation of the flooring.

Therefore, our Directors consider that the likelihood of material disruption of our production during the course of renovating our production facilities in the future is low.

*HK\$'000*

**— Acquire new premises and machinery:**

Acquire new premises to serve as additional production facilities, showroom and warehouse . . . . .	11,640
Demolition works . . . . .	868

Renovation of the production facilities including installation of necessary fittings and leasehold improvement in relation to:

— Wall . . . . .	665
— Painting and flooring . . . . .	2,075
— Window . . . . .	1,060
— Ceiling panels . . . . .	379
— Other installation . . . . .	1,993

Acquire furniture, computers and other administrative equipment for the new premises . . . . .	1,752
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Acquire new wick inserting and positioning machinery and lacquer dipping machine:

Name	Functions	Source of supply	Use for products types	Quantity	HK\$'000
Filling line for glass and jar with multi wick inserter	Production for candles	Germany	Daily-use and scented candles	2	6,600
Machine for multiple wick positioning	Wick positioning	Italy	Scented candles	5	3,860
Lacquer dipping machine	Dipping the surface of candles	Vietnam	Daily-use candles	1	39
					30,931

## BUSINESS

### *Expected increase in demand for our products and other factors necessitating the expansion plan*

According to the Frost and Sullivan Report, the value of candle exports in Vietnam is expected to grow at a CAGR of approximately 2.3% from 2017 to 2021, and the scented candles market in the U.S. and the U.K. are expected to grow with a CAGR of 10.12% and 10.70% respectively during the same period. Please refer to the section headed “Industry overview” in this prospectus for details of the U.S. market overview. For the three years ended 31 December 2017, the utilisation rate for our production facilities overall were approximately 69.3%, 72.9% and 79.2%, respectively, and generally over 70% during our production peak seasons from May to September. For details please refer to the paragraph headed “Production” below in this section. With a view to enhance our ability to meet the increasing demand on product quality and the production lead time of our products from our customers, we intend to purchase new machinery and equipment including two filling lines for glass and jar with multi wick inserter to improve our production capabilities by approximately 5.5 million units of scented candles and approximately 1.3 million units of daily-use candles per annum, a machine for multiple wick positioning and a lacquer dipping machine to increase automation and cost-effectiveness of our production process. Our Directors consider that the production capacity is one of the key assessment criteria by our customers and the increase in production capacity will allow us to meet the rising demand for our products and further expand our sales.

Our Directors expect an increase in demand of our candle products after the Track Record Period. The following table is a summary of the orders made during the period of 1 January 2017 to 31 July 2017 and the secured orders made in 2018 in respect of (i) Customer F and (ii) new customers in 2017 and 2018 by product types of scented candles and daily-use candles (the “**Expected Demand Summary**”):

Customers	Orders from 1 January 2017 to 31 July 2017	Secured orders in 2018 as at the Latest Practicable Date <i>(Note 1)</i>	Increase/ (decrease)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Customer F				
— Scented candles . . . . .	2,868	7,697 <i>(Note 2)</i>	4,829	168.4
— Daily-use candles . . . . .	4,618	6,010 <i>(Note 2)</i>	1,392	30.1

## BUSINESS

Customers	Orders from 1 January 2017 to 31 July 2017	Secured orders in 2018 as at the Latest Practicable Date (Note 1)	Increase/ (decrease)	
	HK\$'000	HK\$'000	HK\$'000	%
<b>New customers in 2017 and 2018</b>				
1. 2017 New Customer A				
— Scented candles . . . . .	3,025	27,601 (Note 3)	24,576	812.4
— Daily-use candles . . . . .	225	—	(225)	(100.0)
2. 2017 New Customer B				
— Scented candles . . . . .	—	—	—	N/A
— Daily-use candles . . . . .	556	4,579	4,023	723.6
3. 2017 New Customer C				
— Scented candles . . . . .	—	—	—	N/A
— Daily-use candles . . . . .	—	737	737	N/A
4. 2018 New Customer				
— Scented candles . . . . .	—	2,163	2,163	N/A
— Daily-use candles . . . . .	—	—	—	N/A
<b>Sum of secured orders for scented candles in 2018 from the above customers . . . . .</b>		<b>37,461</b>		
<b>Sum of secured orders for daily-use candles in 2018 from the above customers . . . . .</b>		<b>11,326</b>		
<b>Total amount of all customers . . . . .</b>	<b>78,010</b>	<b>115,521</b>	<b>37,511</b>	<b>48.1</b>

Note 1: Secured orders in 2018 represent the orders already shipped or to be shipped from 1 January 2018 to 31 July 2018.

Note 2: The amount represents the sum of (i) the secured orders received (i.e. approximately HK\$6,429,000 and HK\$5,452,000 for scented candles and daily-use candles, respectively); and (ii) the notification from Customer F for the orders expected to be placed with the shipment date not later than July 2018 (i.e. approximately HK\$1,268,000 and HK\$558,000 for scented candles and daily-use candles respectively).

Note 3: The amount includes (i) the secured orders of approximately HK\$14,173,000 from approximately 608,000 units of scented candles (out of the 1,400,000 units for the fall and winter seasons) which are expected to be shipped in June 2018; and (ii) approximately HK\$13,428,000 which represents the secured orders in addition to those candles for the fall and winter seasons as mentioned above and with the shipment dates from 1 January 2018 to 31 July 2018.

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## BUSINESS

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### *Customer F*

The additional expected revenue which could be generated from sales to Customer F is estimated to be approximately HK\$23,395,000 in 2020, the basis of which is as follows:

In May 2018, Customer F approached our Group and expressed that it is committed to working closely with our Group, being one of its key vendors, by moving its candle products business to our Group, including those of other brands owned by its ultimate holding company. Customer F indicated that it is optimistic in growing its business with our Group annually to approximately US\$5.2 million (i.e. approximately HK\$40,352,000) in 2020.

As to the product mix, Customer F indicated that around 80% of its total orders at our Group would be placed on scented candles and around 20% of which would be placed on daily-use candles. This is equivalent to an expected revenue of approximately HK\$32,282,000 from scented candles and HK\$8,070,000 from daily-use candles.

The additional expected revenue of approximately HK\$23,395,000 for the expanded production capacity is the sum of (i) the expected revenue from scented candles of approximately HK\$32,282,000 as mentioned above, less the amount of sales of scented candles to Customer F during the year ended 31 December 2017 of approximately HK\$9,097,000; and (ii) the expected revenue from daily-use candles of approximately HK\$8,070,000 as mentioned above less the amount of sales of daily-use candles to Customer F during the year ended 31 December 2017 of approximately HK\$7,860,000.

Assuming the unit price of approximately HK\$7.3 and HK\$6.8 for scented candles and daily-use candles respectively (being the respective average price of the actual orders placed during the first quarter of 2018 from Customer F) remains unchanged, our Directors consider that the expected sales volume would be approximately 3,176,000 units of scented candles and 31,000 units of daily-use candles.

As stated in the Expected Demand Summary above, the secured orders and the expected orders as notified by Customer F with the shipment dates ranging from January to July 2018 increased by approximately HK\$4,796,000 or 167.2% for scented candles and approximately HK\$1,341,000 or 29.0% for daily-use candles as compared with the orders shipped during the corresponding period in 2017. Therefore, Customer F has demonstrated an increasing trend of placing orders for scented candles and daily-use candles. Our Directors noted that the increase in orders for scented candles from Customer F is relatively significant (i.e. approximately 167.2%) and the scented candles market in the U.S. is the main business focus of the expansion plan.

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## BUSINESS

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### *New customers in 2017*

In the year ended 2017, our Group had seven new customers as compared to the year ended 31 December 2016. The total expected revenue which could be generated from sales to the seven new customers in 2017 is approximately HK\$30,022,000 in 2020 with an expected total volume of approximately 1,384,000 units of scented candles. The basis of which is mainly attributable to the following reasons: -

- i) A new customer in 2017 (“**2017 New Customer A**”) has placed orders of approximately 608,000 units of scented candles in January and February 2018 for shipment in June 2018 which are included in the secured orders in 2018 of the above Expected Demand Summary. Also, in May 2018, 2017 New Customer A has indicated to our Group that it would place further orders with our Group for the fall and winter seasons, making approximately 1,400,000 units of candles in aggregate for the fall and winter seasons of 2018 (including the secured orders in 2018 of the above Expected Demand Summary of approximately 608,000 units of scented candles), and further, 2017 New Customer A has indicated its plan to double up its orders to approximately 2,800,000 units for the fall and winter seasons in 2019.

The additional expected revenue from 2017 New Customer A in 2020 would be approximately HK\$29,985,000 with an expected volume of approximately 1,380,000 units of scented candles. The additional expected revenue is based on (i) the expected sales volume of approximately 2,800,000 units of scented candles less approximately 1,700,000 units of scented candles (being the quantity sold to 2017 New Customer A for the year ended 31 December 2017); and (ii) a growth rate of 10.0% adopted in view of the report from Frost & Sullivan that the demand for scented candles in the U.S. market is rising with a CAGR of approximately 10.12% from 2017 to 2021.

According to Frost & Sullivan, the value of candle products imported in the U.S. increased from approximately US\$413.1 million in 2014 to US\$464.7 million in 2017. It may indicate that the domestic demand for candle products is increasing, which is a strong indication that the market is trending up. Underpinned by rising disposable income and pursuit for a higher quality of life, the candle manufacturing industry is expected to benefit from sustained preference and demand for a variety of scented candles given that, as generally perceived by customers, they are helpful in relieving stress from daily work and life. The scented candles market in the U.S. generated the revenue of US\$1.07 billion in 2017. Driven by the rising demand for scented candles, the market is expected to have a growth with a CAGR of 10.12% from 2017 to 2021.

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## BUSINESS

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Our Directors consider that the expected orders from 2017 New Customer A would be for scented candles with reference to (i) the actual orders placed during the first quarter of 2018; and (ii) the market trend that the sustained preference and demand for scented candles which will continue to drive the increase in sales in 2018 and onwards as reported by Frost & Sullivan. Our Directors also consider it appropriate to adopt the unit price of approximately HK\$21.7, being the average selling price to 2017 New Customer A during the first quarter of 2018 when computing the expected revenue.

As referred to in the Expected Demand Summary above, for 2017 New Customer A, the secured orders with the shipment dates ranging from January to July 2018 increased by approximately HK\$24,576,000 or 812.4% for scented candles as compared with the orders shipped during the corresponding period in 2017. Therefore, 2017 New Customer A has demonstrated a significantly increasing trend of placing orders for scented candles (i.e. approximately 812.4%) and the scented candles market in the U.S. is the main business focus for the expansion plan. Based on the above, our Directors consider and the Sponsor concurs that there are bases to submit that there will be sufficient demand to justify our Group's expanded production capacities.

- ii) As for the other six new customers of the seven new customers in 2017, the expected total revenue which could be generated in 2020 would be approximately HK\$37,000 with an expected total volume of approximately 4,000 units of scented candles. Since these six new customers did not place significant amounts of orders during the first quarter of 2018, our Directors, for prudence sake, consider that the basis of considering the expected total revenue from those customers is mainly (i) the actual orders placed during the year ended 31 December 2017; and (ii) a growth rate of 10.0% adopted in view of the report from Frost & Sullivan that the demand for scented candles in the U.S. market is rising with a CAGR of approximately 10.12% from 2017 to 2021.

As advised by Frost & Sullivan, it is common for new customers to place small orders with candle manufacturers in the beginning of the business relationship for trial purposes before purchasing in bulk, because they may want to ensure that the trial orders meet or comply with their internal requirements, specifications and expectations. For the year ended 31 December 2016, our Group had 10 new customers who placed trial orders, and 3 of these customers further placed relatively larger orders in the year ended 31 December 2017. Based on the above, our Directors believe that the fact that not all new customers in 2017 that placed trial orders to our Group have placed a further larger order in the following year (as at May 2018) is consistent with the purchasing norm among our Group's new customers in the past, and our Directors are also of the view that having 3 out of 7 new customers in 2017 placing relatively larger orders (as at May 2018) indicates a better 'return' rate of new customers of our Group.

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## BUSINESS

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### *New customer in 2018*

Our new customer in 2018 (“**2018 New Customer**”) whose customer to whom our Group’s candle products will be sold to is a large operator of variety stores in North America, has approached our Group in May 2018 and expressed an intention to grow its candle business with our Group to approximately US\$4 million (i.e. HK\$31,040,000) in 2020 in anticipation of its own customer’s forthcoming plan to open new stores. As such, the expected revenue which could be generated from sales to 2018 New Customer would be approximately HK\$24,832,000 for scented candles and approximately HK\$6,208,000 for daily-use candles. The basis of which is that (i) scented candles would continue to be the major product type purchased by 2018 New Customer as per their orders placed during the first quarter of 2018; and (ii) the market trend of sustained preference and demand for the scented candles which will continue to drive the increase in sales in 2018 and onwards as reported by Frost & Sullivan.

Applying the unit price of approximately HK\$9.3 for scented candles (being the average selling price of scented candles for the actual orders placed during the first quarter of 2018 from 2018 New Customer) and HK\$0.7 for daily-use candles (being the average selling price of daily-use candles for the year ended 31 December 2017 because there is no actual order placed for daily-use candles during the first quarter of 2018 as confirmed by our Directors), our Directors consider that the expected sales volume would be approximately 2,667,000 units of scented candles and approximately 8,869,000 units of daily-use candles.

As referred to in the Expected Demand Summary above, for 2018 New Customer, the secured orders with the shipment date between January and July 2018 amounted to approximately HK\$2,163,000 for scented candles while no such order was shipped during the corresponding period in 2017. Therefore, 2018 New Customer has demonstrated an increasing trend of placing orders for scented candles and the scented candles market in the U.S. is the main business focus of the expansion plan. Based on the above, our Directors consider and the Sponsor concurs that there will be sufficient demand to justify our Group’s expanded production capacities.

Having considered that (i) the total expected sales volumes of scented candles and daily-use candles as mentioned above are approximately 7,227,000 units and 8,899,000 units, respectively, which demonstrate the need for our Group to plan ahead and expand its production capacity by using proceeds from the Share Offer so as to enable our Group to meet the expected rising demand for its products in particular for scented candles; and (ii) the market trend of sustained preference and demand for scented candles which drives the increase in sales in 2018 and onwards and the rising demand for scented candles in the U.S. market with a CAGR of approximately 10.12% from 2017 to

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## BUSINESS

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2021, as reported by Frost & Sullivan, together with the increase in orders for scented candles according to the secured orders obtained between January and July 2018 as compared to the corresponding period in 2017, our Directors believe that there will be sufficient demand for our Group's expanded production capacities.

Our orders shipped during the period from January to April 2018 as compared with the corresponding period in 2017 had increased which was mainly due to our customers being satisfied with the quality of our products and our Group's marketing effort such as visiting our Group's customers. These increased shipments, expected to represent approximately 13.4% of expected total increase in revenue for the year ending 31 December 2018, are expected to be the main contribution to the expected increase in revenue for the year ending 31 December 2018. Given that (i) the period from January to April is normally the non-peak seasons of our production and the production of aforementioned orders shipped during the period from January to April 2018 were all completed; (ii) our Directors confirm that our Group can manage to shift certain additional orders from our customers that should be produced during the peak season to the non-peak season for the year ending 31 December 2018 after negotiation with them; and (iii) our Directors consider that the production lines of our Group is available to temporarily work over time to increase our existing production capacity, our Group therefore still have sufficient production capacity to meet the expected increase in orders for the year ending 31 December 2018. As to the expected increase in orders for the year ending 31 December 2019, our Directors confirm that our Group will consider to accept the expected purchase orders in accordance with our production capacity and production plan in the circumstance to meet the expected increase in orders for the year ending 31 December 2019.

### *Infeasibility of Subcontracting arrangement*

Our Directors consider that subcontracting would not be feasible in tackling the expected increase in demand for our products. Our Directors believe that our Group has established and maintained long-term relationships with our customers and that our success is attributable to, among others, our strong expertise, product know-how and quality control. Our Directors consider that there would be more obstacles in controlling the quality of products produced by subcontractors and ensuring that they meet our customers' specifications and requirements, which failing to do so would harm our Group's reputation and customer relationships. Our Group's potential customers, and even existing customers, may inspect our production facilities in Vietnam before placing new, or continued, orders with our Group. Our key customers are generally satisfied with our Group's production facilities in Vietnam and its quality control measures in place. Moreover, some of our customers, for example Customer F, has specifically disallowed any subcontracting arrangement by our Group regarding their products. Our Directors confirm that six of our customers have explicitly



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## BUSINESS

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disallowed our Group to have any subcontracting arrangement and the revenue generated from these customers amounted to approximately HK\$79,115,000, HK\$74,952,000 and HK\$78,069,000, representing approximately 54.2%, 47.3% and 48.0% of our total revenue, respectively during the Track Record Period.

*Further particulars on machineries to be acquired and expected increase in production capacity*

The historical figure of annual production capacity for the year ended 31 December 2017 of approximately 136 million units refers to the number of candle units without distinguishing the types of candle units. Those candle units actually consisted of a broad range of candle products, such as scented candles, daily-use candles (which included pillar candles, taper candles, tea light candles and votive candles), decorative candles (which included silicon moulded candles, botanical candles and gel candles) and other products (which mainly included diffusers). The different types of candle products involved different production processes and production time, which are reflected in the disparity of prices of the products because the prices of our products vary depending on the product features and the production process. As discussed under the paragraph headed “Products” below, during the Track Record Period, the price for our daily-use candles ranged from approximately HK\$1.1 per order unit to HK\$154.4 per order unit; and the price for our scented candles ranged from approximately HK\$0.4 per order unit to HK\$178.5 per order unit. Our Group intends to use part of the proceeds from the Share Offer to purchase new machinery and equipment including two filling lines for glasses and jars with multi wick inserter (the “**New Filling Lines**”) to improve our production capabilities by approximately 5.5 million units of scented candles and approximately 1.3 million units of daily-use candles per annum. The types of scented candles and daily-use candles to be manufactured by the New Filling Lines are expected to be generally larger in size and involving more complex production process and longer production time, which are the more complex products. The complex products have lower production volumes but with higher selling prices, while the less complex products have higher production volumes but with lower selling prices. Due to the diversity of our products with different complexities and production processes, our Directors consider that it would not accurately reflect the production capacity of our Group and inappropriate to make a direct comparison mathematically between our production capacity in 2017 in relation to our then existing machinery and the expected production capacity in relation to the New Filling Lines because the product mix manufactured in 2017 are considerably different from those to be manufactured by the New Filling Lines.

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## BUSINESS

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Our Directors confirm that our Group's existing plant and machinery were mainly sourced from China and some of the machinery was purchased as used machinery and refurbished for our use. Such machinery requires regular maintenance. As for the new machinery to be acquired as part of the expansion plan, they are brand new and expect to be purchased mainly from Germany and Italy. The new machinery is expected to be more efficient and precise in performing production. In light of the above, our Directors consider that the higher costs of the new machinery justifiable. The estimated costs for the new machinery to be acquired under the expansion plan are based on quotation from independent third parties.

Our Directors consider that the use of new machinery and equipment will enhance our production lead time. Each of the existing filling lines is able to produce an average of approximately 1,300 units of scented candles per hour or approximately 300 units of the type of daily-use candles with larger size and required longer production time per hour while a new filling line for glass and jar with multi wick inserter to be purchased is able to produce approximately 3,500 units of scented candles per hour or approximately 810 units of the type of daily-use candles with larger size and required longer production time per hour. With a view to the above enhanced productivity, our Directors consider that the production lead time can be reduced. Furthermore, as mentioned above, the upgrade of existing production enables us to improve the flooring and painting and the other installation will provide clearer directories for our storage of inventories, our Directors consider that the production flow can be smoothed and our labour safety can be enhanced.

Our Directors expect that automation of the production process will lead to the saving of approximately HK\$1,397,000 of labour cost annually as a result of the investment of approximately HK\$3,860,000 in five sets of machine for multiple wick positioning, which will assist in the manual process of wick positioning in candle containers. Such saved costs are based on the estimated production capability of those five sets of machine for multiple wick positioning, which is up to approximately 7,800,000 units of scented candles per annum. The lacquer dipping machine is estimated to produce approximately 1,716,000 units of daily-use candles per annum. It is expected to save labour cost of approximately HK\$56,000 per annum.

Our Group leased storage space at a warehouse for additional storage space and the rental expenses amounted to approximately HK\$20,000, HK\$24,000 and HK\$191,000 during the Track Record Period, respectively. With additional space available for storage at the new premises, our Directors estimate that the expenses incurred from leasing storage space will be saved.

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## BUSINESS

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Our Directors expect that the new premises will commence commercial production in July 2020. The investment payback period and breakeven period (assuming that the revenue will be in line with the expected demand and there will be no material impact on the business and operating results of the new premises and machinery due to fluctuation in market demand, market inflations, increase in new material costs and labour expenses throughout the operation periods) are expected to be approximately 6.7 years and 10 months, respectively, after the completion of the acquisition of new premises and machinery.

For details of the implementation plan for upgrading existing production facilities and acquiring new premises and machinery, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

### **Install an ERP system**

As we expect that our business will continue to grow, we recognise the importance of effective and efficient management across our operating platform. To improve our operational efficiency and ensure effective coordination among various aspects of our business, we plan to install an integrated ERP system for our production facilities in Vietnam and our headquarters in Hong Kong to achieve better control of information and records of our financial records, and to manage our customer and supplier relationships more efficiently and accurately.

### **Uplift marketing efforts and explore new business opportunities**

We plan to uplift marketing efforts and explore new business opportunities in the future. According to the Frost & Sullivan Report, the U.S. and the U.K. ranked the first and the third in candle importing countries by import value in 2017, respectively. We will continue to strengthen our co-operation with customers by enhancing our customer service in the U.S. and the U.K. which will enable us to further understand and gain access to the candle markets of the U.S. and the U.K.

In 2017, our Group has become an affiliate member of National Candle Association in the U.S., a trade association with approximately 100 U.S. candle manufacturers and suppliers as members, promoting the safe use and enjoyment of candle products and monitoring issues impacting the industry. We believe that such membership enables our Group to gain exposure to the major players of the candle industry and access to industrial information including the latest technologies and trends, change in regulatory requirements or rules, facilitating our Group to respond promptly to such changes in the industry, which strengthens our competitiveness among the candle manufacturers.

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## BUSINESS

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### **BUSINESS MODEL**

We principally engage in the manufacturing and sale of candle products comprising daily-use candles, scented candles and decorative candles. We offer a wide variety of services to our customers comprising product design, raw material selection and procurement, provision of sample candle products before mass production, laboratory testing to recommendation on the product quality improvement. During the Track Record Period, our major markets were department store operators and buying agents headquartered in the U.S. and the U.K..

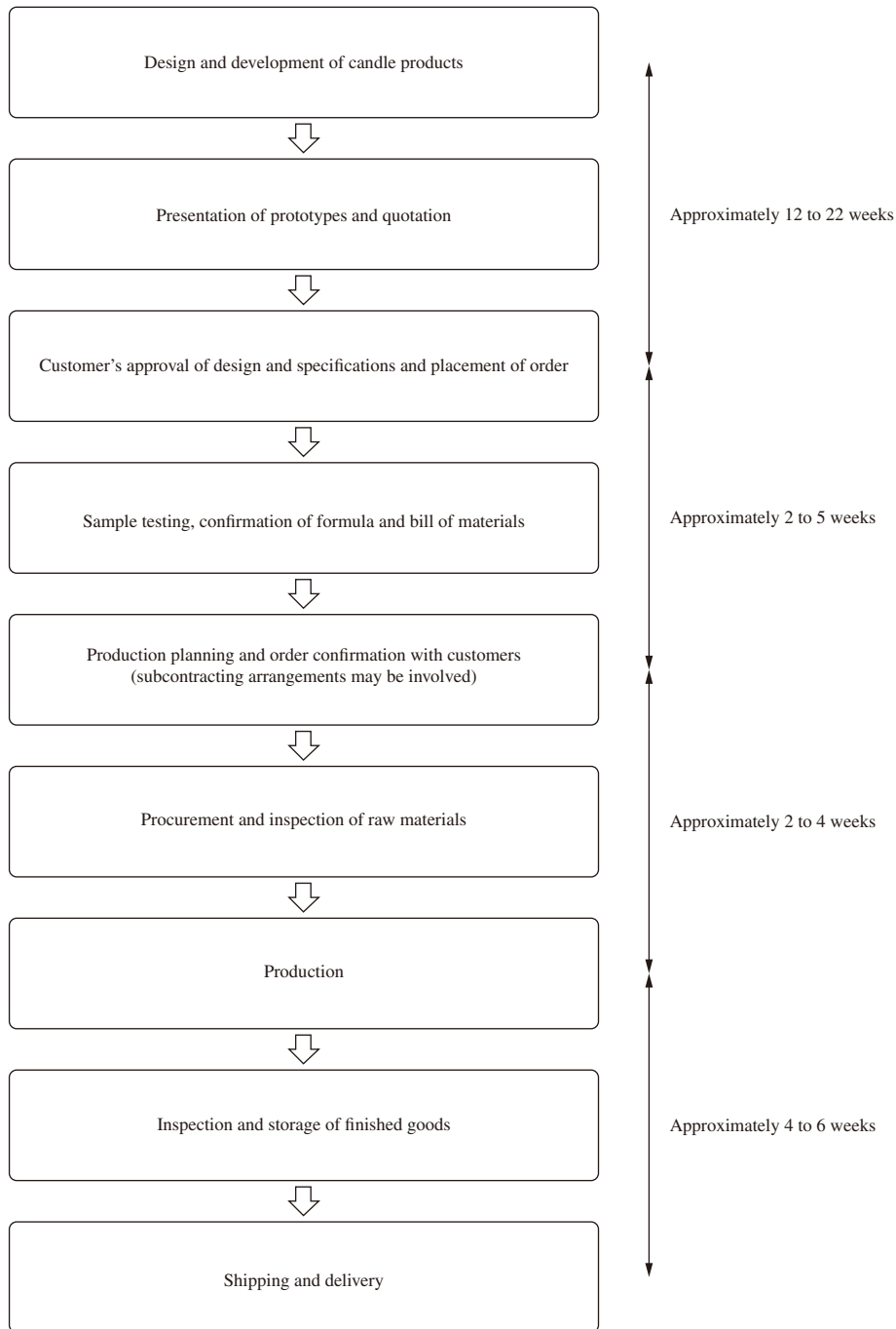
We offer product development services to our customers through communicating regularly with them to understand the product requirements and specifications during the development stage. Depending on the specific needs of these customers, we would put forward our suggestions for modification in terms of designs and specifications to our customers for their consideration. When customers decide on the final design and specifications, we would prepare samples and provide to our customers for approval before the production process begins. We also produce sample candle products designed in-house based on our perception of the coming industry trends. These sample candle products are displayed in our showrooms for our customers' selection and inspiration. We manufacture our products mainly in our production facilities. During the Track Record Period, we outsourced certain orders to our Subcontractor in the PRC (i) when the order quantity per item is relatively small; or (ii) to increase production efficiency during our peak seasons; or (iii) to produce hand-made sculptures which are used for making the moulds for production of silicon moulded decorative candles.

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# BUSINESS

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We set out below a chart showing the key phases of our business operation:



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## **BUSINESS**

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### **Design and development of candle products**

Riding on our experience in the candle manufacturing industry, we provide advice on refining or modifying the design and specifications provided by our customers and produce prototypes of candle products for customers' approval, or provide prototypes of candle products with our own design for our customers' selection and inspiration.

### **Presentation of prototypes and quotation**

New product samples, together with the corresponding quotation and other terms such as minimum order quantity and lead time of delivery, are presented to our customers for their consideration. Our customers may request further information from and/or negotiate on the pricing with our Group.

### **Customer's approval of design and specifications and placement of order**

Our customers place orders after their approval of the design and specifications of the candle products.

### **Sample testing, confirmation of formula, and bill of materials**

Candle samples are tested at our in-house laboratory as well as by third parties approved/appointed by our customers to test the burning performance. Meanwhile, our industrial engineering team confirms the types and combination of waxes, fragrance and colouring additives (if any), and finalises the types and quantities of the necessary raw materials for production.

### **Production planning and order confirmation with customers**

Our sales and marketing department liaises with the procurement and inventory department regarding the details of the production plan, including, among others, the production lead time, raw materials to be procured and the production schedule, to ensure a better utilisation of resources and to meet the delivery schedule of the order. We may engage a subcontractor for production, taking into account, among other things, our production capacity, and production and cost efficiency of producing the candle products in-house or subcontracting the order. Please refer to the paragraph headed "Production" below in this section for details. We issue sales confirmation to our customers once production planning is confirmed internally.

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## **BUSINESS**

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### **Procurement and inspection of raw materials**

Due to the long shelf life and versatility of wax and candle wicks, we maintain a safe inventory level of these two raw materials based on the production planning for the orders placed by our customers. For the other raw materials such as fragrance, packaging materials and accessories, we only procure when an order is placed by our customers. We procure raw materials in accordance with the requirements set by our customers. Please refer to the paragraph headed “Raw materials and suppliers” below in this section for details.

We then conduct inspections on the raw materials on a sampling basis in terms of substance, colour, external appearance before such raw materials are used for production.

### **Production**

There are different production procedures for different types of candle products. Please refer to the paragraph headed “Production” below in this section for details.

### **Inspection and storage of finished goods**

Before storing our finished products, our quality control department conducts final inspection of our finished products on a sampling basis to ensure that the products meet the specifications and the standards as specified by our customers. If quality defects are found in our products, our quality control team will submit a report to the production department for follow up actions such as reworking and reprocessing.

Finished products are packaged and stored at the storage space of our production facility and our warehouse before delivery. During the Track Record Period, we leased storage space at a warehouse within the Amata Industrial Park for additional storage space mainly during the peak seasons.

### **Shipping and delivery**

Usually our products are delivered to the port of shipment designated by our customers on free on board terms as stipulated in our customers’ purchase orders.

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## BUSINESS

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### PRODUCTS

The types of products we offer can be broadly categorised into the followings:

- daily-use candles, including pillar candles, taper candles, tea light candles, and votive candles;
- scented candles;
- decorative candles, including silicon moulded candles, botanical candles, and gel candles; and
- others, which mainly include diffusers.



Daily-use candles



Decorative candles



Scented candles



Diffusers



## BUSINESS

The table below sets forth our sales by product type for the periods indicated:

Product type	Year ended		Year ended		Year ended	
	31 December 2015		31 December 2016		31 December 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Daily-use candles . . . . .	81,610	55.9	91,006	57.4	74,787	46.0
Scented candles . . . . .	40,513	27.7	36,257	22.9	53,212	32.7
Decorative candles . . . . .	17,726	12.1	25,463	16.1	24,690	15.2
Others <sup>(Note)</sup> . . . . .	6,157	4.3	5,708	3.6	9,836	6.1
Total . . . . .	<u>146,006</u>	<u>100.0</u>	<u>158,434</u>	<u>100.0</u>	<u>162,525</u>	<u>100.0</u>

*Note:* Others mainly include diffusers.

### Daily-use candles

Daily-use candles generally refer to candles manufactured by using wax as a major ingredient in cylindrical shape, in one colour (mostly white or ivory), and simple in design with a low degree of customisation. Due to these features, daily-use candles are usually easy to manufacture and appropriate for high automation manufacturing. Some of our daily-use candles may be lightly scented, consisting of 0.5% to 3% of fragrance. Our daily-use candles are sold individually or in a set. The daily-use candles we sell include pillar candles, taper candles, tea light candles, and votive candles. During the Track Record Period, the price for our daily-use candles ranged from approximately HK\$1.1 per order unit to HK\$154.4 per order unit.

### Scented candles

Scented candles generally refer to candles manufactured by using wax as a major ingredient, and may consist of 5% to 12% of fragrance with a high degree of customisation in terms of choice of fragrance. Scented candles are usually held in glass, ceramic or metal containers. Scented candles typically give off scent even when they are not lit and diffuse a strong scent when lit, so they are mainly used to create a relaxing atmosphere and enhance mood in households. Scented candles are sold individually or in a set. During the Track Record Period, the price for our scented candles ranged from approximately HK\$0.4 per order unit to HK\$178.5 per order unit.

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## BUSINESS

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### **Decorative candles**

Decorative candles generally refer to candles manufactured by using wax as a major ingredient, and may contain 0.5% to 2% of fragrance with a high degree of customisation. Decorative candles can be single coloured or more commonly in multi-colours and may have patterns and decorations such as dried flowers or fruits. The decorative candles we sell include silicon moulded candles, botanical candles, and gel candles. Silicon moulded candles are characterised by their uniquely aesthetic form, which is shaped by pouring wax into silicon moulds to create candles in various shapes and forms such as plants, animals, or buildings. Botanical candles are cylindrical shaped candles with decorations such as dried flowers or fruits attached onto the surface of the candles, while gel candles are characterised by their transparent wax filled inside a transparent container with decorations such as leaves, flowers, seashells, or other small objects combined into the transparent wax. Due to the feature of decorative candles as mentioned above, more manual labour procedures are involved in the manufacturing of decorative candles such as painting, pouring wax into silicon mould and attaching decorative items. Our decorative candles are sold individually or in a set. During the Track Record Period, the price ranged from approximately HK\$3.9 per order unit to HK\$390.5 per order unit.

### **Others**

Others include diffusers, which generally refer to liquid fragrance filled into glass containers and are sold with rattan reeds as a set. Scent is diffused when the rattan reeds are placed inside the container after the container is opened. Our diffusers are sold as a set. The price of our other products ranged from approximately HK\$2.4 per order unit to HK\$814.8 per order unit.

## **SALES AND MARKETING**

During the Track Record Period, our major markets were department store operators and buying agents headquartered in the U.S. and the U.K..

We carry out our sales and marketing activities mainly through paying visits to our potential and existing customers and presenting our latest products to them. We mainly acquire new customers by way of referral. During the Track Record Period, Fleming Hong Kong had paid referral fees to an individual, an Independent Third Party, for his efforts to refer businesses of one customer in the U.S which was not one of our top five customers to our Group. There had been no written agreement entered into between our Group and the relevant individual for such referral arrangement. Our Directors confirm that, the referral fees paid by our Group to the relevant individual during the Track Record Period were determined on a case by case basis with reference to the transaction amount of each purchase order referred to our Group. The historical amounts paid by our Group to the relevant individual were approximately HK\$96,000, HK\$129,000 and nil during the Track Record Period,

## BUSINESS

respectively. The revenue generated from the referrals were approximately HK\$812,000, HK\$1,033,000 and nil during the Track Record Period, respectively. The referral fee arrangement had been discontinued since January 2017. Our Directors consider that the impact brought by such referral fee arrangement on our Group's financial performance during the Track Record Period was immaterial having considered that the amount of referral fees paid and revenue generated from the referrals during the Track Record Period were minimal, with the latter amounted for approximately 0.6% and 0.7% of our total revenue for the two years ended 31 December 2016, respectively.

We market and sell the majority of our products in the U.S. and the U.K.. During the three years ended 31 December 2017, approximately 53.8%, 56.6% and 57.6% of the total revenue of our products were sold to the U.S. and approximately 41.1%, 31.3% and 30.6% of the total revenue of our products were sold to the U.K., respectively.

The following table sets forth the geographical breakdown of our revenue based on location of destination points of our customers for the periods indicated:

	Year ended 31 December 2015		Year ended 31 December 2016		Year ended 31 December 2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
U.S. ....	78,549	53.8	89,613	56.6	93,544	57.6
U.K. ....	59,943	41.1	49,560	31.3	49,758	30.6
Others <sup>(Note)</sup> ....	7,514	5.1	19,261	12.1	19,223	11.8
Total .....	<u>146,006</u>	<u>100.0</u>	<u>158,434</u>	<u>100.0</u>	<u>162,525</u>	<u>100.0</u>

*Note:* Others mainly include Norway, Spain, Switzerland, Netherlands and Australia.

We mainly sell our products through orders directly made by our customers. Our customers place order with us directly for candle products sold under their own or their customers' brand names.

### OUR CUSTOMERS

For the three years ended 31 December 2017, the percentage of our total revenue attributable to our largest customer for the respective period accounted for approximately 21.6%, 26.6% and 21.8%, respectively, while the percentage of our total revenue attributable to our five largest customers combined for the respective period accounted for approximately 72.7%, 68.5% and 63.3%, respectively.

## BUSINESS

The table below sets out the revenue from our Group's top five customers for the periods indicated:

### For the year ended 31 December 2015

Rank	Customer	Background	Headquarter location	Approximate years of business relationship with our Group	Credit terms	Payment method	Revenue derived from the customer	
							HK\$'000	%
1	Customer A	Customer A is a company established in Oklahoma, the U.S. in 1972. Customer A is principally engaged in the operation of a chain of retail arts and craft stores. It has over 750 stores with approximately 32,000 employees operating in 47 states in the U.S. according to its company website	U.S.	19	45 days	Telegraphic transfer	31,608	21.6
2	Customer B	Customer B is a company established in Hong Kong in 2005. Customer B is principally engaged in general wholesale trade, procurement and development of retail merchandise. Its ultimate holding company is listed on the London Stock Exchange and recorded approximately GBP26 billion of revenue according to its annual report for the fiscal year of 52 weeks ended 11 March 2017	U.K.	9	75 days	Telegraphic transfer	22,845	15.6
3	Customer C	Customer C is a company established in the U.K. in 2006, with its group dated back to 1913. Customer C is principally engaged in the design and development of toiletry products, toiletry gifts, home fragrance products and jewellery. Customer C has operations in the U.K. with approximately 39 employees	U.K.	20	60 days	Letter of credit	21,002	14.4

## BUSINESS

Rank	Customer	Background	Headquarter location	Approximate years of business relationship with our Group	Credit terms	Payment method	Revenue derived from the customer	
							HK\$'000	%
4	Customer Group D	Customer Group D was established in Minnesota, the U.S. in 1902. Customer Group D comprises Customer D2 and its wholly-owned subsidiary Customer D1. Customer Group D is principally engaged in the sale of a wide assortment of general merchandise and food. It is listed on the New York Stock Exchange and recorded approximately US\$69 billion of revenue according to its annual report for the fiscal year of 52 weeks ended 28 January 2017	U.S.	13	60 days	Letter of credit	16,377	11.2
5	Customer E	Customer E is a company established in the U.K. in 1908. Customer E is principally engaged in the operation of supermarkets and food shops and had over 60,000 employees and recorded a profit of GBP72 million for the year ended 30 January 2016	U.K.	6	60 days	Telegraphic transfer	14,362	9.9
	Five largest customers combined						106,194	72.7
	Other customers						39,812	27.3
	Total						146,006	100.0

# BUSINESS

## For the year ended 31 December 2016

Rank	Customer	Background	Headquarter location	Approximate years of business relationship with our Group	Credit terms	Payment method	Revenue derived from the customer	
							HK\$'000	%
1	Customer A	Customer A is a company established in Oklahoma, the U.S. in 1972. Customer A is principally engaged in the operation of a chain of retail arts and craft stores. It has over 750 stores with approximately 32,000 employees operating in 47 states in the U.S. according to its company website	U.S.	19	45 days	Telegraphic transfer	42,194	26.6
2	Customer B	Customer B is a company established in Hong Kong in 2005. Customer B is principally engaged in general wholesale trade, procurement and development of retail merchandise. Its ultimate holding company is listed on the London Stock Exchange and recorded approximately GBP26 billion of revenue according to its annual report for the fiscal year of 52 weeks ended 11 March 2017	U.K.	9	75 days	Telegraphic transfer	19,117	12.1

## BUSINESS

Rank	Customer	Background	Headquarter location	Approximate years of business relationship with our Group	Credit terms	Payment method	Revenue derived from the customer	
							HK\$'000	%
3	Customer Group D	Customer Group D was established in Minnesota, the U.S. in 1902. Customer Group D comprises Customer D2 and its wholly-owned subsidiary Customer D1. Customer Group D is principally engaged in the sale of a wide assortment of general merchandise and food. It is listed on the New York Stock Exchange and recorded approximately US\$69 billion of revenue according to its annual report for the fiscal year of 52 weeks ended 28 January 2017	U.S.	13	60 days	Letter of credit	17,677	11.2
4	Customer C	Customer C is a company established in the U.K. in 2006, with its group dated back to 1913. Customer C is principally engaged in the design and development of toiletry products, toiletry gifts, home fragrance products and jewellery. Customer C has operations in the U.K. with approximately 39 employees	U.K.	20	60 days	Telegraphic transfer	16,622	10.5

## BUSINESS

Rank	Customer	Background	Headquarter location	Approximate years of business relationship with our Group	Credit terms	Payment method	Revenue derived from the customer	
							<i>HK\$'000</i>	%
5	Customer F	Customer F is a company established in Singapore on 4 November 2008. Customer F is principally engaged in general wholesale trade, procurement and development of retail merchandise. Incorporated in 1973 and headquartered in San Francisco, the U.S., its ultimate holding company is listed on the New York Stock Exchange and had approximately 28,300 employees and recorded approximately US\$5 billion of revenue according to its annual report for the fiscal year of 52 weeks ended 29 January 2017	U.S.	12	30 days	Telegraphic transfer	12,934	8.1
	Five largest customers combined						108,544	68.5
	Other customers						49,890	31.5
	Total						158,434	100.0



# BUSINESS

## For the year ended 31 December 2017

Rank	Customer	Background	Headquarter location	Approximate years of business relationship with our Group	Credit terms	Payment method	Revenue derived from the customer	
							HK\$'000	%
1	Customer A	Customer A is a company established in Oklahoma, the U.S. in 1972. Customer A is principally engaged in the operation of a chain of retail arts and craft stores. It has over 750 stores with approximately 32,000 employees operating in 47 states in the U.S. according to its company website	U.S.	19	45 days	Telegraphic transfer	35,478	21.8
2	Customer F	Customer F is a company established in Singapore on 4 November 2008. Customer F is principally engaged in general wholesale trade, procurement and development of retail merchandise. Incorporated in 1973 and headquartered in San Francisco, the U.S., its ultimate holding company is listed on the New York Stock Exchange and had approximately 28,300 employees and recorded approximately US\$5 billion of revenue according to its annual report for the fiscal year of 52 weeks ended 29 January 2017	U.S.	12	30 days	Telegraphic transfer	20,612	12.7
3	Customer B	Customer B is a company established in Hong Kong in 2005. Customer B is principally engaged in general wholesale trade, procurement and development of retail merchandise. Its ultimate holding company is listed on the London Stock Exchange and recorded approximately GBP26 billion of revenue according to its annual report for the fiscal year of 52 weeks ended 11 March 2017	U.K.	9	75 days	Telegraphic transfer	20,221	12.4

## BUSINESS

Rank	Customer	Background	Headquarter location	Approximate years of business relationship with our Group	Credit terms	Payment method	Revenue derived from the customer	
							HK\$'000	%
4	Customer E	Customer E is a company established in the U.K. in 1908. Customer E is principally engaged in the operation of supermarkets and food shops and had over 60,000 employees and recorded a profit of GBP72 million for the year ended 30 January 2016	U.K.	6	60 days	Telegraphic transfer	13,985	8.7
5	Customer C	Customer C is a company established in the U.K. in 2006, with its group dated back to 1913. Customer C is principally engaged in the design and development of toiletry products, toiletry gifts, home fragrance products and jewellery. Customer C has operations in the U.K. with approximately 39 employees	U.K.	20	60 days	Telegraphic transfer	12,511	7.7
	Five largest customers combined						102,807	63.3
	Other customers						59,718	36.7
	Total						162,525	100.0

None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period.

Other than our five largest customers during the Track Record Period, we have supplied our candle products to other customers, including among others, ITX Trading S.A. (which placed orders to our Group for Zara Home), Cochine Ltd., Hallmark Cards (HK) Limited, Paperchase Products Ltd and Indigo Living Ltd. Our Directors believe that the business relationship with such customers emphasise our market recognition on our candle products.

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## BUSINESS

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### **General terms of engagement and credit policy with our customers**

We do not enter into long-term sales agreement with our customers. The trading terms with our major customers are mainly on credit, non-interest bearing and with credit term of generally 30 days to 90 days after the date of invoice during the Track Record Period.

During the Track Record Period, Customer E required us to provide sales rebate as an incentive to them when they achieve their sales targets. The terms of the arrangement were negotiated and agreed annually and include the range of annual sales targets and the respective percentage of annual purchase rebate amounts. If Customer E achieves its sales target, we will grant a lump-sum rebate for such customer's purchases for the relevant period. During the Track Record Period, we provided sales rebate to Customer E only who is one of our five largest customers for the year ended 31 December 2015 and 2017. For the background information of Customer E, please refer to the paragraph headed "Our customers" in this section.

We mainly accept payments of our customers by way of bank telegraphic transfer or letter of credit. We may require our customers to pay deposit when large orders are received. Our management closely monitors the credit exposure and repayment conditions of our customers. Specific provisions will be made if our management believes that any customer is in financial distress and fails to settle its long outstanding trade amount within a reasonable period. For more information, please see the paragraph headed "Net current assets" under the section headed "Financial information" in this prospectus.

For the year ended 31 December 2015, the impairment loss of trade receivables of approximately HK\$149,000 was made which was mainly due to financial difficulties faced by one of our customers and subsequently, a balance of approximately HK\$82,000 was written off during the year ended 31 December 2016. Save for the aforementioned, during the Track Record Period, we did not experience any material bad debts, and we did not provide for doubtful debts as there were subsequent settlement or no historical default of payments by the respective customers and the amounts are still considered recoverable. We make specific provisions when there is objective evidence indicating that the possibility of collecting an outstanding debt is doubtful.

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## BUSINESS

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### **Product return policy**

We have no product return or warranty policy. We recorded no product return during the Track Record Period. During the Track Record Period, our Directors were not aware of any material complaints or claims relating to product quality encountered by our Group, or any material sales returns experienced by our Group. However, if any major product defects are noted by our customers, we may be subject to compensation for the defective products.

Upon request by our customers, we may also provide mark-down allowance for our products which are sold at marked-down prices by our customers in the event they remain unsold after a certain period of time. Our Directors confirm that the amount of mark-down allowances is a fixed amount mutually agreed between our Group and the customer. The mark-down allowances are generally paid in two instalments with reference to the product season, once in January and once in July. Payments are made within two months of the invoice date from the customer. For the three years ended 31 December 2017, the total mark-down allowance amounted to approximately HK\$78,000, HK\$77,000 and HK\$97,000, respectively. Provisions were made at the end of each year comprising the Track Record Period. Our Directors confirmed that our Group did not make any material compensation due to defective products, mark-down allowance, product liability or warranty under our business arrangements and did not have any material product return due to product quality defects or damages during the Track Record Period and up to the Latest Practicable Date.

### **Pricing policy**

We determine our price of products on a cost-plus basis. All price quotes and sales orders are prepared by our sales and marketing department and have to be approved by one of our executive Directors, to ensure our candle products are sold at an internally acceptable profit margin. In arriving at our profit margin, we also take into account factors such as the type of candle products, seasonal demand, order size, price trend and availability of raw materials.

### **Seasonality**

The production level and sales of our candle products are subject to seasonality. Historically, we experienced higher production level of our candle products during May to September to cope with the demand during different festivals such as Christmas and Thanksgiving. Normally, October to April is our non-peak season for production. Generally, we experience greater monthly average amount of sales of our candle products from June to October when compared to the rest of the period.

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# BUSINESS

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## After-sale services

To better serve our customers and collect market information in a timely manner, it is our policy that all complaints, feedbacks and enquiries from our customers shall be handled and answered promptly upon receipt. In general, if there are any complaints, feedbacks or enquiries in relation to our products from our customers, they will contact the sales persons who follow their respective accounts to address their complaints, feedbacks or enquiries.

## PRODUCTION

### Production process

Set out below is our production process for candle products:



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## BUSINESS

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Wax will be processed through different forming process based on the type of candle products after melting and blending. The candle forming process involved for each type of candle products is set out in the below table:

		<u>Powder making</u>					
		Filling and cooling	Extruding and cutting/ milling		Pressing and dipping	Moulding	Decorating
<b>Daily-use candle</b>	Pillar		√	√	√		
	Taper	√				√	
	Tea light	√		√			
	Votive	√		√		√	
<b>Scented candle</b>		√					
<b>Decorative candle</b>	Silicon moulded	√				√	√
	Botanical	√				√	√
	Gel	√					√

***Wax melting*** Wax is melted at approximately 70 degrees celsius in the melting facilities and is delivered through the pipelines.

***Wax blending (Formulation)*** Depending on the composition of the candle product type, different waxes such as paraffin wax and palm wax are blended with the formula set at the product development stage to cope with the requirements of the products. As the case may be, different colouring additives and/or fragrances are added in to the blended wax in liquid form in filling lines at approximately 75 degrees celsius.

***Filling and cooling*** Melted and blended wax is filled into various containers, usually by the filling machines. To ensure the candle wicks are placed at the centre, workers may adjust the candle wick by hand. The semi products are cooled down to around 18 to 22 degrees celsius before packing.

***Extruding and cutting/milling*** Melted and blended wax is put into a row of nozzles, which spray the wax solution on a rotary drum with a hollow cooling water circulation on surface to cool the wax solution into the wax powder particles, which will then be delivered through the vibration channel. The wax powder and candle wick are then compressed in a pipe under high pressure. After pressing, a continuous length of candle comes out of the extruding machine. The endless thread of candle is then cut into pieces at the desired length.

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## BUSINESS

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- Pressing and dipping*** Candle wicks and wax powder are pressed by machine to form a candle. Tools can be interchanged using this method so that candles of various lengths and diameters can be produced by one machine. Next, the candles are dipped into a liquid mass of (coloured) wax to smoothen the surface of the candle and to add colour.
- Moulding*** Moulding involves pouring wax into metal, plastic or silicon moulds to shape the wax into desired aesthetic forms.
- Decorating*** Semi-finished candles are decorated with paint and/or decorative items such as herbs, dried flowers and fruits. This procedure usually involves intensive handcraft work of our staff.
- Cleaning*** Small particles or residues are removed to ensure the products are tidy before packing.
- Packing*** Finished products are packed using (as the case may be) wrapping papers, plastic ribbons, hangtags, labels, paper bags and cardboard boxes based on the requirement of our customers.

### **Quality control**

We are committed to product quality and have established a quality control system over the course of our entire production process. Please refer to the paragraph headed “Quality control” in this section for details.

### **Production facility, machinery, and capacity**

As at the Latest Practicable Date, our Group owned three parcels of land upon which erected various production facilities comprising office, factory, ancillary facilities and warehouse in Dong Nai Province, Vietnam, detailed information of which is set out in Appendix III — “Property Valuation” to this prospectus.

Our production facilities are located in Amata Industrial Park in Dong Nai Province of Vietnam and we own three parcels of land in Vietnam, which cover an area of approximately 14,149.7 sq.m. with three buildings which have total gross floor area of approximately 7,395.5 sq.m.. As at the Latest Practicable Date, we employed over 800 production workers to operate and manage our production lines.

## BUSINESS

As at the Latest Practicable Date, we had 15 production lines, in which 9, 2, 3 and 1 mainly for manufacturing our daily-use candles, scented candles, decorative candles and other products, respectively. The table below sets forth our production capacity, production volume and utilisation rate for our production facilities during the Track Record Period:

Season	Year ended 31 December 2015			Year ended 31 December 2016			Year ended 31 December 2017		
	Production capacity	Production volume	Utilisation	Production capacity	Production volume	Utilisation	Production capacity	Production volume	Utilisation
	<i>(units)</i>	<i>(units)</i>	<i>(%)</i>	<i>(units)</i>	<i>(units)</i>	<i>(%)</i>	<i>(units)</i>	<i>(units)</i>	<i>(%)</i>
	'000	'000		'000	'000		'000	'000	
	<i>(Note 1)</i>		<i>(Note 2)</i>	<i>(Note 1)</i>		<i>(Note 2)</i>	<i>(Note 1)</i>		<i>(Note 2)</i>
Peak season <i>(Note 3)</i> . . . . .	58,074	43,282	74.5	56,412	42,959	76.2	71,388	62,763	87.9
Non-peak season <i>(Note 4)</i> . . . . .	66,447	43,019	64.7	66,038	46,356	70.2	65,058	45,276	69.6
<b>Total</b> . . . . .	<b>124,521</b>	<b>86,301</b>	<b>69.3</b>	<b>122,450</b>	<b>89,315</b>	<b>72.9</b>	<b>136,446</b>	<b>108,039</b>	<b>79.2</b>

*Notes:*

1. Production capacity is estimated by the daily production volume (in units) and multiplied by the expected number of days of production during the period indicated.
2. Utilisation rate is computed by dividing actual production volume by estimated production capacity.
3. The peak season is from May to September.
4. The non-peak season is from October to April.

Our overall production facility utilisation rate maintained at about the same level for the two years ended 31 December 2016 and increased from approximately 72.9% to 79.2% for the year ended 31 December 2017 mainly due to increase of production volume during the peak season and the utilisation rate for peak season was increased by approximately 11.7% from approximately 76.2% for the year ended 31 December 2016 to approximately 87.9% for the year ended 31 December 2017.



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## BUSINESS

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In order to optimise our candle production line and production process, we engage a production line consultant (an Independent Third Party) with over ten years of experience in the candle manufacturing industry. Such external consultant has extensive experience in the research and development and candle production industry. The scope of the consultancy agreement includes advising us on the selection of machinery suppliers, the type and configuration of machineries to be sourced, modification of the machineries sourced, layout plan of the production lines, design of tailor-made equipment, design of workflow, wax formulation, cost management, workplace safety, research and development, connection with manufacturers in the U.S. and in Israel, strategies for communication with some of our key suppliers for the purpose of troubleshooting, and other services in relation or incidental thereto. For the three years ended 31 December 2017, the consultancy fee paid to such external production line consultant was approximately HK\$213,000, HK\$233,000 and HK\$256,000, respectively. With the aid from our production line consultant, a large portion of our production facilities and equipment are tailor-made and further modified to suit our production needs, which we believe is capable of producing quality products efficiently. We endeavour to keep abreast of technological development in the candle industry and regularly assess our production technology, equipment and processes.

The table below sets forth the number of unit and weighted average remaining useful life of our machines and equipment as at 31 December 2017 by major types of machines:

	<u>Number of unit(s)</u>	<u>Weighted average remaining useful life</u>
		<i>(years)</i>
		<i>(Note)</i>
Filling machines . . . . .	26	1.0
Pressing and dipping machines . . . . .	16	0.3
Extruding machine . . . . .	1	2.6
Other supporting machines . . . . .	54	1.0

*Note:* Calculation of weighted average remaining useful life is based on the weighted average of the remaining depreciable period of each unit of machinery determined in accordance with our applicable accounting policies, under which machineries are depreciated over their estimate useful lives and after taking into account their estimated residual values, using the straight-line basis at a range from 14% to 33%.

### **Maintenance**

Our major types of machines and equipment used in our production include pressing and dipping machines, filling machines and extruding machine. We own all of the machines and major equipment used in our production process and have implemented a well-established maintenance system for our machines and equipment, including scheduled downtimes for maintenance and repairs,

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## BUSINESS

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and regular inspections of production facilities and equipment in order to maintain our production lines at optimal levels. Our maintenance department carries out routine inspection of machine and equipment regularly and annual overhaul. We did not encounter any material difficulties in relation to the sourcing of machinery and equipment and did not experience any material or prolonged interruptions of our facilities due to machinery or equipment failure during the Track Record Period and up to the Latest Practicable Date.

### **RAW MATERIALS AND SUPPLIERS**

#### **Raw materials**

Our raw materials primarily comprise of wax, fragrance, packaging materials and containers. Packaging materials include wrapping papers, plastic ribbons, and cardboard boxes for inner and outer packaging.

We pack our products for shipping in various sizes and types of plastic film, plastic packets, cardboard boxes and carton boxes. Our sales and marketing department designs the shipping packaging of our products for protection in the event of an accidental drop as required by our customers.

The costs of our raw materials for the three years ended 31 December 2017 amounted to approximately HK\$70,604,000, HK\$63,694,000 and HK\$70,466,000, respectively. Raw materials constituted approximately 48.4%, 40.2% and 43.4% of our sales, and 67.3%, 55.5% and 58.0% of our cost of sales for the three years ended 31 December 2017, respectively.

#### **Quality monitoring**

We closely inspect the quality of the incoming raw materials provided by our suppliers on a sample basis in accordance with our internal control policy and other required standards such as the item serial number, colour, texture, melting point and dimension (when applicable) to ensure that they comply with the standards as stipulated by our customers. We sample check the quality of raw materials based on specific criteria, such as the appearance, the chemical and impurity content of the raw materials. Raw materials which fail to comply with our standards and our customers standards are returned to our suppliers. For new types of raw materials or raw materials procured from new suppliers, we typically test them in trial production to see whether the raw materials used in our candle products meet our quality standards. We keep records of the results of the checking in order to ensure they can be traced if necessary.

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## BUSINESS

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### **Procurement and inventory control**

Our inventory primarily consists of raw materials (including wax, fragrance, packaging materials, containers and candle wicks) and finished goods. We have implemented an inventory control system that requires co-ordination among our various functional departments, including, procurement and inventory and production. In addition, closed-circuit television systems are installed for security purpose. Fire precaution, waste management and chemical-related incident prevention measures are adopted to comply with the relevant laws and regulations.

We procure raw materials and plan our production based on actual and anticipated orders received from our customers and normally maintain a safe inventory level for raw materials sufficient to meet anticipated production requirements, depending on the type of raw materials involved. Once the finished goods are produced, we deliver them to our customers. Although we produce to order, we may have significant levels of finished goods, particularly during the peak seasons as some of our key customers require the production for their purchase orders to be fully completed and packed for delivery before inspection and sometimes our finished goods remain in the factory even after inspection is done due to shipping arrangements as requested by our customers.

Our staff conduct assessments of potential suppliers and annual evaluations of key existing suppliers to ensure that the raw materials we procure are up to our standard.

### **Our suppliers**

During the three years ended 31 December 2017, purchases from our five largest suppliers for each respective period amounted to approximately HK\$43,785,000, HK\$59,703,000 and HK\$60,744,000, and represented approximately 57.3%, 67.8% and 55.7% of our total purchases of approximately HK\$76,454,000, HK\$88,093,000 and HK\$109,065,000, respectively, and purchases from our single largest supplier for each respective period accounted for approximately 23.8%, 27.0% and 22.4% of our total purchase of approximately HK\$76,454,000, HK\$88,093,000 and HK\$109,065,000, respectively. For the details of sensitivity analysis on revenue and cost of materials and subcontracting from the hypothetical fluctuation in foreign exchange rates, please refer to the paragraph headed “Significant factors affecting our results of operations and financial position” under the section headed “Financial information” in this prospectus.

We select our suppliers mainly based on the following criteria: (a) price; (b) product and service quality which is demonstrated by audit compliance with the standards set by us or our customers; (c) payment terms offered; (d) scale of production, (e) logistics arrangement; (f) background and credibility of suppliers, (g) the length of our business relationship; (h) internal control of suppliers; and (i) overall stability and reliability in supply of products and services. We mainly purchase our raw materials from China and Vietnam. We have established stable relationships with the suppliers of our principal raw materials. We normally have at least two sources of supply to avoid dependency. For the three years ended 31 December 2017, we procured from over 90 suppliers.

## BUSINESS

We require goods and services provided by our suppliers to meet our high quality standards and our customers' specifications and we conduct regular evaluation on suppliers. Furthermore, before we engage a new supplier, such supplier has to pass our evaluation on, among others, (a) price; (b) product quality which demonstrated audit compliance with the standards set by us or our customers; (c) payment terms offered; (d) scale of production; (e) logistics arrangement; (f) background and credibility of suppliers; (g) internal control of suppliers; and (h) overall stability and reliability in supply of products.

We generally do not enter into long-term agreements with our suppliers and will only make purchase orders based on actual and anticipated orders received from our customers. Our raw material suppliers generally deliver the raw materials to us on free on board or cost, insurance and freight terms as stipulated in our purchase orders. Our Directors consider that payment terms granted by our suppliers vary depending on a number of factors including our relationship with the suppliers and the size of the transactions. Our suppliers typically provide us with credit terms ranging from 0 to 90 days. We generally settle our trade payables by bank telegraphic transfers or letter of credit.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any shortage of raw materials or delay in delivery of materials by our suppliers that significantly affect our operations.

### Subcontracting

During the Track Record Period, we outsourced certain orders to the Subcontractor in the PRC (i) when the order quantity per item is relatively small; or (ii) to increase production efficiency during our peak season; or (iii) to produce hand-made sculptures which are used for making the moulds for production of silicon moulded decorative candles.

The table below sets out the details of orders, which were recognised as revenue during the Track Record Period, indicated by (i) produced by our production facilities; and (ii) produced by the Subcontractor:

	Year ended 31 December								
	2015			2016			2017		
<i>Number of orders produced</i>	<i>Total quantity produced</i>	<i>Average quantity per order (Note)</i>	<i>Number of orders produced</i>	<i>Total quantity produced</i>	<i>Average quantity per order (Note)</i>	<i>Number of orders produced</i>	<i>Total quantity produced</i>	<i>Average quantity per order (Note)</i>	
	(units) '000	(units) '000		(units) '000	(units) '000		(units) '000	(units) '000	
Our production facilities . . .	567	105,260	186	696	92,996	134	930	107,600	116
Subcontractor . . . . .	69	1,260	18	112	3,067	27	175	3,062	17
<b>Total/overall: . . . . .</b>	<b>636</b>	<b>106,520</b>	N/A	<b>808</b>	<b>96,063</b>	N/A	<b>1,105</b>	<b>110,662</b>	N/A

*Note:* Average quantity per order is calculated by dividing total quantity produced by number of orders produced.

## BUSINESS

As demonstrated in the above table, the number of orders produced by the Subcontractor, the total quantity produced by the Subcontractor and the average quantity per order subcontracted to the Subcontractor were generally smaller than those produced by our production facilities during the Track Record Period.

The gross profit margin of the orders manufactured by our production facilities were approximately 29.3%, 30.8% and 27.7%, respectively during the Track Record Period. The gross profit margin of the orders subcontracted to the Subcontractor were approximately 12.8%, 10.9% and 13.3%, respectively during the Track Record Period.

Although the gross profit margin of orders subcontracted was lower than that produced at our production facilities during the Track Record Period, our Directors took into account the fact that our candle products were made with formulae of different wax content, fragrance and colour, hence our production machines had to be temporarily shut down for cleaning after the production of certain product item before proceeding to producing another. Processing orders with relatively small quantity per product item would result in frequent production downtime, which would interfere with our production process. Subcontracting those orders could shorten our production downtime and thereby increases our production efficiency. Our Directors consider that subcontracting also allowed us to accept orders which our Group would not otherwise have accepted, thereby enhanced our Group's overall profitability and helped to maintain business relationship with those customers. As such, despite the utilisation rates of our production facilities ranged between approximately 74.5%, 76.2% and 87.9% during the peak season of the Track Record Period, our Directors decided to subcontract certain orders to our Subcontractor.

The table below sets out the number of product types per order and the number of orders, which recognised as revenue during the Track Record Period, indicated by (i) produced by our production facilities; and (ii) produced by the Subcontractor:

	Year ended 31 December					
	2015		2016		2017	
	<i>Number of orders produced by</i>		<i>Number of orders produced by</i>		<i>Number of orders produced by</i>	
<i>Number of product types per order</i>	<i>Our production facilities</i>	<i>Subcontractor</i>	<i>Our production facilities</i>	<i>Subcontractor</i>	<i>Our production facilities</i>	<i>Subcontractor</i>
1 . . . . .	355	29	485	52	628	61
2 . . . . .	92	3	80	13	164	22
3 . . . . .	39	31	24	29	65	46
4 . . . . .	23	4	49	18	30	21
5 . . . . .	33	2	37	—	26	11
Over 5 . . . . .	25	—	21	—	17	14
Total: . . . . .	<u>567</u>	<u>69</u>	<u>696</u>	<u>112</u>	<u>930</u>	<u>175</u>

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## BUSINESS

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As demonstrated in the above table, approximately 62.6%, 69.7% and 67.5% of orders produced by our production facilities consisted of single product type during the Track Record Period, respectively and such percentages were higher than approximately 42.0%, 46.4% and 34.9% of the orders produced by the Subcontractor during the Track Record Period, respectively.

For the three years ended 31 December 2017, the total amount paid to the Subcontractor accounted for approximately 9.4%, 20.8% and 20.2% of our cost of sales respectively. As an Independent Third Party holds 100% and 99% equity interests in Subcontractor and Supplier B, respectively, our Directors consider the Subcontractor and Supplier B as affiliated entities under the same group. To the best knowledge of our Directors and after making reasonable enquiries, our Directors confirm that each of the Subcontractor and Supplier B is an Independent Third Party. The trade arrangements among the Subcontractor, Supplier B, our Group and our relevant customers are outlined as below:

- (a) Transactions involving Fleming Hong Kong, the Subcontractor and the relevant customers of our Group:
  - (i) during the Track Record Period and up to the Latest Practicable Date, Fleming Hong Kong engaged the Subcontractor in the PRC mainly for (i) the production of small orders of candle products at Fleming Hong Kong's quality standard mainly due to production efficiency; (ii) increase in production efficiency during our peak season; or (iii) the production of hand-made sculptures which are used for making the moulds for production of silicon moulded decorative candles;
  - (ii) a long-term framework agreement has been entered into between Fleming Hong Kong and the Subcontractor;
  - (iii) Fleming Hong Kong pays production fees to the Subcontractor for the finished products;
  - (iv) upon finishing the orders of candle products placed by Fleming Hong Kong, the Subcontractor would, as directed by Fleming Hong Kong, deliver the products to the customers of our Group mainly in the U.K. and other European countries on FOB/China or FOB/Hong Kong basis; and
  - (v) our customers settle payment with Fleming Hong Kong directly.

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## BUSINESS

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- (b) Transactions involving Fleming Vietnam, Supplier B and the relevant customers of our Group:
  - (i) during the Track Record Period and up to the Latest Practicable Date, Supplier B had been supplying Fleming Vietnam with candle accessories;
  - (ii) Fleming Vietnam places orders for materials for the production of candle products directly with Supplier B;
  - (iii) after production, Fleming Vietnam will record the sale of the finished candle products to Fleming Hong Kong by way of intra-Group sales. For further details, please refer to the paragraph headed “Transfer pricing arrangement” in the section headed “Financial information” in this prospectus;
  - (iv) those finished candle products are then delivered to the customers of our Group mainly in the U.S., the U.K. and other European countries on FOB/Vietnam basis; and
  - (v) our customers settle payment with Fleming Hong Kong directly.

We take into account factors such as service quality, pricing, time of delivery and years of their business relationship with us as key considerations when we select subcontractors. The proposed subcontractor would be added to the approved subcontractor list of our Group after approved and confirmed, and we only engage those subcontractors from our approved subcontractor list. We review the performance of the Subcontractor in terms of product and service quality.

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## BUSINESS

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We have entered into a long-term framework agreement with the Subcontractor. The following summarises the major terms of engagement with the Subcontractor:

- Duration** : 36 months, without automatic renewal clause.
- Scope of work** : In general, the Subcontractor is required to produce candles or related products with specified types and quantities.
- Quality control** : The Subcontractor is required to carry out their works strictly in accordance with all relevant quality standards of our Group. Our Group has the right to request for specific production equipment and process in order to fulfil our Group's requirement.
- Contra charge arrangement** : Upon request of the Subcontractor, our Group may procure raw materials from suppliers on behalf of the Subcontractor, the cost of which will be deducted from our subcontracting cost.
- All materials procured by our Group must be utilised by the Subcontractor for the work orders from our Group only.
- Delivery** : The Subcontractor shall deliver the products to the port specified by our Group in accordance with the delivery timeline. The Subcontractor shall be responsible for all delivery costs (including the declaration at customs).
- Termination** : In the event of breach of contractual terms by the Subcontractor, or, due to objective circumstances where the Subcontractor fails to fulfil its obligation, our Group may terminate the contract.



## BUSINESS

The table below sets out the background information of our top five suppliers (including the Subcontractor) and their respective percentages of purchases of our Group during the Track Record Period:

### For the year ended 31 December 2015

Rank	Supplier	Background	Location	Types of products/services purchased by our Group	Approximate years of business relationship with our Group	Payment method	Purchase derived from the supplier	
							HK\$'000	%
1	Supplier A	Principally engaged in the trading of chemicals, including paraffin products, machinery, electronics and other products	PRC	Wax	4	Letter of credit	18,186	23.8
2	Subcontractor	Principally engaged in the production and sales of fragrance-related and candle products	PRC	Subcontracting services for production of candle products and hand-made sculptures	5	Telegraphic transfer	9,870	12.9
3	Supplier B	Principally engaged in the trading of arts and craft of resin and candle products	PRC	Accessories	5	Telegraphic transfer	9,156	12.0
4	Supplier C	Principally engaged in the trading of oleochemicals	Malaysia	Wax	4	Letter of credit	3,340	4.4
5	Supplier D	Principally engaged in the oleochemical processing industry	Indonesia	Wax	3	Letter of credit	3,233	4.2
<b>Five largest suppliers combined</b>							<b>43,785</b>	<b>57.3</b>
<b>Other suppliers</b>							<b>32,669</b>	<b>42.7</b>
<b>Total</b>							<b>76,454</b>	<b>100.0</b>

# BUSINESS

**For the year ended 31 December 2016**

Rank	Supplier	Background	Location	Types of products/services purchased by our Group	Approximate years of business relationship with our Group	Payment method	Purchase derived from the supplier	
							HK\$'000	%
1	Subcontractor	Principally engaged in the production and sales of fragrance-related and candle products	PRC	Subcontracting services for production of candle products and hand-made sculptures	5	Telegraphic transfer	23,756	27.0
2	Supplier A	Principally engaged in the trading of chemicals, including paraffin products, machinery, electronics and other products	PRC	Wax	4	Letter of credit	20,910	23.7
3	Supplier B	Principally engaged in the trading of arts and craft of resin and candle products	PRC	Accessories	5	Telegraphic transfer	8,328	9.5
4	Supplier D	Principally engaged in the oleochemical processing industry	Indonesia	Wax	3	Letter of credit	3,503	4.0
5	Supplier E	Principally engaged in trading of chemicals, agricultural commodities and foodstuff	Vietnam	Wax	2	Telegraphic transfer	3,206	3.6
<b>Five largest suppliers combined</b>							<b>59,703</b>	<b>67.8</b>
<b>Other suppliers</b>							<b>28,390</b>	<b>32.2</b>
<b>Total</b>							<b>88,093</b>	<b>100.0</b>

## BUSINESS

For the year ended 31 December 2017

Rank	Supplier	Background	Location	Types of products/services purchased by our Group	Approximate years of business relationship with our Group	Payment method	Purchase derived from the supplier	
							HK\$'000	%
1	Subcontractor	Principally engaged in the production and sales of fragrance-related and candle products	PRC	Subcontracting services for production of candle products and hand-made sculptures	5	Telegraphic transfer	24,477	22.4
2	Supplier A	Principally engaged in the trading of chemicals including paraffin products, machinery, electronics and other products	PRC	Wax	4	Letter of credit	11,034	10.1
3	Supplier B	Principally engaged in the trading of arts and craft of resin and candle products	PRC	Accessories	5	Telegraphic transfer	9,951	9.1
4	Supplier F	Principally engaged in the trading of chemicals and chemical related products.	Singapore	Wax	1 <i>(Note)</i>	Letter of credit	8,417	7.7
5	Supplier G	Principally engaged in the production, process and sales of, among others, ceramic ware	PRC	Container	less than 1	Telephic transfer	6,865	6.4
<b>Five largest suppliers combined</b>							<b>60,744</b>	<b>55.7</b>
<b>Other suppliers</b>							<b>48,321</b>	<b>44.3</b>
<b>Total</b>							<b>109,065</b>	<b>100.0</b>

*Note:* One of our suppliers during the Track Record Period, who had a business relationship with our Group of approximately 12 years, was acquired by Supplier F in December 2016.

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## BUSINESS

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None of our Directors, their respective close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our Company's issued share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers (including the Subcontractor) during the Track Record Period.

As the same Independent Third Party holds 100% and 99% equity interests (while the remaining 1% is held by an individual who was the former responsible person of the manufacturing facility under the Processing Agreement and the former supervisor of Fleming China) in the Subcontractor and Supplier B, respectively, our Directors consider the Subcontractor and Supplier B as affiliated entities under the same group. Save for our business relationship with Supplier B and the Subcontractor, during the Track Record Period, our Group had no other relationship with Supplier B, the Subcontractor, their directors and shareholders. For the three years ended 31 December 2017, the aggregate purchases from the Subcontractor and Supplier B amounted to approximately HK\$19,026,000, HK\$32,084,000 and HK\$34,428,000, respectively, representing approximately 24.9%, 36.5% and 31.5% of our total purchases, respectively.

### Third party payments made by our Group

During the Track Record Period, we settled our outstanding payments with Supplier B and the Subcontractor through third parties in Hong Kong and the PRC (the "Third Party Recipients") by way of third party payments (the "Third Party Payments"). For the three years ended 31 December 2017, we settled our outstanding payments to Supplier B and the Subcontractor through a total of two, five and one Third Party Recipients and two, three and nil Third Party Recipients, respectively. The table below shows the number of transactions and their respective transaction amounts under the Third Party Payments during the Track Record Period:

	Year ended 31 December		
	2015	2016	2017
<b>Supplier B — Third Party Payments</b>			
Number of transactions . . . . .	18	16	19
Total settlement amount (HK\$'000) . . . . .	8,448	6,043	10,935
<b>Subcontractor — Third Party Payments</b>			
Number of transactions . . . . .	17	5	Nil
Total settlement amount (HK\$'000) . . . . .	5,907	1,768	Nil

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## BUSINESS

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To the best knowledge of our Directors, the occurrence of Third Party Payments was mainly due to the preference of Supplier B and the Subcontractor who required us to settle our outstanding purchase amounts to the Third Party Recipients. As confirmed by Frost & Sullivan, which our Directors concur, it is not uncommon for candle manufacturers to adopt third party payment, especially when demanded by suppliers or subcontractors in China. Further, to the best information and knowledge of our Directors, our Directors confirm that all Third Party Recipients are independent of our Group.

Written payment instructions were provided by Supplier B or the Subcontractor. Based on the payment instructions, we made the Third Party Payments to offset our outstanding purchase amounts with Supplier B and the Subcontractor by bank transfer in Hong Kong and the PRC. During the Track Record Period and up to the Latest Practicable Date, we had not been required to repay to Supplier B or the Subcontractor any amount already settled by way of Third Party Payments and to the best knowledge of our Directors, no actual or pending dispute or disagreement had arisen as a result of the Third Party Payments. As advised by our PRC legal adviser, China Commercial Law Firm, the Third Party Payments did not contravene any PRC laws or regulations and as advised by Fairbairn Catley Low & Kong, our HK legal adviser, the Third Party Payments did not contravene any HK laws or regulations in any material respects during the Track Record Period and up to the Latest Practicable Date. Therefore, Supplier B and the Subcontractor shall not be legally entitled to claim against our Group in respect of the payments made under the Third Party Payments.

Despite the fact that our Group was not subject to any breach of laws and regulations in the PRC, we ceased all Third Party Payments with Supplier B since September 2017 and with the Subcontractor since October 2016 as our Directors believe that direct payments to our suppliers and subcontractors will enhance the transparency of our settlement process. All payments due to Supplier B and the Subcontractor have since been settled with them directly.

Given the continuing business relationship with Supplier B and the Subcontractor since cessation of Third Party Payments, our Directors are of the view that our Group does not rely on Third Party Payments for settlement of payments to our suppliers and subcontractors and the cessation of Third Party Payments will not have any material impact on our business, results of operations and financial performance.

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## BUSINESS

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### Internal control measures

We have implemented the following internal control measures to ensure that payments to our suppliers and subcontractors will not be made to third parties:

- our Group has established policy and procedures on expenditure management which will be periodically reviewed by our Directors. The policy stipulates that our Group will not remit any money to third parties as a settlement to our suppliers or subcontractors;
- the new policy and procedures on expenditure management has been circulated to our Directors , senior management and relevant employees to ensure that they are informed of our new policy on the cessation of third party payments; and
- our Group will provide our Directors, senior management and relevant employees upon joining and periodically with training, development programmes and updates regarding the new policy and procedures on expenditure management;

Based on the above additional internal control measures which have been fully adopted by our Group since September 2017 and the fact that no Third Party Payments have been identified since the cessation of the Third Party Payments and up to the Latest Practicable Date, our Directors are of the view that the above additional internal control measures are effective and adequate in preventing Third Party Payments.

### QUALITY CONTROL

We are committed to product quality and have established a quality control system over the course of our entire production process. Our quality control team comprises personnel from our quality control department and the line leaders from our production department. We place emphasis on the quality of our products that fulfils the specifications and requirements of our customers, as well as international safety standards, including fire safety, sooting behaviour and safety label for EU, and fire safety labelling and fire safety in the U.S..

We have also set up a laboratory at our factory in Vietnam to conduct internal quality tests on the candle products in accordance with our customers' standards. We would also conduct final inspection of our products before delivery for some of our customers. Some of our major customers also send their quality control staff to conduct quality inspection of our finished candle products.

As at 31 December 2017, our quality control department comprised a total of 22 staff.

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## BUSINESS

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We also have adopted the following international standards in our production:

### **EU standard (including U.K.)**

BS EN 15493-2007: Candles — Specification for fire safety

BS EN 15426-2007: Candles — Specification for sooting behavior

BS EN 15494-2007: Candles — Product safety label

### **U.S. Standard**

ASTM F2058-07 (2014): Standard Specification for Candle Fire Safety Labeling

ASTM F2417-16: Standard Specification for Fire Safety for Candles

ASTM F2179-14: Standard Specification for Annealed Soda-Lime-Silicate Glass Containers That are Produced for Use as Candle Containers

ASTM F2601-16a: Standard Specification for the Fire Safety for Candle Accessories

ASTM F2326-09: Standard Test Method for Collection and Analysis of Visible Emissions from Candle as They Burn

### **Suppliers**

We evaluate our suppliers from time to time and conduct necessary on-site assessments at the premises of our suppliers. Please see the paragraph headed “Raw materials and suppliers” in this section for details.

### **Incoming raw materials**

We conduct inspections on our own on a sampling basis in terms of substance, colour, external appearance of the incoming raw materials. Any raw materials that do not meet our requirements may be returned to our suppliers for replacement.

### **Production**

Members of our production team carry out various inspections, checks and re-checks at each key stage of our production process. Various quality tests and final inspections are carried out on the finished candle products. These various inspections and checks throughout our production process ensure that our candles adhere to our customers’ specifications, comply with our quality standards and are free of major defects. For details, please refer to the paragraph headed “Production” in this section.

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## BUSINESS

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For the three years ended 31 December 2017, the compensation expenses paid to our customers for minor defects of our products amounted to approximately HK\$205,000, HK\$802,000 and HK\$513,000, respectively, representing approximately 0.14%, 0.51% and 0.32% of the revenue of our Group for the corresponding period. Our Directors consider that such proportion of defective products returned is immaterial, and our Directors confirm that there was no incident of failure in our quality control system which had a material impact on us. During the three years ended 31 December 2017, the average defective rates during our candle production were approximately 0.45%, 0.62% and 0.27%, respectively.

### **Subcontractor**

Our staff pays visits to our Subcontractor from time to time to ensure the quality of the finished products are up to our standards.

### **Requirement on code of conduct from our customers**

We agree to abide by the respective terms and conditions or respective codes of conduct of certain of our customers which include the requirements of our candle products to conform to certain laws or regulations and to our customers' specifications. As such, we have adopted comprehensive quality control procedures to ensure that our products meet the relevant national and industry standards as well as our internal standards.

Our Directors confirm that we did not receive any material complaints from our customers in relation to our product quality during the Track Record Period and up to the Latest Practicable Date.

Some of our customers require us to abide by their code of conduct. While each customer's requirements may differ, some of the expectations set out in some of our major customers' codes of conduct include, among others, no discrimination and harassment, child labour, wages, working hours and environment, health and safety.

In accordance with the respective codes of conduct of our major customers, our major customers may conduct audit at our production facilities to ensure that the requirements as stipulated in their respective codes of conduct have been complied with. No material irregularities were spotted in the factory audits conducted by our major customers during the Track Record Period and up to the Latest Practicable Date.



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## BUSINESS

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### AWARDS AND RECOGNITION

Our awards or recognition received are set out below:

<u>Award/Recognition</u>	<u>Awarding Authority/ Accrediting Body</u>	<u>Date of award</u>
Self Inspection Programme <sup>(Note)</sup>	Sainsbury's	April 2017
Super Key Vendors	Williams Sonoma	March 2017

*Note:* On 10 August 2012, we were recognised by Sainsbury's as participant of the Quality Leader Programme, which was later replaced by Self Inspection Programme.

### RESEARCH AND DEVELOPMENT

As at the Latest Practicable Date, our research and development team consists of approximately 10 staff, focusing on improving and developing our existing product lines, including quality improvement and introduction of new style and technology, package and design as well as identifying new products in the market. Members of our sales and marketing department also provide us with timely and direct customer feedbacks to assist our product development. For the three years ended 31 December 2017, we had incurred expenses in relation to research and product development amounted to approximately HK\$526,000, HK\$593,000 and HK\$764,000, respectively, which had been included in staff cost recognised as an expense during the Track Record Period.

### ENVIRONMENTAL COMPLIANCE

We are subject to certain environmental laws and regulations in Vietnam. Further details of these laws and regulations are set out in the section headed "Regulatory overview" in this prospectus. We generate industrial waste in our production process that requires special treatment under applicable environmental standards and measures. In order to ensure our regulatory compliance in this respect, we have in place waste management procedures and engaged independent and licensed waste treatment companies to dispose our industrial and hazardous waste.

Our Directors are of the view that the annual cost of compliance with applicable environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward.

During the Track Record Period and up to the Latest Practicable Date, we have complied with these regulations above and we have not been subjected to any material claim, administrative sanction or any other form of sanctions related to environmental protection field.

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## BUSINESS

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### OCCUPATIONAL HEALTH AND SAFETY AND LABOUR ISSUES

#### Occupational health and safety

We endeavour to provide a healthy and safe work environment for our employees, and have implemented safety guidelines applicable to all employees with a view to further promote occupational health and workplace safety and to ensure compliance with applicable laws and regulations. During the Track Record Period, we also provided adequate training on occupational safety and hygiene to our employees when recruiting and arranging work for them. In addition, we organised annual and biannual health checks for entitled employees as required by the applicable laws and regulations. For further details of the applicable occupational health and safety requirements and regulations, please refer to the paragraph headed “Vietnamese Laws and regulations” under the section headed “Regulatory overview” in this prospectus.

#### Labour issues

We enter into labour contracts with our employees under respective terms, including definite term and indefinite term.

To ensure that our employees are all aware of our code of conduct and strictly comply with our internal regulations, during the Track Record Period, we issued and registered internal labour regulations stipulating among others, order at workplace, occupational safety and hygiene, protection of assets and technological and business secrets and intellectual property of Fleming Vietnam, handling labour discipline and material responsibilities.

During the Track Record Period, we duly contributed statutory insurances for our employees in Vietnam as required by the applicable laws and regulations, including social insurance, health insurance, unemployment insurance and labour accident, occupational disease insurance with the contribution rate of 22% (from 1 January 2015 to 31 May 2017) and 21.5% (from 1 June 2017 onwards) of the monthly salaries payable to our employees.

In addition to the internal labour regulations, we bargained and entered into collective labour agreements with our employees’ collective to give them more benefits than the benchmark set out by the laws and regulations. As at the Latest Practicable Date, we did not experience any labour disputes that resulted in any material adverse effect on our business and results of operations.

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## BUSINESS

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### INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors believe that internal control and risk management are crucial to the development and success of our business. Our Group has engaged an advisory firm as our independent internal control adviser (the “**IC Adviser**”), to perform a review of internal controls over certain business processes of our Group and provide recommendations on the findings identified so as to assist our Group in improving its internal control and risk management systems and corporate governance and in complying with applicable laws and regulations.

During the period from April 2017 to June 2017, the IC Adviser carried out the first review of our internal control system with findings identified and recommendations provided.

The following is a summary table of the key findings and recommendations of the IC Adviser and the enhanced internal control measures adopted by our Group:

<u>No.</u>	<u>Key findings</u>	<u>Brief description</u>	<u>Recommendations</u>	<u>Enhanced internal control measures</u>
1	Formal risk assessment and management mechanism were not established	Our Group did not establish a formal risk assessment and management mechanism to identify and analyse the exposures of internal and external risks factors encountered. In addition, action plan or risk response programs and an on-going mechanism were not developed to address and management our Group’s exposures to risks and changing operating environments.	It was recommended to establish a formal risk assessment and management mechanism for evaluating and determining the nature and extent of the risks that our Group is willing to take in achieving strategic objectives while maintaining an appropriate and effective risk management system.	Our Group has established the risk management and internal control policy.

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## BUSINESS

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No.	Key findings	Brief description	Recommendations	Enhanced internal control measures
2	Internal audit function was not established	Our Group did not establish an internal audit function in monitoring material controls including financial, operational and compliance as well as risk management system.	It was recommended to establish a mechanism in monitoring our Group's internal controls system. Our Group should consider an internal audit strategy that may consist of setting up an internal audit function or outsourcing such function to a qualified external service provider. Risk-based internal audit plans should be developed whereby an annual assessment of all material controls covering financial, operation and compliance controls as well as risk management functions are conducted. The internal audit function should be independent and reports directly to the Audit Committee.	<p>The risk management and internal control policy had been established which stipulated that an internal audit function would be established. The policy had been approved by the Board. In addition, our Company was currently finding an external consulting company to provide internal audit service after listing.</p> <p>Currently, our management has been monitoring and supervising the implementation of our internal control policies. Any material internal control deficiency identified will be discussed in management meetings and remedial actions will be taken immediately. In addition, management reports (including both financial and non-financial reports) are periodically prepared and submitted to our senior management for their review and comment. Our senior management will enquire with the relevant personnel for explanation of any anomalies identified and further investigation and reporting by the management will be required. Furthermore, the IC Adviser noted no material deficiencies upon the closing review. Having considered the above, our Directors confirm, and the Sole Sponsor concurs, that our Group's internal control system is effective and sufficient.</p>

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## BUSINESS

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The IC Adviser completed a follow-up review in September 2017 and did not note any material deficiencies in our Group's internal control system. Having considered the results reported by the IC Advisor on our Group's internal control system, our Directors confirm, and the Sole Sponsor concurs, that the internal control measures implemented by our Group are sufficient and could effectively ensure a proper internal control system of our Group.

### **Internal control measures**

In order to further strengthen our internal control system, our Group has, inter alia, (i) designated our compliance officer to assist our Board to oversee and monitor due compliance with laws, rules and regulations applicable to our Group; (ii) appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on its decision-making process and provide independent advice to our Board and Shareholders; (iii) established an audit committee to assist our Board in providing an independent view on the effectiveness of our financial reporting process and internal control and risk management system, and overseeing the audit process; (iv) appointed TC Capital International Limited as our compliance adviser in accordance with the applicable GEM Listing Rules; and (v) provided (and will continue to provide) our Directors and senior management with training and development programs on applicable legal and regulatory requirements from time to time.

### **Risk management**

We recognise the need for risk management in our strategic and operational planning, day-to-day management and decision making process. We are committed to managing and minimising risks by identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of our operations or prevent it from achieving its business objectives. The risk management process of our Group is coordinated and facilitated by our compliance officer. The objectives of risk management are to, inter alia, enhance our Company's governance and corporate management processes as well as to safeguard our Group against unacceptable levels of risks and losses.

The risk management process of our Group will involve, inter alia, (i) an annual risk identification exercise which involves assessment of the impact and likelihood of risks (including documenting those of potentially high impact) and the development and/or review of risk management plans for mitigating such risks; (ii) testing of documented risk management procedures regularly; and (iii) ensuring that our staff and other stakeholders have access to appropriate information and training in the area of risk management.

We are also exposed to market risks from changes in market rates and prices, such as interest rates, credit, foreign exchange and liquidity. Please refer to the paragraph headed "Quantitative and qualitative analysis about financial risks" under the section headed "Financial information" in this prospectus.

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## BUSINESS

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Based on the above, our Directors are of the view that our Company has adequate and effective risk management system in place for the business operations of our Group.

### EMPLOYEES

As at 31 December 2015, 31 December 2016, 31 December 2017 and as at the Latest Practicable Date, we had a total of 672, 605, 764 and 968 full-time employees, respectively. A breakdown of our employees by function and location as at the Latest Practicable Date is set forth below:

Function	Number of employees		
	Hong Kong	Vietnam	Total
Production . . . . .	—	805	805
Procurement and inventory . . . . .	—	37	37
Sales and marketing . . . . .	6	17	23
Maintenance . . . . .	—	20	20
Quality control . . . . .	—	24	24
Finance and accounting . . . . .	5	8	13
Administration and human resources . . . . .	5	15	20
Research and development . . . . .	2	8	10
Design and sampling . . . . .	—	14	14
Management . . . . .	2	—	2
Total . . . . .	<u>20</u>	<u>948</u>	<u>968</u>

During the Track Record Period, we consider that we have maintained a good working relationship with our employees. Our Directors are of the view that the ability to recruit and retain experienced and skilled labour is critical to our production stability, quality and continued development. The remuneration packages we offer include salary, discretionary bonuses and allowances, which are reviewed as part of our internal appraisal on an annual basis. We provide on-the-job training to our employees to improve their skills and product knowledge as well as keep them updated on new developments.

For the three years ended 31 December 2017, our total staff costs were approximately HK\$28,795,000, HK\$31,688,000 and HK\$35,092,000, respectively.

### Trade Union

During the Track Record Period, our employees in Vietnam were represented by grassroots trade union of our Fleming Vietnam in accordance with the laws and regulations in Vietnam. We had entered into collective labour agreements with such grassroots trade union (who act on behalf of the employees of Fleming Vietnam).

## BUSINESS

### LICENCE AND APPROVAL

During the Track Record Period and as at the Latest Practicable Date, we had obtained all requisite permits, licences and approvals for our business operations processes in Vietnam as detailed in the below table, and as at the Latest Practicable Date, such approvals, licences and permits had not been revoked, cancelled or otherwise expired and we had not been materially penalised by national or local authorities for violations of laws and regulations.

No.	Holder of permit/licence/ certificate/approval	Permit/licence/ certificate/ approval No.	Activities permitted	Issuing authority	Date of issuance	Date of expiry or next date of renewal
1.	Fleming Vietnam	Enterprise Registration Certificate No. 3600701228	Registration of enterprise establishment	Department of Planning and Investment of Dong Nai Province	Firstly registered on 12 October 2004, secondly registered for amendment on 16 March 2016 and thirdly registered for amendment on 21 March 2018	Not applicable
2.	Fleming Vietnam	Investment Registration Certificate No. 1077711536	Registration of investment project	Dong Nai Industrial Zones Authority	Firstly certified on 12 October 2004, firstly registered for amendment on 30 June 2011, secondly registered for amendment on 13 May 2013, thirdly registered for amendment on 08 April 2016 and fourthly registered for amendment on 12 April 2018	12 October 2054
3.	Fleming Vietnam	Confirmation on registration of satisfaction of environmental standards No. 118/BDK-TNMT	Statutory commitments on environmental protection	Department of Natural Resources and Environment of Dong Nai Province	01 April 2005	Not applicable

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## BUSINESS

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No.	Holder of permit/licence/certificate/approval	Permit/licence/certificate/approval No.	Activities permitted	Issuing authority	Date of issuance	Date of expiry or next date of renewal
4.	Fleming Vietnam	Certificate of approval on fire prevention and fire-fighting No. 147/TD-PCCC	Statutory assessment for ensuring Fleming Vietnam has conducted required measurements for fire prevention and fire-fighting purpose	Police Department of Dong Nai Province	19 April 2007	Not applicable
5.	Fleming Vietnam	Register of owner of hazardous waste generation No.382/SDK-CCBVMT	Statutory registration on environmental protection	Environmental Protection Agency of Dong Nai Province	10 November 2014	Not applicable
6.	Fleming Vietnam	Acceptance minute of the fire safety	Inspection on fire prevention and fire-fighting	Police Department of Dong Nai Province	12 July 2016	Not applicable

Mr. Foster H. C. Yim, our Company's legal counsel has confirmed that there are no specific licensing, permit or approval requirements for conducting our business in Hong Kong.

### MARKET AND COMPETITION

The candle manufacturing and distribution market is characteristically labour intensive and the competition is homogeneous. A majority of low end candle products are made by OEM manufacturers with no patents and design, who usually sell products at low margins because only simple techniques are required. Therefore, the market concentration of low end candle products is comparatively low. By contrast, the market concentration of mid-to-high end candle products is comparatively high since these manufacturers have strong competitiveness in branding, design, technique, customisation, marketing and business management. They usually have large-scale factories in low-labour cost regions which helps maintain a high level of profit margin.

The competition is comparatively intense. Leading candles manufacturers endeavour to enhance their core competitive strengths so as to increase market share. Large scale manufacturers provide a wide range of candle products and offering value-added services to cater to the specific needs from clients.

### INSURANCE

During the Track Record Period and up to the Latest Practicable Date, we maintained compulsory insurance policies for (i) our production facilities operations (machineries, equipment, materials and finished products) covering losses arising from fire and explosion; and (ii) our vehicles.



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## BUSINESS

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Our Directors consider our insurance coverage to be customary for a business of our size and type and is consistent with standard commercial practices in Vietnam, where we have operations. We also maintain insurances on, among others, employees' compensation, product liability and office insurance.

We believe that our insurance coverage is adequate with respect to our business operation. For risk associated with our insurance coverage, please refer to the paragraph headed "Risks relating to our business" under the section headed "Risk factors" in this prospectus. During the Track Record Period and up to the Latest Practicable Date, we had not made any significant claims under these insurance policies.

### PROPERTY

#### Owned properties

##### *Owned properties in Vietnam*

The following table summarises the information regarding our owned property as at the Latest Practicable Date:

<u>Address</u>	<u>Gross floor area/Living area</u>	<u>Use of the property</u>
Land Plot No. 103/1, Road 5, Amata Industrial Park, Long Binh Ward, Bien Hoa City, Dong Nai Province, Vietnam	Ready Built Factory No. 10 — Gross Floor Area: 1,389.5 sq.m.	Office and manufacturing
Land Plot No. 103/2, Road 5, Amata Industrial Park, Long Binh Ward, Bien Hoa City, Dong Nai Province, Vietnam	Ready Built Factory No. 16 — Gross Floor Area: 3,445 sq.m.	Office and manufacturing
Land plot No. 103/3, Road 5, Amata Industrial Park, Long Binh Ward, Bien Hoa City, Dong Nai Province, Vietnam	Ready Built Factory No. 14 — Gross Floor Area: 2,561 sq.m.	Office and manufacturing
No. 21.03, Block 3, The Vista, No. 628C, Hanoi Highway, An Phu Ward, District 2, Ho Chi Minh City, Vietnam	Apartment No. 21.03 — Living Area: 149.80 sq.m.	Director's quarters
No. 16.03, Block 3, The Vista, No. 628C, Hanoi Highway, An Phu Ward, District 2, Ho Chi Minh City, Vietnam	Apartment No. 16.03 — Living Area: 101.50 sq.m.	Staff quarters

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## BUSINESS

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Address	Gross floor area/Living area	Use of the property
No. 4-9.03, Block 4, The Vista, No. 628C, Hanoi Highway, An Phu Ward, District 2, Ho Chi Minh City, Vietnam	Apartment No. 4-9.03 — Living Area: 101.3 sq.m.	Staff quarters
No. 5-15.02, Block 5, The Vista, No. 628C, Hanoi Highway, An Phu Ward, District 2, Ho Chi Minh City, Vietnam	Apartment No. 5-15.02 — Living Area: 142.2 sq.m.	Director's quarters

Please refer to the valuation of our property interests set out in Appendix III to this prospectus for further details.

### Leased properties

#### *Leased properties in Hong Kong*

As at the Latest Practicable Date, we leased and/or was granted a licence to use the following properties:

Address	Usage	Landlord	Major terms
Car parking space, No. 8, No. 51 and 53, Stanley Village Road, Hong Kong	Car park	Independent Third Parties	Monthly licence fee of HK\$2,500.00 (inclusive of rates and management fees) with the term commencing from 15 July 2017 to 14 July 2018 (both dates inclusive)
Car parking space, No. 113 on Podium Level 2, Phase III, No. 17-23A, South Horizon Drive, South Horizons, Hong Kong	Car park	Independent Third Party	Monthly rent of HK\$4,300.00 (inclusive of rates, management fees and government rent) with the term commencing from 15 August 2017 to 14 August 2019 (both dates inclusive)
2/F, No. 51 Stanley Village Road, Stanley, Hong Kong	Director's quarters	Independent Third Parties	Monthly rent of HK\$70,000.00 (inclusive of rates and management fees) with the term commencing from 1 February 2017 to 31 January 2019

## BUSINESS

Address	Usage	Landlord	Major terms
Flat G, 30/F, Tower 18, South Horizons, Ap Lei Chau, Hong Kong	Director's quarters	Independent Third Parties	Monthly rent of HK\$30,000.00 (exclusive of rates, management fees and government rent) with the term commencing from 10 June 2017 to 9 June 2019
Unit Nos. 4-8, 2/F, Aberdeen Marina Tower, 8 Shum Wan Road, Aberdeen, Hong Kong	Office	Independent Third Party	Monthly rent of HK\$88,900.00 (inclusive of rates and management fees) with the term commencing from 1 January 2017 to 31 December 2018

### *Leased properties in Vietnam*

As at the Latest Practicable Date, we leased the following properties in Vietnam:

Address	Usage	Landlord	Major terms
Km 1+900, National Route 51, Long Binh Tan Ward, Bien Hoa City, Dong Nai Province, Vietnam	Storing goods	Independent Third Party	Monthly rent of VND61,845,000 (equivalent to approximately HK\$21,000) (based on the area of 1,085 m <sup>2</sup> with the rent of VND57,000/m <sup>2</sup> ), with the term commencing from 1 May 2018 to 31 October 2018
Street No. 2, Bien Hoa I Industrial Park, An Binh Ward, Bien Hoa City, Dong Nai Province, Vietnam	Storing goods	Independent Third Party	Monthly rent of VND78,000,000 (equivalent to approximately HK\$26,794) (based on the area of 1,560 m <sup>2</sup> with the rent of VND50,000/m <sup>2</sup> ), with the term commencing from 18 May 2018 to 18 May 2019

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## **BUSINESS**

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### **INTELLECTUAL PROPERTY**

We consider our trade marks which are used as part of our branding, are important to our business operations. As such, in order to protect our business name and brand image, we have registered or made applications to register our trade marks under various classes in Hong Kong and Vietnam. Further details of our material intellectual property rights are set out in the paragraph headed “B. Further information about our business — 2. Intellectual property of our Group” in Appendix V to this prospectus.

Our Directors confirm that, during the Track Record Period, we had not received any infringement claims nor had we filed any infringement claims against any third parties.

### **NON-COMPLIANCE, LITIGATION AND POTENTIAL CLAIMS**

Our Director confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident the nature of which is material or systemic.

Our Directors confirm that, to their best knowledge after making all reasonable enquiries, there was no claim, litigation or arbitration proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our operations, financial condition, operating results or reputation during the Track Record Period and up to the Latest Practicable Date.

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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### **OUR CONTROLLING SHAREHOLDERS**

Immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to 58.5% by AVW, which is in turn wholly-owned by Mr. Andrew Wong and Mr. Vincent Wong in equal shares. AVW will control over 30% of the issued share capital of our Company and therefore, Mr. Andrew Wong and Mr. Vincent Wong (by virtue of their respective interest in AVW) together with AVW will be regarded as a group of Controlling Shareholders. Further, Mr. Andrew Wong and Mr. Vincent Wong have confirmed that since the incorporation of the respective members of our Group and up to the date of the Listing, they have been and will be acting in concert and voted and will vote in an unanimous manner in respect of the management of our Group.

Neither our Controlling Shareholders, our Directors, Substantial Shareholders, nor their respective close associates has any interest in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS**

#### **Management independence**

Although our Controlling Shareholders will retain controlling interest in our Company upon completion of the Share Offer, the day-to-day management and operation of the business of our Group will be the responsibility of our executive Directors and senior management of our Group. Our Board has six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors. With three independent non-executive Directors out of a total of six Directors in our Board, there will be sufficient independent voices within our Board to protect the interests of our independent Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he/she (i) acts for the benefit of and in the best interests of our Shareholders and our Company as a whole; and (ii) does not allow any conflict between his or her duties as a Director and his or her personal interests to affect the performance of his or her duties as a Director. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transaction and will not be counted in the quorum.

Having considered the above factors, our Directors are satisfied that our Board, as a whole and together with our senior management, is capable of managing our Group's business independently from our Controlling Shareholders.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### **Operational independence**

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities. We have sufficient operational resources, such as finance and accounting, administration and human resources management, sales and marketing, quality control and production to operate our business independently. Our Group has also established a set of internal control measures to facilitate the effective operation of our business. We are the holders of all relevant licences and qualifications material to our business.

During the Track Record Period, Fleming Hong Kong had paid a monthly consultancy fee of HK\$13,200.00 to Fairyland Co. (華藝公司) for provision of electrical engineering consultancy services in respect of the operations of our factories in Vietnam. Fairyland Co. is a sole proprietorship established in Hong Kong and principally engages in engineering and trading. Fairyland Co. is wholly owned by Mr. Chau Pong, the uncle of Mr. Andrew Wong and Mr. Vincent Wong. The relevant historical amounts payable by our Group to Fairyland Co. for the three years ended 31 December 2017 were approximately HK\$158,400, nil and nil, respectively. The consultancy fee payable to Fairyland Co. had been discontinued since January 2016. The relevant payments due to Fairyland Co. were fully settled as at the Latest Practicable Date. Accordingly, the transactions between our Group and Fairyland Co. in relation to the consultancy fee would not constitute continuing connected transactions upon Listing. To the best of our Director's knowledge, during the Track Record Period and up to the Latest Practicable Date, Fairyland Co. did not conduct any business activities which competed or was likely to compete directly with the business of our Group.

Our Group does not currently have any intention to enter into any other transactions with our Controlling Shareholders and/or their close associates and, if such event happens in the future, the connected transactions/continuing connected transactions will be conducted in compliance with the GEM Listing Rules. Accordingly, our Directors do not consider that there is any material reliance by our Group on our Controlling Shareholders or their close associates.

### **Financial independence**

We have our own finance and accounting department and independent financial system, and we make financial decisions according to our business needs. In view of our Group's internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for our financial needs without dependence on our Controlling Shareholders or their close associates after the Listing.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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During the Track Record Period, Mr. Andrew Wong and Mr. Vincent Wong provided personal guarantees to secure the repayment obligations under banking facilities granted by three financial institutions to Fleming Hong Kong and by one financial institution to Fleming Vietnam. These personal guarantees will be released, settled and/or replaced by corporate guarantees provided by our Group upon Listing.

During the Track Record Period, our Group provided back-office management services to Feel Good Limited, which included administration and accounting services as required from time to time pursuant to management services agreements dated 1 January 2015 and 1 January 2016, respectively. Fleming Hong Kong charged Feel Good Limited a monthly service fee of HK\$10,000.00 for the provision of such services. Feel Good Limited is a company incorporated in Hong Kong principally engaged in the designing, branding and sales of lifestyle products. It also sells candles and diffusers as ancillary products mainly to customers in Hong Kong, Japan and Europe (in particular, Switzerland and France). To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, the customers for candle and diffuser products of Feel Good Limited did not overlap with our Group's, our Directors confirm that our Group did not sell any candle products to Feel Good Limited, and Feel Good Limited did not engage in the manufacturing of such products. During the Track Record Period, Feel Good Limited was held as to 50% by Ms. Wong Wan Yan, the sister of Mr. Andrew Wong and Mr. Vincent Wong, and as to 50% by Milk Design Limited, which is a company incorporated in Hong Kong and wholly and beneficially owned by Independent Third Parties. Ms. Wong Wan Yan was also one of the directors of Feel Good Limited. The relevant historical amounts received by our Group from Feel Good Limited for the provision of back-office management services for the three years ended 31 December 2017 were approximately HK\$120,000.00, HK\$120,000.00 and nil, respectively. The aforesaid provision of back-office management services had been discontinued since January 2017, as, to the best of our Director's knowledge, Feel Good Limited developed their own team and no longer required our services. The relevant payments due to our Group were fully settled as at the Latest Practicable Date. On 14 June 2017, Ms. Wong Wan Yan ceased to be a director and shareholder of Feel Good Limited, and Feel Good Limited became an Independent Third Party. Accordingly, the transactions between our Group and Feel Good Limited in relation to the provision of operational services would not constitute continuing connected transactions upon Listing.

To the best of our Director's knowledge, save as disclosed in this prospectus, during the Track Record Period and up to the Latest Practicable Date, Feel Good Limited did not conduct any business activities which competed or was likely to compete directly with the business of our Group.

In view of our Group's internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders. Therefore, our Group will be financially independent from our Controlling Shareholders and/or any of their respective associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### DEED OF NON-COMPETITION

On 23 June 2018, our Controlling Shareholders (each a “**Covenantor**” and collectively, the “**Covenantors**”) entered into the Deed of Non-competition in favour of our Company (for itself and as trustee of our subsidiaries), under which each of the Covenantors irrevocably and unconditionally, jointly and severally, undertakes to and covenants with our Company (for itself and for the benefit of each of the members of our Group) that during the continuation of the Deed of Non-Competition, among others:

- (a) he/it shall not, and shall procure each of his/its close associates and/or companies controlled by him/it (excluding any member of our Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as an investor, a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward, interest or otherwise) any Restricted Business (as defined below);
- (b) if he/it and/or any of his/its close associates and/or companies controlled by him/it (excluding any member of our Group) is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/it shall: (i) promptly within ten (10) Business Days notify or procure the relevant close associate(s) and/or the companies controlled by him/it to notify our Company in writing of such New Business Opportunity and provide such information as is reasonably required by our Group in order to enable our Group to come to an informed assessment of such New Business Opportunity; and (ii) use his/its best endeavours to procure that such New Business Opportunity is offered to our Group on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates and/or companies controlled by him/it;
- (c) he/it or any Director who has an actual or potential material interest in the New Business Opportunity (if any) shall abstain from attending and voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity. The remaining non-interested independent non-executive Director(s) shall be responsible for assessing the New Business Opportunity and making the decision as to whether or not to take up any particular New Business Opportunity;



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (d) he/it shall provide our Company and our Directors (including our independent non-executive Directors) with all information necessary, including but not limited to monthly turnover records and any other relevant documents considered necessary by our independent non-executive Directors from time to time, for the annual review by our independent non-executive Directors with regard to compliance and enforcement of the terms of the Deed of Non-competition; and
- (e) (i) he/it will not and will procure that none of his/its close associates and/or companies controlled by him/it (excluding any member of our Group) will solicit or entice away from any member of our Group any existing or then existing directors, employees, customers or suppliers of our Group;
- (ii) he/it will not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as our controlling shareholder (within the meaning of the GEM Listing Rules) of our Company or Directors for any purposes;
- (iii) he/it will not, in the course of carrying on any trade or business (other than the business of our Group), claim, represent or otherwise indicate he/it is a member, director or employee of our Group for the purpose of obtaining or retaining any business and to the detriment of our Group;
- (iv) he/it will not use or divulge to any person, or publish or disclose or permit to be published or disclosed, any information (whether or not being secret or confidential information) relating to our Group which he/it has received or obtained (whether or not in the case of documents, they are marked as confidential);
- (v) he/it will not, otherwise than as required by our Company, retain, duplicate or remove from the premises of our Group information relating to our Group in whatever form (whether written, or recorded in some other form, or oral) which is supplied by our Group;
- (vi) he/it will not engage in any trade or business or be associated with any person or firm or company that engages in any trade or business using any of our Group's trade mark (whether registered or not) or any trade or business name owned by our Group or used by our Group from time to time in connection with its business, or incorporating all or any material part of any of them or any colourable imitation thereof;
- (vii) he/it will not serve as senior management, consultant, chief executive or director of or otherwise operate or enter into any negotiation, agreement or arrangement with any person to operate any Restricted Business; and

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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(viii) he/it will abstain from attending and voting at any general meeting if there is any actual or potential conflict of interests in relation to the Restricted Business and any New Business Opportunity.

For the purpose of the Deed of Non-competition, “**Restricted Business**” means our Group’s business of manufacturing and sale of candle products, diffusers and candle related products and any other business in Hong Kong and such other places from time to time conducted, carried on or contemplated to be carried on by any member of our Group or in which any member of our Group is engaged or has invested or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement).

The Deed of Non-competition will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have effect upon the earliest of the date on which (i) the Covenantors and their close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company and do not have power to control our Board or there is at least one other independent Shareholder other than the Covenantors and their close associates holding more Shares than the Covenantors and their close associates taken together and Mr. Andrew Wong and Mr. Vincent Wong ceased to be Directors; or (ii) the Shares cease to be listed on GEM or other recognised stock exchange.

### CORPORATE GOVERNANCE MEASURES TO SAFEGUARD THE INTEREST OF SHAREHOLDERS

Our Company will adopt the following measures to strengthen our corporate governance practice and to safeguard the interests of our Shareholders:

- (1) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend. The attendance of that Director shall not be counted towards a quorum at the meeting and such Director shall not vote on the relevant resolution;
- (2) the independent non-executive Directors will review on an annual basis the compliance with the respective non-competition undertakings by our Controlling Shareholders;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (3) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the respective non-competition undertakings;
- (4) our Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the respective non-competition undertakings of our Controlling Shareholders in the annual reports of our Company;
- (5) our Controlling Shareholders will make an annual declaration on compliance with their respective non-competition undertakings in the annual reports of our Company;
- (6) the independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to be involved or participate in a Restricted Business, and if so, any condition to be imposed;
- (7) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertakings or connected transaction(s) at the cost of our Company; and
- (8) our Company has appointed TC Capital International Limited as our compliance adviser which shall provide our Company with professional advice and guidance in respect of, among others, continuing compliance with the GEM Listing Rules and all other applicable laws, rules, codes and guidelines.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any material dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of our Shareholders, in particular the minority Shareholders, will be protected.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following the completion of the Share Offer and the Capitalisation Issue and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons will have an interest and/or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the issued voting shares of our Company or any other member of our Group:

Name of Shareholder	Nature of interests	As at the date of this prospectus		Immediately following the completion of the Share Offer and the Capitalisation Issue	
		Number of Shares (L) <sup>(Note 1)</sup>	Percentage of shareholding	Number of Shares (L) <sup>(Note 1)</sup>	Percentage of shareholding
AVW	Beneficial owner <sup>(Note 2)</sup>	156	78%	643,500,000	58.5%
Vibes Enterprises	Beneficial owner <sup>(Note 3)</sup>	44	22%	181,500,000	16.5%
Vibes	Interest in a controlled corporation <sup>(Note 3)</sup>	44	22%	181,500,000	16.5%
Pioneer	Interest in a controlled corporation <sup>(Note 3)</sup>	44	22%	181,500,000	16.5%
Mr. Andrew Wong	Interest held jointly with another person; interest in a controlled corporation <sup>(Note 2)</sup>	156	78%	643,500,000	58.5%
Mr. Vincent Wong	Interest held jointly with another person; interest in a controlled corporation <sup>(Note 2)</sup>	156	78%	643,500,000	58.5%
Ms. Li	Interest held jointly with another person; interest in a controlled corporation <sup>(Note 3)</sup>	44	22%	181,500,000	16.5%

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interests	As at the date of this prospectus		Immediately following the completion of the Share Offer and the Capitalisation Issue	
		Number of Shares (L) <sup>(Note 1)</sup>	Percentage of shareholding	Number of Shares (L) <sup>(Note 1)</sup>	Percentage of shareholding
Ms. Zheng	Interest held jointly with another person; interest in a controlled corporation <sup>(Note 3)</sup>	44	22%	181,500,000	16.5%
Ms. Tse Sheung	Interest of spouse <sup>(Note 4)</sup>	156	78%	643,500,000	58.5%
Ms. Iong Man Lai	Interest of spouse <sup>(Note 5)</sup>	156	78%	643,500,000	58.5%
Mr. Guan Le	Interest of spouse <sup>(Note 6)</sup>	44	22%	181,500,000	16.5%

*Note 1:* The letter “L” denotes the long position (as defined under Part XV of the SFO) in such Shares.

*Note 2:* AVW is beneficially owned as to 50% by Mr. Andrew Wong and 50% by Mr. Vincent Wong. Mr. Andrew Wong and Mr. Vincent Wong together control all the Shares held by AVW. Under the SFO, each of Mr. Andrew Wong and Mr. Vincent Wong is deemed to be interested in the same number of Shares in which AVW is interested.

*Note 3:* Vibes Enterprises is wholly owned by Vibes. Vibes is wholly owned by Pioneer, which is owned as to 50% by Ms. Li and 50% by Ms. Zheng. As such, Ms. Li and Ms. Zheng together indirectly control all the Shares held by Vibes Enterprises. Under the SFO, each of Vibes, Pioneer, Ms. Li and Ms. Zheng is deemed to be interested in the same number of Shares in which Vibes Enterprises is interested.

*Note 4:* Ms. Tse Sheung is the spouse of Mr. Andrew Wong. Ms. Tse Sheung is deemed to be interested in the same number of Shares in which Mr. Andrew Wong is interested by virtue of the SFO.

*Note 5:* Ms. Iong Man Lai is the spouse of Mr. Vincent Wong. Ms. Iong Man Lai is deemed to be interested in the same number of Shares in which Mr. Vincent Wong is interested by virtue of the SFO.

*Note 6:* Mr. Guan Le is the spouse of Ms. Zheng. Mr. Guan Le is deemed to be interested in the same number of Shares in which Ms. Zheng is interested by virtue of the SFO.

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## **SUBSTANTIAL SHAREHOLDERS**

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Save as disclosed above, none of our Directors is aware of any other person who will, immediately following the Share Offer and the Capitalisation Issue and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the issued voting shares of any member of our Group. None of our Directors is aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### BOARD OF DIRECTORS

Our Board consists of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors.

The table below sets out information regarding our Board:

Name	Age	Position	Date of joining our Group	Date of Appointment as Director	Principal Responsibilities	Relationship among Director(s) and senior management
Mr. Wong Wai Chit (黃偉捷)	50	Chairman, executive Director	20 July 1993	5 July 2017	Formulate our Group's overall strategic plans and overseeing its financial control, business development and policy setting	Younger brother of Mr. Wong Man Chit
Mr. Wong Man Chit (黃聞捷)	53	Chief executive officer, executive Director	20 July 1993	5 July 2017	Oversee our Group's business operations, its overall sales and marketing strategies and its production and product development	Elder brother of Mr. Wong Wai Chit
Ms. Wong Fong (王芳)	40	Non-executive Director	29 August 2017	29 August 2017	Provide advice on overall financial matters to our Board in support of development of our Group	N/A
Mr. Chan Cheong Tat (陳昌達)	68	Independent non-executive Director	23 June 2018	23 June 2018	Provide independent advice to our Board on management and provide independent judgment on the issue of strategy, performance, resources and standard of conduct of our Company	N/A

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name	Age	Position	Date of joining our Group	Date of Appointment as Director	Principal Responsibilities	Relationship among Director(s) and senior management
Mr. Yu Pui Hang (余沛恒)	38	Independent non-executive Director	23 June 2018	23 June 2018	Provide independent advice to our Board on management and provide independent judgment on the issue of strategy, performance, resources and standard of conduct of our Company	N/A
Mr. Ho Chi Wai (何志威)	43	Independent non-executive Director	23 June 2018	23 June 2018	Provide independent advice to our Board on management and provide independent judgment on the issue of strategy, performance, resources and standard of conduct of our Company	N/A

### EXECUTIVE DIRECTORS

#### Mr. Wong Wai Chit

Mr. Wong Wai Chit (黃偉捷) (Mr. Vincent Wong), aged 50, is our chairman and executive Director. Mr. Vincent Wong is one of our Controlling Shareholders and he joined our Group as the director of Fleming Hong Kong on 20 July 1993. He was appointed as Director on 5 July 2017 and was redesignated as executive Director on 23 June 2018. Mr. Vincent Wong is responsible for formulating our Group's overall strategic plans and overseeing its financial control, business development and policy setting.

Mr. Vincent Wong is one of the founding members of our Group and has over 20 years of candle manufacturing experience. He was educated in secondary schools in Hong Kong. Mr. Vincent Wong is the younger brother of Mr. Andrew Wong.

Mr. Vincent Wong is or has been (as the case may be) a director of the following companies:

Company	Period	Remark
Fleming Hong Kong	20 July 1993 to present	
Success Glory	12 July 2004 to present	



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Company	Period	Remark
Fleming Vietnam	8 November 2006 to present	
AVW	4 July 2017 to present	
Fleming International	5 July 2017 to present	
Purple Cloud (Zi Yun) Design Limited	20 March 2013 to present (In liquidation)	As confirmed by Mr. Vincent Wong, this company was solvent and a Certificate of Solvency of this company was filed with the Companies Registry on 1 August 2017. A Special Resolution dated 21 July 2017 in members' voluntarily winding up approving: (1) that the company be wound up voluntarily and that the sole liquidator be appointed; and (2) the said liquidator be authorised to distribute the assets of the company, was filed with Companies Registry on 4 August 2017. However, the said Certificate of Solvency was dated 1 August 2017, a date that was later than the said Special Resolution. Accordingly, the said Certificate of Solvency was issued after the date of passing the said Special Resolution for winding up, in other words, a non-compliance with section 233 of Companies (Winding Up and Miscellaneous Provisions) Ordinance, the winding up of this company must then proceed as creditors' voluntary winding up, pursuant to sections 241 to 248 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Company	Period	Remark
		<p>However, Mr. Vincent Wong confirmed that the situation was caused by a clerical mistake, and there is no wrongful act on his part leading to the intended dissolution, and he is not aware of any actual or potential claim that has been or will be made against him as a result of such intended dissolution.</p> <p>Given that the dissolution of the above company did not involve any dishonesty or fraudulent act on the part of Mr. Vincent Wong, and did not raise any question as to the integrity of Mr. Vincent Wong, our Directors are of the view, and the Sole Sponsor concurs, that Mr. Vincent Wong is suitable to act as a Director under Rule 5.01 and 5.02 of the GEM Listing Rules.</p> <p>The return of final meetings of this company and the return of final account of this company, both dated 23 January 2018, had been filed by the liquidator for registration with Companies Registry on 26 January 2018. Pursuant to section 248 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and subject to the proviso thereof, on the expiration of 3 months from the registration of the said returns thereof this company shall be dissolved.</p>

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Company	Period	Remark
Natural Candle (Holdings) Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in HK on 13 April 2012 as this company ceased to carry on any business. As confirmed by Mr. Vincent Wong, this company was inactive at the time when it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.
Natural Light (Malaysia) Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in HK on 13 April 2012 as this company ceased to carry on any business. As confirmed by Mr. Vincent Wong, this company was inactive at the time when it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.
The Silversmith Workshop Limited	Dissolved (Striking Off)	This company was dissolved by way of striking off in HK on 26 July 2002 as this company ceased to carry on any business. As confirmed by Mr. Vincent Wong, this company was inactive at the time when it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### Mr. Wong Man Chit

Mr. Wong Man Chit (黃聞捷) (Mr. Andrew Wong), aged 53, is our chief executive officer and executive Director. Mr. Andrew Wong is one of our Controlling Shareholders and he joined our Group as the director of Fleming Hong Kong on 20 July 1993. He was appointed as Director on 5 July 2017 and was redesignated as executive Director on 23 June 2018. Mr. Andrew Wong is responsible for overseeing our Group's business operations, its overall sales and marketing strategies and its production and product development.

Mr. Andrew Wong is one of the founding members of our Group and has over 20 years of candle manufacturing experience. He was educated in secondary schools in Hong Kong. Mr. Andrew Wong is the elder brother of Mr. Vincent Wong.

Mr. Andrew Wong is or has been (as the case may be) a director of the following companies:

<b>Company</b>	<b>Period</b>	<b>Remark</b>
Fleming Hong Kong	20 July 1993 to present	
Success Glory	25 September 2013 to present	
Fleming Vietnam	12 October 2004 to present	
AVW	4 July 2017 to present	
Fleming International	5 July 2017 to present	

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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<u>Company</u>	<u>Period</u>	<u>Remark</u>
Fleming China	Dissolved (Deregistration)	Mr. Andrew Wong was the director and legal representative of Fleming China, which was dissolved by way of deregistration in PRC on 9 December 2016 as this company ceased to carry on any business. As confirmed by Mr. Andrew Wong, this company was solvent at the time when it was dissolved and he is not aware of any actual or potential claim that has been or will be made against him or Fleming China as a result of such dissolution. For details, please refer to the paragraph headed “Fleming China” in the section headed “History, development and Reorganisation” in this prospectus.
Natural Candle (Holdings) Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in HK on 13 April 2012 as this company ceased to carry on any business. As confirmed by Mr. Andrew Wong, this company was inactive at the time when it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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<u>Company</u>	<u>Period</u>	<u>Remark</u>
Natural Light (Malaysia) Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in HK on 13 April 2012 as this company ceased to carry on any business. As confirmed by Mr. Andrew Wong, this company was inactive at the time when it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.
Nobs Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in HK on 7 October 2011 as this company ceased to carry on any business. As confirmed by Mr. Andrew Wong, this company was inactive at the time when it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### NON-EXECUTIVE DIRECTOR

#### Ms. Wong Fong

Ms. Wong Fong (王芳), aged 40, was appointed as our non-executive Director on 29 August 2017. Ms. Wong provides advice on overall financial matters to our Board in support of our development but is not participating in the day-to-day management of our business operation. Ms. Wong is appointed for a term of 3 years from the Listing Date and she is subject to retirement by rotation and re-election in accordance with the Articles of Association.

Ms. Wong is a director of Grant Thornton Hong Kong Limited (certified public accountants). Prior to that, Ms. Wong had been appointed, among others, as the chief operating officer of Jonten Hopkins CPA Limited from January 2010 to January 2014.

Ms. Wong obtained a Bachelor degree in the Harbin Normal University of PRC in 2000 and was qualified and awarded the certificate of accounting professional by the Ministry of Finance of the PRC in June 2005 and awarded the HKSI Practising Certificate (Securities) by Hong Kong Securities Institute in having successfully completed the relevant Licensing Examination for Securities and Futures Intermediaries in January 2011.

Ms. Wong was appointed, from December 2014 to June 2016, as an independent non-executive director of Chun Sing Engineering Holdings Limited (now known as Huarong Investment Stock Corporation Limited), the shares of which are listed on the Main Board of the Stock Exchange (Stock code 2277).

Ms. Wong was a director of the following companies incorporated in Hong Kong prior to their dissolutions:

<u>Company</u>	<u>Period</u>	<u>Remark</u>
Ever Master Inc Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in Hong Kong on 2 December 2016 as this company ceased to carry on any business. As confirmed by Ms. Wong, this company was inactive and solvent at the time when it was dissolved.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Company	Period	Remark
Gold Good Group Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in Hong Kong on 26 February 2016 as this company ceased to carry on any business. As confirmed by Ms. Wong, this company was inactive and solvent at the time when it was dissolved.
Gold Sing Industrial Development Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in Hong Kong on 26 February 2016 as this company ceased to carry on any business. As confirmed by Ms. Wong, this company was inactive and solvent at the time when it was dissolved.
Gold Smooth Develop Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in Hong Kong on 26 February 2016 as this company ceased to carry on any business. As confirmed by Ms. Wong, this company was inactive and solvent at the time when it was dissolved.
Golden Grand Trading Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in Hong Kong on 26 February 2016 as this company ceased to carry on any business. As confirmed by Ms. Wong, this company was inactive and solvent at the time when it was dissolved.



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Company	Period	Remark
Golden Trend Industrial Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in Hong Kong on 4 March 2016 as this company ceased to carry on any business. As confirmed by Ms. Wong, this company was inactive and solvent at the time when it was dissolved.
Moralway Capital Investment Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in Hong Kong on 23 January 2015 as this company ceased to carry on any business. As confirmed by Ms. Wong, this company was inactive and solvent at the time when it was dissolved.
Profit Source Inc Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in Hong Kong on 2 December 2016 as this company ceased to carry on any business. As confirmed by Ms. Wong, this company was inactive and solvent at the time when it was dissolved.
Richland Cheer International Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in Hong Kong on 26 February 2016 as this company ceased to carry on any business. As confirmed by Ms. Wong, this company was inactive and solvent at the time when it was dissolved.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Company	Period	Remark
Smart Goldbell Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in Hong Kong on 26 February 2016 as this company ceased to carry on any business. As confirmed by Ms. Wong, this company was inactive and solvent at the time when it was dissolved.
Universe Inc Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in Hong Kong on 2 December 2016 as this company ceased to carry on any business. As confirmed by Ms. Wong, this company was inactive and solvent at the time when it was dissolved.
Venture High Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in Hong Kong on 26 February 2016 as this company ceased to carry on any business. As confirmed by Ms. Wong, this company was inactive and solvent at the time when it was dissolved.
Vertex Joy Limited	Dissolved (Deregistration)	This company was dissolved by way of voluntary deregistration in Hong Kong on 26 February 2016 as this company ceased to carry on any business. As confirmed by Ms. Wong, this company was inactive and solvent at the time when it was dissolved.

Ms. Wong had confirmed that for each of the above deregistered companies, there was no wrongful act on her part leading to the dissolution and she is not aware of any actual or potential claim that has been or will be made against her as a result of such dissolution.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### Mr. Chan Cheong Tat

Mr. Chan Cheong Tat (陳昌達), aged 68, was appointed as our independent non-executive Director on 23 June 2018 and is the chairman of the Audit Committee and a member of Remuneration Committee and Nomination Committee. Mr. Chan provides independent advice to our Board on management and provides independent judgment on the issue of strategy, performance, resources and standard of conduct of our Company, despite that he is not participating in the day-to-day management of our business operation. Mr. Chan is appointed for a term of 3 years from the Listing Date and he is subject to retirement by rotation and re-election in accordance with our Articles of Association.

Mr. Chan is the founding shareholder and sole director of C T Tax Consultants Limited since August 2006. Prior to that, Mr. Chan had worked in the Inland Revenue Department for over 32 years. He joined the HK Government as assistant assessor in November 1972, and was promoted to assessor in January 1976, to senior assessor in May 1985, to chief assessor in June 1994, to assistant commissioner of Inland Revenue in September 2003 and commenced the pre-retirement leave in April 2005.

Mr. Chan obtained a Master degree in Financial Management from Central Queensland University of Australia in 1995. He was admitted as, an associate of the Institute of Chartered Secretaries and Administrators in March 1974, a fellow of the Association of Certified Accountants in November 1983, a fellow of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) in March 1986, a fellow of the Australian Society of Certified Practising Accountants in June 1990, and an associate of the Hong Kong Institute of Company Secretaries in August 1994.

Mr. Chan has been appointed as, since March 2006, an independent non-executive director of Guangdong Tannery Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1058), since December 2014, an independent non-executive director of Medicskin Holdings Limited, the shares of which are listed on GEM of the Stock Exchange (Stock code: 8307), from January 2015 to December 2016, an independent non-executive director of Man Sang International Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 938), from May 2014 to May 2015, an independent non-executive director of Wasions Group Holdings Limited, the shares of which are listed in Main Board of the Stock Exchange (Stock code: 3393), from October 2006 to December 2011, an independent non-executive director of Nobel Jewelry Holdings Limited (now known as Zhong Fa Zhan Holdings Limited), the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 475).

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### **Mr. Yu Pui Hang**

Mr. Yu Pui Hang (余沛恒), aged 38, was appointed as our independent non-executive Director on 23 June 2018 and is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Yu provides independent advice to our Board on management and provides independent judgment on the issue of strategy, performance, resources and standard of conduct of our Company, despite that he is not participating in the day-to-day management of our business operation. Mr. Yu is appointed for a term of 3 years from the Listing Date and he is subject to retirement by rotation and re-election in accordance with the Articles of Association.

Mr. Yu is one of the founding partners of the law firm, L&Y Law Office since January 2016. Prior to that, Mr. Yu had worked, at ICBC International Holdings Limited from July 2010 to December 2015 with his last position as executive director, associate general counsel of legal department, at Freshfields Bruckhaus Deringer as associate from November 2006 to July 2010, at Norton Rose (Services) Limited as associate from November 2005 to October 2006, and at Kennedys as associate solicitor from July 2004 to August 2005.

Mr. Yu obtained a Bachelor degree of Laws in the King's College London, University of London of United Kingdom in 2001. Mr. Yu was qualified and admitted as, a solicitor in Hong Kong in August 2004, a solicitor in England and Wales in April 2005. Mr. Yu was also admitted as an associate of the Hong Kong Institute of Arbitrators in May 2003, and appointed as a member of Community Talks & Services Working Group of the Law Society of Hong Kong in October 2014.

Mr. Yu has been appointed as, since May 2018, an independent non-executive director of Amuse Group Holding Limited, the shares of which are listed on GEM of the Stock Exchange (Stock code: 8545).

### **Mr. Ho Chi Wai**

Mr. Ho Chi Wai (何志威), aged 43, was appointed as our independent non-executive Director on 23 June 2018 and is the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. Mr. Ho provides independent advice to our Board on management and provides independent judgment on the issue of strategy, performance, resources and standard of conduct of our Company, despite that he is not participating in the day-to-day management of our business operation. Mr. Ho is appointed for a term of 3 years from the Listing Date and he is subject to retirement by rotation and re-election in accordance with the Articles of Association.

Mr. Ho has over 19 years of experience in audit assurance and business consulting. He is currently a partner of SRF Partners & Co., Certified Public Accountants. Prior to starting his own practice in 2012, Mr. Ho had been appointed, among others, from May 2010 to November 2011, the

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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principal, from May 2005 to May 2010, the audit manager and from May 2000 to May 2005, the audit senior of an accounting firm, from June 1997 to April 1999, the audit staff, and from May 1999 to May 2000, the audit senior of a local accounting firm.

Mr. Ho obtained a Bachelor of Business Administration degree from Lingnan University (formerly known as Lingnan College) in 1997 and a Master of Finance degree from Jinan University in 2012. He is currently a practicing certified public accountant of the Hong Kong Institute of Certified Public Accountants, an associate of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants), a certified tax adviser at the Taxation Institute of Hong Kong and an associate of the Taxation Institute of Hong Kong, a fellow member of the Association of International Accountants.

Mr. Ho has been appointed as, since March 2014, an independent non-executive director of Wai Chi Holdings Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1305), from June 2012 to October 2013, an independent non-executive director of Ming Kei Holdings Limited (now known as Capital Finance Holdings Limited), the shares of which are listed on GEM of the Stock Exchange (Stock code: 8239), and since June 2018, an independent non-executive director of Affluent Foundation Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1757).

Mr. Ho was a director of ATH International Company Limited, a Hong Kong incorporated company principally engaged in general trading and dissolved by striking off under section 291(6) of the Predecessor Companies Ordinance on 1 December 2006. Mr. Ho confirms that immediately prior to its dissolution, ATH International Company Limited ceased to carry on any business and was solvent.

Mr. Ho had confirmed that there is no fraudulent act or misfeasance on his part leading to the dissolution and struck-off of this company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution and struck-off of such company.

### **Disclosure required under Rule 17.50(2) of the GEM Listing Rules**

Save as disclosed above, each of our Directors had not held any directorship in the last three years in any public company, the securities of which is listed on any securities market in Hong Kong or overseas. Save as disclosed above, each of our Directors confirms with respect to him/her that: (a) he/she did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (b) he/she did not have any relationship with any other Directors, senior management, Substantial Shareholder or Controlling Shareholder of our Company as at the Latest Practicable Date; (c) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the paragraph headed “C. Further information about our Directors and Substantial Shareholders — Disclosure of Interests” in Appendix V to this prospectus; (d) he/she

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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does not have any interest in any business which competes or is likely to compete, directly or indirectly, with us, which is discloseable under GEM Listing Rules; and (e) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules and no other matter with respect to their appointments that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of the business of our Group. The following table sets out certain information concerning our senior management personnel:

Name	Age	Present Position	Date of joining our Group	Principal Responsibilities	Relationship among director(s) and senior management
Mr. Choi Ka Shing (蔡嘉成)	36	Chief Financial Officer	1 November 2016	Finance and accounting matters of our Group	N/A
Mr. Nguyen Quy Bao	43	PMC Manager	1 September 2011	Production planning, material control and purchasing, warehouse and logistics matters of our Group business in Vietnam	N/A

#### Mr. Choi Ka Shing

Mr. Choi Ka Shing (蔡嘉成), aged 36, is the chief financial officer of our Group. Mr. Choi joined our Group in November 2016 and is responsible for the overall finance and accounting matters of our Group.

Mr. Choi has over ten years of experience in auditing, accounting and financial management. Prior to joining our Group, Mr. Choi had been appointed, among others, the financial controller of Architectural Precast GRC (HK) Limited from June 2016 to October 2016, the audit supervisor in FTW & Partners CPA Limited from March 2009 to May 2016, the audit trainee from June 2005 to August 2007 and the audit semi-senior from September 2007 to March 2009 in Anthony Lam & Co.

Mr. Choi obtained a Bachelor of Accountancy in University of South Australia in 2008. Since December 2015, Mr. Choi was admitted to a full membership of CPA Australia.

Mr. Choi does not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### Mr. Nguyen Quy Bao

Mr. Nguyen Quy Bao, aged 43, is the PMC manager of our Group and stationed in Vietnam. Mr. Nguyen joined our Group in September 2011 and is responsible for production planning, material control and purchasing, warehouse and logistic matters of our Group in Vietnam.

Mr. Nguyen has over 15 years of experience in production management. Prior to joining our Group, Mr. Nguyen had been appointed, among others, the filling and packing supervisor at Nestle Vietnam Limited from August 2005 to April 2009, the production supervisor at F&N Vietnam Foods Company Limited from September 2002 to September 2005, the business and planning manager at Shun Feng Pharmaceutical Company Limited from October 2001 to July 2002.

Mr. Nguyen obtained a Bachelor degree in Bach Khoa University of Vietnam in 1998. Over the years, Mr. Nguyen has also obtained various professional training in areas of, among others, time management, leadership and motivation skill and production planning.

Mr. Nguyen does not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

### COMPANY SECRETARY

Mr. Lee Ka Wai (李嘉威), age 43 was appointed as the company secretary of our Company in September 2017. His responsibilities are to serve as one of the primary contact points for communications with the Stock Exchange and relevant regulatory bodies for our Group, and advise the Board and senior management accordingly on matters relating to governance, administration, and management. Mr. Lee is admitted as a member and to the status of Certified Practising Accountant of CPA Australia in 2005 and a member of Hong Kong Institute of Certified Public Accountants in 2017.

Mr. Lee obtained a Bachelor of Commerce in Accountancy in University of Wollongong (Australia) in 1999. After graduation, he worked in various companies and consulting firm and was mainly responsible for preparing financial statements, reviewing and implementing financial policies and internal control procedures, ensuring corporate compliance and providing financial consulting services in Hong Kong and PRC. He has more than ten years of practical experience in financial management, accounting and corporate compliance matters. Prior to joining our Group, Mr. Lee had been appointed, among others, the finance manager of Silvermine Beach Resort Limited from October 2015 to February 2017, the financial consultant of Timex Corporate Consulting Limited from January 2011 to September 2015, and the finance manager of Bio-Treat Technology Limited from February 2006 to December 2010.

Mr. Lee does not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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### **COMPLIANCE OFFICER**

Mr. Vincent Wong is the compliance officer of our Company. Please refer to the paragraph headed “Executive Directors” in this section for his profile.

### **AUTHORISED REPRESENTATIVES**

Mr. Vincent Wong and Mr. Lee Ka Wai have been appointed as our authorised representatives under Rule 5.24 of the GEM Listing Rules. Please refer to the paragraph headed “Executive Directors” and “Company secretary” in this section for their profile.

### **CORPORATE GOVERNANCE**

Our Company will comply with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and include our corporate governance report in our annual reports upon Listing. The terms of reference for performing the corporate governance functions in compliance with the Corporate Governance Code were approved by our Board for adoption on 23 June 2018.

### **BOARD COMMITTEES**

#### **Audit Committee**

Our Company established the Audit Committee on 23 June 2018 with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C.3.3 of the Corporate Governance Code. The primary duties of our Audit Committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor(s) and to approve the remuneration and terms of engagement of the external auditor(s); (b) reviewing and monitoring our financial statements, our annual reports and accounts, our half-year reports and quarterly reports and significant financial reporting judgements contained in them; and (c) reviewing our financial controls, and unless expressly addressed by a separate board risk committee, or the board itself, to review our internal control and risk management systems. Our Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Cheong Tat, Mr. Yu Pui Hang and Mr. Ho Chi Wai. Mr. Chan Cheong Tat is the chairman of our Audit Committee.

#### **Nomination Committee**

Our Company established the Nomination Committee on 23 June 2018 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of our Nomination Committee include, among others, (a) reviewing the structure, size and



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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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composition (including the skills, knowledge and experience, with due regard to our Board diversity policy) required of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors; and (d) making recommendations to our Board concerning the plans for succession for both executive and non-executive Directors and for the roles of our chairman and the chief executive. Our Nomination Committee comprises three independent non-executive Directors, namely Mr. Chan Cheong Tat, Mr. Yu Pui Hang and Mr. Ho Chi Wai. Mr. Ho Chi Wai is the chairman of our Nomination Committee.

### **Remuneration Committee**

Our Company established the Remuneration Committee on 23 June 2018 with written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and paragraph B.1.2 of the Corporate Governance Code. The primary duties of our Remuneration Committee, under the principle that no Director or any of his associates should be involved in deciding his own remuneration include, among others, making recommendations to our Board on (a) our remuneration policy and structure for all of our Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of our individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of our non-executive Directors (if any). Our Remuneration Committee comprises three independent non-executive Directors, namely Mr. Chan Cheong Tat, Mr. Yu Pui Hang and Mr. Ho Chi Wai. Mr. Yu Pui Hang is the chairman of our Remuneration Committee.

### **COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed TC Capital International Limited as our compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of our Shares under Rule 17.11 of the GEM Listing Rules.

The term of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

### **DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION POLICY**

Our Directors and senior management receive compensation in the form of fixed monthly salaries in accordance with their respective employment contracts with our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations.

The remuneration policies of our Group are and will be formulated by our Board on the recommendations of the Remuneration Committee (comprising three independent non-executive Directors). During the Track Record Period, the remuneration of our Directors and our senior management was determined with reference to their respective experience, responsibilities with our Group and general market conditions. Discretionary bonus (if any) is linked to the performance of our Group and of individual Director or senior management. Our Company intends to continue its remuneration policies after the Listing, subject to the review by and the recommendations of the Remuneration Committee.

For the three years ended 31 December 2017, the aggregate amount of remuneration paid or payable by our Group to our Directors was approximately HK\$3,673,000, HK\$4,521,000 and HK\$4,319,000 respectively.

For the three years ended 31 December 2017, the aggregate amount of remuneration paid or payable by our Group to our five highest paid individuals (excluding our Directors amongst the five highest paid individuals) was approximately HK\$1,412,000, HK\$1,629,000, and HK\$1,695,000, respectively.

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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Save as disclosed above, no other payments have been paid or are payable by our Group in respect of the three years ended 31 December 2017 to our Directors or the five highest paid individuals of our Group.

It is estimated that, under the arrangements currently in force, the aggregate remuneration (excluding any discretionary bonus) payable by our Group to our Directors for the year ending 31 December 2018 will be approximately HK\$4,700,000.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors as an inducement to join or upon joining our Group or as compensation for loss of office.

During the Track Record Period, none of our Directors waived or agreed to waive any remuneration.

### **EMPLOYEES' REMUNERATION AND RETIREMENT BENEFIT SCHEMES**

For details of our employees' remuneration and retirement benefit schemes, see the section headed "Business — Employees" and Appendix I to this prospectus.

#### **Share Option Scheme**

Our Directors may also receive options to be granted under the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in "D. Share Option Scheme" in Appendix V to this prospectus.

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## SHARE CAPITAL

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The table below set forth information with respect to the authorised and issued share capital of our Company before and following the completion of the Capitalisation Issue and Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):

### **As of the date of this prospectus**

*Authorised share capital:* *HK\$*

38,000,000 Shares of HK\$0.01 each 380,000

*Issued share capital:*

200 Shares of HK\$0.01 each 2

### **Immediately after completion of the Share Offer and Capitalisation Issue**

*Authorised share capital:* *HK\$*

5,000,000,000 Shares of HK\$0.01 each 50,000,000

*Shares in issue or to be issued, fully paid or credited as fully paid:*

200 Shares in issue at the date of this prospectus 2

824,999,800 Shares to be issued pursuant to the Capitalisation Issue 8,249,998

275,000,000 Shares to be issued pursuant to the Share Offer 2,750,000

1,100,000,000 Total 11,000,000

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## SHARE CAPITAL

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### ASSUMPTIONS

The table as shown above assumes the Share Offer becoming unconditional and the allotment and issue of Shares pursuant thereto and under the Capitalisation Issue and Share Offer are made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred to in the paragraph headed “General mandate to issue Shares” or the paragraph headed “General mandate to repurchase Shares” in this section, as the case may be.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

### RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus, save for entitlements under the Capitalisation Issue.

### CIRCUMSTANCES WHERE MEETING OF OUR COMPANY ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles, details of which is set out in paragraph headed “2. Articles of Association — (d) Meetings of member — (iv) Notices of meetings and business to be conducted” in Appendix IV to this prospectus.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and conditions of the Share Offer — Conditions of the Public Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the total number of issued Shares immediately following the completion of the Share Offer and the Capitalisation Issue (not including Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as referred to in the paragraph headed “General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company and our subsidiaries — 3. Written resolutions of our Shareholders passed on 23 June 2018” in Appendix V to this prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the section headed “Structure and conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue.

This mandate only relates to repurchases made on GEM, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “A. Further information about our Company and our subsidiaries — 7. Repurchase by our Company of its own securities” in Appendix V to this prospectus.

The general mandates to issue and repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any other applicable laws of the Cayman Islands to be held;  
or
- (c) the time when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company and our subsidiaries — 7. Repurchase by our Company of its own securities” in Appendix V to this prospectus.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial information included in the Accountants' Report, which has been prepared in accordance with HKFRSs, as set out in Appendix I to this prospectus, and the unaudited pro forma consolidated financial information included in Appendix II to this prospectus, in each case together with the accompanying notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this prospectus.*

### OVERVIEW

We principally engage in the manufacturing and sale of candle products comprising daily-use candles, scented candles and decorative candles. We also manufacture and sell other products such as diffusers. During the Track Record Period, our customers were mainly department store operators and buying agents headquartered in the U.S. and the U.K..

Our revenue increased from approximately HK\$146,006,000 for the year ended 31 December 2015 to approximately HK\$158,434,000 for the year ended 31 December 2016, representing an increase of approximately 8.5%. For the year ended 31 December 2017, our revenue was approximately HK\$162,525,000, representing an increase of approximately 2.6% when compared with the year ended 31 December 2016. Our total comprehensive income was approximately HK\$10,941,000 and HK\$8,636,000 for the two years ended 31 December 2016, respectively, representing a decrease of approximately 21.1%. For the year ended 31 December 2017, our total comprehensive expense was approximately HK\$10,554,000 as compared with our total comprehensive income of approximately HK\$8,636,000 for the year ended 31 December 2016.

### BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands on 5 July 2017 as an exempted company with limited liability and we underwent the Reorganisation as detailed in the section headed "History, development and Reorganisation" of this prospectus.

Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group on 13 September 2017. Our Group has been under the common control of Mr. Vincent Wong, Mr. Andrew Wong and AVW before and after the Reorganisation to rationalise the structure of our Group in preparing for the Listing. Our Group comprising our Company and our subsidiaries resulting from the Reorganisation is regarded as a continuity entity. Accordingly, the historical financial statements of our Group have been prepared on the basis as if the current group



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## **FINANCIAL INFORMATION**

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structure had been in existence throughout the Track Record Period, using the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combination” issued by HKICPA as set out below.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group include the results and cash flows of the companies now comprising our Group throughout the Track Record Period or since their respective dates of incorporation. The consolidated statements of financial position of our Group as at 31 December 2015, 31 December 2016 and 31 December 2017 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at those dates, taking into account the respective dates of incorporation.

Our Directors have adopted the HKFRSs in the preparation of the consolidated financial statements of our Company and our subsidiaries now comprising our Group for the Track Record Period.

### **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL POSITION**

Our results of operations and financial position have been, and we believe will continue to be, affected by a number of factors, including those as set forth below.

#### **Pricing of our products**

We determine our price of products on a cost-plus basis. All the price quotes and sales orders are prepared by our sales and marketing department and have to be approved by one of our executive Directors, to ensure our candle products are sold at an internally acceptable profit margin. In arriving at our profit margin, we also take into account factors such as the type of candle products, seasonal demand, order size, price trend and availability of raw materials.

The pricing of our products is affected by the competitive landscape of the candle industry. We face competition from domestic and international manufacturers producing candle products. Our competitors may have more financial resources, stronger distribution capabilities or greater reputation recognition than we do. We expect that the competition we face in the candle industry will further intensify gradually. As a result, our ability to maintain or increase the average selling price of our products will largely depend on our ability to compete effectively in terms of quality, reacting rapidly to market trends and differentiating ourselves through our strong reputation recognition, product innovation, overseas sales and extensive product portfolio. Inability to sustain our competitive advantage could adversely affect our pricing and results of operations.

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## FINANCIAL INFORMATION

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### **Product mix**

We mainly offer a variety of candle products in three broad segments, namely daily-use candles, scented candles and decorative candles. We believe our diverse product offerings enable us to capitalise on changing market trends and consumer preferences. Different products have different gross profit margins depending on factors such as raw material costs, production costs, product pricing and seasonal demand. As a result, our overall gross profit margin will vary depending on product mix across segments.

Our sales composition, gross profit margins and profit level have varied and may continue to vary as our product mix evolves. Our ability to expand our product offerings and provide a diversity of our product mix will have a significant impact on our results of operations and our competitiveness in the candle industry in our target geographical markets. We intend to continue to optimise our product portfolio in response to the changes in market conditions and consumer preferences to maximise our sales and profits.

### **Cost of raw materials and direct labour**

Our raw materials primarily comprise wax, fragrance, packaging materials and containers. Raw materials accounted for approximately 67.3%, 55.5% and 58.0%, respectively, of our cost of sales for the three years ended 31 December 2017. We mainly purchase our raw materials from the PRC and Vietnam. The price of raw materials is determined principally by market forces such as commodity price fluctuations and changes in governmental policies, as well as our bargaining power vis-a-vis suppliers. Our direct labour cost accounted for approximately 14.7%, 15.3% and 14.4%, respectively, of our cost of sales for the three years ended 31 December 2017. Our direct labour cost increased by approximately 14.2% from HK\$15,368,000 for the year ended 31 December 2015 to HK\$17,543,000 for the year ended 31 December 2016 mainly due to the combined effect of (i) the increase in revenue for the year ended 31 December 2016; (ii) the increase in sales of decorative candles of which the manufacturing process is more labour intensive; and (iii) general increase in salary of workers in Vietnam. Our direct labour cost remained stable with approximately HK\$17,459,000 for the year ended 31 December 2017 when compared with approximately HK\$17,543,000 for the year ended 31 December 2016.

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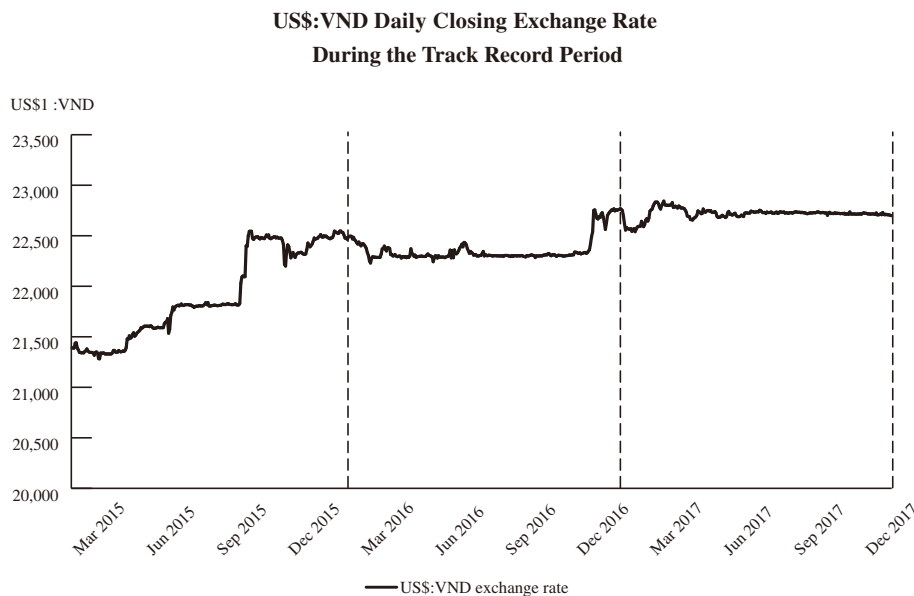
## FINANCIAL INFORMATION

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As we increase our production capacity in accordance with our expansion plans, we expect that our demand for raw materials and direct labour will increase. We also expect that our labour cost will continue to increase mainly due to the growth of statutory monthly minimum wages in Vietnam. Any significant increase in direct labour cost could adversely affect our business and results of operations. For the risk in this regard, please see the section headed “Risk factors” of this prospectus. Any increase in our direct labour costs would reduce our profit margins, profitability and liquidity, as well as materially and adversely affect our financial condition and results of operations, and a labour shortage could disrupt our production.

### Fluctuations in foreign exchange rate

During the Track Record Period, the US\$ had appreciated against the VND as indicated in the graph below:



Source: Bloomberg

## FINANCIAL INFORMATION

The average daily closing exchange rate of US\$ against VND had increased by approximately 2.0% from approximately US\$1:VND21,923 for the year ended 31 December 2015 to approximately US\$1:VND22,365 for the year ended 31 December 2016 and further increased by approximately 1.6% to approximately US\$1:VND22,718 for the year ended 31 December 2017. During the Track Record Period, approximately 100.0% of our revenue was denominated in US\$ whereas approximately 37.6%, 39.6% and 39.2% of our cost of sales were denominated in VND from our raw materials purchased, direct labour cost and production overhead. Therefore, we generally had foreign exchange exposure arising from US\$ and VND. Our profitability increased as the US\$ appreciated against VND during the Track Record Period. On the other hand, if the US\$ depreciates against VND, our result will be negatively affected. While our Group currently does not have a foreign currency hedging policy, our management manages the foreign currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should the need arise.

### Sensitivity analysis on revenue and cost of materials and subcontracting

During the Track Record Period, our Directors consider that approximately all of our Group's revenue were generated in US\$ which is pegged with HK\$, therefore, the hypothetical fluctuations of exchange rate in US\$ will not have material impact on our Group's revenue.

The following table sets forth a sensitivity analysis illustrating the impact of hypothetical appreciation and depreciation of US\$ (i.e. the functional currency of our Group) against VND and RMB on our cost of materials and subcontracting during the Track Record Period. Fluctuations are assumed to be 5% and 10% for the Track Record Period.

	Hypothetical appreciation of US\$ against VND		Hypothetical depreciation of US\$ against VND	
	10%	5%	10%	5%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Change in cost of materials and subcontracting</b>				
For the year ended 31 December 2015 . . . . .	(1,500)	(750)	1,500	750
For the year ended 31 December 2016 . . . . .	(1,813)	(907)	1,813	907
For the year ended 31 December 2017 . . . . .	(2,115)	(1,057)	2,115	1,057

## FINANCIAL INFORMATION

	Hypothetical appreciation of US\$ against RMB		Hypothetical depreciation of US\$ against RMB	
	10%	5%	10%	5%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Change in cost of materials and subcontracting</b>				
For the year ended 31 December 2015 . . . . .	(987)	(494)	987	494
For the year ended 31 December 2016 . . . . .	(2,376)	(1,188)	2,376	1,188
For the year ended 31 December 2017( <i>Note</i> ) .	—	—	—	—

*Note:* We did not incur any cost of materials and subcontracting in RMB during this period.

### Regulatory environment

As we mainly sell our candle products to overseas countries such as the U.S. and the U.K., changes in the regulatory environment in these countries may impact our financial performance. Our ability to anticipate and respond to potential changes in government policies and regulations, such as, among other things, tax policies, government regulations and their competitive implications, will have a significant effect on our future performance.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of the consolidated financial information in accordance with HKFRSs. We believe these significant accounting policies are important for an understanding of the financial condition and results of operation of our Group. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions. Our management has identified certain accounting policies and estimates that are most critical to the preparation of our financial information. Please refer to notes 4 and 5 to the Accountants' Report in Appendix I to this prospectus for details.

## FINANCIAL INFORMATION

### PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following discussion addresses the principal trends that have affected our results of operations during the Track Record Period and should be read in conjunction with the consolidated financial statements during the Track Record Period as set forth in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus. The following table sets forth selected financial information from our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue . . . . .	146,006	158,434	162,525
Cost of sales . . . . .	(104,883)	(114,674)	(121,402)
Gross profit . . . . .	41,123	43,760	41,123
Other income . . . . .	352	261	284
Other gains (losses) . . . . .	870	(75)	28
Selling and distribution expenses . . . . .	(4,754)	(5,583)	(5,079)
Administrative expenses . . . . .	(21,725)	(24,581)	(24,210)
Listing expenses . . . . .	—	(1,008)	(19,499)
Finance costs . . . . .	(1,666)	(1,662)	(1,633)
Profit (loss) before tax . . . . .	14,200	11,112	(8,986)
Income tax expense . . . . .	(3,168)	(2,339)	(2,071)
<b>Profit (loss) for the year . . . . .</b>	<b>11,032</b>	<b>8,773</b>	<b>(11,057)</b>
<b>Other comprehensive (expense) income</b>			
<i>Item that may be classified subsequent to profit or loss:</i>			
Fair value (loss) gain on available-for-sale investments . . . . .	(91)	(137)	503
<b>Other comprehensive (expense) income for the year . . . . .</b>	<b>(91)</b>	<b>(137)</b>	<b>503</b>
<b>Total comprehensive income (expense) for the year . . . . .</b>	<b>10,941</b>	<b>8,636</b>	<b>(10,554)</b>

## FINANCIAL INFORMATION

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of our Company . . . . .	11,032	8,557	(9,855)
Non-controlling interests . . . . .	—	216	(1,202)
	11,032	8,773	(11,057)
Total comprehensive income (expense) for the year attributable to:			
Owners of our Company . . . . .	10,941	8,432	(9,358)
Non-controlling interests . . . . .	—	204	(1,196)
	10,941	8,636	(10,554)

The non-controlling interests represent the equity interest held by Vibes in Fleming Hong Kong during the year ended 31 December 2016 and for the period from 1 January 2017 up to the date of the completion of our Group Reorganisation on 13 September 2017. For the details, please refer to Note 2 of the Appendix I to this prospectus.

### Revenue

We generate revenue primarily from the manufacture and sale of candle products. The table below sets forth the revenue of our Group for the periods indicated by major product categories during the Track Record Period:

	For the year ended 31 December					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Candles						
— Daily-use candles . .	81,610	55.9	91,006	57.4	74,787	46.0
— Scented candles . . .	40,513	27.7	36,257	22.9	53,212	32.7
— Decorative candles .	17,726	12.1	25,463	16.1	24,690	15.2
Others <sup>(Note)</sup> . . . . .	6,157	4.3	5,708	3.6	9,836	6.1
<b>Total:</b> . . . . .	146,006	100.0	158,434	100.0	162,525	100.0

*Note:* Others mainly consist of diffusers.

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## FINANCIAL INFORMATION

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Our Group experienced revenue growth amounting to approximately HK\$12,428,000 for the year ended 31 December 2016 when compared with the year ended 31 December 2015 and increase in revenue of approximately HK\$4,091,000 for the year ended 31 December 2017 when compared with the year ended 31 December 2016. The growth for the year ended 31 December 2016 was mainly due to the increase in sales in daily-use candles and decorative candles, which was partially offset by the decrease in sales in scented candles. The increase for the year ended 31 December 2017 was mainly due to the increase in sales of scented candles and others (included diffusers), which was partially offset by the decrease in sales of daily-use candles and decorative candles.

### **Daily-use candles**

Our Group achieved an increase in the sales of daily-use candles by approximately HK\$9,396,000 or 11.5% from approximately HK\$81,610,000 for the year ended 31 December 2015 to approximately HK\$91,006,000 for the year ended 31 December 2016. Such growth was mainly due to the increase in sales to Customer A who is a retail stores operator and our largest customer during the Track Record Period. The increase in sales to Customer A is mainly due to some regular purchase orders, which are normally expected to be placed by Customer A in November and December and delivered in February to April in the following year, were placed earlier in October 2016 instead of December 2016 and our products were early delivered in December 2016 as required by this customer. Such early delivery of our products contributed to the increase in sales for the year ended 31 December 2016. Also, our Directors noted that this customer was expanding its retail business in the U.S. during the year ended 31 December 2016.

The sales of daily-use candles decreased by approximately HK\$16,219,000 or 17.8% from approximately HK\$91,006,000 for the year ended 31 December 2016 to approximately HK\$74,787,000 for the year ended 31 December 2017. Such decrease was mainly due to the decrease in sales to (i) Customer D mainly as a result of the decrease in sales of pillar candles and tea light candles; and (ii) Customer A mainly as a result of the decrease in sales of pillar candles during the year ended 31 December 2017.



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## FINANCIAL INFORMATION

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### **Scented candles**

The sales of scented candles decreased by approximately HK\$4,256,000 or 10.5% from approximately HK\$40,513,000 for the year ended 31 December 2015 to approximately HK\$36,257,000 for the year ended 31 December 2016. This was mainly due to the decrease in sales of scented candles to Customer B as they had reduced the volume of the purchase orders with us as we were unable to agree on the unit price for the orders. The decrease was partially offset by the increase in sales to a customer in Switzerland who had increased the volume of purchase orders placed to us during the year ended 31 December 2016. As confirmed by Frost & Sullivan, it is common for customers to initially place small orders with candle manufacturers for trial before placing full orders if the initial orders meet their requirements.

The sales of scented candles increased by approximately HK\$16,955,000 or 46.8% from approximately HK\$36,257,000 for the year ended 31 December 2016 to approximately HK\$53,212,000 for the year ended 31 December 2017. Such increase was mainly due to (i) increase in the sales of scented candles to Customer F who had designated our Group as their key supplier in 2017; (ii) increase in the sales of scented candles to one of our U.S. customers who started to purchase scented candles from us since the second half of the year ended 31 December 2016; and (iii) the increase in sales to another customer in the U.S. who started to purchase scented candles from us since the second half of the year ended 31 December 2017.

### **Decorative candles**

The sales of decorative candles increased by approximately HK\$7,737,000 or 43.6% from approximately HK\$17,726,000 for the year ended 31 December 2015 to approximately HK\$25,463,000 for the year ended 31 December 2016. Such increase was mainly due to (i) the increase in the volume of purchase orders of gel candles placed by Customer B to us during the year ended 31 December 2016 as Directors considered the small gel candle orders that they had placed to us for trial met their requirement during the year ended 31 December 2015; and (ii) increase in sales to a customer in Spain who had placed more orders during the second half year of 2016, and this was partially offset by the decrease in sales to Customer C who is our major customer in the U.K. and had scaled down their orders for silicon candles.

## FINANCIAL INFORMATION

The sales of decorative candles decreased by approximately HK\$773,000 or 3.0% from approximately HK\$25,463,000 for the year ended 31 December 2016 to approximately HK\$24,690,000 for the year ended 31 December 2017. The total sales of decorative candles were relatively stable for the year ended 31 December 2017 as compared with the year ended 31 December 2016.

### Geographical Segment

The table below sets forth our revenue by geographical location for the periods indicated:

	For the year ended 31 December					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
U.S. ....	78,549	53.8	89,613	56.6	93,544	57.6
U.K. ....	59,943	41.1	49,560	31.3	49,758	30.6
Others .....	7,514	5.1	19,261	12.1	19,223	11.8
<b>Total:</b> .....	<b>146,006</b>	<b>100.0</b>	<b>158,434</b>	<b>100.0</b>	<b>162,525</b>	<b>100.0</b>

*Note:* Others mainly include Norway, Spain, Switzerland, Netherlands and Australia.

Our sales are more concentrated in the U.S. and the U.K. which in aggregate represented approximately 94.9%, 87.9% and 88.2% of the total revenue for the three years ended 31 December 2017 respectively. Such concentration in the U.S. and the U.K. is mainly due to these countries being major importing countries of candle products. We expect the U.S. and the U.K. will continue to be our countries of focus for our sales in the foreseeable future. The sales to the U.K. decreased by approximately HK\$10,383,000 from approximately HK\$59,943,000 for the year ended 31 December 2015 to approximately HK\$49,560,000 for the year ended 31 December 2016. During the year ended 31 December 2016 which was the year in which Brexit took place, our Directors noted that the sales to some of our U.K. customers decreased. Also, because the sales to our customers in the U.K. were settled in US\$, in which as a result of Brexit, GBP had depreciated against US\$ during the year ended 31 December 2016, such depreciation of GBP against US\$ caused the decrease of the selling price of some products to some of our customers in the U.K.. However, such decrease in sales to the U.K. was partially offset by increase in sales of gel candles to Customer B during the year ended 31 December 2016. For details of the variance in sales for the above geographical segments, please refer to the paragraphs headed “Period-to-period comparison of results of operations” in this section.

## FINANCIAL INFORMATION

The sales to the U.S. for the year ended 31 December 2017 remained the relatively stable level of approximately 57.6% of the total revenue as compared with approximately 56.6% for the year ended 31 December 2016. The sales to the U.K. for the year ended 31 December 2017 also remained at a relatively stable level of approximately 30.6% of the total revenue as compared with approximately 31.3% for the year ended 31 December 2016.

The sales for our products are subject to different seasonal fluctuations. The table below sets out the breakdown of our Group's revenue by quarter during the Track Record Period:

	For the year ended 31 December					
	2015		2016		2017	
	<i>(HK\$'000)</i>	(%)	<i>(HK\$'000)</i>	(%)	<i>(HK\$'000)</i>	(%)
Quarter 1 (1 January to 31 March) . . . . .	20,489	14.0	24,695	15.6	19,896	12.2
Quarter 2 (1 April to 30 June) . . . . .	36,231	24.8	33,302	21.0	35,234	21.7
Quarter 3 (1 July to 30 September) . . . . .	64,748	44.3	66,850	42.2	69,286	42.6
Quarter 4 (1 October to 31 December) . . . . .	24,538	16.9	33,587	21.2	38,109	23.5
<b>Total:</b> . . . . .	<u>146,006</u>	<u>100.0</u>	<u>158,434</u>	<u>100.0</u>	<u>162,525</u>	<u>100.0</u>

As the consumption of some of our candles are increased during some festivities including Christmas and Thanksgiving, our sales for the few months prior to those festivities are generally higher. As such festivities are mostly concentrated in the second half of each year, we recorded higher amounts of revenue in the third quarter of each year during the Track Record Period. The revenue generated in the third quarter amounted to approximately HK\$64,748,000, HK\$66,850,000 and HK\$69,286,000 for the three years ended 31 December 2017 respectively which represented approximately 44.3%, 42.2% and 42.6% of our total revenue for the respective years. The sales of first quarter decreased from approximately HK\$24,695,000 for the year ended 31 December 2016 to approximately HK\$19,896,000 for the year ended 31 December 2017. Such decrease was mainly due to early delivery of Customer A's orders in December 2016 as mentioned above under the paragraph headed "Revenue" in this section.

## FINANCIAL INFORMATION

### Cost of sales

The table below sets forth a breakdown of the components of our cost of sales for the Track Record Period:

	For the year ended 31 December					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Raw materials						
— Wax . . . . .	35,908	34.2	31,241	27.2	28,736	23.7
— Packaging materials	15,119	14.4	13,494	11.8	13,562	11.1
— Containers . . . . .	9,385	9.0	7,655	6.7	14,733	12.1
— Fragrance . . . . .	4,198	4.0	4,822	4.2	6,378	5.3
— Others . . . . .	5,994	5.7	6,482	5.6	7,057	5.8
	<u>70,604</u>	<u>67.3</u>	<u>63,694</u>	<u>55.5</u>	<u>70,466</u>	<u>58.0</u>
Direct labour . . . . .	15,368	14.7	17,543	15.3	17,459	14.4
Production overhead . .	9,041	8.6	9,680	8.4	9,000	7.4
Subcontracting costs . .	9,870	9.4	23,757	20.8	24,477	20.2
Total cost of sales . . . .	<u><u>104,883</u></u>	<u><u>100.0</u></u>	<u><u>114,674</u></u>	<u><u>100.0</u></u>	<u><u>121,402</u></u>	<u><u>100.0</u></u>

Our cost of sales consists of costs of raw materials, direct labour, production overhead and subcontracting costs. We use various raw materials in our candle products production process, mainly including, wax, fragrance, packaging materials and containers. Our raw materials cost accounted for approximately 67.3%, 55.5% and 58.0% of our cost of sales for the three years ended 31 December 2017, respectively.

During the three years ended 31 December 2017, the cost of wax accounted for approximately 34.2%, 27.2% and 23.7% of the cost of sales, respectively. The decrease for the year ended 31 December 2016 was mainly due to the decrease in the price of wax during the year ended 31 December 2016. The cost of wax further decreased from approximately 27.2% of the cost of sales for the year ended 31 December 2016 to approximately 23.7% for the year ended 31 December 2017 which was mainly due to (i) the decrease in sales of pillar candles which generally contain a larger volume of wax per product when compared with other types of candles; and (ii) despite there being an increase in sales of scented candles during the year ended 31 December 2017, the scented candles sold are generally smaller in size and thereby contain less volume of wax.

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## FINANCIAL INFORMATION

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The cost of packaging materials accounted for approximately 14.4%, 11.8% and 11.1% of the cost of sales during the three years ended 31 December 2017, respectively. Such decrease for the year ended 31 December 2016 was mainly due to the decrease in sales of scented candles which are typically individually boxed therefore generally require more packaging materials than daily-use candles and decorative candles. The cost of packaging materials remained stable for the year ended 31 December 2017 when compared with the year ended 31 December 2016.

The cost of containers accounted for approximately 9.0%, 6.7% and 12.1% of the cost of sales during the three years ended 31 December 2017, respectively. The relatively low level for the year ended 31 December 2016 is mainly due to the decrease in sales of scented candles during the year ended 31 December 2016 in which scented candles require greater cost of containers when compared with the daily-use candles and decorative candles. The amount increased from approximately 6.7% of the cost of sales for the year ended 31 December 2016 to approximately 12.1% for the year ended 31 December 2017. This was mainly due to (i) the increase in sales of scented candles from approximately HK\$36,257,000 for the year ended 31 December 2016 to approximately HK\$53,212,000 for the year ended 31 December 2017; and (ii) the increase in consumption of ceramic containers at a generally higher cost as compared to other types of containers for scented candles.

The cost of fragrance accounted for approximately 4.0%, 4.2% and 5.3% of the cost of sales, respectively during the three years ended 31 December 2017. Such increase for the year ended 31 December 2016 was mainly due to increased percentages of fragrance in our candle products to cope with the trend of the consumers' preference in recent years. The amount further increased from approximately 4.2% of the cost of sales for the year ended 31 December 2016 to approximately 5.3% for the year ended 31 December 2017 which was mainly due to the increase in sales of scented candles from approximately HK\$36,257,000 for the year ended 31 December 2016 to approximately HK\$53,212,000 for the year ended 31 December 2017.

The costs of other raw materials mainly consist of pigment, wick, additive, decoration materials and accounted for approximately 5.7%, 5.6% and 5.8% for the three years ended 31 December 2017, respectively. The amount remained stable for the two years ended 31 December 2016. The amounts remained stable during the three years ended 31 December 2017.

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## FINANCIAL INFORMATION

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Direct labour costs primarily consist of expenses related to wages, bonuses and various employee benefits paid to production personnel. Direct labour costs accounted for approximately 14.7%, 15.3% and 14.4% of our cost of sales for the three years ended 31 December 2017 respectively. The increase in our direct labour costs for the year ended 31 December 2016 was mainly due to the combined effects of (i) the increase of revenue for the year ended 31 December 2016; (ii) the increase in sales of decorative candles, the production of which required more manual labour procedures in the manufacturing process; and (iii) general increase in salary of our workers in Vietnam. The cost of direct labour remained stable when compared approximately HK\$17,543,000 for the year ended 31 December 2016 with the approximately HK\$17,459,000 for the year ended 31 December 2017 which was generally in line with the fact that (i) the revenue from sales of decorative candles remained relatively stable for the year ended 31 December 2017 compared with the year ended 31 December 2016; and (ii) the total revenue from the sales of three major categories of candle products was relatively stable for the year ended 31 December 2017 compared with the year ended 31 December 2016.

Production overhead costs primarily consist of depreciation of our property, plant and equipment, utilities expenses, loose tools and other manufacturing costs. Production overhead costs accounted for approximately 8.6%, 8.4% and 7.4% of our cost of sales for the three years ended 31 December 2017 respectively. Such amounts remained stable for the year ended 31 December 2016 as compared with the year ended 31 December 2015. The amount decreased from approximately 8.4% of the cost of sales for the year ended 31 December 2016 to approximately 7.4% for the year ended 31 December 2017 which was mainly due to the decrease in depreciation expenses for the machineries mainly resulted from the effect of full depreciation of certain machineries during the year ended 31 December 2017.

Subcontracting costs consist of expenses paid to our Subcontractor for production of our candle products. Subcontracting costs accounted for approximately 9.4%, 20.8% and 20.2% of our cost of sales for the three years ended 31 December 2017 respectively. The increase for the year ended 31 December 2016 is mainly due to the increase in purchase orders received from certain customers in Switzerland and Spain during the year ended 31 December 2016 in which such orders were outsourced to our Subcontractor for production efficiency purpose. The subcontracting costs for the year ended 31 December 2017 accounted for approximately 20.2% of the cost of sales as compared with approximately 20.8% for the year ended 31 December 2016 which was at a relatively stable level whilst the subcontracting costs for the production of other products, included diffusers, increased and the subcontracting costs for the production of daily-use candles decreased for the year ended 31 December 2017.

### **Sensitivity analysis**

The principal components of the cost of sales are raw materials and direct labour. Therefore, the below sensitivity analysis below is based on the hypothetical fluctuation on cost of raw materials and direct labour.

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## FINANCIAL INFORMATION

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### *i) Cost of raw materials*

The cost of wax accounted for a significant portion of cost of raw materials during the Track Record Period. The sensitivity analysis below illustrates the impact of hypothetical fluctuations in our Group's purchase price of wax, on our Group's gross profit during the Track Record Period and such hypothetical fluctuation rates are derived from the findings of Frost & Sullivan Report in relation to the cost of wax in which our Directors considered that it is reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in cost of wax	+15.0%	+7.5%	-7.5%	-15.0%
<b>Change in gross profit</b>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 December 2015	(5,386)	(2,693)	2,693	5,386
For the year ended 31 December 2016	(4,686)	(2,343)	2,343	4,686
For the year ended 31 December 2017	(4,310)	(2,155)	2,155	4,310

### *ii) Cost of direct labour*

The cost of direct labour represents the wages, bonuses and various employee benefits provided to our workers who are directly involved in carrying out our production of candle products. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's cost of direct labour on our Group's gross profit during the Track Record Period and such hypothetical fluctuation rates are derived from the findings of Frost & Sullivan Report in relation to historical increases in average monthly income of employed workers in the manufacturing industry in Vietnam in which our Directors considered that it is reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in cost of direct labour	+10.0%	+5.0%	-5.0%	-10.0%
<b>Change in gross profit</b>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 December 2015	(1,537)	(768)	768	1,537
For the year ended 31 December 2016	(1,754)	(877)	877	1,754
For the year ended 31 December 2017	(1,746)	(873)	873	1,746

## FINANCIAL INFORMATION

### Gross profit and gross profit margin

Our gross profit was approximately HK\$41,123,000, HK\$43,760,000 and HK\$41,123,000 for the three years ended 31 December 2017, respectively.

The gross profit margin for the three years ended 31 December 2017 were approximately 28.2%, 27.6% and 25.3%, respectively. Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the details. Due to the impact of seasonality of our business operations, the lower gross profit margin realised for the first half of each year compared with the whole year is mainly resulted from the difference in gross profit margin of daily-use candles. Our Directors consider, and as confirmed by Frost & Sullivan, daily-use candles to be the most price sensitive among the three major product types due to the greater competition as a result of the lower quality requirements for daily-use candles, therefore, pricing is more competitive during the non-peak season when candle manufacturers have excess capacity.

The following table sets forth our gross profit and gross profit margin by product type for the Track Record Period:

	For the year ended 31 December					
	2015		2016		2017	
	Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Daily-use candles . . . . .	26,059	31.9	28,685	31.5	21,947	29.3
Scented candles . . . . .	10,674	26.3	9,079	25.0	12,935	24.3
Decorative candles . . . . .	3,739	21.1	5,360	21.1	5,198	21.1
Others . . . . .	651	10.6	636	11.2	1,043	10.6
Total/overall: . . . . .	41,123	28.2	43,760	27.6	41,123	25.3



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## FINANCIAL INFORMATION

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### Other income

The table below sets forth our other income during the Track Record Period:

	For the year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend and interest income from			
available-for-sale investments . . . . .	57	57	57
Interest income from banks . . . . .	53	32	42
Management fee income . . . . .	120	120	—
Sample income . . . . .	82	27	54
Sundry income . . . . .	40	25	131
Total: . . . . .	352	261	284

Management fee income represents the back office services fee including the provision of administration and accounting services for Feel Good Limited which was held as to 50% by Ms. Wong Wan Yan, the sister of Mr. Andrew Wong and Mr. Vincent Wong and 50% by an independent third party. The monthly service fee was HK\$10,000 during the two years ended 31 December 2016. The aforesaid services had been discontinued since January 2017. For the details, please refer to the section headed “Relationship with Our Controlling Shareholders” in this prospectus.

Dividend and interest income from available-for-sale investments represent the income generated from the listed securities in Hong Kong and unlisted bonds, respectively. For details of such investments, please refer to the paragraph headed “Available-for-sale investments” in this section.

Sample income represents the fee received from our customers for product samples made for their reference before their confirmation of the purchase orders.

## FINANCIAL INFORMATION

### Other gains or losses

The table below sets forth our other gains or losses during the Track Record Period:

	For the year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gain (loss), net . . . . .	533	(142)	11
(Allowance of) reversal of allowance for trade receivables, net . . . . .	(149)	67	—
Gain on disposal of property, plant and equipment . . . . .	—	—	17
Forfeiture of deposits from customers upon cancellation of sales orders . . . . .	524	—	—
Write off of property, plant and equipment .	(38)	—	—
Total: . . . . .	<u>870</u>	<u>(75)</u>	<u>28</u>

The income from forfeiture of deposits from customers upon cancellation of sales orders was mainly generated from the cancellation of purchase orders of some of our major customers and such deposits paid were forfeited. Our Directors considered that such income was non-recurring during the Track Record Period. The exchange gain or loss was arising from the transaction difference between the exchange rate of the foreign currencies on the dates of the transactions and dates of settlement.

### Selling and distribution expenses

Our selling and distribution expenses primarily include transportation and declarations and staff costs for the sales staff. During the three years ended 31 December 2017, our selling and distribution expenses were approximately HK\$4,754,000, HK\$5,583,000 and HK\$5,079,000, respectively, equal to approximately 3.3%, 3.5% and 3.1% of our revenue for those periods, respectively. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	For the year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Transportation and declarations . . . . .	3,034	2,856	3,263
Staff costs . . . . .	882	957	1,078
Compensation expenses . . . . .	205	802	513
Marketing and promotion expenses . . . . .	267	515	129
Sample and development expenses . . . . .	366	453	96
Total: . . . . .	<u>4,754</u>	<u>5,583</u>	<u>5,079</u>

## FINANCIAL INFORMATION

Compensation expenses represent the amount paid to our customers for minor defects of our products.

### Administrative expenses

Our administrative expenses primarily include staff costs, office expenses as well as legal and professional fee. For the three years ended 31 December 2017, our administrative expenses were approximately HK\$21,725,000, HK\$24,581,000 and HK\$24,210,000, respectively, which is equivalent to approximately 14.9%, 15.5% and 14.9% of our revenue for those periods, respectively. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation and depreciation expense . . . .	633	962	850
Staff costs . . . . .	12,006	13,262	15,564
Insurance expense . . . . .	247	198	445
Legal and professional fee . . . . .	1,065	3,253	1,517
Rental and rates . . . . .	1,110	1,111	1,106
Travelling expenses . . . . .	1,535	1,321	962
Office expenses . . . . .	2,687	2,318	2,021
Others . . . . .	2,442	2,156	1,745
Total: . . . . .	21,725	24,581	24,210

Staff costs mainly represent salaries and other benefits for our Directors as well as our administrative personnel.

The legal and professional fee increased from approximately HK\$1,065,000 for the year ended 31 December 2015 to approximately HK\$3,253,000 for the year ended 31 December 2016 which was mainly due to the consultancy fee paid for the candles' market research consultation service for the year ended 31 December 2016. The market research provides a detailed study of the U.S. candle industry through, among the others, performing market analysis of the top U.S. candle retailers in terms of their stock keeping unit counts, shelving and pricing strategies etc., and identifying recent developments of our competitors within the U.S. market. The consultancy fee incurred from such research were nil, approximately HK\$2,037,000 and nil during the Track Record Period, respectively. Given that approximately 53.8%, 56.6% and 57.6% of our total revenue were generated from the sales to the U.S. during the Track Record Period, respectively, our Directors consider it is important that we understand the recent market trend in the U.S. candle industry and the market research has allowed us to gain useful insights in the U.S. candle market and helped us identify target customers and adjust our pricing strategy accordingly where appropriate.

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## FINANCIAL INFORMATION

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### **Listing expenses**

Our Group's listing expenses incurred for the Listing are non-recurring in nature and mainly comprise professional fees paid to the Sole Sponsor, legal advisers, reporting accountants, internal control consultant, market research consultant, property valuer and other parties for their services in connection with the Share Offer. Please also refer to the paragraphs headed "Listing expenses" below in this section for the details of the expenses incurred for the Listing.

### **Finance costs**

Finance costs consist of interest expenses on bank borrowings, finance leases and bank charges.

### **Income tax expense**

Income tax expense comprises current and deferred tax. Our business is principally carried out in Vietnam and Hong Kong and we are mainly subject to the corporate income tax in Vietnam (the "CIT") and Hong Kong profit tax. The statutory tax rates of CIT are 22%, 20% and 20% for the Track Record Period, respectively, and the incentive corporate income tax rate is 15% for the two years ended 31 December 2016. The Hong Kong Profits Tax rate is 16.5% during the Track Record Period. The income tax expense are approximately HK\$3,168,000, HK\$2,339,000 and HK\$2,071,000 during each of the three years ended 31 December 2017, respectively. The effective tax rates of our Group were approximately 22.3% and 21.0% for the two years ended 31 December 2016. The effective tax rate of our Group for the two years ended 31 December 2017 were approximately 19.3% and 19.7% which excluded the impact of the non-deductible listing expenses, respectively.

Fleming Vietnam is an export processing enterprise, therefore, Fleming Vietnam is not subject to (i) value added tax for raw materials imported for export processing imported and goods exported by Fleming Vietnam; (ii) export tax for all goods produced by Fleming Vietnam for exporting purpose and; (iii) import tax for imported good being supplies and raw materials for the production of export goods. For the details, please refer to the paragraph headed "Taxation" under the section headed "Regulatory overview" in this prospectus.

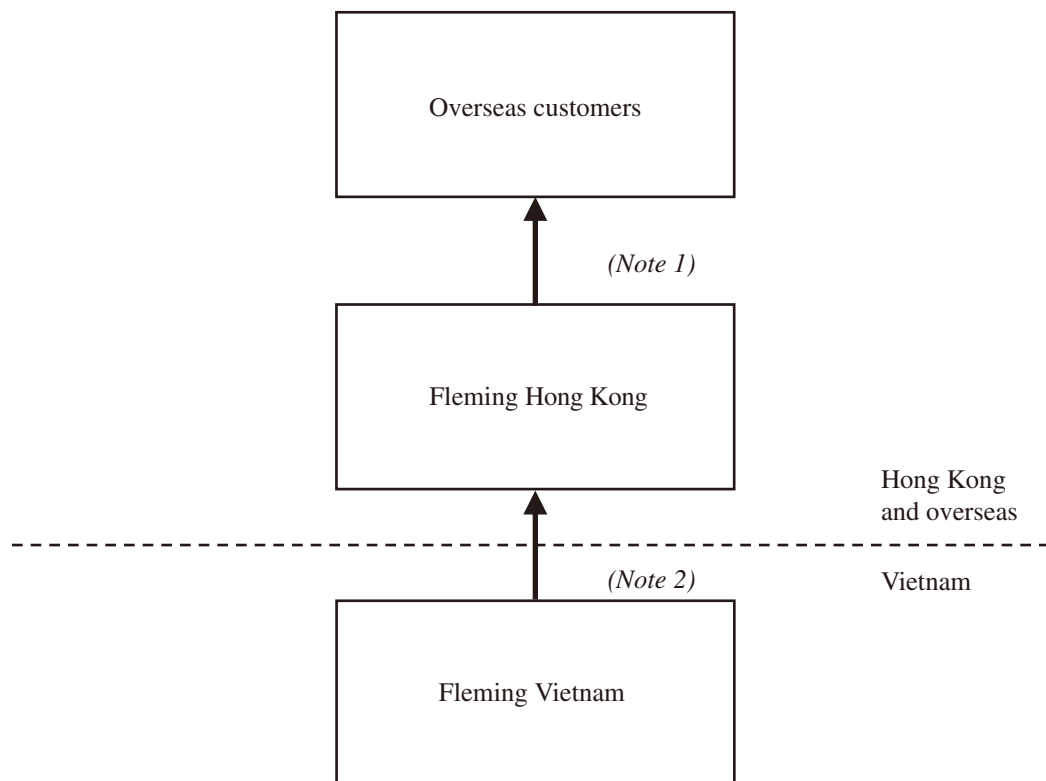
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## FINANCIAL INFORMATION

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### Transfer pricing arrangement

During the Track Record Period, procurement of raw materials was conducted between Fleming Vietnam and Fleming Hong Kong while the sales to customers, marketing and other administrative activities are principally undertaken by Fleming Hong Kong. During the Track Record Period, the sales of Fleming Vietnam were generated from the sales to Fleming Hong Kong. The following diagram sets forth our Group's typical transaction flow of sales in respect of self-manufactured products:



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*Notes:*

1. Pricing policies and decisions in relation to third party customers are based on cost-plus approach having considered various factors, primarily our ability to differentiate our products from those of our competitors and the extent of market competition.
2. For intra-group sales, the transfer price is consistent with the arm's length principle under the Vietnam and Hong Kong transfer pricing regulations as stipulated in the below paragraph.

Our Group's typical transaction flow of raw materials is that Fleming Vietnam orders the raw materials from the suppliers and the raw materials are shipped directly to our production facilities in Vietnam.

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## FINANCIAL INFORMATION

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From Vietnam transfer pricing perspective, our Group had engaged an independent international accounting firm in Vietnam to perform annual review in accordance with the applicable transfer pricing guidelines in Vietnam on the above transfer pricing arrangement for the years ended 31 December 2015, 2016 and 2017 and the Transfer Pricing Review Reports (the “**TP Reports**”) had been issued. According to the TP Reports, Comparable Profit Method (“**CPM**”) was selected as the most appropriate transfer pricing method to test the arm’s length nature of the sales’ transactions between Fleming Hong Kong and Fleming Vietnam. Under CPM, Net Cost Plus (“**NCP**”) was selected as the most appropriate profit level indicator (“**PLI**”) to evaluate the operating results of Fleming Vietnam against those of independent comparable companies in terms of functions performed and risks assumed, in relation to those sales transactions. Based on the above approach, the transfer price of the intra-group’s sales is consistent with the arm’s length principle under the Vietnamese transfer pricing regulations. As such, our Directors consider that our Group’s transfer pricing policy has complied with the arm’s length principle from Vietnam transfer pricing perspective.

The related transactions between Fleming Vietnam and Fleming Hong Kong are required to be declared and submitted to the tax department of Dong Nai Province under the relevant regulations in Vietnam and Fleming Vietnam has complied with those relevant regulations during the Track Record Period.

From Hong Kong transfer pricing perspective, our Group has engaged an independent tax advisor, which is an international professional accounting firm in Hong Kong, to conduct a transfer pricing study on the transfer pricing arrangement as mentioned above for the Track Record Period, based on the applicable regulations and guidance on transfer pricing in Hong Kong. Based on the transfer pricing study, the Transactional Net Margin Method (“**TNMM**”), a method analogous to the CPM, is chosen as the most appropriate transfer pricing method to assess the arm’s length position for the intercompany transactions between Fleming Hong Kong and Fleming Vietnam. When applying the TNMM, Fleming Vietnam is chosen as the most appropriate tested party as it is the party with the least complex functions and which does not own valuable intangibles, and Net Cost Plus Margin is selected as the most appropriate PLI. The Net Cost Plus Margins of Fleming Vietnam for Track Record Period fall within the arm’s length interquartile range established by companies considered as comparable to Fleming Vietnam. Pursuant to the Hong Kong transfer pricing regulations, a tested party’s return on intercompany transactions should be regarded as consistent with the arm’s length principle under the TNMM if its profit margin falls within the arm’s length interquartile range derived from the comparables. As such, the intercompany transactions between Fleming Hong Kong and Fleming Vietnam is considered to be conducted in accordance with the arm’s length principle from Hong Kong transfer pricing perspective. Based on the foregoing, our Directors consider that our Group’s transfer pricing policy is in compliance with the applicable transfer pricing laws and regulations in Hong Kong.

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## FINANCIAL INFORMATION

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Our Group has adopted the following measures to ensure ongoing compliance with relevant transfer pricing laws and regulations in Vietnam and Hong Kong:

- transfer pricing policies for assisting our Group in compliance with the arm's length principle pursuant to the applicable transfer pricing guidelines had been established to govern intra-group sales. Such policy had been approved by our Directors;
- an intra-group sales log had been established to document and maintain our Group's intra-group sales to ensure those sales are in compliance with our transfer pricing policies. It was prepared by our accounting and finance manager and approved by our deputy general director to ensure the implementation of our transfer pricing policies is effective from time to time; and
- our Group will continue to engage an independent international accounting firm in Vietnam and Hong Kong to perform an annual review on transfer pricing arrangement to assist our Group's compliance with the applicable transfer pricing guidelines in Vietnam and Hong Kong.

As at the Latest Practicable Date, our Directors were not aware of any inquiry, audit or investigation by any tax authority in Vietnam and Hong Kong with respect to our Group's transfer pricing arrangement. Having considered the above, our Directors are of the view, and the Sole Sponsor concurs, that such measures are sufficient and effective. Please refer to the paragraph headed "Risks relating to our business" under the section headed "Risk factors" in this prospectus for details of our Group's risks in relation to transfer pricing.

### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Year ended 31 December 2016 compared to the year ended 31 December 2015

##### Revenue

Our total revenue increased by approximately HK\$12,428,000 or 8.5% from approximately HK\$146,006,000 for the year ended 31 December 2015 to HK\$158,434,000 for the year ended 31 December 2016. The increase in overall revenue was mainly due to the following:

The sales to the U.S. increased by approximately HK\$11,064,000 from approximately HK\$78,549,000 for the year ended 31 December 2015 to approximately HK\$89,613,000 for the year ended 31 December 2016 which is mainly due to the increase in sales to Customer A which is a retail arts and craft chain store operator and our major customer in the U.S. Such increase is mainly due to some regular purchase orders, which are normally expected to be placed by Customer A in

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## FINANCIAL INFORMATION

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November and December and delivered in February to April in the following year, were placed earlier in October 2016 instead of December 2016 and our products were early delivered in December 2016 as required by this customer. Such early delivery of our products contributed to the increase of the sales for the year ended 31 December 2016. Also, our Directors noted that this customer was expanding its retail business in the U.S. during the year ended 31 December 2016.

The sales to the U.K. decreased by approximately HK\$10,383,000 from approximately HK\$59,943,000 for the year ended 31 December 2015 to approximately HK\$49,560,000 for the year ended 31 December 2016. During the year ended 31 December 2016 which was the year Brexit took place, our Directors noted that the sales to some of our U.K. customers decreased. Also, because the sales to our customers in the U.K. were settled in US\$ in which as a result of Brexit, GBP had depreciated against US\$ during the year ended 31 December 2016, such depreciation of GBP against US\$ caused the decrease of the selling price of some products sold to some of our customers in the U.K. However, such decrease in sales to the U.K. was partially offset by increase in sales of gel candles to Customer B during the year ended 31 December 2016.

The sales to other countries increased by approximately HK\$11,747,000 from approximately HK\$7,514,000 for the year ended 31 December 2015 to approximately HK\$19,261,000 for the year ended 31 December 2016. Such increase is mainly due to an increase in sales to our customers in Spain, Switzerland and Australia which increased the volume of purchase orders from us during the year ended 31 December 2016. As confirmed by Frost & Sullivan, it is common for new customers to initially place small orders with candle manufacturers for trial before placing full orders if the initial orders meet their requirements.

### **Cost of sales**

Our total cost of sales increased by approximately HK\$9,791,000 or 9.3% from approximately HK\$104,883,000 for the year ended 31 December 2015 to HK\$114,674,000 for the year ended 31 December 2016. Such increase is mainly attributable to the combined effects of the increase in direct labour cost and subcontracting costs and decrease in costs of raw materials and production overhead as the reasons mentioned in the paragraph headed “Cost of sales” in this section.

### **Gross profit and gross profit margin**

Our gross profit increased by approximately HK\$2,637,000 or 6.4% from approximately HK\$41,123,000 for the year ended 31 December 2015 to approximately HK\$43,760,000 for the year ended 31 December 2016 which is mainly due to the increase in revenue. Our gross profit margin decreased by 0.6% from approximately 28.2% for the year ended 31 December 2015 to approximately 27.6% for the year ended 31 December 2016. Such decrease was mainly due to the decrease in gross profit margin of scented candles from 26.3% for the year ended 31 December 2015 to approximately



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## FINANCIAL INFORMATION

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25.0% for the year ended 31 December 2016. Such decrease is mainly due to the increase in costs of fragrance for scented candles resulted from the increased percentage of fragrance in our candle products to cope with the trend of the consumers' preference in recent years. Furthermore, as a result of Brexit which took place during the year ended 31 December 2016, GBP had depreciated against US\$ during the year ended 31 December 2016, such depreciation of GBP against US\$ resulted in pricing pressure on some candle products sold to some of our customers in the U.K..

### **Other income**

Other income decreased by approximately HK\$91,000, or approximately 25.9%, from approximately HK\$352,000 for the year ended 31 December 2015 to approximately HK\$261,000 for the year ended 31 December 2016. The decrease is mainly due to decrease in sample income.

### **Selling and distribution expenses**

Selling and distribution expenses increased by approximately HK\$829,000 or 17.4% from approximately HK\$4,754,000 for the year ended 31 December 2015 to approximately HK\$5,583,000 for the year ended 31 December 2016. Such increase is mainly due to the increase in compensation expenses paid to our customers for minor defects of our products during the year ended 31 December 2016.

### **Administrative expenses**

Administrative expenses increased by approximately HK\$2,856,000 or 13.1% from approximately HK\$21,725,000 for the year ended 31 December 2015 to approximately HK\$24,581,000 for the year ended 31 December 2016. Such increase is mainly due to the consultancy fee paid for the candles' market research consultation services for the year ended 31 December 2016.

### **Finance costs**

Our finance costs slightly decreased by approximately HK\$4,000 or 0.2% from approximately HK\$1,666,000 for the year ended 31 December 2015 to approximately HK\$1,662,000 for the year ended 31 December 2016.

### **Income tax expense**

Income tax expense decreased by approximately HK\$829,000 or 26.2% from approximately HK\$3,168,000 for the year ended 31 December 2015 to approximately HK\$2,339,000 for the year ended 31 December 2016. Such decrease was mainly due to decrease in profit before tax for the year ended 31 December 2016.

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## FINANCIAL INFORMATION

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### **Profit for the year**

Our Group's net profit decreased by approximately HK\$2,259,000 or 20.5% from approximately HK\$11,032,000 for the year ended 31 December 2015 to approximately HK\$8,773,000 for the year ended 31 December 2016. Such decrease is mainly due to the increase in listing expenses, selling and distribution expenses and administrative expenses, the reasons of which are stated above.

### **Year ended 31 December 2017 compared to the year ended 31 December 2016**

#### **Revenue**

Our total revenue increased by approximately HK\$4,091,000 or 2.6% from approximately HK\$158,434,000 for the year ended 31 December 2016 to HK\$162,525,000 for the year ended 31 December 2017. The increase in overall revenue was mainly due to the combined effect of (i) the increase in sales of scented candles to Customers F who had designated our Group as their key vendor in 2017; a customer in the U.S. (whose orders were placed via its subsidiary in Hong Kong) who started to purchase scented candles from us since the second half of the year ended 31 December 2016; and another customer in the U.S. who started to purchase scented candles from us since the second half of the year ended 31 December 2017; (ii) the increase in sales of other products including diffusers to Customer F for the reason stated above and Customer C placing larger orders of diffusers with us since 2017; and (iii) the decrease in sales of daily-use candles to Customer D mainly as a result of the decrease in sales of pillar candles and tea light candles and Customer A mainly as a result of the decrease in sales of pillar candles during the year ended 31 December 2017.

#### **Cost of sales**

Our total cost of sales increased by approximately HK\$6,728,000 or 5.9% from approximately HK\$114,674,000 for the year ended 31 December 2016 to HK\$121,402,000 for the year ended 31 December 2017. Such increase is mainly attributable to the combined effect of the decrease in direct labour costs and production overhead and increase in costs of raw materials due to the reasons stated in the paragraph headed "Cost of sales" in this section.

#### **Gross profit and gross profit margin**

Our gross profit decreased by approximately HK\$2,637,000 or 6.0% from approximately HK\$43,760,000 for the year ended 31 December 2016 to approximately HK\$41,123,000 for the year ended 31 December 2017. Our gross profit margin decreased from approximately 27.6% for the year ended 31 December 2016 to approximately 25.3% for the year ended 31 December 2017 which was mainly due to the decrease in sales of daily-use candles by approximately HK\$16,219,000 for the year ended 31 December 2017 in which daily-use candles generally has higher gross profit margin

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## FINANCIAL INFORMATION

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as compared with scented candles and decorative candles during the Track Record Period. Furthermore, the gross profit margin of daily-use candles decreased from approximately 31.5% to 29.3% for the year ended 31 December 2017. Such decrease was mainly due to the sales of tea light candles to a customer in Israel starting from the second half year of 2017 with generally lower gross profit. Our Directors consider that, and as confirmed by Frost & Sullivan, generally, the usage of these tea light candles, which are known as “Kosher tea light”, are huge and the selling price and gross profit margin are lower when compared with other types of daily-use candles. Further, the decrease in gross profit margin of scented candles from approximately 25.0% to 24.3% for the year ended 31 December 2017 mainly resulted from the increase in cost of containers was attributable to the increase in consumption of ceramic containers at a generally higher cost as compared to other types of containers for scented candles.

### **Other income**

Other income increased by approximately HK\$23,000, or 8.8%, from approximately HK\$261,000 for the year ended 31 December 2016 to approximately HK\$284,000 for the year ended 31 December 2017. The increase is mainly due to the increase in bank interest, sample and sundry income which was partially offset by the decrease in the management fee income for the administrative and accounting services which was discontinued since January 2017. For details, please refer to the section headed “Relationship with Our Controlling Shareholders” in this prospectus.

### **Selling and distribution expenses**

Selling and distribution expenses decreased by approximately HK\$504,000 or 9.0% from approximately HK\$5,583,000 for the year ended 31 December 2016 to approximately HK\$5,079,000 for the year ended 31 December 2017. Such decrease is mainly due to the decrease in marketing and promotion expenses for business referrals and sample and development expenses during the year ended 31 December 2017 which was partially offset by the increase of transportation and declarations expenses.

### **Administrative expenses**

Administrative expenses decreased by approximately HK\$371,000 or 1.5% from approximately HK\$24,581,000 for the year ended 31 December 2016 to approximately HK\$24,210,000 for the year ended 31 December 2017. Such decrease is mainly due to the decrease in (i) legal and professional fee resulted from the non-recurring consultancy fee for the candles’ market research consultation service incurred during the year ended 31 December 2016 while no such expenses were incurred

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## FINANCIAL INFORMATION

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during the year ended 31 December 2017; (ii) travelling expenses; and (iii) other sundry expenses, which was partially offset by the increase in staff costs during the year ended 31 December 2017 as a result of increase in number of administration and finance personnel.

### **Finance costs**

Our finance costs decreased by approximately HK\$29,000 or 1.7% from approximately HK\$1,662,000 for the year ended 31 December 2016 to approximately HK\$1,633,000 for the year ended 31 December 2017, which was relatively stable.

### **Income tax expense**

Income tax expense decreased by approximately HK\$268,000 or 11.5% from approximately HK\$2,339,000 for the year ended 31 December 2016 to approximately HK\$2,071,000 for the year ended 31 December 2017. Such decrease was mainly due to deferred tax credit recognised during the year ended 31 December 2017.

### **Profit/loss for the year**

Our Group recorded a loss for the year ended 31 December 2017 of approximately HK\$11,057,000, while a profit of HK\$8,773,000 was recorded for the year ended 31 December 2016. This was mainly due to the decrease in gross profit of approximately HK\$2,637,000 and increase in listing expenses of approximately HK\$18,491,000 with the reasons as stated above during the year ended 31 December 2017.

## **RELATED PARTY TRANSACTIONS**

With respect to the related parties transactions disclosed in note 36 to the Accountants' Report set out in Appendix I to this prospectus during the Track Record Period, our Directors confirm that these transactions were conducted on an arm's length basis and on normal commercial terms. Our Directors consider that these related party transactions would not distort our results during the Track Record Period, and would not make our historical results not reflective of our future performance.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

We have historically financed our operations (which included funding required for working capital, acquisition of property, plant and equipment and other liquidity requirements) through a combination of cash flow from operations and bank borrowings. We expect to fund our future operations and expansion plans principally with cash generated from our operations, bank borrowings and the net proceeds from the Share Offer.

## FINANCIAL INFORMATION

Our Directors expect our Group to maintain the bank balances and cash level of approximately HK\$7,000,000 reserved for meeting our Group's working capital requirement for its daily operation. Such level is determined upon considering the estimated cash outflow arising from certain operating expenses for the forthcoming two months. These operating expenses mainly include staff cost and other administrative expenses such as rental expenses. Furthermore, the unutilised banking facilities of our Group as at 30 April 2018 are reserved mainly for trading purpose instead of capital nature such as for the expansion of our Group's production facilities. In view of the above estimated working capital requirement and the nature of unutilised banking facilities, it is considered that our Group will not have sufficient financial resources for our expansion plan and this justifies our need for proceeds from the Share Offer.

### Cash flows

The following table is a summary of our consolidated statements of cash flows for the Track Record Period:

	For the year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from			
(used in) operating activities . . . . .	20,774	7,004	(5,781)
Net cash used in investing activities . . . . .	(3,211)	(3,845)	(1,933)
Net cash (used in) from financing activities	(11,194)	(1,846)	(297)
Net increase (decrease) in cash			
and cash equivalents . . . . .	6,369	1,313	(8,011)
Cash and cash equivalents			
at the beginning of the year . . . . .	3,733	10,102	11,415
Cash and cash equivalents			
at the end of the year . . . . .	10,102	11,415	3,404

### Cash flows generated from (used in) operating activities

Net cash generated from or used in operating activities primarily consist of profit before tax adjusted for items such as depreciation of property, plant and equipment, amortisation of prepaid lease payments, allowance for (reversal of allowance of) trade receivables, allowance of inventories and finance costs. We derive our cash inflows from operating activities principally from the sale of daily-used candles, scented candles and decorative candles. Our cash used in operations principally comprises the purchases of raw materials used in production, employees' costs and other expenses for our operating activities.

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## FINANCIAL INFORMATION

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For the year ended 31 December 2017, our net cash flow used in operating activities was approximately HK\$5,781,000, primarily as a result of (i) approximately HK\$4,344,000 operating cash outflow before movements in working capital mainly resulted from the loss before tax mainly due to the listing expenses of approximately HK\$19,499,000; (ii) increase in inventories of approximately HK\$14,870,000 mainly resulted from increase in finished goods for the purchase orders which been placed and before shipment and increase in raw materials mainly resulted from the increase in inventory level of containers and our Directors confirmed that such increase was mainly due to planned production for the orders of scented candles. As at the Latest Practicable Date, approximately 92.5% of our inventories as at 31 December 2017 had been consumed and sold in which 100% of the finished goods had been sold; and (iii) the increase in trade and other receivables of approximately HK\$3,691,000; which was partially offset by (i) the increase in trade and other payables of approximately HK\$18,548,000 mainly resulted from the increase in accruals for listing expenses of approximately HK\$11,591,000; and (ii) the increase in other non-current liabilities of approximately HK\$35,000.

For the year ended 31 December 2016, our net cash flow generated from operating activities was approximately HK\$7,004,000, primarily as a result of the combined effects of (i) approximately HK\$16,369,000 operating cash flows before movements in working capital; (ii) the decrease in inventories of approximately HK\$772,000; and (iii) the increase in trade and other payables of approximately HK\$3,794,000, which was partially offset by (i) the increase in trade and other receivables of approximately HK\$8,621,000; and (ii) the income tax paid of approximately HK\$5,325,000.

For the year ended 31 December 2015, our net cash flow generated from operating activities was approximately HK\$20,774,000, primarily as a result of the combined effects of (i) approximately HK\$19,910,000 operating cash flows before movements in working capital; (ii) the decrease in inventories of approximately HK\$3,490,000; and (iii) the increase in trade and other payables of approximately HK\$1,096,000, which was partially offset by (i) the increase in trade and other receivables of approximately HK\$2,287,000; and (ii) the income tax paid of approximately HK\$1,451,000.

### **Cash flows used in investing activities**

Cash outflow from investing activities during the Track Record Period mainly consisted of cash used in the placement of deposits for properties, purchases of property, plant and equipment, placement and withdrawal of pledged bank deposits, advance to and repayment from a director and advance to and repayment from related companies.

For the year ended 31 December 2017, our cash outflow to investing activities was approximately HK\$1,933,000, which mainly arose from purchases of property, plant and equipment, and the advance to a director and was partially offset by the repayment from related companies and repayment from a director.

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## FINANCIAL INFORMATION

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For the year ended 31 December 2016, our cash outflow to investing activities was approximately HK\$3,845,000, which mainly arose from the purchases of property, plant and equipment, placement of deposits for properties, the advance to related companies and the advance to a director was partially offset by the repayment from related companies, withdrawal of pledged bank deposits and repayment from a director.

For the year ended 31 December 2015, our net cash outflow to investing activities was approximately HK\$3,211,000. The cash outflow mainly arises from the purchases of property, plant and equipment and the advance to related companies and was partially offset by the repayment from related companies.

### **Cash flows (used in) from financing activities**

Cash flow used in or from financing activities during the Track Record Period mainly represented the net effects of repayment of bank borrowings, payment of dividend, repayment to directors, payment of interests, repayment of obligations under finance leases, new bank borrowings raised, advance from directors and capital contribution from non-controlling interests of a subsidiary.

For the year ended 31 December 2017, our net cash outflow financing activities of approximately HK\$297,000 was primarily due to the combined effect of (i) the repayment of bank borrowings of approximately HK\$63,808,000; (ii) the repayment to directors of approximately HK\$5,158,000; (iii) the payment of interest of approximately HK\$1,633,000; and (iv) the issue costs paid of approximately HK\$4,464,000, which was partially offset by (i) the new bank borrowings raised of approximately HK\$60,757,000; and (ii) capital contribution from non-controlling interests of a subsidiary of HK\$14,000,000.

For the year ended 31 December 2016, our net cash outflow from financing activities of approximately HK\$1,846,000 was primarily due to the combined effect of (i) the repayment of bank borrowings of approximately HK\$73,958,000; (ii) the payment of dividend of approximately HK\$8,400,000; (iii) the repayment to directors of approximately HK\$1,325,000; and (iv) the payment of interest of approximately HK\$1,662,000, which was partially offset by (i) the new bank borrowings raised of approximately HK\$78,830,000; and (ii) the advance from directors of approximately HK\$5,249,000.

For the year ended 31 December 2015, our net cash outflow from financing activities of approximately HK\$11,194,000 was primarily due to the combined effect of (i) the repayment of bank borrowings of approximately HK\$73,244,000; (ii) the payment of dividend of approximately HK\$2,400,000; (iii) the repayment to directors of approximately HK\$11,157,000; and (iv) the payment of interest of approximately HK\$1,666,000, which was partially offset by (i) the new bank borrowings raised of approximately HK\$68,024,000; and (ii) the advance from directors of approximately HK\$9,347,000.

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## FINANCIAL INFORMATION

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### CAPITAL EXPENDITURES

The following table is a summary of our capital expenditures (addition of property, plant and equipment) for the Track Record Period:

	For the year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land and buildings . . . . .	3,303	45	207
Plant and machinery . . . . .	917	427	491
Motor vehicles . . . . .	—	1,454	—
Furniture and fixtures . . . . .	73	27	—
Office equipment . . . . .	208	86	193
Computer equipment . . . . .	414	348	60
	<u>4,915</u>	<u>2,387</u>	<u>951</u>

Our capital expenditures primarily consist of purchases of property, plant and equipment during the Track Record Period. We plan to finance our future capital expenditure through the net proceeds from the Share Offer and cash flow generated from operating activities. For details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

### WORKING CAPITAL

Taking into account of the estimated net proceeds available to us from the Share Offer, our cash at bank and in hand, our available banking facilities and future operating cash flows, our Directors after due and careful enquiry are of the opinion that we have sufficient working capital to meet our present and anticipated cash requirements for at least the next 12 months from the date of this prospectus.

Our Directors expect our Group to maintain the bank balances and cash level of approximately HK\$7,000,000 reserved for meeting our Group’s working capital requirement for its daily operation. Such level is determined upon considering the estimated cash outflow arising from certain operating expenses for the forthcoming two months. These operating expenses mainly include staff cost and other administrative expenses such as rental expenses. Furthermore, the unutilised banking facilities of our Group as at 30 April 2018 are reserved mainly for trading purpose instead of capital nature such as for the expansion of our Group’s production facilities. In view of the above estimated working capital requirement and the nature of our unutilised banking facilities, it is considered that our Group will not have sufficient financial resources for our expansion plan and this justifies our need for proceeds from the Share Offer.



## FINANCIAL INFORMATION

### NET CURRENT ASSETS

Details of our Group's current assets and liabilities as at the dates indicated are as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)
<b>Current assets</b>				
Inventories . . . . .	10,663	9,718	24,368	23,496
Trade and other receivables . . . . .	20,324	29,348	37,503	27,394
Prepaid lease payments . . . . .	137	137	137	137
Amount due from a director . . . . .	—	770	5,396	5,761
Amounts due from related companies . . .	1,197	1,096	—	—
Tax recoverable . . . . .	—	1,321	511	511
Bank balances and cash . . . . .	14,927	16,395	8,382	7,422
Total current assets . . . . .	<u>47,248</u>	<u>58,785</u>	<u>76,297</u>	<u>64,721</u>
<b>Current liabilities</b>				
Trade and other payables . . . . .	9,681	13,475	32,023	24,800
Amounts due to directors . . . . .	5,215	9,139	2,446	2,188
Dividend payable to shareholders . . . . .	—	300	—	—
Bank borrowings — due within one year	27,053	32,538	30,366	30,288
Obligations under finance leases . . . . .	103	199	142	143
Tax payable . . . . .	1,735	—	—	—
Total current liabilities . . . . .	<u>43,787</u>	<u>55,651</u>	<u>64,977</u>	<u>57,419</u>
Net current assets . . . . .	<u>3,461</u>	<u>3,134</u>	<u>11,320</u>	<u>7,302</u>

We recorded net current assets positions of approximately HK\$3,461,000, HK\$3,134,000, HK\$11,320,000 and HK\$7,302,000 as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018 respectively.

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## FINANCIAL INFORMATION

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The net current assets position decreased from approximately HK\$3,461,000 as at 31 December 2015 to approximately HK\$3,134,000 as at 31 December 2016. Such decrease of net current assets position is mainly due to (i) the increase in trade and other receivables resulting from the sale to one major customer in the U.S.; (ii) the increase in bank balance and cash mainly due to cash generated from operating activities, bank borrowing raised and partially offset by placement of deposits for properties, purchases of properties, plant and equipment, dividend paid; (iii) the increase in trade payables mainly due to the reason as mentioned in the paragraph headed “Trade and other payables”; (iv) the increase in amounts due to directors; (v) the increase in short-term borrowings mainly due to increase in import loans and bank loans for working capital as at 31 December 2016; and (vi) the decrease in tax payable.

The net current assets position increased from approximately HK\$3,134,000 as at 31 December 2016 to HK\$11,320,000 as at 31 December 2017. Such increase is mainly due to (i) the increase in inventories mainly attributable to the reasons as mentioned in the paragraph headed “Inventories” below in this section; (ii) the increase in trade receivables which is mainly due to the reasons as mentioned in the paragraph headed “Trade and other receivables” below in this section; (iii) the decrease in bank balance and cash which is mainly due to net cash used in operating activities mainly resulted from the listing expenses; (iv) the increase in trade payables mainly due to the reasons as mentioned in the paragraph headed “Trade and other payables” below in this section; and (v) the decrease in in short-term borrowings.

The net current assets position decreased from approximately HK\$11,320,000 as at 31 December 2017 to approximately HK\$7,302,000 as at 30 April 2018 which was mainly due to the decrease in trade and other receivables and partially offset by the decrease in trade and other payables and amounts due to directors.

### **Inventories**

Our inventories comprise raw materials, work in progress, finished goods and goods in transit. Raw materials principally represent wax, fragrance, packaging materials and containers. Work in progress represents the candles that are being processed in our production facilities. Finished goods refer to candle products which are ready for shipment to our customers. The following table sets out our inventory items as at the respective reported date.

## FINANCIAL INFORMATION

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials . . . . .	6,399	6,402	10,700
Work in progress . . . . .	1,667	1,427	2,496
Finished goods . . . . .	2,645	1,766	7,970
Goods in transit . . . . .	592	936	4,235
	11,303	10,531	25,401
Less: Allowance for inventories . . . . .	(640)	(813)	(1,033)
	10,663	9,718	24,368

Wax is one of our major raw materials and our management review the storage level of wax from time to time, to ensure the inventory of wax is maintained at a reasonable level. The increase of inventories of raw materials as at 31 December 2017 as compared with as at 31 December 2016 was mainly due to the increase in inventory level of containers and our Directors confirmed that such increase was mainly resulted from the then planned production of the relatively large amount of secured orders of scented candles to be shipped mainly during the first four months of 2018, therefore we needed to purchase such inventory before the year end of 31 December 2017.

The inventory of finished goods decreased from approximately HK\$2,645,000 as at 31 December 2015 to approximately HK\$1,766,000 as at 31 December 2016 and increased from approximately HK\$1,766,000 as at 31 December 2016 to approximately HK\$7,970,000 as at 31 December 2017. Since the production plan is based on purchase orders placed by customers, the level of finished goods varies depending on the timing of the purchase orders from our customers and the finished goods of those orders being produced. Therefore the fluctuation of the level of the finished goods generally represent the different level of finished goods being produced for the purchase orders which had been placed and before shipment.

### Inventory turnover days

The following table sets forth the inventory turnover days for the periods indicated.

	As at 31 December		
	2015	2016	2017
	Inventory turnover days (note) . . . . .	44.3	32.4

*Note:* Calculated as the average of inventory balance as at the beginning and end of the period, divided by the cost of sales in the period, multiplied by 365 days for the year-ended figures

## FINANCIAL INFORMATION

The inventory turnover days decreased from approximately 44.3 days for the year ended 31 December 2015 to approximately 32.4 days for the year ended 31 December 2016 and increased to 51.2 days for the year ended 31 December 2017. The decrease for the year ended 31 December 2016 was mainly due to decrease in finished goods. As mentioned above, the fluctuation of the level of the finished goods generally represent the different level of finished goods being produced for purchase order which had been placed and before shipment. The increase for the year ended 31 December 2017 was mainly due to increase in finished goods because of the above reason and increase in raw materials mainly due to the increase in inventory level of containers as stated above.

During the Track Record Period and up to the Latest Practicable Date, our Group made allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. In cases where the net realisable value of inventories assessed are less than expected, recognition of a material allowance for inventories may arise which would be recognised in profit or loss in the period in which such recognition takes place.

As at the Latest Practicable Date, approximately HK\$22,534,000 or 92.5% of our inventories as at 31 December 2017 had been subsequently utilised.

### Trade and other receivables

The following table sets out the breakdown of the trade and other receivables at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables . . . . .	19,592	24,825	30,230
Less: Allowance for doubtful debts . . . . .	(149)	—	—
	19,443	24,825	30,230
Deposits and prepayments . . . . .	687	1,058	1,727
Prepayments for listing expenses . . . . .	—	3,127	593
Deferred listing expenses . . . . .	—	336	4,800
Other receivables . . . . .	194	2	153
	20,324	29,348	37,503

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## FINANCIAL INFORMATION

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Trade receivables, net of allowance for doubtful debt increased from approximately HK\$19,443,000 as at 31 December 2015 to approximately HK\$24,825,000 as at 31 December 2016 and such balance increased from approximately HK\$24,825,000 as at 31 December 2016 to approximately HK\$30,230,000 as at 31 December 2017. The increase in trade receivables, net of allowance for doubtful debt as at 31 December 2016 when compared with as at 31 December 2015 was mainly due to the increase in sales to Customer A who is a retail store operator and our major customer in the U.S.. Such increase is mainly due to some regular purchase orders, which are normally expected to be placed by Customer A in November and December and delivered in February to April in the following year, were placed earlier in October 2016 instead of December 2016 and our products were early delivered in December 2016 as required by this customer. Such early delivery of our products contributed to the increase of the sales and also the increase in trade receivables as at 31 December 2016. The increase in trade receivables as at 31 December 2017 as compared with 31 December 2016 was mainly due to increase in trade receivable balance with Customer E mainly resulted from the certain orders being shipped and recognised as revenue during November to December 2017 and with a customer in the U.S. in which amount of approximately HK\$2,154,000 was overdue as at 31 December 2017 and all of such balance was subsequently settled as at the Latest Practicable Date.

### Trade receivables turnover days

The following table sets out the trade receivables turnover days for the Track Record Period:

	As at 31 December		
	2015	2016	2017
Trade receivables turnover days (note) . . . .	<u>46.1</u>	<u>51.0</u>	<u>61.8</u>

*Note:* Calculated as the average of trade receivables balances, net of allowance for doubtful debts as at the beginning and end of the period, divided by revenue for the corresponding year, multiplied by 365 days

The trade receivables turnover days increased to approximately 51.0 days for the year ended 31 December 2016 from approximately 46.1 days for the year ended 31 December 2015 and further increased to 61.8 days for the year ended 31 December 2017. The increase for the year ended 31 December 2016 is mainly due to increase of trade receivables balance with the reasons mentioned above. The increase for the year ended 31 December 2017 is mainly due to the increase of beginning balance of trade receivables (i.e. 31 December 2016) and the closing balance of trade receivables (i.e. 31 December 2017) as the reasons stated above.

## FINANCIAL INFORMATION

### Aging analysis of the trade receivables

The following table sets out the aging analysis of the trade receivables, net of allowance for doubtful debts for the Track Record Period:

	As at 31 December					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
0–30 days . . . . .	8,956	46.0	12,811	51.6	13,743	45.5
31–60 days . . . . .	5,385	27.7	7,076	28.5	9,849	32.6
61–90 days . . . . .	2,073	10.7	2,332	9.4	3,009	10.0
91–180 days . . . . .	1,587	8.2	2,395	9.7	2,452	8.1
Over 180 days . . . . .	1,442	7.4	211	0.8	1,177	3.8
	<u>19,443</u>	<u>100.0</u>	<u>24,825</u>	<u>100.0</u>	<u>30,230</u>	<u>100.0</u>

The following table sets out the aging analysis of the trade receivables, net of allowance for doubtful debts that are past due but not impaired for the Track Record Period:

	As at 31 December					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Overdue:						
1–30 days . . . . .	3,483	48.9	2,297	44.9	3,398	56.1
31–60 days . . . . .	2,121	29.7	680	13.3	847	14.0
61–90 days . . . . .	68	1.0	1,134	22.1	63	1.0
Over 90 days . . . . .	1,457	20.4	1,011	19.7	1,753	28.9
	<u>7,129</u>	<u>100.0</u>	<u>5,122</u>	<u>100.0</u>	<u>6,061</u>	<u>100.0</u>

During the Track Record Period, the balance of the trade receivables, net of allowance for doubtful debts that were past due but not impaired decreased from approximately HK\$7,129,000 as at 31 December 2015 to approximately HK\$5,122,000 as at 31 December 2016 and increased to approximately HK\$6,061,000 as at 31 December 2017. Such improvement for the year ended 31 December 2016 was mainly due to the fact that our Group has reinforced our personnel in the finance and accounting department to monitor and follow up on trade receivables, net of allowance for doubtful debts that are past due. The trade receivables which were overdue over 90 days increased from approximately HK\$1,011,000 for the year ended 31 December 2016 to approximately

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## FINANCIAL INFORMATION

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HK\$1,753,000 for the year ended 31 December 2017. Such trade receivables that were past due but not impaired related to a number of customers of our Group in which our Directors believe that no impairment allowance is necessary having considered their credit worthiness up to the Latest Practicable Date.

As at the Latest Practicable Date, approximately HK\$30,230,000 or 100% of our trade receivables as at 31 December 2017 had been subsequently settled.

The trading terms with our major customers are mainly on credit, non-interest-bearing and with credit term of generally 30 days to 90 days after the date of invoice during the Track Record Period. We have adopted stringent credit control procedures and we monitor our working capital on an on-going basis to minimise potential credit risks. All trade receivables, net of allowance for doubtful debts that are past due are monitored and followed up closely by our finance and accounting department, mainly through communication to our customers with trade receivables that are past due. The key measures to monitor and follow up the collection of trade receivables include preparation of monthly trade receivables aging analysis for management review, telephone calls and sending of reminder notices to customers, directors' negotiation with customers on account settlement and issuance of legal letter to customers. The management reviews the repayment history of long overdue trade receivables, consider their credit quality and if no amount is expected to be settled subsequent to the end of the reporting period, the said balance would be fully impaired. For the year ended 31 December 2015, the impairment loss of trade receivables of approximately HK\$149,000 was made which is mainly due to financial difficulties faced by one of our customers and subsequently, a balance of approximately HK\$82,000 was written off during the year ended 31 December 2016. Save for the aforesaid, our Directors are of the view that all trade receivables that are past due as at 31 December 2015, 31 December 2016 and 31 December 2017 were recoverable and therefore no provision for bad debt is required.

Deposits and prepayments mainly consist of rental deposits for our office and staff quarters, trade deposit paid to our suppliers and prepayment for insurance. Deposits and prepayments increased by approximately HK\$371,000 from HK\$687,000 as at 31 December 2015 to approximately HK\$1,058,000 as at 31 December 2016. Such increase was mainly due to (i) the increase in trade deposits paid to our suppliers as required by them; and (ii) the increase in prepayment of insurance. Deposits and prepayments increased by approximately HK\$669,000 from HK\$1,058,000 as at 31 December 2016 to approximately HK\$1,727,000 as at 31 December 2017. Such increase was mainly due to increase in trade deposit paid to certain suppliers amounting to approximately HK\$642,000 for the purchase of raw materials.

Prepayments for listing expenses mainly represent the expenses prepaid for the Listing. Deferred professional listing expenses mainly represent the deferral of the expenses for the Listing.

## FINANCIAL INFORMATION

### Trade and other payables

The following table sets out the breakdown of the trade and other payables at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables . . . . .	6,897	9,404	16,112
Other payables . . . . .	1,228	1,853	1,665
Accrued expenses . . . . .	1,444	1,911	2,451
Deposits received from customers . . . . .	112	307	204
Accruals for listing expenses . . . . .	—	—	11,591
	9,681	13,475	32,023

The credit terms granted by our suppliers of raw materials are generally 0 days to 90 days. Save as disclosed below, we normally settle the outstanding balances within the credit period.

The trade payables increased from approximately HK\$6,897,000 as at 31 December 2015 to approximately HK\$9,404,000 as at 31 December 2016 which is mainly due to the increase in trade payables balance to Supplier B as a result of slow settlement to Supplier B in which we settled the outstanding balance in accordance with the written payment instructions provided by Supplier B. The outstanding balance as at 31 December 2016 with Supplier B was fully settled during the first half year of 2017. Such balance further increased from approximately HK\$9,404,000 as at 31 December 2016 to approximately HK\$16,112,000 as at 31 December 2017 which is mainly due to the increase in trade payables balance with (i) Supplier G as the result of the purchase of mainly containers and (ii) the Subcontractor as the result of the increase in orders received from Customer E whose orders were subcontracted, which was partially offset by the decrease of the balance with Supplier B as the reason stated above.

The other payables balance was increased from approximately HK\$1,228,000 as at 31 December 2015 to approximately HK\$1,853,000 as at 31 December 2016 and decreased to approximately HK\$1,665,000 as at 31 December 2017. The increase as at 31 December 2016 is mainly due to the payable for the candles market research consultation service fee as mentioned above and increase in payable of compensation expenses to our customers for minor defects of our products.



## FINANCIAL INFORMATION

Accrued expenses mainly consist of staff costs and advertising and promotion expenses. Such balance increased from approximately HK\$1,444,000 as at 31 December 2015 to approximately HK\$1,911,000 as at 31 December 2016, which was mainly due to an increase in payable of advertising and promotion expenses. Such balance was increased from approximately HK\$1,911,000 as at 31 December 2016 to approximately HK\$2,451,000 as at 31 December 2017 which is mainly due to increase in accrual of rebate payable to Customer E.

Deposits received from customers increased from approximately HK\$112,000 as at 31 December 2015 to HK\$307,000 as at 31 December 2016 and decreased to approximately HK\$204,000 as at 31 December 2017.

Accruals for listing expenses of approximately HK\$11,591,000 as at 31 December 2017 represent the payables in relation to the Listing of our Group.

### Aging analysis of the trade payables

The following table sets forth an aging analysis of our trade payables, including outstanding balances for each period as a percentage of total outstanding balances, based on invoice dates as at the dates indicated.

	As at 31 December					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
1–30 days . . . . .	5,432	78.8	5,294	56.3	11,777	73.1
31–60 days . . . . .	367	5.3	1,004	10.7	3,602	22.4
61–90 days . . . . .	939	13.6	400	4.3	430	2.7
91–180 days . . . . .	159	2.3	2,706	28.7	303	1.8
	6,897	100	9,404	100	16,112	100

### Trade payables turnover days

Our trade payables are mainly payables generated from the purchase of raw materials, the following table sets out the trade payables turnover days for the Track Record Period.

	As at 31 December		
	2015	2016	2017
Trade payables turnover days <sup>(Note)</sup> . . . . .	23.8	25.9	38.4

*Note:* Calculated as the average of trade payables balances as at the beginning and end of the period, divided by cost of sales for the corresponding year, multiplied by 365 days

## FINANCIAL INFORMATION

Our trade payables are non-interest-bearing and the credit period is normally 0 days to 90 days.

The increase of trade payables under 91–180 days from approximately HK\$159,000 as at 31 December 2015 to approximately HK\$2,706,000 as at 31 December 2016 was mainly due to slow settlement to Supplier B in which we settled the outstanding balance in accordance with the written payment instructions provided by Supplier B. The outstanding balance as at 31 December 2016 was fully settled during the first half year of 2017.

As at 31 December 2015, 31 December 2016 and 31 December 2017, our overall trade payables turnover days are approximately 23.8 days, 25.9 days and 38.4 days, respectively. We normally managed to follow the credit terms granted by our suppliers for most of the time during the Track Record Period. The trade payable turnover days increased from approximately 23.8 days as at 31 December 2015 to approximately 25.9 days as at 31 December 2016 and further increased to approximately 38.4 days as at 31 December 2017 which was mainly attributable to the increase of the trade payables with the reasons as mentioned above.

### Available-for-sale investments

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed investments:			
Equity securities listed in Hong Kong . . .	13	14	20
Unlisted investments:			
Debt securities . . . . .	1,559	1,421	1,918
	1,572	1,435	1,938

The available-for-sale investments represent the listed securities in Hong Kong and unlisted bonds which are stated at their fair value as at the period ended of the Track Record Period. Our Group recognised the fair value loss included in other comprehensive expense of approximately HK\$91,000 and HK\$137,000 for the two years ended 31 December 2015 and 2016 respectively and the fair value gain of approximately HK\$503,000 included in other comprehensive income for the year ended 31 December 2017. During the Track Record Period, the dividend and interest income generated from the available-for-sales investments were approximately HK\$57,000, HK\$57,000 and HK\$57,000 respectively.

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## FINANCIAL INFORMATION

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Our Group has established the investment management policy which lists out various internal control measures. Please refer to the details of such policy as below:

- Investment criteria:
  - Certain criteria need to be considered for making investment in order to balance risk and return: investment focus, company size, profitability, investment size and investment type.
- Delegation of authorities:
  - Our chief financial officer is responsible for investment management, monitoring the performance of our Group's investment portfolio and preparing relevant reports for senior management's periodic review.
- Investment approval
  - Investment amount less than or equal to HK\$1 million will require review by our chief financial officer and approval from the Board. Amount greater than HK\$ 1 million will require review by our chief financial officer and the chairman of the Board and approval from our chief executive officer and the Board.
- Periodic investment monitoring and reporting requirements:
  - Monthly reports on our Company's investment portfolios are reviewed by our chief financial officer and chief executive officer or the chairman of the Board.
  - Quarterly reports on our Company's investment portfolios are reviewed by the Board.
  - Both the monthly and quarterly reports should at least contain the following key areas: details of, and commentary on, investment activities in the period and the relevant period end position, investment size, anticipated maturity distribution, expected returns, details of positions by asset type; analysis of credit exposure by counterparty; and planned future activities.
- Ethics and conflict of interests:
  - Officers and staff involved in the investment process shall refrain from personal business activity that could conflict with the investment decision of our Company, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose their related interests to our Company.

## FINANCIAL INFORMATION

The level of investments is not expected to change after Listing. Our Group has no plan to change the current investment strategy and its size. Our Group will comply with Chapter 19 of the GEM Listing Rules for our future investments in investment products when necessary after Listing.

### Deposits paid for properties

Our Group was the purchaser of four off-plan residential properties in Ho Chi Minh City, Vietnam under four apartment sale and purchase agreements with the total purchase prices payable by our Group to the property project developers amounting to approximately HK\$9,235,000. Our Group paid the amount of the total purchase prices of the four off-plan apartments of approximately HK\$5,304,000. On 26 July 2017, our Group transferred the rights to acquire such four off-plan residential properties to Mr. Andrew Wong and Mr. Vincent Wong with the total considerations of approximately HK\$5,331,000, which were mainly determined based on (i) the valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited; and (ii) market price reference by our Group based on the consultation with the project developers of the four apartments. Such transactions were settled in July 2017 with the current balance with Mr. Andrew Wong and Mr. Vincent Wong and they shall continue paying the remaining amount of the total purchase prices of approximately HK\$3,930,000 to the relevant apartment project developers upon the payment timeline as agreed in the four apartment sale and purchase agreements.

Deposits paid for properties of approximately HK\$2,197,000, HK\$4,516,000 and nil as at 31 December 2015, 31 December 2016 and 31 December 2017 respectively represent the deposits paid to property developers to acquire four residential properties in Vietnam. Our Group subsequently transferred the rights for acquisition of such properties to Mr. Andrew Wong and Mr. Vincent Wong at the market value of the underlying properties on 26 July 2017. Such transactions were settled through the current accounts with them in July 2017. Our Directors are of the view that the aforementioned transfers between our Group and Mr. Vincent Wong and Mr. Andrew Wong, respectively, were conducted on an arm's length transaction and on normal commercial terms.

### Amounts due from/ (to) directors

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Vincent Wong .....	(535)	770	5,396
Mr. Andrew Wong .....	(4,680)	(9,139)	(2,446)
	(5,215)	(8,369)	2,950

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## FINANCIAL INFORMATION

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Amounts due to directors mainly represent funds advanced from our Directors as working capital of our Group. Amount due from a director represents advance to our Director which is non-trade related. Those amounts were unsecured, non-interest bearing and repayable on demand. All outstanding balances of amounts due from/(to) directors will be settled upon Listing.

### Amounts due from related companies

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Feel Good Limited . . . . .	867	861	—
Purple Cloud (Zi Yun) Design Limited . . . .	330	235	—
	1,197	1,096	—

During the Track Record Period, Feel Good Limited (“**Feel Good**”) was held as to 50% by Ms. Wong Wan Yan, sister of Mr. Andrew Wong and Mr. Vincent Wong, and 50% by an independent third party. Ms. Wong Wan Yan was the director of Feel Good. Purple Cloud (Zi Yun) Design Limited (“**Purple Cloud**”) was held as to 50% by Mr. Vincent Wong and 50% by an independent third party and Mr. Vincent Wong was the director of Purple Cloud. Amounts due from related companies were non-trade related unsecured, non-interest bearing and repayable on demand and were fully settled during the first half year of 2017. Please refer to the paragraph headed “Financial Independence” in the section headed “Relationship with our Controlling Shareholders”.

### INDEBTEDNESS

During the Track Record Period, our Group’s indebtedness mainly included (i) bank borrowings; (ii) import and export loans; (iii) bank overdrafts; (iv) obligations under finance leases; and (v) amounts due to directors.

## FINANCIAL INFORMATION

### Bank borrowings

The following table sets out the bank borrowings as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018.

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Bank loans . . . . .	20,357	23,940	21,186	20,580
Import and export loans . . . . .	4,580	5,869	5,572	6,273
Bank overdrafts . . . . .	4,825	4,980	4,978	4,681
	<u>29,762</u>	<u>34,789</u>	<u>31,736</u>	<u>31,534</u>

All of our Group's borrowings are guaranteed and secured and carried variable rate of interest.

The reason for financing our Group's operations with bank overdrafts during the Track Record Period is that our Directors consider that it is more flexible to obtain funding for working capital of our Group than the import and export loans which are more time consuming to obtain such financing. Our Directors expect that such practices would be discontinued after Listing given that the increase in general working capital resulting from the proceeds from the Share Offer will reinforce our working capital for our Group's operations.

The variable-rate secured bank borrowings are repayable as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Carrying amounts repayable (based on scheduled repayable terms):				
Within one year . . . . .	24,729	30,837	29,636	28,873
More than one year, but not more than two years . . . . .	1,634	1,404	774	963
More than two years, but not more than five years . . . . .	<u>3,399</u>	<u>2,548</u>	<u>1,326</u>	<u>1,698</u>
	<u>29,762</u>	<u>34,789</u>	<u>31,736</u>	<u>31,534</u>

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## FINANCIAL INFORMATION

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At 31 December 2015, the bank borrowings were guaranteed by personal guarantees from Mr. Andrew Wong and Mr. Vincent Wong; and secured by (i) unlisted debt securities of HK\$1,559,000 (Note 17 in Appendix I to this prospectus); (ii) pledged bank deposits; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK\$13,571,000; and/or (iv) our Group's prepaid lease payments of HK\$4,305,000.

At 31 December 2016, the bank borrowings were guaranteed by personal guarantees from Mr. Andrew Wong and Mr. Vincent Wong; and secured by (i) unlisted debt securities of HK\$1,421,000 (Note 17 in Appendix I to this prospectus); (ii) pledged bank deposits; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK\$11,681,000; and/or (iv) our Group's prepaid lease payments of HK\$4,168,000.

At 31 December 2017, the bank borrowings were guaranteed by personal guarantees from Mr. Andrew Wong and Mr. Vincent Wong; and secured by (i) unlisted debt securities of HK\$1,918,000; (ii) pledged bank deposits; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK\$8,986,000; and/or (iv) our Group's prepaid lease payments of HK\$4,031,000.

At 30 April 2018, the bank borrowings were guaranteed by personal guarantees from Mr. Andrew Wong and Mr. Vincent Wong; and secured by (i) unlisted debt securities of HK\$1,802,000; (ii) pledged bank deposits; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK\$8,566,000; and/or (iv) our Group's prepaid lease payments of HK\$3,984,000.

All bank borrowings with the guarantees provided by Mr. Vincent Wong and Mr. Andrew Wong in respect of our Group's bank borrowings will be released or settled upon Listing.

In addition, as at 31 December 2015, 2016 and 2017, included in our Group's bank loans is an instalment loan of approximately HK\$1,643,000, HK\$805,000 and nil which was secured by the guarantee given by the Hong Kong Mortgage Corporation Limited ("HKMC") and personal guarantees by Mr. Vincent Wong and Mr. Andrew Wong under the SME financing guarantee scheme launched by HKMC. Such loan was fully repaid during the first half year of 2017.

## FINANCIAL INFORMATION

### Obligations under finance leases

The following table sets out the obligations under finance leases, which are secured by the leased motor vehicle and guaranteed by Mr. Vincent Wong, as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018, and such guarantee will be released upon Listing.

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Analysed for reporting purposes as:				
Current liabilities . . . . .	103	199	142	143
Non-current liabilities . . . . .	62	427	285	237
	165	626	427	380

The finance lease arrangements are related to the purchase of motor vehicles. The carrying amounts of motor vehicles under such finance leases were approximately HK\$99,000, HK\$600,000, HK\$459,000 and HK\$412,000 as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018 respectively.

### Amounts due to directors

The following table sets out the amounts due to directors, which are unsecured and unguaranteed, as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018.

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Amounts due to directors . . . . .	5,215	9,139	2,446	2,188

For the details, please refer to the paragraph headed “Amounts due from/(to) directors” in this section.



## FINANCIAL INFORMATION

The following table sets forth, for the periods indicated, certain information relating to our total borrowings.

	As at 31 December			As at
	2015	2016	2017	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2018
				<i>HK\$'000</i> (unaudited)
<b>Non-current portion</b>				
Obligations under finance leases —				
secured and guaranteed . . . . .	62	427	285	237
Bank loans — secured and guaranteed . .	2,709	2,251	1,370	1,246
	<u>2,771</u>	<u>2,678</u>	<u>1,655</u>	<u>1,483</u>
<b>Current portion</b>				
Obligations under finance leases —				
secured and guaranteed . . . . .	103	199	142	143
Bank loans — secured and guaranteed . .	17,648	21,689	19,816	19,334
Bank overdrafts — secured and				
guaranteed . . . . .	4,825	4,980	4,978	4,681
Import and export loans — secured and				
guaranteed . . . . .	4,580	5,869	5,572	6,273
Amounts due to directors — unsecured				
and unguaranteed . . . . .	5,215	9,139	2,446	2,188
	<u>32,371</u>	<u>41,876</u>	<u>32,954</u>	<u>32,619</u>
Total borrowings . . . . .	<u><u>35,142</u></u>	<u><u>44,554</u></u>	<u><u>34,609</u></u>	<u><u>34,102</u></u>

Our Directors confirm that there were no material covenants or any breach in financial covenants relating to our bank borrowings and no material defaults by our Group in payment of its bank borrowings during the Track Record Period and up to the Latest Practicable Date.

As at 30 April 2018, our Group had unutilised banking facilities amounting to approximately HK\$26,827,000. Save as disclosed above, our Group has no external financing plans to raise material debt financing as at the Latest Practicable Date.

## FINANCIAL INFORMATION

### *Interest rates for the bank borrowings*

The following table sets out the range of interest rates on our bank borrowings as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
				(unaudited)
Effective interest rates (per annum):				
Variable-rate bank borrowings . . . . .	3.75%- 9.00%	3.75%- 9.33%	3.75%- 9.00%	3.50%- 8.87%

Our Directors confirm that the bank borrowings and bank facilities are subject to standard banking conditions and covenants and our Group had complied with all of the covenants under the bank borrowings and bank facilities during the Track Record Period and up to the Latest Practicable Date. Therefore, to the best knowledge and belief of our Directors, such debt covenants will not affect our ability to undertake additional debt or equity financing.

### COMMITMENTS

Our commitments relate to (a) capital commitments in relation to acquisition of residential properties contracted for but not provided; and (b) future minimum lease payments under non-cancellable operating leases.

#### (a) Capital commitments

Capital commitments during the Track Record Period were as follows:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of the acquisition of residential properties contracted for but not provided . . . . .	1,357	4,904	—

The amount represents the outstanding contractual amounts for the sale and purchase agreements entered into by our Group to acquire one, four and four residential properties in Vietnam as at 31 December 2015 and 31 December 2016, respectively. For details, please refer to the paragraph headed “Deposits paid for properties” in this section.

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## FINANCIAL INFORMATION

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### (b) Operating lease commitments — as lessee

The total future minimum lease payments under non-cancellable operating leases during the Track Record Period were payable as follows:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year . . . . .	2,137	2,090	1,451
In the second to fifth year inclusive . . . . .	79	1,281	116
	<u>2,216</u>	<u>3,371</u>	<u>1,567</u>

Operating leases relate to rented office premises and warehouses, quarters and carparks for our Directors, and office equipment with the lease terms ranging from 1 to 2 years and rentals are fixed throughout the lease period. We do not have an option to purchase the lease assets at expiry of the lease period.

### Contingent liabilities

We had no significant contingent liabilities as at 30 April 2018.

Save as disclosed in the paragraph headed “Indebtedness” in this section, and apart from intra-group liabilities and normal trade payables, we did not have outstanding debt securities, borrowings and indebtedness such as loan capital issued and outstanding or agreed to be issued, loans or other similar indebtedness, hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities at the close of business as at 30 April 2018. Our Directors confirm that save as disclosed in the paragraph headed “Indebtedness” in this section, there has not been any material change in our Group’s indebtedness since 30 April 2018 and up to the Latest Practicable Date.

To assist in managing our Group’s working capital and indebtedness going forward, policies and procedures on cash and treasury management has been established. Key areas of this policy are as follows:

- Managing liquidity:
  - Our accounting department with the assistance from other department heads will prepare the cash flow forecast prior to the commencement of each fiscal year. The forecast contains four areas: revenues, operating expenditures, capital expenditures and financial

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## FINANCIAL INFORMATION

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expenditures. The draft cash flow forecast will be reviewed by our chief financial officer and be approved by our chief executive officer or Directors. The approved cash flow forecast will then be circulated to the respective departments for records.

- On a quarterly basis, the accounting department also performs variance analysis.
- At year end, our accounting department will prepare a financial package which contains the forecast amounts as compared to the actual ones and the previous year's amounts to the current year's. Emphasis will be placed on revenues and operating expenditures. Any significant fluctuations will be analysed and investigated. The financial package will also contain ratio analysis and trend analysis such as gross profit margin, net profit margin, accounts receivable turnover, accounts payable turnover and current ratio in order to evaluate the liquidity and profitability of our Company.
- Managing borrowings:
  - Applications or proposals for bank loan, other borrowing, pledge and guarantee (with detailed repayment schedule) are submitted by our chief financial officer to our Board for review and approval. The application should contain the purpose, loan amount, contents of the project (if applicable) and the relevant draft loan, borrowing, pledge or guarantee agreement for our Board's review, discussion and approval.
  - All the loan, borrowing, pledge or guarantee information is recorded in a register for the purpose of regular updates to our Board.
  - Our Company has established certain criteria for choosing the financing method. For example, (1) finance lease applies when it comes to an acquisition of capital equipment, (2) import and export loan for accounts payable with credit terms of letter of credit payment or discount bills for accounts receivable, and (3) bank overdraft for cheque payment of general expenses and settlement of accounts payable without letter of credit terms. However, as mentioned in the paragraph headed "Indebtedness" in this section, our Directors expect that the financing of our Group's operation with bank overdrafts would be discontinued after Listing given that the increase in general working capital resulting from the proceeds from the Share Offer will reinforce working capital for our Group's operation.

Our Directors expect that the indebtedness level will be lower after Listing given the utilisation of the net proceeds from the Share Offer for the partial repayment of our Group's bank loans and that our Group's equity base will be increased as a result of the new Shares to be issued.

## FINANCIAL INFORMATION

### OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had no off-balance sheet transactions or arrangements.

### MAJOR FINANCIAL RATIOS

	As at 31 December		
	2015	2016	2017
Current ratio <sup>(1)</sup> . . . . .	1.1 times	1.1 times	1.2 times
Quick ratio <sup>(2)</sup> . . . . .	0.8 times	0.9 times	0.8 times
Gearing ratio <sup>(3)</sup> . . . . .	99.7%	127.5%	89.6%
Debt-to-equity ratio <sup>(4)</sup> . . . . .	57.4%	80.9%	67.9%
	For the year ended 31 December		
	2015	2016	2017
Return on equity <sup>(5)</sup> . . . . .	31.3%	24.9%	N/A
Return on total assets <sup>(6)</sup> . . . . .	13.5%	9.4%	N/A
Interest coverage <sup>(7)</sup> . . . . .	9.5 times	7.7 times	N/A

*Notes:*

- (1) Current ratio is calculated by dividing current assets by current liabilities of each of the financial years.
- (2) Quick ratio is calculated by dividing current asset (net of inventories) by current liabilities of each of the financial years.
- (3) Gearing ratio is calculated by dividing total debt by total equity as at the end of each of the financial years. Total debts are defined to include payables incurred not in the ordinary course of business.
- (4) Debt-to-equity ratio is calculated by dividing net debt (including amounts due to directors, bank borrowings, dividends payable to shareholders and obligation under finance leases net of bank balances and cash) by total equity as at the end of each of the financial years.
- (5) Return on equity is calculated by dividing net profit/loss of each of the financial years by total equity as at the end of each of the financial years.
- (6) Return on total assets is calculated by dividing net profit/loss of each of the financial years by total asset as at the end of each of the financial years.
- (7) Interest coverage is calculated by profit/loss before interest and tax divided by interest.

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## FINANCIAL INFORMATION

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### **Current ratio**

Our current ratio remained the same level at 1.1 times as at 31 December 2015 and 2016 and at stable level of 1.2 times as at 31 December 2017.

### **Quick ratio**

Our quick ratio slightly increased from approximately 0.8 times as at 31 December 2015 to approximately 0.9 times as at 31 December 2016 and then slightly decreased to approximately 0.8 times as at 31 December 2017 principally due to the increase in trade and other payables as at 31 December 2017 and our quick ratio otherwise remained relatively stable over the Track Record Period.

### **Gearing ratio**

Our gearing ratio increased from approximately 99.7% as at 31 December 2015 to approximately 127.5% as at 31 December 2016 principally due to the increase in amounts due to directors and the increase in short-term borrowings mainly resulting from increases in import loans and bank loans for working capital. Our gearing ratio then decreased from approximately 127.5% as at 31 December 2016 to approximately 89.6% as at 31 December 2017 principally due to the (i) increase in shareholder's equity mainly resulting from new shares allotted and issued to our Pre-IPO Investor during the first half year of 2017; and (ii) the decrease in amount due to directors.

### **Debt-to-equity ratio**

Our debt-to-equity ratio increased from approximately 57.4% as at 31 December 2015 to approximately 80.9% as at 31 December 2016 principally due to the increase in amounts due to directors and the increase in short-term borrowings mainly resulting from increase in import loans and bank loans for working capital. Our debt to equity ratio then decreased from approximately 80.9% as at 31 December 2016 to approximately 67.9% as at 31 December 2017 principally due to (i) the increase in shareholder's equity mainly resulting from new shares allotted and issued to our Pre-IPO Investor during the first half year of 2017; (ii) the decrease in amount due to directors; and (iii) the decrease in bank balances and cash.

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## FINANCIAL INFORMATION

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### **Return on equity**

Our return on equity decreased from approximately 31.3% for the year ended 31 December 2015 to approximately 24.9% for the year ended 31 December 2016 principally due to the decrease in net profit mainly resulting from the increase in listing expenses, selling and distribution expenses and administrative expenses during the year ended 31 December 2016. Our Group did not record a return on equity for the year ended 31 December 2017 due to the net loss recorded.

### **Return on total assets**

Our return on total assets decreased from approximately 13.5% for the year ended 31 December 2015 to approximately 9.4% for the year ended 31 December 2016 principally due to the increase of current assets mainly resulting from the increase in trade and other receivables outpacing the decrease in net profit for the year ended 31 December 2016. Our Group recorded a net loss for the year ended 31 December 2017.

### **Interest coverage**

Our interest coverage ratio decreased from approximately 9.5 times as at 31 December 2015 to approximately 7.7 times as at 31 December 2016 principally due to the decrease in profit before interest and tax mainly resulting from increase in listing expenses, selling and distribution expenses and administrative expenses during the year ended 31 December 2016. Our Group recorded a net loss for the year ended 31 December 2017.

### **DIVIDEND AND DISTRIBUTABLE RESERVES**

During the two years ended 31 December 2016, Fleming Hong Kong declared dividends of HK\$2,400,000 and HK\$8,400,000, respectively, and Britain Link declared dividends of nil and HK\$300,000, respectively.

The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial conditions and other factors that our Directors deem relevant. Investors should note that historical dividend distributions are not indicative of our Company's future dividend distribution policy. Our Company does not have any predetermined dividend payout ratio.

Our Company was incorporated in the Cayman Islands on 5 July 2017 and has not carried out any business since the date of incorporation, save for the transactions related to the Reorganisation. There was no reserve available for distribution to our Shareholders as at 31 December 2017.

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## FINANCIAL INFORMATION

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### QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT FINANCIAL RISKS

Our Group's activities expose ourselves to a variety of financial risks: market risk, credit risk and liquidity risk. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance.

#### **(a) Market risk**

Our Group's activities expose ourselves primarily to the financial risks of changes in interest rates and foreign currency exchange rates. Details of each type of market risks are described as follows:

##### ***(i) Interest rate risk management***

Our Group is exposed to fair value interest rate risk in relation to our fixed-rate available-for-sale investments. Our Group is exposed to cash flow interest rate risk in relation to variable rate bank balances, pledged bank deposits and secured bank borrowings. Our Group currently does not enter into any hedging instrument for cash flow interest rate risk. Our Group monitors interest rate risk exposure and will consider hedging significant interest rate risk should the need arise. For details, please refer to Note 31(b) (i) of the Accountants' Report in Appendix I to this prospectus.

##### ***(ii) Foreign currency risk***

Certain transactions of our Group are denominated in foreign currencies which are different from the functional currency of our Group, i.e. US\$. Our Group is mainly exposed to foreign exchange risk arising from transactions that are denominated in HK\$, VND and RMB. Our Group currently does not have a foreign currency hedging policy. However, the management manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should the need arise. For details, please refer to Note 31(b) (ii) of the Accountants' Report in Appendix I to this prospectus.

##### ***(iii) Other price risk***

Our Group is exposed to price risk through its available-for-sale investments. Our Directors manage this exposure by maintaining a portfolio of investments with different risks. For details, please refer to Note 31(b) (iii) of the Accountants' Report in Appendix I to this prospectus.



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## FINANCIAL INFORMATION

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### **(b) Credit risk**

Our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. Our Group's credit risk is primarily attributable to its trade receivables, amount due from a director, available-for-sale debt investments, pledged fixed deposits, bank balances and amounts due from related companies.

In order to minimise the credit risk, the management of our Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, our Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts. In this regard, the management considers that our Group's credit risk is significantly reduced.

The credit risk on unlisted debt instruments under available-for-sale investments is limited because they are issued by a bank with high credit ratings assigned by international credit-rating agencies.

Our Group has concentration of credit risk on its trade receivables as 79%, 54% and 68% of such receivables as at 31 December 2015, 2016 and 2017, respectively, are due from our Group's top five major customers. In respect of these customers, given their good repayment history, the management considers that the credit risk associated with the balances of these customers is low.

Our Group is also exposed to concentration of credit risk on amount(s) due from a director/related companies and concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings. Other than the above, our Group does not have other significant concentration of credit risk.

### **(c) Liquidity risk**

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

## FINANCIAL INFORMATION

The following table details our Group's remaining contractual maturity for our financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which our Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the Track Record Period.

	Weighted average interest rate	Repayable on demand/less than 1 year	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Our Group</b>						
<b>At 31 December 2015</b>						
Trade and other payables . . . . .	—	8,125	—	—	8,125	8,125
Amounts due to directors . . . . .	—	5,215	—	—	5,215	5,215
Bank borrowings . . . . .	7.16	27,054	477	2,599	30,130	29,762
Obligations under finance leases . . . . .	1.85	108	63	—	171	165
		<u>40,502</u>	<u>540</u>	<u>2,599</u>	<u>43,641</u>	<u>43,267</u>
<b>At 31 December 2016</b>						
Trade and other payables . . . . .	—	11,257	—	—	11,257	11,257
Amount due to a director . . . . .	—	9,139	—	—	9,139	9,139
Dividend payable . . . . .	—	300	—	—	300	300
Bank borrowings . . . . .	7.03	32,538	473	2,072	35,083	34,789
Obligations under finance leases . . . . .	4.10	217	154	295	666	626
		<u>53,451</u>	<u>627</u>	<u>2,367</u>	<u>56,445</u>	<u>56,111</u>
<b>At 31 December 2017</b>						
Trade and other payables . . . . .	—	17,777	—	—	17,777	17,777
Amount due to a director . . . . .	—	2,446	—	—	2,446	2,446
Bank borrowings . . . . .	7.16	30,366	391	1,361	32,118	31,736
Obligations under finance leases . . . . .	4.35	154	154	141	449	427
		<u>50,743</u>	<u>545</u>	<u>1,502</u>	<u>52,790</u>	<u>52,386</u>

Bank borrowings are included in the “repayable on demand or less than 1 year” time band in the above maturity analysis as the entire borrowings contain a repayment on demand clause. Taking into account our Group's financial position, the management of our Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of our Group believes that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

## FINANCIAL INFORMATION

For the purpose of managing liquidity risk, our Directors reviews the expected cash flows information of our Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

Bank borrowings	Weighted average effective interest rate	Within 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2015 . . . . .	7.16	24,729	1,751	4,567	31,047	29,762
At 31 December 2016 . . . . .	7.03	30,837	1,503	3,392	35,732	34,789
At 31 December 2017 . . . . .	7.16	30,678	1,113	1,917	33,708	31,736

### PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests as at 31 March 2018. The texts of its letter and valuation certificate are set out in Appendix III to this prospectus. A reconciliation of the net book value of property interests as at 31 December 2017 to their fair value as stated in Appendix III to this prospectus is as follow:

	<i>HK\$'000</i>
Net book value of property interest of our Group as at 31 December 2017	
— Prepaid lease payments . . . . .	4,031
— Leasehold and buildings . . . . .	10,086
	14,117
Less: Depreciation and amortisation from 1 January 2018 to 31 March 2018 (unaudited) . . . . .	306
Net book value of property interest of our Group as at 31 March 2018 . . . . .	13,811
Valuation of properties as at 31 March 2018 as set out in Appendix III to this prospectus <sup>Note</sup> . . . . .	25,018
Valuation surplus (unaudited) . . . . .	11,207
	11,207

*Note:* The exchange rate of US\$1.00 = HK\$7.76 is adopted.

### LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and other fees incurred in connection with the Listing and the Share Offer. Assuming the Offer Price of HK\$0.32 per Public Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses, which are non-recurring in nature and to be borne by our Group are estimated

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## FINANCIAL INFORMATION

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to be approximately HK\$37.5 million, of which approximately HK\$20.5 million were charged to our Group's profit and loss during the Track Record Period. The remaining amount of approximately HK\$0.9 million will be charged to our Group's profit and loss for the year ending 31 December 2018, and approximately HK\$16.1 million of its estimated listing expenses is directly attributable to the issue of the Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard after Listing.

Our Directors would like to emphasise that the listing expenses stated above are the current estimation for the purpose of reference and the actual amount of listing expenses to be recognised is subject to adjustments based on audit and changes in variable and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2018 would be materially and adversely affected by the listing expenses mentioned above.

### SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 December 2017, please refer to Note 39 to the Accountants' Report set forth in Appendix I to this prospectus.

### OUR RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business model remained unchanged and our Group continued its focus on the business of manufacture and sale of candle products, namely, daily-use candles, scented candles and decorative candles. Subsequent to the Track Record Period and up to the Latest Practicable Date, we secured sales orders which are expected to be shipped during the seven months ending 31 July 2018 of approximately HK\$115,521,000. As at the Latest Practicable Date, 92.5% of our inventories balance as at 31 December 2017 had been consumed and sold, 100% of our trade receivables balance had been subsequently settled, and 100% of our trade payables as at 31 December 2017 had been subsequently settled.

During the Track Record Period, our sales to our U.K. customers were denominated in US\$. During the Track Record Period, GBP generally had depreciated against US\$. Our Directors noted that the sales to some of our U.K. customers had decreased. Our Directors considered that our Group may be exposed to the depreciation of GBP against US\$ going forward.

We currently expect that our financial results for the year ending 31 December 2018 will be negatively impacted by the non-recurring listing expenses to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income. For further details regarding our listing expenses, please refer to the paragraph headed "Listing expenses" in this section.

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## **FINANCIAL INFORMATION**

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Recently, our sales of scented candles is increasing significantly as compared with that of our other types of products, including daily-use candles. While it is expected that there will be an increase in our overall gross profit, since the gross profit margin of scented candles is generally lower than that of daily-use candles, the overall gross profit margin and net profit margin of our Group may as a result decrease.

Save as disclosed above, our Directors confirm that, since 31 December 2017 and up to the date of this prospectus, there was no material adverse change in the business operations, trading and financial position or prospects of our Group.

### **DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES**

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

### **UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company which has been prepared for the purpose of illustrating the effect of the Share Offer as if it had been taken place on 31 December 2017 and based on the audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2017 as derived from the Accountants' Report set forth in Appendix I to this prospectus, and adjusted as described below. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group as at 31 December 2017 or at any future dates following the Share Offer. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountants' Report.

## FINANCIAL INFORMATION

	Audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2017	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2017 per Share
	<i>HK\$'000</i> (Note 1)	<i>HK\$'000</i> (Note 2)	<i>HK\$'000</i>	<i>HK\$</i> (Note 3)
Based on a minimum offer price of HK\$0.28 per Share . . . . .	38,620	63,659	102,279	0.093
Based on a maximum offer price of HK\$0.36 per Share . . . . .	38,620	80,764	119,384	0.109

*Notes:*

- (1) The amount is based on the audited consolidated net assets of our Group attributable to the owners of our Company as at 31 December 2017 of HK\$38,620,000, extracted from the Accountants' Report of our Group set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 275,000,000 Shares to be issued at a minimum offer price of HK\$0.28 or a maximum offer price of HK\$0.36 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses incurred or expected to be incurred by our Group (excluding those have been charged to profit or loss up to 31 December 2017 by our Group) and does not take into account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased pursuant to our Company's general mandate.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share as at 31 December 2017 is arrived at after the adjustments referred to in Note 2 above and on the basis of 1,100,000,000 Shares in total, assuming that 275,000,000 Shares were issued pursuant to the Share Offer and the Capitalisation Issue had been completed on 31 December 2017. It is without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased pursuant to our Company's general mandate.
- (4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2017.
- (5) The property interests of our Group as at 31 March 2018 have been valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix III to this prospectus. Since there is a valuation surplus arising from the valuation of the property interest of our Group as compared to the carrying amounts of the property interest as at 31 December 2017, amounting to HK\$10,902,000, an additional depreciation expense of HK\$1,549,000 would have been charged to profit or loss had such assets been stated at valuation.

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## FUTURE PLANS AND USE OF PROCEEDS

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### BUSINESS OBJECTIVES

We plan to enhance our overall competitiveness and to increase our market share in the future. Please refer to the paragraph headed “Our business strategies” in the section headed “Business” in this prospectus for a detailed description of our business strategies.

### IMPLEMENTATION PLAN

In order to implement the following business objectives and strategies, the implementation plan of our Group is set forth below for each of the six-month periods commencing from the Latest Practicable Date until 31 December 2020. Investors should note that the following implementation plans are formulated on the bases and assumptions set out in the paragraph headed “Bases and key assumptions of the business plan” below in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set out in the section headed “Risk factors” of this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

#### For the period from the Latest Practicable Date to 31 December 2018

<u>Business strategy</u>	<u>Implementation plan</u>	<u>Use of proceeds</u>
Upgrade existing production facilities . .	Demolition works and renovation of existing production facilities including installation of necessary fittings and leasehold improvements	HK\$3.9 million
Install an ERP system . .	Implementing production and warehouse management ERP system	HK\$1.2 million
Partial repayment of bank loans . . . . .	Repaying the balance of two bank loans of principal amount of approximately VND3,500.3 million (equivalent to approximately HK\$1.2 million) due in August 2024 and approximately US\$0.3 million due in October 2021 (equivalent to approximately HK\$2.5 million), respectively. These two bank loans have an annual interest rate of (i) the bank’s internal interest rate plus 3.11% (8.87% as at the Latest Practicable Date); and (ii) 4.5%, respectively, which are termed for purchase of apartment.	HK\$7.8 million

## FUTURE PLANS AND USE OF PROCEEDS

Business strategy	Implementation plan	Use of proceeds
	<p>Repaying two bank loans of principal aggregate amount of approximately US\$0.1 million (equivalent to approximately HK\$0.8 million) due in November 2018 and December 2018 respectively. Those two bank loans all have the annual interest rate of 4.99% and 5.0% respectively, which are termed for payment for materials.</p>	
	<p>Repaying the balance of a bank loan of principal amount of HK\$2.0 million due in August 2020. This bank loan has an annual interest rate of 5.5%, which was used for working capital.</p>	
	<p>Repaying an overdraft of approximately HK\$4.7 million currently with an annual interest rate of 5.25%, which was used for working capital.</p>	

### For the six months ending 30 June 2019

Business strategy	Implementation plan	Use of proceeds
Upgrade existing production facilities, acquire new premises and machinery . . . . .	Renovation of existing production facilities and upgrade of equipment including server, computers and other administrative equipment	HK\$3.1 million
	Acquire new premises to serve as additional production facilities, showroom and warehouse	HK\$11.6 million
Install an ERP system . . . . .	Implementing customer relationship management system	HK\$1.1 million



## FUTURE PLANS AND USE OF PROCEEDS

### For the six months ending 31 December 2019

Business strategy	Implementation plan	Use of proceeds
Acquire new premises and machinery . . . . .	Demolition works and renovation of new premises including installation of necessary fittings and leasehold improvements to set up additional production facilities, showroom and warehouse	HK\$7.1 million
	Acquire furniture, computers and other administrative equipment for the new premises	HK\$1.8 million

### For the six months ending 30 June 2020

Business strategy	Implementation plan	Use of proceeds
Acquire new premises and machinery . . . . .	Acquire new wick inserting and positioning machinery and lacquer dipping machine	HK\$10.5 million

### For the six months ending 31 December 2020

Business strategy	Implementation plan	Use of proceeds
Increase in manpower . . .	Employ new technicians to operate the new machinery and equipment and employ administrative and management staff for our new premises	—

## BASES AND KEY ASSUMPTIONS OF THE BUSINESS PLAN

The business objectives set out by our Directors are based on the following bases and key assumptions:

- (a) our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (b) there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;

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## **FUTURE PLANS AND USE OF PROCEEDS**

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- (c) there will be no change in the funding requirement for each of the implementation plans described under the paragraph headed “Implementation plan” in this section from the amount estimated by our Directors;
- (d) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- (e) the Share Offer will be completed in accordance with and as described in the section headed “Structure and conditions of the Share Offer” in this prospectus;
- (f) our Group will be able to retain its key staff in the management and the main operational departments;
- (g) there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group;
- (h) our Group will not be materially affected by any risk factors set out in the section headed “Risk factors” in this prospectus; and
- (i) our Group will be able to continue its operation in substantially the same manner as it has been operating during the Track Record Period and our Group will also be able to carry out its development plans without disruptions adversely affecting our operations or business objectives in any way.

### **REASONS FOR LISTING IN HONG KONG AND USE OF PROCEEDS**

Our Directors believe that the Listing will enhance our corporate profile and the net proceeds from the Share Offer will enhance our overall competitiveness and increase our market share in the future through implementing the strategies set out in the paragraph headed “Our business strategies” in the section headed “Business”, and strengthen our financial position and will enable our Group to implement our business plans set out in the paragraph headed “Implementation plan” in this section. Furthermore, a public listing status on the Stock Exchange will offer our Group access to capital market for corporate finance exercise to assist in future business development, enhance our corporate profile and strengthen our competitiveness.

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## FUTURE PLANS AND USE OF PROCEEDS

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### **Needs for and benefits from implementing the expansion plan**

#### ***Potential growth in the scented candle market***

There was a trend of increase in revenue for scented candles during the Track Record Period. As advised by Frost & Sullivan, the US market for scented candles is expected to grow with a CAGR of 10.12% from 2017 to 2021, the basis of which is that (i) the improvement of the U.S. economy such as decrease in unemployment rate and increase in forecasted disposable income per capita leads to increase in spending on discretionary home accessories; (ii) the increasing customers' awareness of scented candles from famous brands and the increasing online sales of scented candles resulting from the rapid surge in mobile internet penetration and online shopping; and (iii) the growth of industries which usually consume scented candles for their services such as spa treatment services using scented candles to create a better environment for their customers. Three of our customers have also indicated their expected demand for scented candles for the year ending 31 December 2018, which, in our Directors' view, may translate into a significant increase in orders for scented candles.

In order to capture the potential growth in the scented candle market and to enable us to cope with our customers' potential orders, our Group is required to materialise the expansion plan and to enhance our production capacity.

#### ***Infeasibility of subcontracting arrangement***

Further, our Directors consider that subcontracting would not be feasible in coping with the expected increase in demand for our products. Our Directors believe that our Group has established and maintained long-term relationships with our customers and that our success is attributable to, among others, our strong expertise, product know-how and quality control. Our Directors consider that there would be more obstacles in controlling the quality of products produced by subcontractors and ensuring that they meet our customers' specifications and requirements, which would harm our Group's reputation and customer relationships. Our potential customers, and even existing customers, may inspect our production facilities in Vietnam before placing orders with us. Our key customers are generally satisfied with our production facilities in Vietnam and our quality control measures in place. Moreover, some of our customers, for example Customer F, has specifically disallowed any subcontracting arrangement by our Group regarding their products. Our Directors confirm that six of our customers have explicitly disallowed our Group to have any subcontracting arrangement and the revenue generated from these customers amounted to approximately HK\$79,115,000, HK\$74,952,000 and HK\$78,069,000, representing approximately 54.2%, 47.3% and 48.0% of our total revenue, respectively during the Track Record Period.

#### ***Acquisition of new machinery and premises***

Our Directors confirm that our Group's existing plant and machinery were mainly sourced from China and some of the machinery was purchased as used machinery and refurbished for our own use. Such machinery requires regular maintenance. As for the new machinery to be acquired as parent of

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## FUTURE PLANS AND USE OF PROCEEDS

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the expansion plan, they are brand new and expect to be purchased from Germany, Italy and Vietnam. The new machinery is expected to be more efficient and precise in performing production. In light of the above, our Directors consider that the higher costs of the new machinery justifiable.

In addition to the new production machineries, we also intend to acquire a new premises for expanding our factory in Vietnam out the listing proceeds, mainly for the purpose of expanding and upgrading our Group's existing production facilities. The total area of the new premises is expected to be around 8,000 sq.m., out of which our Directors intend that approximately 500 sq.m., accounting for approximately 6.3% of the expected total area of the new premises, could be set aside for ancillary use as storage space. Considering that during the Track Record Period our Group did not have enough space in the existing factory for storage of our Group's finished goods during the peak seasons and the current operational inconvenience that our Group is experiencing when using the third parties' warehouse under the current lease arrangement, in that our Group would need to inform the lessors of the warehouse and go through the registration procedures with the lessors when delivering or removing our goods to and from the third parties' warehouse, our Directors are of the view that the reservation of certain space in the new premises for storage purpose would not only help to avoid the existing operational inconvenience but also make a more efficient utilisation of the new premises upon the acquisition, while the majority of the area of such new premises is intended to be used for production purpose.

Further, part of the new premises to be acquired will be designated for the use as showroom. To the best of the knowledge and belief of our Directors, many of our customers prefer to meet with the management personnel of our Group at our production facilities in Vietnam to discuss their plan of future orders and specifications and to review sample products at a showroom on site, and that it may not be always timely and convenient for them to further travel to our showroom in Hong Kong. Thus, our Directors believe that having a showroom in our new production facilities will allow us to house and display our sample products and to serve our customers better. Our Directors confirm that the expected new production facilities including the showroom will be located in the Amata Industrial Park.

Please refer to the paragraphs headed "Upgrade existing production facilities and acquire new premises and machinery" under the section headed "Business" in this prospectus for more discussions on the historical production capacity of our Group's plant and factory, the intended expansion of production capacity and the expected demand necessitating the expansion of our production capacity.

Having considered (i) the market demand for scented candles in the U.S. of a growth rate of CAGR of approximately 10.22% from 2017 to 2021; (ii) the expected demand of our Group's products; and (iii) the inability to subcontract the orders to our subcontractor for certain customers; (iv) the increase in production capacity shall the expansion plan be materialised; (v) the enhancement in production efficiency brought by new production facilities as mentioned above, our Directors consider that utilising the listing proceeds for acquiring new premises for the primary purpose of expansion of our production is commercially and operationally justified.

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## FUTURE PLANS AND USE OF PROCEEDS

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### **Reasons for financing the expansion plan by listing proceeds**

During the Track Record Period, cost of raw materials and staff costs, including direct labour, staff salaries and directors' remuneration, were the most significant costs in our operations. Our current financial resources primarily comprise of cash generated from operations and banking facilities. For the three years ended 31 December 2017, we generated revenue of approximately HK\$146,006,000, HK\$158,434,000 and HK\$162,525,000, respectively, of which, approximately 68.1%, 60.2% and 64.9%, respectively, were committed to meeting the obligations incurred on cost of materials and staff costs. As at 30 April 2018, our Group had approximately HK\$7,422,000 of bank balances and cash. Our Directors are of the view that such amounts are insufficient to finance our Group's business plan as set out in the paragraph headed "Implementation plan" in this section, which requires approximately HK\$40.3 million to be financed by the net proceeds from the Share Offer. Our Directors expect our Group to maintain the bank balances and cash level of approximately HK\$7,000,000 reserved for meeting our Group's working capital requirement for its daily operation. Such level is determined upon considering the estimated cash outflow arising from certain operating expenses for the forthcoming two months. These operating expenses mainly include staff cost and other administrative expenses such as rental expenses. Furthermore, the unutilised banking facilities of our Group as at 30 April 2018 are reserved mainly for trading purpose instead of capital nature such as for the expansion of our Group's production facilities. In view of the above estimated working capital requirement and the nature of our unutilised banking facilities, it is considered that our Group will not have sufficient financial resources for our expansion plan and this justifies our need for proceeds from the Share Offer. Our Company had contemplated all viable options for fund raising including bank borrowings prior to proceeding with the Listing. However, bank borrowings entail borrowing costs, provision of security personally from our Controlling Shareholders. Given that our Controlling Shareholders have personally financed our Group throughout the years to grow our Group's business, it is prudent to relieve them from future pressure to finance or provide security to our Group and as such the Listing is considered.

### **Other benefits from the Share Offer**

In addition to obtaining funding from the listing proceeds and enhancing the capital base of our Group, to cope with the expected growth of our business, our Directors believe that the completion of the Share Offer and attaining the listing status would have the following advantages:

#### ***Access to the capital market***

As at 31 December 2017, our Group's bank balances and cash amounted to approximately HK\$8,382,000 and as at 30 April 2018, our Group had unutilised banking facilities of approximately HK\$26,827,000. However, our Directors expect our Group to maintain bank balances and cash level of approximately HK\$7,000,000 reserved for meeting our Group's working capital requirement for its daily operation and the aforesaid amount of unutilised banking facilities are mainly for trading purpose rather than capital nature. Therefore, our Directors consider that there is a need to gain access to the capital market for our Group's expansion plan in order to cope with the future increasing

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## **FUTURE PLANS AND USE OF PROCEEDS**

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demand for our candle products. Furthermore, our Directors consider that debt financing is not desirable as compared to the Listing as the fund is repayable, the interest expense incurred would impair our financial position and the gearing ratio for the year ended 31 December 2017 was approximately 89.6% which is at a relatively high level.

### ***Strengthen our competitiveness and reputation in the candle industry***

Our Directors believe that the Listing will enhance our Group's reputation and corporate profile on an international level through raising our Group's publicity. Given that during the Track Record Period our major customers are mainly corporations headquartered in the U.S. and the U.K. with international reputation, our Directors consider that the Listing in an international capital market, such as the Stock Exchange, will boost their confidence in our Group's financial position, credibility, corporate governance and internal control, which may further enhance our business relationship with them. In addition, having a listing status may increase our bargaining power in negotiating terms with our customers and suppliers. Therefore, the Listing will strengthen our competitiveness and reputation in the candle industry, even though, to the best of the knowledge and belief of our Directors, our Group had not been turned down by any potential customers during the Track Record Period due to our Company's non-listed status.

### ***Other commercial benefits***

Our Directors believe that our Group will benefit from the Listing as (i) our listing status would enable our Group to obtain further debt financing at more favourable interest rates and terms; (ii) our listing status would enhance our reputation and thereby raise our staff confidence and improve our ability to recruit and retain our employees and key management personnel; and (iii) it enlarges and diversifies our shareholder base so as to enhance the liquidity of our Shares which will be freely traded on the Stock Exchange when compared to a private company which has limited liquidity of shares.

Having considered the above benefits of the Listing, our Directors believe that it is commercially justifiable to pursue the Listing and the advantages of Listing outweigh the costs of Listing.

## **NET PROCEEDS FROM THE SHARE OFFER**

If the Offer Price is set at the high-end of the indicative Offer Price at HK\$0.36 per Offer Share, the net proceeds from the Share Offer will increase to approximately HK\$60.3 million. If the Offer Price is set at the low-end of the indicative Offer Price at HK\$0.28 per Offer Share, the net proceeds from the Share Offer will decrease to approximately HK\$43.0 million. To the extent that our net proceeds are either more or less than expected, for instance, in the event that the Offer Price is set at the high-end of the indicative Offer Price range or the Offer Price is set at the low-end of the indicative Offer Price range, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

## FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer) based on the Offer Price of HK\$0.32 per Offer Share (being the mid-point of the indicative Offer Price range) will be approximately HK\$50.5 million. We intend to apply the net proceeds in the following manner for the period from the Latest Practicable Date to 31 December 2020:

	From the Latest Practicable Date to 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	For the six months ending 30 June 2020	For the six months ending 31 December 2020	Total	Approximate % of net proceeds
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	%
Upgrade existing production facilities . . . . .	3.9	3.1	—	—	—	7.0	13.9
Acquire new premises and machinery . . . . .	—	11.6	8.9	10.5	—	31.0	61.4
Install an ERP system . . . . .	1.2	1.1	—	—	—	2.3	4.6
Partial repayment of bank loans . . . . .	7.8	—	—	—	—	7.8	15.4
Working capital and general corporate use	2.4	—	—	—	—	2.4	4.7
<b>Total . . . . .</b>	<b>15.3</b>	<b>15.8</b>	<b>8.9</b>	<b>10.5</b>	<b>—</b>	<b>50.5</b>	<b>100.0</b>

*Notes:*

- (1) We intend to utilise our net proceeds and complete our implementation plan by 30 June 2020. Therefore there is no implementation plan for the six months ending 31 December 2020.
- (2) The estimated expanded production capacity includes approximately 5.5 million units of scented candles and approximately 1.3 million units of daily-use candles.

The possible use of proceeds outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

According to the current estimates, our Group expects that the net proceeds from the issue of new Shares under the Share Offer in the sum of approximately HK\$50.5 million will be sufficient to finance the implementation of our Group's current future plans up to 31 December 2020. In the event that the net proceeds from the Share Offer are insufficient to finance the expenditure as mentioned above, the shortfall will be financed by the internal resources and/or bank borrowings of our Group. To the extent that the net proceeds from the Share Offer are not immediately applied to the above purposes, we intend to deposit the proceeds into short-term interest-bearing deposits with authorised financial institutions.

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## UNDERWRITING

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### PUBLIC OFFER UNDERWRITERS

I Win Securities Limited

Great Wall Securities Limited

TC Capital International Limited

AMC Wanhai Securities Limited

China Yinsheng International Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Public Offer

##### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering the Public Offer Shares for subscription by the public in Hong Kong 27,500,000 Public Offer Shares at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms. The Public Offer Underwriters have agreed, severally, but not jointly, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, among others, the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the Placing Underwriting Agreement becoming unconditional and not having been terminated in accordance with its terms, to procure subscribers for, or failing which they shall subscribe for the Public Offer Shares.

##### *Grounds for termination*

The Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of all the Public Offer Underwriters) shall have the absolute right upon giving a written notice to our Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

- (A) if it has come to the notice of the Sole Sponsor, the Joint Bookrunners or any of the Public Offer Underwriters, or any one of them have cause to believe that:



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## UNDERWRITING

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- (i) any matter or event showing any of the warranties given by our Company, our Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement to be untrue, inaccurate, misleading or is breached in any material respect when given or as repeated, which, in any such cases, is considered, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), to be material in the context of the Public Offer, or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect; or
- (ii) any statement contained in this prospectus, the Application Forms, the formal notice and/or any announcements or advertisement issued by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) was or is considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their absolute opinion to be untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if such document was to be issued at that time, constitute a material omission therefrom, or that any forecasts, expressions of opinion, intention or expectation expressed or contained therein is not , in all material aspects fair and honest and based on reasonable assumptions when taken as a whole; or
- (iii) there has been a material breach of any of the obligations of by any of our Company, our Controlling Shareholder and executive Directors to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or
- (iv) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or
- (v) any material adverse change or development involving a prospective change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or, financial or trading position, performance of any member of our Group; or
- (vi) approval by the Stock Exchange of the listing of, and permission to deal in, the Offer Shares to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

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## UNDERWRITING

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- (vii) our Company withdraws this prospectus (and/or any other documents issued or used in conjunction with the Share Offer; or
  
- (B) if there develops, occurs, exists or comes into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
  - (i) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group, or
  
  - (ii) any change or development involving a prospective change or development, or any event or series of events resulting or likely to result in or representing any change or deterioration (whether or not permanent) in, local, national, regional or international financial, political, military, industrial, legal framework, economic, currency market, fiscal, regulatory, market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, BVI, Cayman Islands or any other jurisdictions where member of our Group is incorporated or operates (the “**Relevant Jurisdictions**”); or
  
  - (iii) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
  
  - (iv) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other governmental authority in the Relevant Jurisdictions; or
  
  - (v) any change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
  
  - (vi) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis involving or affecting any of the Relevant Jurisdictions; or

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## UNDERWRITING

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- (vii) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or
- (viii) the imposition of any moratorium, suspension or restriction on dealings in shares or securities generally on the Stock Exchange, or a general moratorium on commercial banking activities or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (ix) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (x) any event or series of events in the nature of force majeure including but without limiting the acts of government, strikes, lock-outs, fire, explosion, flooding, earthquake, tsunami, civil commotion, riots, public disorder, declaration of a national or international emergency or war, acts or threats of war, calamity crisis, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak of disease (including without limitation severe acute respiratory syndromes or avian flu), economic sanctions, in or affecting any of the Relevant Jurisdictions; or
- (xi) any change or development involving a prospective change, or materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (xii) any change in the system under which the value of the Hong Kong dollar is linked to that of the USD or a material devaluation of Hong Kong dollar against any foreign currency; or
- (xiii) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which such member of our Group is liable prior to its stated maturity; or
- (xiv) a contravention by any member of our Group of the GEM Listing Rules or any applicable laws or regulations in Cayman Islands, Hong Kong, the BVI or Vietnam; or
- (xv) non-compliance of this prospectus or any aspect of the Share Offer with the GEM Listing Rules or any other applicable laws; or

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## UNDERWRITING

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- (xvi) any prohibition on our Company for whatever reason from allotting the Shares pursuant to the Share Offer; or
- (xvii) an order or petition is presented for the winding up or liquidation of our Group or any of its members, or our Group or any of its members making any composition arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xviii) any material loss or damage sustained by any member of our Company; or
- (xix) any litigation or claim of material importance of any third party being instigated against any member of our Group; or
- (xx) any Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or
- (xxi) the chairman or chief executive officer of our Company vacating his office; or
- (xxii) any judicial, regulatory or governmental body or organisation commencing any action or announcing an intention to take any action, against any Director; or
- (xxiii) any matter or event resulting in a breach of any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof; or
- (xxiv) other than with the approval of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), the issue or the requirement to issue by our Company of any supplement or amendment to the prospectus (or to any documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC,

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## UNDERWRITING

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which in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

- (a) is or will or may individually or in aggregate have a materially adverse effect on the business, financial, trading or other condition prospects of our Group taken as a whole; or
- (b) has or may have or will have a material adverse effect on the success of the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
- (c) makes or may make or will make it impracticable, inadvisable, inexpedient or not commercially viable for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, and/or the Share Offer to be performed or implemented in accordance with its terms or to proceed with or to market to the Share Offer on the terms and in the manner contemplated by this prospectus.

Similar events is expected to be contained in the Placing Underwriting Agreement that may allow the Joint Bookrunners (for themselves and on behalf of the other Placing Underwriters) to terminate their respective obligations thereunder.

## UNDERTAKINGS

### Undertakings to the Stock Exchange

#### *Undertakings by our Company*

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that save pursuant to the Share Offer, the Capitalisation Issue and the grant and exercise of the options under the Share Option Scheme, and except for the circumstances permitted pursuant to Rule 17.29(1) to (5) of the GEM Listing Rules and the applicable laws; (i) no further Shares or securities convertible into equity securities of our Company (including warrants at other convertible securities whether or not of a class already listed) will be allotted or issued by us; or (ii) grant or agree to grant any options, warrants, or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company; or (iii) purchase any securities of our Company; or (iv) offer to or agree to do any of the foregoing or announce any intention to do so), within six months from the date on which the Shares first commence dealing on GEM (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings).

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## UNDERWRITING

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### *Undertakings by our Controlling Shareholders*

Pursuant to Rule 13.16A(1) of the GEM Listing Rules (as effective up to 14 February 2018), each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange that, except for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, he/it shall not, and shall procure that the relevant registered holder(s) and their respective associates and companies controlled by them and any nominee or trustee holding in trust for them shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, (the “**First Six-month Period**”), among others, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner(s); and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance, or security interest of any kind, or any other type of preferential arrangement including, without limitation, retention arrangement having similar effect (“**Encumbrance**”), options, rights, interests or Encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or Encumbrances, he/it would cease to be a Controlling Shareholder.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has also undertaken to our Company and the Stock Exchange that he/it shall, and shall procure that the relevant registered holder(s) shall,

- (1) in the event that he/it pledges or charges any direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the relevant periods specified above, inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (2) having pledged or charged any interest in the Shares under paragraph (1) above, inform our Company immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

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## UNDERWRITING

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Our Company shall, upon being informed of any matter under paragraphs (1) or (2) above, forthwith publish an announcement giving details of the same in accordance with the GEM Listing Rules.

### **Undertakings to the Sole Sponsor and the Joint Bookrunners pursuant to the Public Offer Underwriting Agreement**

#### *Undertaking by our Company*

Our Company has undertaken to the Sole Sponsor, Joint Bookrunners, Joint Lead Managers and the Public Offer Underwriters, and each of our Controlling Shareholders and Executive Directors has undertaken to and covenants with the Sole Sponsor, the Joint Bookrunners, Joint Lead Managers and the Public Offer Underwriters that he/it will procure our Company that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 17.29(1) to 17.29(4) of the GEM Listing Rules, not without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), and subject always to the provisions of the GEM Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling on the last date of the First Six-month Period;
- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or

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## UNDERWRITING

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securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 17.29(1) to 17.29(4) or Rule 13.18(1) of the GEM Listing Rules;

- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the GEM Listing Rules); and
- (d) in the event that our Company does any of the acts set out in paragraph (a) or (b) above after the expiry of the First Six-month Period or the period specified in paragraph (c) above, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company's ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such Subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that Subsidiary ceasing to be a subsidiary of our Company.

### *Undertakings by our Controlling Shareholders*

Our Controlling Shareholders have jointly and severally undertaken to and covenanted with each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, unless in compliance with the GEM Listing Rules and the applicable laws (save pursuant to the Share Offer, the Capitalisation Issue or the exercise of any options that may be granted under the Share Option Scheme), he/it shall not, and shall procure that his/its associates or the relevant registered holder(s), nominee(s) or trustee(s) holding on trust for him/it or the companies controlled by him/it shall not, without the prior written consent of the Sole Sponsor and the Joint Bookrunners:

- (a) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the expiry of the First Six-month Period to sell, dispose of, nor enter into any agreement to dispose of or



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## UNDERWRITING

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otherwise create any option, right, interest or Encumbrance in respect of, any of the securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner(s) (whether direct or indirect); and

- (b) in the period of 24 months commencing on the date on which the period referred to in paragraph (a) above expires, to sell, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or Encumbrance in respect of any of the securities as referred to in sub-paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Our controlling Shareholders have further undertaken that:

- (i) in the event that he/it pledges or charges any of his/her/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, he/it must immediately inform our Company, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Underwriters) in writing of such pledges or charges immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any of his/her/its interests in the Shares under paragraph (i) above, when our Controlling Shareholders receive indications, either verbal or written, from any pledgee or charged that any of the pledgee or chargee securities or, interests in the securities of our Company will be sold, transferred or disposed of, he/it must immediately inform our Company and the Joint Bookrunners in writing of such indications.

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by our Company or our Controlling Shareholders or our executive Directors of the Underwriting Agreement.

Taking into account the undertakings given by our Controlling Shareholders pursuant to Rule 13.16A(1) of the GEM Listing Rules as set out in the above, our Controlling Shareholders have voluntarily and irrevocably given a non-disposal undertaking which cannot be waived for a further period of 18 months in the terms as set out in paragraph (b) above.

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## UNDERWRITING

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### **Placing**

#### ***Placing Underwriting Agreement***

In connection with the Placing, our Controlling Shareholders, executive Directors and our Company expect to enter into the Placing Underwriting Agreement with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, 247,500,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

It is expected that pursuant to the Placing Underwriting Agreement, our Company and each of our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraphs headed “Undertakings — Undertakings to the Sole Sponsor and the Joint Bookrunners pursuant to the Public Offer Underwriting Agreement” in this section.

#### **Total commission, fee and expenses**

In connection with the Share Offer, the Public Offer Underwriter(s) will receive an underwriting commission of 8.75% (or 11.75% if the gross proceeds from the Share Offer exceeds HK\$80,000,000) of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and/or a praecipium. In connection with the Listing, the Sole Sponsor will receive a sponsorship fee. For unsubscribed Public Offer Share reallocated to the Placing and any placing Shares reallocated from the Placing to the Public Offer, we will pay the applicable underwriting commissions to the Placing Underwriters and not the Public Offer Underwriters.

Assuming the Offer Price of HK\$0.32 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the aggregate commissions and estimated expenses, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to be approximately HK\$37.5 million and are payable by our Company.

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## **UNDERWRITING**

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### **INDEPENDENCE OF THE SOLE SPONSOR**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

### **SOLE SPONSOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY**

The Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the second full financial year after the Listing Date, and our Company will pay to the Sole Sponsor an agreed fee for its provision of services with the scope required under the GEM Listing Rules.

The Underwriter(s) will receive an underwriting commission of 8.75% or 11.75% if the gross proceeds from the Share Offer exceeds HK\$80,000,000) of the aggregate Offer Price payable for the Offer Shares and/or a praecipium. Particulars of these commissions and expenses are set forth in the paragraph headed "Total commission, fee and expenses" above in this section.

Save as disclosed above, none of the Sole Sponsor and the Underwriter(s) is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group nor any interest in the Share Offer.

### **MINIMUM PUBLIC FLOAT**

Our Directors will ensure that there will be a minimum 25.0% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

- the Public Offer of 27,500,000 Shares, representing 2.5% of our Company's enlarged issued share capital after the completion of the Capitalisation Issue and Share Offer and 10% of the total number of Offer Shares initially available under the Share Offer (subject to reallocation as mentioned below) as described under the paragraphs headed "The Public Offer" in this section; and
- the Placing of 247,500,000 Shares (subject to reallocation as mentioned below) as described under the paragraphs headed "The Placing" in this section.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong.

The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraphs headed "Pricing and allocation" in this section.

### PRICING AND ALLOCATION

#### Offer Price

The Offer Price will be not more than HK\$0.36 per Offer Share and not less than HK\$0.28 per Offer Share, unless otherwise announced. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

#### Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.36 per Public Offer Share plus 1.0% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,636.28 for one board lot of 10,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.36 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

### **Determining the Offer Price**

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Friday, 6 July 2018.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or before Monday, 9 July 2018.

**If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, 9 July 2018, the Share Offer will not proceed and will lapse.**

### **Reduction in indicative Offer Price range**

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, based on the book-building process and with the prior consent of our Company, reduce the indicative Offer Price range below that disclosed in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event no later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published on the websites of the Stock Exchange and our Company a notice of reduction of the Offer Price range. Such notice shall also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in the Prospectus which may change as a result of any such reduction.

**Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.**

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### Announcement of final Offer Price and basis of allocations

The final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocations of the Public Offer Shares are expected to be announced on Wednesday, 18 July 2018 on the Stock Exchange's website and on our Company's website.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC will be made available through a variety of channels as described in the section headed "How to apply for Public Offer Shares — 10. Publication of results" in this prospectus.

### UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. We expect to enter into the Placing Underwriting Agreement in relation to the Placing on or around Monday, 9 July 2018.

### CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which will be issued pursuant to the Capitalisation Issue, any Shares which may fall to be issued upon the exercise of the options that may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or before the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us on the Stock Exchange's website and on our Company's website on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the laws of Hong Kong) (as amended from time to time).

**Share certificates for the Offer Shares are expected to be issued on Wednesday, 18 July 2018 but will only become valid certificates of title at 8:00 a.m. on Thursday, 19 July 2018, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus has not been exercised.**

### THE PUBLIC OFFER

#### Number of Shares initially offered

Our Company is initially offering 27,500,000 Public Offer Shares at the Offer Price, representing 10.0% of the 275,000,000 Offer Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer and Capitalisation Issue but without taking into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the Share Option Scheme. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Completion of the Public Offer is subject to the conditions as set out in the paragraphs headed "Conditions of the Public Offer" in this section.

#### Allocation

The Public Offer is open for subscription to all members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate,

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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consist of balloting, which mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Placing Shares in the Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. Multiple or suspected multiple applications and any application for more than 100.0% of the Public Offer Shares initially comprised in the Public Offer are liable to be rejected.

### **Reallocation**

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation. A clawback mechanism will be put in place, which would have the effect of increasing the number of Public Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Joint Bookrunners (for themselves and on behalf of the Underwriters) shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (a) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 82,500,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 110,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (c) if the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 137,500,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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In each case, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Bookrunners (for themselves and on behalf of the Underwriters) may in their sole and absolute discretion reallocate Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer Shares are not fully subscribed, the Joint Bookrunners (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate. If the Placing Shares are not fully subscribed or purchased, the Joint Bookrunners (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed or un-purchased Placing Shares to the Public Offer in such amount as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate.

With reference to Guidance Letter HKEX-GL91-18, if such reallocation is done other than pursuant to paragraph (a), (b) or (c) above, the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer i.e. 55,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer and in such circumstances, the final Offer Price will be fixed at HK\$0.28, being the bottom end of the indicative Offer Price range.

### **Applications**

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Offer Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE PLACING

#### Number of Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 247,500,000 Shares, representing 90.0% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and Capitalisation Issue, but without taking into account any Shares which may be allotted and issued pursuant to the exercise of options granted under the Share Option Scheme. The Placing is subject to the Public Offer being become unconditional.

#### Allocation

Pursuant to the Placing, the Placing Underwriters will conditionally place the Placing Shares with institutional, professional and other investors expected to have a sizeable demand for the Shares in Hong Kong. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in paragraphs headed "Pricing and allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

The Joint Bookrunners may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

#### Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed "The Public Offer — Reallocation" in this section, and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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### **SHARES WILL BE ELIGIBLE FOR CCASS**

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **DEALING ARRANGEMENTS**

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 19 July 2018, it is expected that dealings in the Shares on GEM will commence at 9:00 a.m. on Thursday, 19 July 2018. The Shares will be traded in board lots of 10,000 Shares.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for the Public Offer Shares, you may not apply for or indicate an interest for the Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners may accept or reject it at their discretion and on any conditions they think fit, including the provision of evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are an associate (as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any Placing Shares under the Placing or otherwise participated in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Friday, 6 July 2018 from:

- (i) the following address of the Public Offer Underwriters:

<b>I Win Securities Limited</b>	Room 1916, Hong Kong Plaza 188 Connaught Road West Sai Wan, Hong Kong
<b>Great Wall Securities Limited</b>	17/F, No. 148 Electric Road North Point, Hong Kong
<b>TC Capital International Limited</b>	Suites 1903–1904, 19th Floor Tower 6, The Gateway Harbour City 9 Canton Road Kowloon, Hong Kong
<b>AMC Wanhai Securities Limited</b>	Room 1604–1605, 16/F West Tower, Shun Tak Centre 168-200 Connaught Road Sheung Wan, Hong Kong
<b>China Yinsheng International Securities Limited</b>	6/F, 9 Des Voeux Road West Sheung Wan, Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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(ii) the following branches of the receiving bank for the Public Offer, Industrial and Commercial Bank of China (Asia) Limited:

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island</b>	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317–319 Des Voeux Road Central, Sheung Wan, Hong Kong
	Admiralty Branch	Shop 1013–1014, 1/F, United Centre, 95 Queensway, Admiralty, Hong Kong
	Happy Valley Branch	23 King Kwong Street, Happy Valley, Hong Kong
	Aberdeen Branch	Shop 7A, G/F, Site 1, Aberdeen Centre, Hong Kong
	Electric Road Branch	113–115 Electric Road, Hong Kong
	Sai Wan Ho Branch	Shop G10 G/F, Tai On Building, 57–87 Shau Kei Wan Road, Hong Kong
<b>Kowloon</b>	Lai Chi Kok Branch	Shop G06, G/F, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Lai Chi Kok, Kowloon
<b>New Territories</b>	Tseung Kwan O Branch	Shop 1025A, Level 1, Metro City Phase II, 8 Yan King Road, Tseung Kwan O, New Territories
	Kwai Chung Branch	Unit G02, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, New Territories
	Tai Hing Branch	Shop 21–23 Tai Hing Commercial Complex, Tai Hing Estate, Tuen Mun, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Friday, 6 July 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**ICBC (ASIA) NOMINEE LIMITED — HYFUSIN PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

<b>Friday, 29 June 2018</b>	<b>—</b>	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Saturday, 30 June 2018</b>	<b>—</b>	<b>9:00 a.m. to 1:00 p.m.</b>
<b>Tuesday, 3 July 2018</b>	<b>—</b>	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 4 July 2018</b>	<b>—</b>	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Thursday, 5 July 2018</b>	<b>—</b>	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Friday, 6 July 2018</b>	<b>—</b>	<b>9:00 a.m. to 12:00 noon</b>

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 6 July 2018, the last application day or such later time described in the paragraphs under "9. Effect of bad weather on the opening of the application lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Memorandum of Association and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set forth in this prospectus and in the Application Form and agree to be bound by them;



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Underwriters, and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (a) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfil the criteria mentioned in the paragraphs under "Personal collection" in this section to collect Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for further information.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center,  
1/F., One & Two Exchange Square,  
8 Connaught Place, Central,  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor and the Hong Kong Branch Share Registrar.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Sole Sponsor will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum of Association and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 29 June 2018	—	9:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Saturday, 30 June 2018	—	8:00 a.m. to 1:00 p.m. <sup>(1)</sup>
Tuesday, 3 July 2018	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Wednesday, 4 July 2018	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Thursday, 5 July 2018	—	8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Friday, 6 July 2018	—	8:00 a.m. <sup>(1)</sup> to 12:00 noon

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*Note:*

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Friday, 6 July 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 6 July 2018, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section.

### No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32)

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

#### Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

#### 6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 6 July 2018.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Public Offer Shares under the terms set forth in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set forth in the table in the Application Form.

If your application is successful, brokerage will be paid to the participants of the Stock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Further information on the Offer Price is set forth in the section headed “Structure and conditions of the Share Offer” in the paragraph headed “Pricing and allocation” in this prospectus.

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 July 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 6 July 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 10. PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 18 July 2018 on our Company's website ([www.fleming-int.com](http://www.fleming-int.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website ([www.fleming-int.com](http://www.fleming-int.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) by no later than 8:00 a.m. on Wednesday, 18 July 2018;
- from the designated results of allocations website ([www.unioniporeresults.com.hk](http://www.unioniporeresults.com.hk)) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 18 July 2018 to 12:00 midnight on Tuesday, 24 July 2018;
- by telephone enquiry line by calling (852) 2843 6081 between 9:00 a.m. and 6:00 p.m. from Wednesday, 18 July 2018 to Monday, 23 July 2018 on a Business Day; and
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 18 July 2018 to Friday, 20 July 2018 at the designated branches of the receiving bank.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are set forth in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or by giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Division does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Public Offer Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- you apply for more than 100% Public Offer Shares initially offered under the Public Offer.

### **12. REFUND OF APPLICATION MONIES**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.36 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer — Conditions of the Public Offer" of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 18 July 2018.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Wednesday, 18 July 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 19 July 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Personal Collection

#### (i) If you apply using a **WHITE** Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 18 July 2018 or such other date as announced by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, 18 July 2018, by ordinary post and at your own risk.

#### (ii) If you apply using a **YELLOW** Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection your refund cheque(s). If you do not collect your refund cheque(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 18 July 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participants stock account as stated in your Application Form on Wednesday, 18 July 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph "10. Publication of results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 18 July 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

- *If you apply via Electronic Application Instructions to HKSCC*

### *Allocation of the Public Offer Shares*

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

### *Deposit of Share certificates into CCASS and refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 18 July 2018 or on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in the paragraph "10. Publication of results" in the section above on Wednesday, 18 July 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 18 July 2018 or such other date as determined by HKSCC or HKSCC Nominees.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
  
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, 18 July 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
  
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or the difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 18 July 2018.

### 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-77, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*

# Deloitte.

# 德勤

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HYFUSIN GROUP HOLDINGS LIMITED AND TC CAPITAL INTERNATIONAL LIMITED

### Introduction

We report on the historical financial information of Hyfusin Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-77, which comprises the consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017, the statement of financial position of the Company as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-77 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 June 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015, 2016 and 2017, of the Company's financial position as at 31 December 2017, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*****Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 as were considered necessary.

***Dividends***

We refer to Note 14 to the Historical Financial Information which contains information about the dividends declared and paid by the Company's subsidiaries and states that no dividends was declared or paid by the Company since its incorporation.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
29 June 2018

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000
	NOTES			
Revenue . . . . .	6	146,006	158,434	162,525
Cost of sales . . . . .		(104,883)	(114,674)	(121,402)
Gross profit . . . . .		41,123	43,760	41,123
Other income . . . . .	7	352	261	284
Other gains (losses) . . . . .	8	870	(75)	28
Selling and distribution expenses . . .		(4,754)	(5,583)	(5,079)
Administrative expenses . . . . .		(21,725)	(24,581)	(24,210)
Listing expenses . . . . .		—	(1,008)	(19,499)
Finance costs . . . . .	9	(1,666)	(1,662)	(1,633)
Profit (loss) before tax . . . . .		14,200	11,112	(8,986)
Income tax expense . . . . .	10	(3,168)	(2,339)	(2,071)
<b>Profit (loss) for the year . . . . .</b>	11	<b>11,032</b>	<b>8,773</b>	<b>(11,057)</b>
<b>Other comprehensive (expense) income</b>				
<i>Item that may be classified subsequent to profit or loss:</i>				
Fair value (loss) gain on available-for-sale investments . . . . .		(91)	(137)	503
<b>Other comprehensive (expense) income for the year . . . . .</b>		<b>(91)</b>	<b>(137)</b>	<b>503</b>
<b>Total comprehensive income (expense) for the year . . . . .</b>		<b>10,941</b>	<b>8,636</b>	<b>(10,554)</b>
Profit (loss) for the year attributable to:				
Owners of the Company . . . . .		11,032	8,557	(9,855)
Non-controlling interests . . . . .		—	216	(1,202)
		<b>11,032</b>	<b>8,773</b>	<b>(11,057)</b>
Total comprehensive income (expense) for the year attributable to:				
Owners of the Company . . . . .		10,941	8,432	(9,358)
Non-controlling interests . . . . .		—	204	(1,196)
		<b>10,941</b>	<b>8,636</b>	<b>(10,554)</b>
Earnings (loss) per share, basic. . . . .	13	1.55	1.22	(1.87)

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2015	2016	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>NOTES</i>			
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment . . . . .	15	16,976	15,922	14,105
Prepaid lease payments . . . . .	16	4,168	4,031	3,894
Available-for-sale investments . . . . .	17	1,572	1,435	1,938
Deposits paid for properties . . . . .	18	2,197	4,516	—
Deferred tax assets . . . . .	27	176	106	304
Pledged bank deposits . . . . .	22	9,560	8,825	8,866
		<u>34,649</u>	<u>34,835</u>	<u>29,107</u>
<b>CURRENT ASSETS</b>				
Inventories . . . . .	19	10,663	9,718	24,368
Trade and other receivables . . . . .	20	20,324	29,348	37,503
Prepaid lease payments . . . . .	16	137	137	137
Amount due from a director . . . . .	21	—	770	5,396
Amounts due from related companies . . . . .	21	1,197	1,096	—
Tax recoverable . . . . .		—	1,321	511
Bank balances and cash . . . . .	22	14,927	16,395	8,382
		<u>47,248</u>	<u>58,785</u>	<u>76,297</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables . . . . .	23	9,681	13,475	32,023
Amounts due to directors . . . . .	21	5,215	9,139	2,446
Dividend payable to shareholders . . . . .		—	300	—
Bank borrowings — due within one year . . . . .	24	27,053	32,538	30,366
Obligations under finance leases . . . . .	25	103	199	142
Tax payable . . . . .		1,735	—	—
		<u>43,787</u>	<u>55,651</u>	<u>64,977</u>
<b>NET CURRENT ASSETS</b> . . . . .		<u>3,461</u>	<u>3,134</u>	<u>11,320</u>
<b>TOTAL ASSETS LESS CURRENT</b>				
<b>LIABILITIES</b> . . . . .		<u>38,110</u>	<u>37,969</u>	<u>40,427</u>

		As at 31 December		
		2015	2016	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>NOTES</i>			
<b>NON-CURRENT LIABILITIES</b>				
Bank borrowings — due after one year . . . . .	24	2,709	2,251	1,370
Obligations under finance leases . . . . .	25	62	427	285
Other non-current liabilities . . . . .	26	102	117	152
		<u>2,873</u>	<u>2,795</u>	<u>1,807</u>
NET ASSETS . . . . .		<u>35,237</u>	<u>35,174</u>	<u>38,620</u>
<b>CAPITAL AND RESERVES</b>				
Share capital . . . . .	28	5,000	4,536	—
Reserves . . . . .		<u>30,237</u>	<u>27,373</u>	<u>38,620</u>
Equity attributable to owners of the Company		35,237	31,909	38,620
Non-controlling interests . . . . .		<u>—</u>	<u>3,265</u>	<u>—</u>
TOTAL EQUITY . . . . .		<u>35,237</u>	<u>35,174</u>	<u>38,620</u>



## STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		At 31 December 2017
	<i>NOTES</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSET</b>		
Investment in a subsidiary .....	29	45,435
<b>CURRENT ASSET</b>		
Deferred listing expenses .....	20	4,800
<b>CURRENT LIABILITIES</b>		
Amounts due to subsidiaries .....	29	13,886
Accrued expenses .....	23	10,665
		24,551
<b>NET CURRENT LIABILITIES</b> .....		(19,751)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> .....		25,684
<b>CAPITAL AND RESERVES</b>		
Share capital .....	28	—
Special reserve (Note) .....		45,434
Accumulated loss .....		(19,750)
<b>TOTAL EQUITY</b> .....		25,684

*Note:* Special reserve represents the difference between the nominal amount of the share capital issued by the Company and the net assets value of a subsidiary acquired by the Company pursuant to the Group Reorganisation (as defined in Note 2) in preparation for the proposed listing of the Company's shares on the GEM of The Stock Exchange of Hong Kong Limited.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Investment revaluation reserve	Other reserve	Retained earnings	Total			
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2015 . . . . .	5,000	—	—	21,696	26,696	—	26,696	
Profit for the year . . . . .	—	—	—	11,032	11,032	—	11,032	
Fair value loss on available-for-sale investments . . . . .	—	(91)	—	—	(91)	—	(91)	
Profit and total comprehensive (expense) income for the year . . . . .	—	(91)	—	11,032	10,941	—	10,941	
Interim dividend paid (Note 14) . . . . .	—	—	—	(2,400)	(2,400)	—	(2,400)	
At 31 December 2015 . . . . .	5,000	(91)	—	30,328	35,237	—	35,237	
Profit for the year . . . . .	—	—	—	8,557	8,557	216	8,773	
Fair value loss on available-for-sale investments . . . . .	—	(125)	—	—	(125)	(12)	(137)	
Profit and total comprehensive (expense) income for the year . . . . .	—	(125)	—	8,557	8,432	204	8,636	
Disposal of partial interest in subsidiaries (Note 2(1)) . . . . .	(465)	—	—	(2,596)	(3,061)	3,061	—	
Issue of new shares of a subsidiary (Note 28) . . . . .	1	—	—	—	1	—	1	
Interim dividend paid/payable (Note 14) . . . . .	—	—	—	(8,700)	(8,700)	—	(8,700)	
At 31 December 2016 . . . . .	4,536	(216)	—	27,589	31,909	3,265	35,174	
Loss for the year . . . . .	—	—	—	(9,855)	(9,855)	(1,202)	(11,057)	
Fair value gain on available-for-sale investments . . . . .	—	497	—	—	497	6	503	
Loss and total comprehensive (expense) income for the year . . . . .	—	497	—	(9,855)	(9,358)	(1,196)	(10,554)	
Capital contribution from non-controlling interests of a subsidiary (Note 28) . . . . .	—	—	6,478	—	6,478	7,522	14,000	
Adjustments arising from Group Reorganisation . . . . .	(4,536)	—	14,127	—	9,591	(9,591)	—	
At 31 December 2017 . . . . .	—	281	20,605	17,734	38,620	—	38,620	

Note: Other reserve represents (i) the deemed gain arising from the capital contribution from non-controlling interests of a subsidiary of HK\$6,478,000 and (ii) the combined share capital of Fleming International Limited and its subsidiaries and Britain Link attributable to Controlling Shareholders of the Company at the time of the Group Reorganisation (as defined in Note 2).

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit (loss) before tax . . . . .	14,200	11,112	(8,986)
Adjustments for:			
Depreciation of property, plant and equipment . . . . .	3,190	3,441	2,768
Amortisation of prepaid lease payments . . .	137	137	137
Gain on disposal of property, plant and equipment . . . . .	—	—	(17)
Write off of property, plant and equipment .	38	—	—
Allowance for (reversal of allowance of) trade receivables . . . . .	149	(67)	—
Allowance of inventories . . . . .	640	173	220
Dividend and interest income from available-for-sale investments . . . . .	(57)	(57)	(57)
Interest income from banks . . . . .	(53)	(32)	(42)
Finance costs . . . . .	1,666	1,662	1,633
Operating cash flows before movements in working capital . . . . .	19,910	16,369	(4,344)
Decrease (increase) in inventories . . . . .	3,490	772	(14,870)
Increase in trade and other receivables . . .	(2,287)	(8,621)	(3,691)
Increase in trade and other payables . . . . .	1,096	3,794	18,548
Increase in other non-current liabilities . . .	16	15	35
Cash generated from (used in) operations . .	22,225	12,329	(4,322)
Income tax paid . . . . .	(1,451)	(5,325)	(1,459)
<b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES . . . . .</b>	<b>20,774</b>	<b>7,004</b>	<b>(5,781)</b>

**APPENDIX I****ACCOUNTANTS' REPORT**

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	(3,878)	(1,681)	(951)
Placement of deposits for properties . . . . .	—	(2,319)	—
Repayment from related companies . . . . .	2,884	1,743	1,237
Placement of pledged bank deposits . . . . .	(46)	(268)	(41)
Withdrawal of pledged bank deposits . . . . .	—	1,003	—
Advance to related companies . . . . .	(2,281)	(1,642)	(141)
Dividend and interest received from			
available-for-sale investments . . . . .	57	57	57
Interest income from banks . . . . .	53	32	42
Proceeds from disposal of property,			
plant and equipment . . . . .	—	—	17
Advance to a director . . . . .	—	(6,603)	(2,679)
Repayment from a director . . . . .	—	5,833	526
<b>NET CASH USED IN INVESTING</b>			
<b>ACTIVITIES . . . . .</b>	<b>(3,211)</b>	<b>(3,845)</b>	<b>(1,933)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of bank borrowings . . . . .	(73,244)	(73,958)	(63,808)
Dividend paid . . . . .	(2,400)	(8,400)	(300)
Repayment to directors . . . . .	(11,157)	(1,325)	(5,158)
Interest paid . . . . .	(1,666)	(1,662)	(1,633)
Repayment of obligations under finance			
leases . . . . .	(98)	(245)	(199)
New bank borrowings raised . . . . .	68,024	78,830	60,757
Advance from directors . . . . .	9,347	5,249	508
Issue of new shares of a subsidiary . . . . .	—	1	—
Issue costs paid . . . . .	—	(336)	(4,464)
Capital contribution from non-controlling			
interests of a subsidiary . . . . .	—	—	14,000
<b>NET CASH USED IN FINANCING</b>			
<b>ACTIVITIES . . . . .</b>	<b>(11,194)</b>	<b>(1,846)</b>	<b>(297)</b>

**APPENDIX I****ACCOUNTANTS' REPORT**

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....	6,369	1,313	(8,011)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR .....	<u>3,733</u>	<u>10,102</u>	<u>11,415</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR .....	<u><u>10,102</u></u>	<u><u>11,415</u></u>	<u><u>3,404</u></u>
Represented by:			
Bank balances and cash .....	14,927	16,395	8,382
Bank overdrafts .....	<u>(4,825)</u>	<u>(4,980)</u>	<u>(4,978)</u>
	<u><u>10,102</u></u>	<u><u>11,415</u></u>	<u><u>3,404</u></u>

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL**

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands on 5 July 2017. Its registered office and principal place of business is located at Suite 4-8, 2/F, Aberdeen Marina Tower, 8 Shum Wan Road, Aberdeen, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and sale of candle products. Its parent and ultimate holding company is AVW International Limited (“AVW”), a private company incorporated in the British Virgin Islands (“BVI”). Its ultimate controlling shareholders are Mr. Wong Man Chit (“Mr. Andrew Wong”) and Mr. Wong Wai Chit (“Mr. Vincent Wong”), who are brothers and act in concert over AVW and the companies now comprising the Group (the “Controlling Shareholders”).

The functional currency of the Company and its subsidiaries is US\$ while the presentation currency of the Historical Financial Information is Hong Kong dollars (“HK\$”).

**2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA and the principles of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combination”.

Prior to the a group reorganisation scheme to rationale the structure of the Group in preparing for the listing of the Company’s shares on the GEM of the Stock Exchange (“Group Reorganisation”), Fleming Hong Kong and its subsidiaries including, Fleming International Vietnam Limited (“Fleming Vietnam”), Success Glory Worldwide Limited (“Success Glory”) and 泛明工藝禮品(深圳)有限公司 (“Fleming China”) were wholly owned by the Controlling Shareholders before the transfer and issuance of shares of Fleming Hong Kong pursuant to the steps (1) and (2) below and Britain Link Limited (“Britain Link”) which was held by Mr. Chau Pong on trust for and on behalf of Mr. Andrew Wong and Mr. Vincent Wong. In preparation for the listing of the Company’s shares on the GEM of the Stock Exchange, the Group underwent the following reorganisation steps:

- (1) On 7 November 2016, pursuant to an agreement for sale and purchase and subscription for shares in Fleming Hong Kong (the “Pre-IPO Investment Agreement”) entered into among Mr. Andrew Wong and Mr. Vincent Wong as vendors, Vibes Management Company

Limited (“Vibes”) as purchaser, each of Mr. Andrew Wong and Mr. Vincent Wong transferred 40 shares of Fleming Hong Kong to Vibes (the “Transfer”) at an aggregate cash consideration of HK\$8,000,000. As a result, Fleming Hong Kong is wholly and beneficially held as to approximately 45.35%, 45.35% and 9.3% by Mr. Andrew Wong, Mr. Vincent Wong and Vibes, respectively and Fleming Hong Kong is still controlled by the Controlling Shareholders whereas Vibes became a non-controlling interest. Vibes is a company incorporated in Hong Kong with limited liability on 30 May 2016 with total issued share capital of HK\$10,000 wholly owned by Pioneer Unicorn Limited (“Pioneer”) which is wholly and beneficially owned by Ms. Li Yin Ping and Ms. Zheng Xiaochun, independent third parties, in equal shares. Vibes and Pioneer is an investment holding company incorporated in the BVI, principally engaged in investment holding.

- (2) On 7 February 2017, pursuant to the Pre-IPO Investment Agreement, Vibes further subscribed for 140 shares (the “Subscription”) of Fleming Hong Kong at an aggregate cash consideration of HK\$14,000,000. Upon completion of the Subscription, Fleming Hong Kong is wholly and beneficially owned as to 39%, 39% and 22% by Mr. Andrew Wong, Mr. Vincent Wong and Vibes, respectively and Fleming Hong Kong is still controlled by the Controlling Shareholders whereas Vibes was a non-controlling interest.
- (3) On 28 August 2017, one new ordinary share of Britain Link was allotted and issued to Mr. Chau Pong who held the share as trustee for and on behalf of Mr. Andrew Wong and Mr. Vincent Wong in equal shares. On the same day, Mr. Chau Pong (as transferor) and Mr. Andrew Wong and Mr. Vincent Wong (each as transferee) entered into an instrument of transfer, pursuant to which Mr. Chau Pong transferred to each of Mr. Andrew Wong and Mr. Vincent Wong one share in Britain Link, which Mr. Chau Pong held on trust for and on behalf of Mr. Andrew Wong and Mr. Vincent Wong at nil consideration. On 28 August 2017, Mr. Andrew Wong and Mr. Vincent Wong (as transferor) and Fleming Hong Kong (as transferee) entered into a sale and purchase agreement, pursuant to which each Mr. Andrew Wong and Mr. Vincent Wong transferred 1 share in Britain Link to Fleming Hong Kong at a sum of HK\$1.00 per share. After the aforesaid transfer, the legal and beneficial interests in Britain Link became wholly-owned by Fleming Hong Kong.
- (4) AVW was incorporated in the BVI with limited liability on 4 July 2017. The authorised share capital of AVW is US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was allotted and issued fully paid to each of Mr. Andrew Wong and Mr. Vincent Wong on incorporation. As a result, Mr. Andrew Wong and Mr. Vincent Wong are the shareholders of AVW, each holding 50% of the issued share capital of AVW. AVW is principally engaged in investment holding and became the parent company of the Company upon completion of the Group Reorganisation.

- (5) Vibes Enterprises Company Limited (“Vibes Enterprises”) was incorporated in the BVI with limited liability on 4 July 2017. The authorised share capital of Vibes Enterprises is US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was allotted and issued fully paid to Vibes on its incorporation. As a result, Vibes was the sole shareholder of Vibes Enterprises, holding the entire issued share capital of Vibes Enterprises. Vibes Enterprises is principally engaged in investment holding and became a non-controlling shareholder of the Company upon the completion of the Group Reorganisation.
- (6) Fleming Group International Limited (“Fleming International”) was incorporated in the BVI with limited liability on 5 July 2017. The authorised share capital of Fleming International is US\$50,000 divided into 50,000 shares of US\$1.00 each (the “Fleming International’s Share”). One Fleming International’s Share was allotted and issued fully paid to AVW on incorporation at par. As a result, AVW was the sole shareholder of Fleming International, holding the entire issued share capital of Fleming International. Fleming International becomes the intermediate holding company of the Group upon completion of the Group Reorganisation.
- (7) The Company was incorporated in the Cayman Islands on 5 July 2017 to act as the ultimate holding company of the Fleming Group. The authorised share capital of the Company upon incorporation is HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each . Upon its incorporation, one subscriber share was allotted and issued as fully paid to the first subscriber, Reid Services Limited, an independent third party, in which was subsequently transferred to AVW. Further, 99 additional shares were issued as fully paid, in which 77 shares were allotted to AVW while 22 shares were allotted to Vibes Enterprises at par.
- (8) The Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 30 August 2017.
- (9) On 8 September 2017, Fleming International acquired the entire issued share capital of Fleming Hong Kong (1,000 shares) from Mr. Andrew Wong, Mr. Vincent Wong and Vibes, respectively. The consideration for the acquisition was satisfied by the allotment and issue of 77 and 22 Fleming International’s Shares respectively to AVW (at the direction of Mr. Andrew Wong and Mr. Vincent Wong) and to Vibes Enterprises (at the direction of Vibes), all credited as fully paid.



- (10) On 13 September 2017, the Company acquired the entire issued share capital of Fleming International (100 shares) from AVW and Vibes Enterprises, respectively. The consideration for the acquisition was satisfied by the allotment and issue of 78 and 22 shares of the Company to AVW and Vibes Enterprises respectively, all credited as fully paid. As a result, Fleming International was wholly owned by the Company while the Company continues to be owned as to 78% by AVW and 22% by Vibes Enterprise.

Upon completion of the above steps, Fleming International became a directly wholly-owned subsidiary of the Company and Fleming Hong Kong and its subsidiaries including Fleming Vietnam and Success Glory and Britain Link became indirectly wholly-owned subsidiaries of the Company. Pursuant to the Group Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 13 September 2017. The Company and its subsidiaries have been under the common control of Mr. Andrew Wong and Mr. Vincent Wong throughout the Track Record Period or since their respective dates of incorporation, where there is a shorter period, and before and after the Group Reorganisation. Accordingly, the Historical Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting For Common Control Combinations” issued by the HKICPA.

As Fleming Hong Kong and its subsidiaries was under the common control of the Controlling Shareholders, equity interest held by Vibes in Fleming Hong Kong during the year ended 31 December 2016 and for the period from 1 January 2017 up to the date of the completion of the Group Reorganisation on 13 September 2017 was presented as non-controlling interests in the Historical Financial Information.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2015 and 31 December 2016 have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the Track Record Period taking into account the respective dates of incorporation. The consolidated statements of financial position of the Group as at 31 December 2015 and 2016 are 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 dates of incorporation.

No audited statutory financial statements of the Company have been prepared since its incorporation as it was incorporated in jurisdiction where there is no statutory audit requirements.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning on 1 January 2017 throughout the Track Record Period.

#### New and revised to HKFRSs in issue but not yet effective

At the date of this report, the following new and revised HKFRSs have been issued which are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendment <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As Part of the annual improvements to HKFRSs 2014-2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) — Int 23	Uncertainty over Income Tax Investments <sup>2</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

**HKFRS 9 *Financial Instruments***

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

***Classification and measurement***

- Debt instruments classified as available-for-sale investments carried at fair value as disclosed in Note 17: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the listed debt instruments in the open

market, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the debt instruments will continue to be subsequently measured at FVTOCI upon the application of HKFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed bonds are derecognised;

- Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in Note 17: these securities qualified for designation as measured at FVTOCI under HKFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve amounting to HK\$8,000 as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under HKFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income; the Group plans not to elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, investments revaluation reserve of HK\$276,000 related to these available-for-sale investments will be transferred to retained earnings at 1 January 2018 and
- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

### *Impairment*

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

The impairment requirements are applied retrospectively by adjusting the opening retained earnings at 1 January 2018, with no requirement to restate prior periods. The directors of the Company do not intend to restate comparative information for the application of HKFRS 9 when preparing the consolidated financial statements of the Group for the year ending 31 December 2018.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables, amount due from a director and bank balances and cash. Such further impairment recognised under expected

credit loss model would reduce the opening retained earnings as at 1 January 2018. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalises its financial statements for the year ending 31 December 2018.

Except for abovementioned, the directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2017.

### **HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company intend to apply the limited retrospective method with accumulative effect of initial application adjusted in the opening retained earnings at 1 January 2018. The directors of the Company have performed an assessment on the impact of the financial

performance and position of the Group in the application of HKFRS 15 and anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

### **HKFRS 16 Leases**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Company presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Company has already recognised an asset and a related finance lease liability for finance lease arrangement where the Company is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Company presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As set out in Note 32, the Group has non-cancellable operating lease commitments of HK\$1,567,000 as at 31 December 2017. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a

right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short term leases. The combination of straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Company anticipate that upon the application of HKFRS 16, the Group's net assets could decrease, and there would be no material impact on the financial performance of the Group. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalise its financial statements for the year ending 31 December 2019.

In addition, the directors of the Company currently considers refundable rental deposits paid of HK\$528,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of the Company do not expect the application of the new and amendments to HKFRSs in issue but not yet effective in the Track Record Period will have material impact on the Group's financial performance and positions and/or on the disclosures set out in the future financial statements of the Group.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information have been prepared in accordance with accounting policies which conform with HKFRSs and the Hong Kong Companies Ordinance. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### **Basis of consolidation**

The Historical Financial Information incorporates the financial information of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.



Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

#### **Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interest's proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

#### **Merger accounting for business combination involving entities under common control**

The Historical financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, net of rebates.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Management fee income is recognised when the management services are rendered.

**Property, plant and equipment**

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessee***

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

### **Leasehold land and building**

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

### **Borrowing costs**

Borrowing costs which are not capitalised to qualifying assets are recognised in profit or loss in the period in which they are incurred.

### **Investment in a subsidiary**

Investment in a subsidiary is included in the Company's statement of financial position at cost less any identified impairment losses, if any.

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### *Financial assets*

The Group's financial assets are classified as available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

### *AFS financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss ("FVTPL").

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a director, amounts due from related companies and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale investment, a significant or prolonged decline in the fair value of that security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period ranging from 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively to an event occurring after the recognition of impairment loss.

### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

*Financial liabilities*

Financial liabilities including trade and other payables, amounts due to directors, amounts due to subsidiaries, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continued to control the transferred assets, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Impairment losses on tangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.



If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce to its recoverable amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in, first out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly

during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

**Research expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

**Retirement benefit costs**

Payments to the defined contribution retirement benefit plans including the Mandatory Provident Fund Scheme in Hong Kong and state pension scheme in Vietnam are recognised as an expense when employees have rendered service entitling them to the contributions.

**Short-term and other long-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS require or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid. Liabilities recognised in respect of other long-term employee benefits are all measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurement are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

**Taxation**

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in Note 4, the directors of the Company is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **Estimated impairment of trade receivables**

Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of trade receivables, net of allowance for doubtful debts, as at 31 December 2015, 2016 and 2017 were approximately HK\$19,443,000, HK\$24,825,000 and HK\$30,230,000, respectively.

### **Allowance for inventories**

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. In cases where the net realisable value of inventories assessed are less than expected, recognition of a material allowance for inventories may arise which would be recognised in profit or loss in the period in which such recognition takes place. The carrying amounts of inventories, net of allowance for slow-moving and obsolete inventories, were approximately HK\$10,663,000, HK\$9,718,000 and HK\$24,368,000 as at 31 December 2015, 2016 and 2017, respectively.

## 6. REVENUE AND SEGMENT INFORMATION

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of candle products:			
Daily-use candles . . . . .	81,610	91,006	74,787
Scented candles . . . . .	40,513	36,257	53,212
Decorative candles . . . . .	17,726	25,463	24,690
Others (included diffusers) . . . . .	6,157	5,708	9,836
	<u>146,006</u>	<u>158,434</u>	<u>162,525</u>

Information reported to the Board of Directors, being the chief operating decision maker (“CODM”), regularly review revenue analysis by product type as set out in the revenue analysis above for the purpose of resource allocation and assessment of performance. However, other than revenue analysis, no operating results and other discrete financial information is regularly reviewed by the CODM for the purpose of resource allocation and assessment of segment performance of respective businesses which generate the revenue from these types of revenue. The CODM review the operating results (excluding listing expenses) of the Group as a whole to make decisions about resource allocation and for performance assessment. The operation of the Group constitutes one single operating and reportable segment under HKFRS 8 *Operating Segments* and accordingly no separate segment information is presented.

**Geographical Information**

The Group’s operations are located in Hong Kong and Vietnam.

The following table provides an analysis of the Group’s sales by geographical market based on the location of the destination points of the customers.

The Group's revenue from external customers and information about its non-current assets (exclude financial assets and deferred tax assets) by geographical location of the assets are detailed below:

#### Revenue from external customers based on location of destination points of the customers

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
United States of America . . . . .	78,549	89,613	93,544
United Kingdom . . . . .	59,943	49,560	49,758
Others . . . . .	7,514	19,261	19,223
	<u>146,006</u>	<u>158,434</u>	<u>162,525</u>

#### Non-current assets

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Hong Kong . . . . .	248	807	655
Vietnam . . . . .	23,093	23,662	17,344
	<u>23,341</u>	<u>24,469</u>	<u>17,999</u>

#### Information about major customers

Revenue from customers that individually contributing over 10% of the total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Customer A . . . . .	31,608	42,194	35,478
Customer B . . . . .	22,845	19,117	20,221
Customer C . . . . .	21,002	16,622	12,510
Customer D . . . . .	16,377	17,677	*
Customer E . . . . .	*	*	20,612

\* The corresponding revenue did not contribute over 10% of the total sales of the Group for the respective years.

## 7. OTHER INCOME

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend and interest income from available-for-sale investments . . . . .	57	57	57
Interest income from banks . . . . .	53	32	42
Management fee income . . . . .	120	120	—
Sample income . . . . .	82	27	54
Sundry income . . . . .	40	25	131
	<u>352</u>	<u>261</u>	<u>284</u>

## 8. OTHER GAINS (LOSSES)

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gain (loss), net . . . . .	533	(142)	11
(Allowance of) reversal of allowance for trade receivables, net . . . . .	(149)	67	—
Gain on disposal of property, plant and equipment . . . . .	—	—	17
Forfeiture of deposits from customers upon cancellation of sales orders . . . . .	524	—	—
Write off of property, plant and equipment. .	(38)	—	—
	<u>870</u>	<u>(75)</u>	<u>28</u>

## 9. FINANCE COSTS

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings . . . . .	1,375	1,410	1,372
Interest on obligations under finance leases	10	30	19
Bank charges . . . . .	281	222	242
	<u>1,666</u>	<u>1,662</u>	<u>1,633</u>

## 10. INCOME TAX EXPENSE

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:			
Hong Kong Profits Tax . . . . .	1,943	1,214	889
Vietnam Corporate Income Tax . . . . .	1,225	1,055	1,437
Under (over) provision in prior year . . . . .	176	—	(57)
	<u>3,344</u>	<u>2,269</u>	<u>2,269</u>
Deferred taxation:			
Current year (Note 27) . . . . .	(176)	70	(198)
	<u>3,168</u>	<u>2,339</u>	<u>2,071</u>

The applicable tax rate of the subsidiaries in Hong Kong is 16.5% for the Track Record Period.

For the Group's subsidiary incorporated in Vietnam, the statutory corporate tax rates are 22%, 20% and 20% for the years ended 31 December 2015, 2016 and 2017, respectively. The subsidiary is also entitled to pay the incentive corporate income tax rate of 15% for three years from 2014 to 2016.



The tax charge for the Track Record Period can be reconciled to the profit (loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before tax . . . . .	14,200	11,112	(8,986)
Tax at the Hong Kong Profits Tax Rate of 16.5% . . . . .	2,343	1,834	(1,483)
Tax effect of expenses not deductible for tax purpose . . . . .	794	610	3,343
Tax effect of income not taxable for tax purpose . . . . .	(40)	(99)	(2)
Under (over) provision in prior year . . . . .	176	—	(57)
Tax effect of tax losses not recognised . . . . .	—	100	—
Utilisation of tax losses previously not recognised . . . . .	—	—	(9)
Effect of different tax rates of group entities operating in different jurisdictions . . . . .	(105)	(106)	279
Tax charge for the year . . . . .	3,168	2,339	2,071

## 11. PROFIT (LOSS) FOR THE YEAR

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the year has been arrived at after charging:			
Directors' remuneration (Note 12) . . . . .	3,673	4,521	4,319
Other staff costs			
— salaries and allowances . . . . .	22,944	24,714	28,288
— discretionary bonus . . . . .	677	585	319
— retirement benefits scheme contributions, excluding directors . . .	1,501	1,868	2,166
Total staff costs . . . . .	28,795	31,688	35,092
Less: capitalised in inventories . . . . .	(15,907)	(17,469)	(18,450)
	<u>12,888</u>	<u>14,219</u>	<u>16,642</u>
Auditor's remuneration . . . . .	113	512	725
Depreciation of property, plant and equipment			
— Owned assets . . . . .	3,091	3,236	2,627
— Assets held under finance lease contracts . . . . .	99	205	141
Total depreciation . . . . .	3,190	3,441	2,768
Less: capitalised in inventories . . . . .	(2,593)	(2,515)	(1,954)
	<u>597</u>	<u>926</u>	<u>814</u>
Cost of inventories recognised as an expense . . . . .	104,883	114,674	121,402
Amortisation of prepaid lease payments . . .	137	137	137
Allowance of inventories (included in cost of sales) . . . . .	640	173	220
Donations . . . . .	50	36	7
	<u>50</u>	<u>36</u>	<u>7</u>

## 12. DIRECTOR'S, CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

## Director's and chief executive's emoluments

The Company did not have any non-executive director and independent non-executive directors during the years ended 31 December 2015 and 2016 as the Company was incorporated on 5 July 2017.

Mr. Andrew Wong and Mr. Vincent Wong were appointed as executive directors of the Company on 5 July 2017 and Mr. Andrew Wong has appointed as the chief executive officer of the Company on the same date. Details of the emoluments paid or payable to the directors of the Company, and the chief executive officer of the Company (including emoluments for the services as the directors of the group entities) during the Track Record Period are as follows:

*Year ended 31 December 2015*

	Fees	Salaries and allowance	Discretionary bonus	Retirement benefit scheme contributions	Other benefits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>EXECUTIVE DIRECTORS</b>						
Mr. Andrew Wong . . . . .	—	1,091	122	18	831	2,062
Mr. Vincent Wong . . . . .	—	1,010	122	18	461	1,611
Total . . . . .	—	2,101	244	36	1,292	3,673

*Year ended 31 December 2016*

	Fees	Salaries and allowance	Discretionary bonus	Retirement benefit scheme contributions	Other benefits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>EXECUTIVE DIRECTORS</b>						
Mr. Andrew Wong . . . . .	—	1,458	122	18	849	2,447
Mr. Vincent Wong . . . . .	—	1,458	122	18	476	2,074
Total . . . . .	—	2,916	244	36	1,325	4,521

*Year ended 31 December 2017*

	Fees	Salaries and allowance	Discretionary bonus	Retirement benefit scheme contributions	Other benefits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>EXECUTIVE DIRECTORS</b>						
Mr. Andrew Wong . . . . .	—	1,458	—	18	887	2,363
Mr. Vincent Wong . . . . .	—	1,458	—	18	480	1,956
<b>NON-EXECUTIVE DIRECTOR</b>						
Ms. Wong Fong* . . . . .	—	—	—	—	—	—
Total . . . . .	—	2,916	—	36	1,367	4,319

\* Appointed on 29 August 2017

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

During the Track Record Period, the Group leased living quarters and carparks from outsiders and provided to Mr. Andrew Wong and Mr. Vincent Wong at rent-free and the amounts were included in other benefits.

**Employees' remuneration**

For the Track Record Period, the five highest paid individuals of the Group included two, two and two directors of the Company for each of the years ended 31 December 2015, 2016 and 2017, respectively, details of their emoluments are set out above. The emoluments of the remaining three, three and three individuals for each of the years ended 31 December 2015, 2016 and 2017, respectively, are as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances . . . . .	1,240	1,452	1,557
Discretionary bonus . . . . .	119	122	84
Retirement benefit scheme contributions . . .	53	55	54
	<u>1,412</u>	<u>1,629</u>	<u>1,695</u>

Their emoluments were fell within the following bands:

	No. of employees		
	Year ended 31 December		
	2015	2016	2017
Nil to HK\$1,000,000 . . . . .	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

**13. EARNINGS (LOSS) PER SHARE**

The calculation of the basic earnings (loss) per share attributable to the owners of the Company during the Track Record Period is based on the following data:

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings (loss)</b>			
Profit (loss) for the year attributable to owner of the Company for the purpose of basic earnings (loss) per share . . . . .	11,032	8,557	(9,855)

	Year ended 31 December		
	2015	2016	2017
	<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share . . . . .	709,500,000	699,581,967	527,397,260

The number of ordinary shares for the purpose of calculating basic earnings (loss) per share for the Track Record Period has been adjusted, respectively for the effect of (i) the Group Reorganisation and the capitalisation issue of 824,999,800 shares of the Company that are deemed to have become effective since 1 January 2015; and (ii) the capital contribution by shareholders during the Track Record Period.

No diluted earnings (loss) per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

## 14. DIVIDENDS

No dividend has been declared or paid by the Company since its date of incorporation. However, during the Track Record Period, Fleming Hong Kong and Britain Link made the following distributions to its then shareholders:

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividends declared and paid/payable to shareholders by:			
Fleming Hong Kong . . . . .	2,400	8,400	—
Britain Link . . . . .	—	300	—
	<u>2,400</u>	<u>8,700</u>	<u>—</u>

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Plant and machinery	Motor Vehicles	Furniture and fixtures	Office equipment	Computer equipment	Yacht	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST								
At 1 January 2015. . . . .	17,169	12,207	1,742	722	834	656	180	33,510
Additions . . . . .	3,303	917	—	73	208	414	—	4,915
Write-off . . . . .	—	(38)	—	—	—	—	—	(38)
At 31 December 2015. . . . .	20,472	13,086	1,742	795	1,042	1,070	180	38,387
Additions . . . . .	45	427	1,454	27	86	348	—	2,387
Write-off . . . . .	—	(20)	(125)	(66)	(230)	(559)	—	(1,000)
At 31 December 2016. . . . .	20,517	13,493	3,071	756	898	859	180	39,774
Additions . . . . .	207	491	—	—	193	60	—	951
Disposals . . . . .	—	(100)	—	—	—	—	—	(100)
At 31 December 2017. . . . .	20,724	13,884	3,071	756	1,091	919	180	40,625
ACCUMULATED DEPRECIATION								
At 1 January 2015. . . . .	7,452	7,589	1,150	631	776	605	18	18,221
Provided for the year . . . . .	1,039	1,697	210	65	59	102	18	3,190
At 31 December 2015 . . . . .	8,491	9,286	1,360	696	835	707	36	21,411
Provided for the year . . . . .	1,067	1,637	399	47	61	212	18	3,441
Write-off . . . . .	—	(20)	(125)	(66)	(230)	(559)	—	(1,000)
At 31 December 2016 . . . . .	9,558	10,903	1,634	677	666	360	54	23,852
Provided for the year . . . . .	1,080	1,085	333	35	88	129	18	2,768
Eliminated on disposals . . . . .	—	(100)	—	—	—	—	—	(100)
At 31 December 2017 . . . . .	10,638	11,888	1,967	712	754	489	72	26,520
CARRYING VALUES								
At 31 December 2015 . . . . .	11,981	3,800	382	99	207	363	144	16,976
At 31 December 2016 . . . . .	10,959	2,590	1,437	79	232	499	126	15,922
At 31 December 2017 . . . . .	10,086	1,996	1,104	44	337	430	108	14,105



The above items of property, plant and equipment are depreciated over their estimate useful lives and after taking into account their estimated residual values, using the straight-line basis at the following rates per annum:

Leasehold land and buildings	6% to 20%
Plant and machinery	14% to 33%
Motor vehicles	20%
Furniture and fixtures	10% to 25%
Office equipment	10% to 20%
Computer equipment	30%
Yacht	10%

The carrying value of properties shown above comprises:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Buildings on leasehold land outside Hong Kong under medium term lease . . . . .	11,981	10,959	10,086

As at 31 December 2015, 2016 and 2017, certain property, plant and equipment located in Vietnam with aggregated carrying amount of approximately HK\$13,571,000, HK\$11,681,000 and HK\$8,986,000 respectively were pledged to secure bank borrowings (Note 24) and general bank facilities granted to the group entities.

The Group's property, plant and equipment included motor vehicles held under finance leases with carrying amount of HK\$99,000, HK\$600,000 and HK\$459,000 as at 31 December 2015, 2016 and 2017, respectively.

## 16. PREPAID LEASE PAYMENTS

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>COST</b>			
At the beginning and end of the year . . . .	5,447	5,447	5,447
<b>AMORTISATION</b>			
At the beginning of the year . . . . .	1,005	1,142	1,279
Provided for the year . . . . .	137	137	137
At the end of the year . . . . .	1,142	1,279	1,416
<b>CARRYING VALUES</b>			
At the end of the year . . . . .	<u>4,305</u>	<u>4,168</u>	<u>4,031</u>
Analysis by:			
Current portion . . . . .	137	137	137
Non-current portion . . . . .	<u>4,168</u>	<u>4,031</u>	<u>3,894</u>
	<u>4,305</u>	<u>4,168</u>	<u>4,031</u>

The Group's prepaid lease payments comprise leasehold interests in a land situated in Vietnam and held under medium-term lease.

As at 31 December 2015, 2016 and 2017, the prepaid lease payments were pledged to secure bank borrowings (Note 24) and general bank facilities granted to the Group entities.

## 17. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed investments (Level 1):			
— Equity securities listed in Hong Kong	13	14	20
Unlisted investments (Level 3):			
— Debt securities . . . . .	<u>1,559</u>	<u>1,421</u>	<u>1,918</u>
	<u>1,572</u>	<u>1,435</u>	<u>1,938</u>

The investments in unlisted bonds and listed equity securities are stated at fair value. Disclosures of the fair value measurement are set out in Note 31(c).

**18. DEPOSITS PAID FOR PROPERTIES**

The amounts represent deposits paid for acquisition of residential properties to property developers in Vietnam by Fleming Vietnam during each of the years ended 31 December 2015 and 2016 and installments were paid during 1 January 2015 to July 2017 and the amounts are classified as non-current assets. In 26 July 2017, the Group transferred the rights to acquire four residential properties in Vietnam to Mr. Andrew Wong and Mr. Vincent Wong at the market values of the properties in which HK\$2,043,000 was set off the amount due to a director and HK\$2,473,000 was included in to amount due from a director.

**19. INVENTORIES**

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials . . . . .	6,399	6,402	10,700
Work in progress . . . . .	1,667	1,427	2,496
Finished goods . . . . .	2,645	1,766	7,970
Goods in transit . . . . .	592	936	4,235
	11,303	10,531	25,401
Less: Allowance for inventories . . . . .	(640)	(813)	(1,033)
	<u>10,663</u>	<u>9,718</u>	<u>24,368</u>

**20. TRADE AND OTHER RECEIVABLES****The Group**

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables . . . . .	19,592	24,825	30,230
Less: Allowance for doubtful debts . . . . .	(149)	—	—
	19,443	24,825	30,230
Deposits and prepayments . . . . .	687	1,058	1,727
Prepayments for listing expenses . . . . .	—	3,127	593
Deferred listing expenses . . . . .	—	336	4,800
Other receivables . . . . .	194	2	153
Total . . . . .	<u>20,324</u>	<u>29,348</u>	<u>37,503</u>

The Group allows credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
0-30 days	8,956	12,811	13,743
31-60 days	5,385	7,076	9,849
61-90 days	2,073	2,332	3,009
91-180 days	1,587	2,395	2,452
Over 180 days	1,442	211	1,177
	<u>19,443</u>	<u>24,825</u>	<u>30,230</u>

Included in the Group's trade receivables are debtors with a carrying amount of HK\$7,129,000, HK\$5,122,000 and HK\$6,061,000 at 31 December 2015, 2016 and 2017, respectively which are past due at the end of reporting period but are regarded as not impaired as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

#### Aging of trade receivables that are past due but not impaired

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Overdue:			
1-30 days	3,483	2,297	3,398
31-60 days	2,121	680	847
61-90 days	68	1,134	63
Over 90 days	1,457	1,011	1,753
	<u>7,129</u>	<u>5,122</u>	<u>6,061</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired are from customers with good credit quality with reference to respective settlement history. The Group does not hold any collateral over these balances.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of each of the reporting period.

## Movement in the allowance for doubtful debts of trade receivables

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year . . . . .	—	149	—
Impairment loss recognised in profit or loss	149	—	—
Impairment loss reversed . . . . .	—	(67)	—
Amount written off as uncollectible . . . . .	—	(82)	—
At end of year . . . . .	<u>149</u>	<u>—</u>	<u>—</u>

Included in allowance for doubtful debts of trade receivables at 31 December 2015, 2016 and 2017 are individually impaired trade receivables amounting to HK\$149,000, Nil and Nil, respectively. The management has reviewed the repayment history of these long overdue customers, considering their deteriorating credit quality and no amount expected to be settled subsequent to the end of the reporting period, and accordingly, full impairment was recognised. The Group does not held any collateral over these receivables.

Further, the management of the Group has determined that trade receivables amounting to Nil, HK\$82,000 and Nil, which had been fully impaired, were written off during the year ended 31 December 2015, 2016 and 2017, respectively which have either been placed liquidation or are in financial difficulties.

**The Company**

	As at 31 December 2017
	<i>HK\$'000</i>
Deferred listing expenses . . . . .	<u>4,800</u>

## 21. AMOUNTS DUE FROM (TO) DIRECTORS/RELATED COMPANIES

	As at 31 December			Maximum amount outstanding during		
	2015	2016	2017	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Amount due from a director</b>						
Mr. Vincent Wong (Note i) . . . . .	—	770	5,396	4,847	4,780	5,406
<b>Amounts due from related companies</b>						
Feel Good Limited (Notes i and iii) . . . . .	867	861	—	1,646	877	861
Purple Cloud (Zi Yun) Design Limited (Notes i and ii) . . . . .	330	235	—	633	563	235
	1,197	1,096	—			
<b>Amounts due to directors</b>						
Mr. Andrew Wong (Note i) . . . . .	4,680	9,139	2,446			
Mr. Vincent Wong (Note i) . . . . .	535	—	—			
	5,215	9,139	2,446			

The amount due from a director and amounts due from related companies during the Track Record Period are denominated in HK\$, which is currency other than functional currency of the relevant group entities.

The Group's amounts due to directors that are denominated in currency other than functional currency of the relevant group entities at the end of each reporting period are as follows:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
HK\$ . . . . .	3,394	7,626	1,618
VND . . . . .	1,821	1,513	828

As represented by the directors of the Company, the amounts are expected to be settled before the listing of the Company's shares on GEM of the Stock Exchange (the "Listing").

## Notes:

- (i) The amounts were non-trade related, unsecured, non-interest bearing and repayable on demand.

- (ii) Mr. Vincent Wong held 50% equity interest in this related company and he is also one of the directors of the related company.
- (iii) The related company is held as to 50% by Ms. Wong Wan Yan, a sister of Mr. Andrew Wong and Mr. Vincent Wong, the directors and shareholders of the Company.

## 22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits of the Group are pledged to banks for securing bank borrowings (Note 24). The bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The pledged bank deposits/bank balances carry interest at market rates as follows:

	As at 31 December		
	2015	2016	2017
Range of interest rate per annum:			
Pledged bank deposits . . . . .	0.15%–0.50%	0.20%–0.50%	0.10%–0.20%
Bank balances . . . . .	0.0017%–0.50%	0.001%–0.50%	0.001%–0.50%

The carrying amounts of the Group's pledged bank deposits and bank balances and cash denominated in currencies other than functional currency of the relevant group entities at each of the reporting date are as follows:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$ . . . . .	1,576	3,684	4,180
Renminbi ("RMB") . . . . .	47	2	—
Vietnamese Dong ("VND") . . . . .	148	227	179

## 23. TRADE AND OTHER PAYABLES

## The Group

The following is an aged analysis of trade payables presented based on the invoice date:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables:			
1–30 days . . . . .	5,432	5,294	11,777
31–60 days . . . . .	367	1,004	3,602
61–90 days . . . . .	939	400	430
91–180 days . . . . .	159	2,706	303
	<u>6,897</u>	<u>9,404</u>	<u>16,112</u>
Other payables . . . . .	1,228	1,853	1,665
Deposits received from customers . . . . .	112	307	204
Accrued expenses . . . . .	1,444	1,911	2,451
Accruals for listing expenses . . . . .	—	—	11,591
	<u>9,681</u>	<u>13,475</u>	<u>32,023</u>

The credit period on purchases of goods is 0 to 90 days.

The Group's trade payables that are denominated in currencies other than functional currency of the relevant group entities at the end of each reporting period are as follows:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$ . . . . .	1,808	1,649	127
RMB . . . . .	2,027	3,958	—
VND . . . . .	2,464	3,797	2,429
	<u>6,299</u>	<u>9,404</u>	<u>4,983</u>



## The Company

	As at 31 December 2017
	<i>HK\$'000</i>
Accruals for listing expenses .....	10,662
Others .....	3
	<u>10,665</u>

## 24. BANK BORROWINGS

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans .....	20,357	23,940	21,186
Import and export loans .....	4,580	5,869	5,572
Bank overdrafts .....	4,825	4,980	4,978
	<u>29,762</u>	<u>34,789</u>	<u>31,736</u>

All of the Group's borrowings are guaranteed and secured and carried variable rate of interest.

The variable-rate secured bank borrowings are repayable as follows:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amounts repayable (based on scheduled repayable terms):			
Within one year . . . . .	24,729	30,837	29,636
More than one year,			
but not more than two years . . . . .	1,634	1,404	774
More than two years,			
but not more than five years . . . . .	3,399	2,548	1,326
	<u>29,762</u>	<u>34,789</u>	<u>31,736</u>
Less: Amounts due shown under current liabilities			
— due within one year . . . . .	(24,729)	(30,837)	(29,636)
— due after one year but contain a repayable on demand clause . . . . .	(2,324)	(1,701)	(730)
	<u>2,709</u>	<u>2,251</u>	<u>1,370</u>

As at 31 December 2015, 2016 and 2017, including in the Group's bank borrowings has an instalment loan of approximately HK\$1,643,000, HK\$805,000 and nil which was secured by the guarantee given by the Hong Kong Mortgage Corporation Limited and personal guarantees by Mr. Vincent Wong and Mr. Andrew Wong. Such instalment loan was fully repaid during the year ended 31 December 2017.

The banking facilities contain various covenants which include the maintenance of certain financial ratios and restrictions on the maximum amounts due from directors and related companies. The directors of the Company have reviewed the covenants compliance and represented to us that they were not aware of any breach during the Track Record Period.

At 31 December 2015, the bank borrowings were guaranteed by personal guarantees from Mr. Andrew Wong and Mr. Vincent Wong; and secured by (i) unlisted debt securities of HK\$1,559,000 (Note 17); (ii) pledged bank deposits; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK\$13,571,000; and/or (iv) the Group's prepaid lease payments of HK\$4,305,000.

At 31 December 2016, the bank borrowings are guaranteed by personal guarantees from Mr. Andrew Wong and Mr. Vincent Wong; and secured by (i) unlisted debt securities of HK\$1,421,000 (Note 17); (ii) pledged bank deposits; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK\$11,681,000; and/or (iv) the Group's prepaid lease payments of HK\$4,168,000.

At 31 December 2017, the bank borrowings are guaranteed by personal guarantees from Mr. Andrew Wong and Mr. Vincent Wong; and secured by (i) unlisted debt securities of HK\$1,918,000 (Note 17); (ii) pledged bank deposits; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK\$8,986,000; and/or (iv) the Group's prepaid lease payments of HK\$4,031,000.

The variable-rate bank borrowings are carried interest at Prime Rate less 1.5% per annum, Prime Rate plus 0.25% per annum and Singapore Interbank Offered Rate plus 2.5% to 4.6% per annum.

The effective interest rates (which are also equal to contracted interest rates) of the Group's borrowings are as follow:

	Year ended 31 December		
	2015	2016	2017
Effective interest rates (per annum):			
Variable-rate bank borrowings . . . . .	<u>3.75%–9.00%</u>	<u>3.75%–9.33%</u>	<u>3.75%–9.00%</u>

The carrying amounts of the Group's bank borrowings that are denominated in currencies other than functional currency of the relevant group entities at each of the reporting date are as follows:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
HK\$ . . . . .	16,793	18,565	15,751
VND . . . . .	<u>1,726</u>	<u>1,572</u>	<u>799</u>

## 25. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Analysed for reporting purposes as:			
Current liabilities . . . . .	103	199	142
Non-current liabilities . . . . .	62	427	285
	<u>165</u>	<u>626</u>	<u>427</u>

The Group leases motor vehicles under finance leases. The average lease term is 4.5 years, 4.5 years and 4.5 years for the years ended 31 December 2015, 2016 and 2017. Interest rates underlying all obligations under finance leases are fixed at respective contract dates of 1.85%, ranging from 1.85% to 4.35% and 4.35% per annum for the years ended 2015, 2016 and 2017.

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December			As at 31 December		
	2015	2016	2017	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Obligations under finance leases payable:						
Within one year . . . . .	108	217	154	103	199	142
Within a period of more than one year but not more than two years . . . . .	63	154	154	62	137	146
Within a period of more than two years but not more than five years . . . . .	—	295	141	—	290	139
	<u>171</u>	<u>666</u>	<u>449</u>	<u>165</u>	<u>626</u>	<u>427</u>
Less: future finance charges . . . . .	(6)	(40)	(22)	—	—	—
Presented value of lease obligations . . . . .	<u>165</u>	<u>626</u>	<u>427</u>	165	626	427
Less: Amount due for settlement with 12 months (shown under current liabilities) . . . . .				(103)	(199)	(142)
Amount due for settlement after 12 months . . . . .				<u>62</u>	<u>427</u>	<u>285</u>

Finance lease obligations are denominated in HK\$, which are currency other than functional currency of the relevant group entities.

## 26. OTHER NON-CURRENT LIABILITIES

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for severance allowance for employees . . . . .	102	117	152

The amount represents the provision for severance payment set aside for the retirement of employees whose were employed by Fleming Vietnam before 2009. During the Track Record Period, the Group contributes 5% of relevant payroll costs to those staff employed by Fleming Vietnam before 2009.

The movement of the provision for severance allowance during the Track Record Period is set out as below:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount as at the beginning of the year . . . . .	124	102	117
Additions . . . . .	26	59	35
Utilisation during the year . . . . .	(48)	(44)	—
Carrying amount as at the end of the year . . . . .	102	117	152

**27. DEFERRED TAX ASSETS**

The deferred tax assets recognised and the movements thereon during the current and prior years:

	<b>Accelerated tax depreciation</b>
	<i>HK\$'000</i>
At 1 January 2015 . . . . .	—
Credit to profit or loss (Note 10) . . . . .	176
At 31 December 2015 . . . . .	176
Charge to profit or loss (Note 10) . . . . .	(70)
At 31 December 2016 . . . . .	106
Credit to profit or loss (Note 10) . . . . .	198
At 31 December 2017 . . . . .	<u>304</u>

As at 31 December 2015, 2016 and 2017, the Group did not recognise deferred tax assets arising from tax losses of nil, HK\$606,000 and HK\$554,000, respectively, due to the unpredictability of future project streams. The unrecognised tax losses can be carried forward indefinitely.

**28 SHARE CAPITAL****The Group**

Share capital as at 1 January 2015 and 31 December 2015 represented the aggregate amount of the issued and fully paid share capital of Fleming Hong Kong of HK\$5,000,008 and Britain Link of HK\$1.

On 4 November 2016, 850 ordinary shares of Fleming Hong Kong were allotted with 425 shares each to Mr. Andrew Wong and Mr. Vincent Wong at an aggregate consideration of HK\$850. At 31 December 2016, the amount of the issued and fully paid share capital of Fleming Hong Kong of HK\$5,000,858 and Britain Link of HK\$1. Upon the transfer of 9.3% equity interest in Fleming Hong Kong to non-controlling interest as stated in Note 2, the share capital represented the aggregate amount of the share capital of Fleming Hong Kong attributable to the owners of the Company of HK\$4,535,778 and Britain Link of HK\$1.

On 7 February 2017, 140 new shares of Fleming Hong Kong were issued and allotted to Vibes at an aggregate consideration of HK\$14,000,000 and the amount of the issued share capital of Fleming Hong Kong and Britain Link were HK\$19,000,858 and HK\$1 respectively. Upon the

completion of the allotment of new shares to the non-controlling interest of Fleming Hong Kong, the share capital represented the aggregate amount of the share capital of Fleming Hong Kong attributable to Controlling Shareholders of the Company of HK\$14,820,669 and Britain Link of HK\$1 as at 8 September 2017. On the same date, Fleming International acquired the entire issued share capital of Fleming Hong Kong (1,000 shares) from Mr. Andrew Wong, Mr. Vincent Wong and Vibes, respectively, by issuing and allotting 77 and 22 Fleming International's shares respectively to AVW and to Vibes Enterprises, all credited as fully paid. As a result, the non-controlling interests in Fleming Hong Kong, held by Vibes, was subsequently taken up by the owners of the Company on 8 September 2017. The share capital of the Group as at 31 December 2017 represented the issued share capital of the Company.

### The Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 5 July 2017 and the Group Reorganisation was completed on 13 September 2017. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon its incorporation, 1 subscriber share was allotted and issued as fully paid to the first subscriber, Reid Services Limited, in which was subsequently transferred to AVW. Further, 99 additional shares were issued as fully paid, in which 77 shares were allotted to AVW while 22 shares were transferred to Vibes Enterprises at par.

On 13 September 2017, the Company issued and allotted 78 new shares and 22 new shares to AVW and Vibes Enterprises at par, respectively as the consideration for the acquisition of the entire issued share capital of Fleming International from AVW and Vibes Enterprises, respectively. Upon the completion of this share swap of the Group Reorganisation, the share capital of the Group as at 31 December 2017 represented the aggregate 200 shares of the Company issued of HK\$0.01 each.

## 29. INVESTMENT IN A SUBSIDIARY/AMOUNTS DUE TO SUBSIDIARIES

### The Company

	<b>As at 31 December 2017</b>
	<i>HK\$'000</i>
Unlisted investment, at cost . . . . .	45,435
Amounts due to subsidiaries . . . . .	13,886

The amounts due to subsidiaries are non-trade related, unsecured, non-interest bearing and repayable on demand.

**30. CAPITAL RISK MANAGEMENT**

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes the secured bank borrowings, amounts due to directors and obligations under finance leases, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure from time to time. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debt or the redemption of existing debts.

**31. FINANCIAL INSTRUMENTS****a. Categories of financial instruments**

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>The Group</b>			
<b>Financial assets</b>			
Loans and receivables (including cash and cash equivalents) . . . . .	45,321	51,914	53,207
Available-for-sale investments . . . . .	1,572	1,435	1,938
	<u>46,893</u>	<u>53,349</u>	<u>55,145</u>
<b>Financial liabilities</b>			
Amortised cost . . . . .	43,102	55,485	51,959
Obligations under finance leases . . . . .	165	626	427
	<u>43,267</u>	<u>56,111</u>	<u>52,386</u>
<b>The Company</b>			
<b>Financial liability</b>			
Amortised cost . . . . .	—	—	13,886
	<u>—</u>	<u>—</u>	<u>13,886</u>



**b. Financial risk management objectives and policies**

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amount due from a director, amounts due from related companies, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to directors, amounts due to subsidiaries, dividend payable to shareholders, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Market risks***

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. Details of each type of market risks are described as follows:

***(i) Interest rate risk management***

The Group is exposed to fair value interest rate risk in relation to its fixed-rate available-for-sale investments, amounts due from (to) directors and amounts due to subsidiaries.

The Group is exposed to cash flow interest rate risk in relation to variable rate bank balances, pledged bank deposits and secured bank borrowings. The Group currently does not enter into any hedging instrument for cash flow interest rate risk. The Group monitors interest rate risk exposure and will consider hedging significant interest rate risk should the need arises.

**Sensitivity analysis**

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances, pledged bank deposits and bank borrowings at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease represents management's assessment on the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for variable rate bank balances and pledged bank deposits, with all other variables held constant, the Group's post tax profit (loss) for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 would increase(decrease)/decrease(increase) by approximately HK\$102,000, HK\$105,000 and HK\$72,000, respectively.

If interest rates had been 50 basis points higher/lower for variable rate bank borrowings, with all other variables held constant, the Group's post-tax profit (loss) for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 would decrease(increase)/increase(decrease) by approximately HK\$124,000, HK\$145,000 and HK\$130,000, respectively.

If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's other comprehensive (expense) income would (increase)decrease/(decrease)increase by HK\$7,000, HK\$6,000 and HK\$8,000 for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 mainly as a result of the changes in the fair value of debt securities included in available-for-sale investments.

The directors of the Company considered the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of each reporting period does not reflect the exposure during the Track Record Period.

(ii) *Foreign currency risk*

Certain transactions of the Group are denominated in foreign currencies which are different from the functional currency of the Group, i.e. ("USD"). The Company is mainly exposed to foreign exchange risk arising from transactions that are denominated in HK\$, VND and RMB. The Group currently does not have a foreign currency hedging policy. However, the management manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should the need arises.

The carrying amounts of the foreign currency denominated monetary assets and liabilities at the reporting period are as follows:

	Assets			Liabilities		
	As at 31 December			As at 31 December		
	2015	2016	2017	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>The Group</b>						
HK\$ .....	2,773	5,552	9,576	22,535	29,923	18,442
RMB .....	49	2	—	2,027	3,958	—
VND .....	340	227	332	6,871	7,568	5,202
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>The Company</b>						
HK\$ .....	—	—	—	—	—	13,886
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Sensitivity analysis

The Group is mainly exposed to the effects of fluctuations in USD against RMB, VND and HK\$.

As HK\$ is pegged to USD, the exposures to fluctuations in exchange rate of USD against HK\$ are considered insignificant and are not considered in the sensitivity analysis.

The following table details the Group's sensitivity to a 5% increase and decrease in the entity's respective functional currency against its relevant foreign currencies, excluding HK\$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the directors of the Company's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive (negative) number below indicates increase (decrease) in post-tax profit (loss) for the year where USD strengthens against the relevant currency. For a 5% weakening of USD against the relevant currency, there would be an equal and opposite impact on the post-tax profit (loss) for the year.

	Year ended 31 December		
	2015	2016	2017
	<i>RMB Impact</i>	<i>RMB Impact</i>	<i>RMB Impact</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Post-tax profit (loss) for the year . . . . .	83	165	—
	<i>VND Impact</i>	<i>VND Impact</i>	<i>VND Impact</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Post-tax profit (loss) for the year . . . . .	278	312	195

*(iii) Other price risk*

The Group is exposed to price risk through its available-for-sale investments. The directors of the Company manage this exposure by maintaining a portfolio of investments with different risks.

## Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If the prices of the respective listed available-for-sale investments has been 5%, 5% and 5% higher/lower, other comprehensive (expense) income for the years ended 31 December 2015, 31

December 2016 and 31 December 2017 would (decrease)increase/ (increase)decrease by HK\$1,000, HK\$1,000 and HK\$1,000, respectively as a result of the changes in fair value of available-for-sale investments.

In the opinion of directors of the Company, the sensitivity analysis is unrepresentative of the Group's price risk as it only reflects the impact of price changes to available-for-sale investments held at the end of each reporting period but not the exposure during the Track Record Period.

### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

	Weighted average interest rate	Repayable on demand/ less than 1 year	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>The Group</b>						
<b>At 31 December 2015</b>						
Trade and other payables . . . . .	—	8,125	—	—	8,125	8,125
Amounts due to directors . . . . .	—	5,215	—	—	5,215	5,215
Bank borrowings . . . . .	7.16	27,054	477	2,599	30,130	29,762
Obligations under finance leases . . . . .	1.85	108	63	—	171	165
		<u>40,502</u>	<u>540</u>	<u>2,599</u>	<u>43,641</u>	<u>43,267</u>
<b>At 31 December 2016</b>						
Trade and other payables . . . . .	—	11,257	—	—	11,257	11,257
Amount due to a director . . . . .	—	9,139	—	—	9,139	9,139
Dividend payable . . . . .	—	300	—	—	300	300
Bank borrowings . . . . .	7.03	32,538	473	2,072	35,083	34,789
Obligations under finance leases . . . . .	4.10	217	154	295	666	626
		<u>53,451</u>	<u>627</u>	<u>2,367</u>	<u>56,445</u>	<u>56,111</u>

	Weighted average interest rate	Repayable on demand/ less than 1 year	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 31 December 2017</b>						
Trade and other payables . . . . .	—	17,777	—	—	17,777	17,777
Amount due to a director . . . . .	—	2,446	—	—	2,446	2,446
Bank borrowings . . . . .	7.16	30,366	391	1,361	32,118	31,736
Obligations under finance leases . . . . .	4.35	154	154	141	449	427
		<u>50,743</u>	<u>545</u>	<u>1,502</u>	<u>52,790</u>	<u>52,386</u>

**The Company****At 31 December 2017**

Amounts due to subsidiaries . . . . .	—	<u>13,886</u>	<u>—</u>	<u>—</u>	<u>13,886</u>	<u>13,886</u>
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Bank borrowings are included in the “repayable on demand or less than 1 year” time band in the above maturity analysis as the entire borrowings contain a repayment on demand clause. Taking into account the Group’s financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, the directors of the Company reviews the expected cash flows information of the Group’s bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

Bank borrowings	Weighted average effective interest rate	Within 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2015 . . . . .	7.16	24,729	1,751	4,567	31,047	29,762
At 31 December 2016 . . . . .	7.03	30,837	1,503	3,392	35,732	34,789
At 31 December 2017 . . . . .	7.16	<u>30,678</u>	<u>1,113</u>	<u>1,917</u>	<u>33,708</u>	<u>31,736</u>

**Credit risk**

The Group’s maximum exposure to credit risk in the event of the counterparties’ failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of the respective recognised financial assets as stated in the

consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables, amount due from a director, available-for-sale debt investments, pledged fixed deposits, bank balances and amounts due from related companies.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The credit risk on unlisted debt instruments under available-for-sale investments is limited because they are issued by a bank with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk on its trade receivables as 79%, 54% and 68% of such receivables as at 31 December 2015, 2016 and 2017, respectively, are due from the Group's top five major customers. In respect of these customers, given their good repayment history, the management considers that the credit risk associated with the balances of these customers is low.

The Group is also exposed to concentration of credit risk on amount(s) due from a director/related companies and concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings. Other than the above, the Group does not have other significant concentration of credit risk.

### **c. Fair value measurements of financial instruments**

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the Historical Financial Information approximate their fair values.

#### ***Fair value of the Group's financial assets that are measured at fair value on a recurring basis***

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

*Available-for-sale investments*

	Fair value as at			Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
	31 December 2015	31 December 2016	31 December 2017			
Listed available-for-sale investments (Note 17) . . . .	Listed equity securities in Hong Kong: HK\$13,000	Listed equity securities in Hong Kong: HK\$14,000	Listed equity securities in Hong Kong: HK\$20,000	Level 1	Quoted price in active market.	N/A
Unlisted available-for-sale investments (Note 17) . . . .	Unlisted bonds investments in Hong Kong: HK\$1,559,000	Unlisted bonds investments in Hong Kong: HK\$1,421,000	Unlisted bonds investments in Hong Kong: HK\$1,918,000	Level 3	Based on the reference prices of respective unlisted bonds provided by financial institution which is determined by using discounted cash flow with discount rate reflecting the credit risk of the issuers.	A slight increase in discount rate used would result in significant decrease in fair value measurement to the unlisted bonds investments and vice versa.

*Note: There were no transfers between level 1 and level 2 during the Track Record Period.*

## Reconciliation of level 3 fair value measurements:

	Unlisted available-for-sale bonds investments		
	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening balance . . . . .	1,650	1,559	1,421
Fair value (loss) gain in other comprehensive (expense) income . . . . .	(91)	(138)	497
Closing balance . . . . .	<u>1,559</u>	<u>1,421</u>	<u>1,918</u>

## 32. OPERATING LEASES

## The Group as lessee

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments under operating leases during the year:			
— office premises and warehouses . . . . .	1,067	1,067	1,069
— quarters and carparks for directors (included in directors' remuneration)	1,292	1,325	1,367
— office equipment . . . . .	43	44	37
	<u>2,402</u>	<u>2,436</u>	<u>2,473</u>

At the end of each reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises and warehouses, quarters and carparks for directors, and office equipment which fall due as follows:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year . . . . .	2,137	2,090	1,451
In the second to fifth year inclusive . . . . .	79	1,281	116
	<u>2,216</u>	<u>3,371</u>	<u>1,567</u>

Leases are negotiated for lease terms ranging from 1 to 2 years and rentals are fixed throughout the lease period.



**33. CAPITAL COMMITMENT**

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of the acquisition of residential properties contracted for but not provided (Note) . . .	1,357	4,904	—

*Note: The amounts in 2015 and 2016 represented the outstanding contractual amounts for the sale and purchase agreements entered into by the Group to acquire one and four residential properties in Vietnam, respectively.*

**34. RETIREMENT BENEFIT SCHEMES**

	Year ended 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributions made during the year . . . . .	1,537	1,904	2,202

The employees of the Group's subsidiary in Vietnam are members of a state-managed retirement benefit scheme operated by the local government. The subsidiary is required to contribute 5% of the relevant payroll costs to those staff employed before 2009 (details in Note 26) and a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group's subsidiary in Vietnam with respect to the retirement benefit scheme is to make the specified contributions. The total contribution to the state-managed retirement benefit scheme and charged to profit or loss amounted to HK\$1,358,000, HK\$1,718,000 and HK\$1,919,000 for the years ended 31 December 2015, 2016 and 2017, respectively.

The Group operates a scheme under Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000 for the Group's Hong Kong employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. For employees who are members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme subject to a maximum of HK\$1,500 per month, which contribution is matched by the employee. The total contribution to MPF Scheme and charged to profit or loss amounted to HK\$179,000, HK\$186,000 and HK\$283,000 for the years ended 31 December 2015, 2016 and 2017, respectively.

**35. MAJOR NON-CASH TRANSACTION**

Additions to property, plant and equipment of approximately Nil, HK\$706,000 and Nil for the years ended 31 December 2015, 2016 and 2017, respectively, were made under the finance leases.

During the year ended 31 December 2017, deposits paid for properties of approximately HK\$4,516,000 was transferred to two directors of the Company in which HK\$2,043,000 was set off the amount due to a director and HK\$2,473,000 was included in amount due from a director.

**36. RELATED PARTY DISCLOSURES**

(i) The Group entered into the following significant transactions with related parties during the Track Record Period:

Name of related party	Nature of transactions	Year ended 31 December		
		2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000
Fairyland Co. (Note 1)	Consultancy fee expense	158	—	—
Feel Good Limited (Note 2)	Management fee income	120	120	—

*Notes:*

1. Fairyland Co. is wholly owned by Mr. Chau Pong, the uncle of Mr. Andrew Wong and Mr. Vincent Wong.
2. Feel Good Limited is held as to 50% by Ms. Wong Wan Yan, the sister of Mr. Andrew Wong and Mr. Vincent Wong.

(ii) Details of balances and other transactions with related parties are set out in Notes 18, 21, 24, 29 and 35.

(iii) During the Track Record Period, Mr. Andrew Wong and Mr. Vincent Wong provided personal guarantees to secure the repayment obligations under banking facilities granted to the Group as disclosed in Note 24. These personal guarantees will be released and/or replaced by corporate guarantees provided by the Company. As represented by the directors of the Company, the personal guarantees are expected to be released before the Listing.

**(iv) Compensation of key management personnel**

The directors of the Company were considered to be the key management personnel of the Company. The remuneration of the directors of the Company is set out in Note 12.

## 37. PARTICULARS OF SUBSIDIARIES

During the Track Record Period and as at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Company			Principal activities	Notes	
			As at 31 December					At the date of this report
			2015	2016	2017			
<b>Directly held:</b>								
Fleming International	BVI 5 July 2017	Ordinary shares US\$50,000	N/A	N/A	100%	100%	Investment holding	(a)
<b>Indirectly held:</b>								
Fleming Hong Kong	Hong Kong 29 June 1993	Ordinary shares HK\$19,000,998	100%	90.7%	100%	100%	Trading of candle products and investment holding	(b)
Fleming Vietnam	Vietnam 12 October 2004	Ordinary shares USD1,800,000 (equivalent to HK\$13,968,000)	100%	90.7%	100%	100%	Design, manufacture and trading of candle/fragrance products	(c)
Success Glory	BVI 2 March 2004	Ordinary shares US\$5,000	100%	90.7%	100%	100%	Investment holding	(a)
Fleming China	PRC 21 June 2007	Registered capital HK\$1,000,000	100%	N/A	N/A	N/A	Deregistered	(d)
Britain Link (Note f)	Hong Kong 1 August 2011	Ordinary share HK\$1	100%	100%	100%	100%	Trading of candle products	(e)

All subsidiaries now comprising the Group have adopted 31 December as their financial year end date.

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*Notes:*

- (a) No audited financial statements of Fleming International and Success Glory have been prepared since their respective dates of incorporation as they are incorporated in the jurisdiction where there are no statutory audit requirements.
- (b) The statutory financial statements of Fleming Hong Kong for the year ended 31 December 2015 were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the HKICPA and were audited by FTW & Partners CPA Limited. The statutory financial statements of Fleming Hong Kong for the year ended 31 December 2016 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us. The statutory financial statements of Fleming Hong Kong for the year ended 31 December 2017 was not yet due for issue at the date of this prospectus.
- (c) The statutory financial statements of Fleming Vietnam for the year ended 31 December 2015 were prepared in accordance with Vietnamese Accounting Standards and were audited by CPA A Chau Audit & Advisory Company Limited, certified public accountants registered in Vietnam. The statutory financial statements of Fleming Vietnam for the year ended 31 December 2016 were prepared in accordance with Vietnamese Accounting Standards and were audited by Deloitte Vietnam Company Ltd., certified public accountants registered in Vietnam. The statutory financial statements of Fleming Vietnam for the year ended 31 December 2017 was not yet due for issue at the date of this prospectus.
- (d) No statutory audited financial statements of Fleming China have been prepared for the years ended 31 December 2015 and 2016 as it became inactive since 31 December 2010. Fleming China completed the deregistration procedures with the relevant authorities (i.e. Market Supervision Administration of Shenzhen Municipality in the PRC) on 9 December 2016.
- (e) The statutory financial statements of Britain Link for the year ended 31 December 2015 were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the HKICPA and were audited by FTW & Partners CPA Limited. The statutory financial statements of Britain Link for the year ended 31 December 2016 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us. The statutory financial statements of Britain Link for the year ended 31 December 2017 was not yet due for issue at the date of this prospectus.
- (f) The entire issued share capital of Britain Link was legally held by Mr. Chau Pong on trust for Mr. Andrew Wong and Mr. Vincent Wong in equal shares. As such, Britain Link is wholly and beneficially owned by Mr. Andrew Wong and Mr. Vincent Wong in equal shares.

## 38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes liabilities arising from financing activities are those of which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Non-cash changes				As at 31 December 2015
	As at 1 January 2015	Financing cash flow <sup>(i)</sup>	Dividend declared	Other changes <sup>(ii)</sup>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings, excluding bank overdrafts (Note 24) . . . . .	30,157	(5,220)	—	—	24,937
Amounts due to directors (Note 21) . . . . .	7,025	(1,810)	—	—	5,215
Accrued interests . . . . .	—	(1,666)	—	1,666	—
Dividend payable to shareholders . . . . .	—	(2,400)	2,400	—	—
Obligations under finance leases (Note 25). . . . .	263	(98)	—	—	165
	<u>37,445</u>	<u>(11,194)</u>	<u>2,400</u>	<u>1,666</u>	<u>30,317</u>

	Non-cash changes				As at 31 December 2016
	As at 1 January 2016	Financing cash flow <sup>(i)</sup>	Dividend declared	New finance lease (Note 35)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings, excluding bank overdrafts (Note 24) . . . . .	24,937	4,872	—	—	29,809
Amounts due to directors (Note 21). . . . .	5,215	3,924	—	—	9,139
Accrued interests . . . . .	—	(1,662)	—	—	1,662
Dividend payable to shareholders . . . . .	—	(8,400)	8,700	—	300
Issued costs deferred/accrued . . . . .	—	(336)	—	—	336
Obligations under finance leases (Note 25). . . . .	165	(245)	—	706	626
	<u>30,317</u>	<u>(1,847)</u>	<u>8,700</u>	<u>706</u>	<u>39,874</u>

	As at 1 January 2017	Financing cash flow <sup>(i)</sup>	Non-cash changes		As at 31 December 2017
			Transfer of deposits paid for properties to directors	Other changes <sup>(ii)</sup>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings, excluding bank overdrafts (Note 24) . . . . .	29,809	(3,051)	—	—	26,758
Amounts due to directors (Note 21). . . . .	9,139	(4,650)	(2,043)	—	2,446
Accrued interests . . . . .	—	(1,633)	—	1,633	—
Dividend payable to shareholders . . . . .	300	(300)	—	—	—
Obligations under finance leases (Note 25). . . . .	626	(199)	—	—	427
Issued costs deferred/accrued. . . . .	—	(4,464)	—	4,464	—
	<u>39,874</u>	<u>(14,297)</u>	<u>(2,043)</u>	<u>6,097</u>	<u>29,631</u>

(i) The cash flows from bank borrowings and amounts due to directors, make up the net amount of proceeds from borrowings and repayments of borrowings, advance from and repayment to directors in the consolidated statements of cash flows, respectively.

(ii) Other changes represent the accrued finance costs and listing expenses during the Track Record Period.

### 39. SUBSEQUENT EVENTS

Pursuant to the written resolutions of all shareholders of the Company passed on 23 June 2018, the Company has conditionally adopted a share option scheme (the “Share Option Scheme”). The principal terms of the Share Option Scheme are set out in section headed “Statutory and General Information — D. Share Option Scheme” in Appendix V to the Prospectus.

Pursuant to the written resolutions of all shareholders of the Company passed on 23 June 2018, conditional on the share premium account of the Company being credited as a result of the share offer, the directors of the Company were authorised to capitalise an amount of HK\$8,249,998 standing to the credit of the share premium account of the Company and to appropriate such amount as capital to pay up in full at par 824,999,800 Shares for allotment and issue to the shareholders at close of business on the date this resolution was passed, on a pro rata basis. The shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing shares of the Company.

### 40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Track Record Period.

*The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the years ended 31 December 2017 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this Prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.*

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Rules is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Share Offer had taken place as at 31 December 2017.

The audited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 December 2017 or any future dates following the Share Offer.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company is based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017 as derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2017	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 31 December 2017
	<i>HK\$'000</i> (Note 1)	<i>HK\$'000</i> (Note 2)	<i>HK\$'000</i>	<i>HK\$</i> (Note 3)
Based on a minimum offer price of HK\$0.28 per Share . . . . .	38,620	63,659	102,279	0.093
Based on a maximum offer price of HK\$0.36 per Share . . . . .	38,620	80,764	119,384	0.109

*Notes:*

- (1) The amount is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2017 of HK\$38,620,000, extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 275,000,000 Shares to be issued at a minimum offer price of HK\$0.28 or a maximum offer price of HK\$0.36 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses incurred or expected to be incurred by the Group (excluding those have been charged to profit or loss up to 31 December 2017 by the Group) and does not take into account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased pursuant to the Company's general mandate.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 31 December 2017 is arrived at after the adjustments referred to in Note 2 above and on the basis of 1,100,000,000 Shares in total, assuming that 275,000,000 Shares were issued pursuant to the Share Offer and the Capitalisation Issue had been completed on 31 December 2017. It is without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased pursuant to the Company's general mandate.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2017.
- (5) The property interests of the Group as at 31 March 2018 have been valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix III to this prospectus. Since there is a valuation surplus arising from the valuation of the property interest of the Group as compared to the carrying amounts of the property interest as at 31 December 2017, amounting to HK\$10,902,000, an additional depreciation expense of HK\$1,549,000 would have been charged to profit or loss had such assets been stated at valuation.



**REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Hyfusin Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hyfusin Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 29 June 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing by way of share offer on the Group's financial position as at 31 December 2017 as if the proposed transaction had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the years ended 31 December 2017, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong, 29 June 2018

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 March 2018 of the properties held by the Company.*



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No: C-030171

29 June 2018

The Board of Directors  
Hyfusin Group Holdings Limited  
Unit Nos. 4-8, 2/F.  
Aberdeen Marina Tower  
8 Shum Wan Road  
Aberdeen, Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties held by Hyfusin Group Holdings Limited (the "Company") and its subsidiaries (the "Group") in Vietnam, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market values of the property interests as at 31 March 2018 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have adopted the direct comparison approach in the valuation of properties by making reference to comparable market transactions in our assessment of the market value of the property interests. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 8 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including land title document relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in Vietnam and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have reviewed and considered the legal opinion issued by the legal advisor of Vietnam — Phuoc & Partners Law Co., Ltd. concerning the validity of the property interests in Vietnam.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contract have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in 18 May 2017 by Mr. Ha Nguyen and Ms. Duyen Pham who are members of the RICS.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in United States Dollar (USD). In valuing property interests, we have adopted an exchange rate of VND 10,000 to USD 0.44, which was approximately the prevailing exchange rate as at the date of valuation.

Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,  
for and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Gilbert C. H. Chan**

*MRICS MHKIS RPS (GP)*

*Director*

*Note: Gilbert C.H. Chan is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and 24 years of property valuation experience in the PRC, the United Kingdom as well as relevant experience in the Asia-Pacific region and Vietnam.*

## SUMMARY OF VALUES

## Property interests held for own occupation by the Group

No.	Property	Market value in existing state as at 31 March 2018 <i>USD</i>
1.	Land Plot No.103/1, 103/2, and 103/3, Road 5, Amata Industrial Park, Bien Hoa City, Dong Nai Province, Vietnam	2,302,000
2.	Apartment No. 16.03, No. 21.03 located at 16th and 21st Floor, Block 3, No. 4-9.03 located at 9th Floor, Block 4, and No. 5-15.02 located at 15th Floor, Block 5, The Vista, 628C, Hanoi Highway, An Phu Ward, District 2, Ho Chi Minh City, Vietnam	922,000
	<b>Total:</b>	<b>3,224,000</b>



## VALUATION CERTIFICATE

## Property interests held for own occupation by the Company

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018 <i>USD</i>
1.	Land Plot No. 103/1, 103/2 and 103/3, Road 5, Amata Industrial Park, Bien Hoa City, Dong Nai Province, Vietnam	<p>The property comprises 3 parcels of land with a total site area of approximately 14,149.7 sq.m. with 3 buildings and various ancillary structures erected thereon which were completed in various stages between 2005 and 2007.</p> <p>The buildings have a total gross floor area of approximately 7,395.5 sq.m.</p> <p>The buildings mainly include factory, office and warehouse.</p> <p>The Property is held under leasehold interests, with an unexpired term until 30 November 2044 and 31 December 2044 respectively for industrial use.</p>	The property is currently occupied by the Group for manufacturing purposes.	2,302,000

*Notes:*

1. Fleming International Vietnam Limited is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to 2 copies of Land Use Rights Certificate No. AC432683 dated on 25 July 2005, No. AH866450 dated on 14 February 2005 and a Certificate of land use right and ownership house and other assets attached on the land No. BD174847 dated on 21 February 2011 provided to us by the Group, 3 parcel of lands with a total site area of approximately 14,149.7 sq.m. have been issued to Fleming International Vietnam Limited with an unexpired term until 30 November 2044 and 31 December 2044 respectively for industrial use purpose.
3. Pursuant to 2 Certificate of ownership of construction works No. 470125285 dated on 30 October 2006, No. 757312602000111 dated on 21 June 2007 and a Certificate of land use right and ownership house and other assets attached on the land No. BD174847 dated on 21 February 2011, the buildings with a total gross floor area of approximately 7,395.5 sq.m. are owned by Fleming International Vietnam Limited.
4. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristics as the subject property. The unit prices of these comparables range from USD279 to USD338 per sq.m. Appropriate adjustments are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed unit rate of USD311 per sq.m.

5. The existing financial securities registered against the Property title are as follows:
  - a. A credit agreement No. DNI/LC/TR/10/047 dated 19 November 2010 in favour of VID Public Bank in connection with a loan amount of USD1,400,000 secured by 3 parcel of lands with a total site area of approximately 14,149.7 sq.m. and the buildings erected thereon, 2 apartments of 149.8 sq.m. and 101.52 sq.m. respectively.
  - b. A credit agreement No. SHBBH/2013/HDTD-059 dated 12 June 2013 and Amendment and Supplement document of Credit Agreement No. SHBBH/2013/HDTD-059/ANNEX-05 dated 27 March 2017 in favour of Shinhan Bank in connection with a loan amount of USD500,000 secured by a parcel of lands with site area of approximately 3,820.7 sq.m. and the buildings erected thereon.
  
6. We have been provided with a legal opinion regarding the property interest by the Company’s Vietnam legal advisers, which contains, inter alia, the following:
  - a. The Group has obtained the Land Use Rights Certificates of the property and is entitled to legally use, transfer, lease, mortgage or otherwise dispose of the Land Use Rights of the property, subject to the written approval by Amata Company.
  - b. The Group has obtained the Building Certificates of the property and is entitled to legally use, transfer, lease, mortgage or otherwise dispose of the ownership rights of the property, subject to the written approval by Amata Company.
  - c. The property is subject to the financial securities mentioned in Note 5.
  
7. Details of the property:
  - a) General description of location of the property : The property is approximately 3 km to Hanoi Highway, 7km to Bien Hoa City and 30km to Ho Chi Minh City. The subject site can be easily accessed via Hanoi Highway, which is a main road between Dong Nai Province an Ho Chi Minh City.  
  
The site is rectangular in shape and the surrounding developments are mainly factories.
  - b) Details of encumbrances, liens, pledges, mortgages against the property : Please refer to Note 5 and 6.
  - c) Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
  - d) Future plans for construction, renovation, improvement or development of the property and estimated associated costs : Nil

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2018 USD
2.	Apartment No. 16.03, No. 21.03, located at 16th and 21st Floor, Block 3, No. 4-9.03 located at 9th Floor, Block 4 and No. 5-15.02 located at 15th Floor, Block 5, The Vista, 628C Hanoi Highway, An Phu Ward, District 2, Ho Chi Minh City, Vietnam	<p>The property comprises 4 apartment units located on Level 16, 21 of Block T3, Level 9 of Block T4 and Level 15 of Block T5 of The Vista Apartment Building respectively.</p> <p>The apartment units have a total living floor area of approximately 494.8 sq.m.</p> <p>The Vista Apartment Building comprises 4 towers of residential building and 1 tower of office and service apartment building on a 3-storey retail podium.</p> <p>Ancillary facilities include swimming pool, tennis court, playground and sports club.</p>	The property is currently occupied by the Group for residential purpose.	922,000

## Notes:

1. Fleming International Vietnam Limited is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to 4 copies of Certificate of land use right and ownership house and other assets attached on the land No. BK 62936, BK 62935, CE 750275 and CE 750293 dated on 1 June 2013 and 13 December 2016 provided to us by the Group, 4 residential units with a total living area of approximately 494.8 sq.m. have been issued to Fleming International Vietnam Limited.
3. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristics as the subject property. The unit prices of these comparables range from USD1,773 to USD2,222 per sq.m. Appropriate adjustments are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed unit rate of USD1,821 to USD1,907 per sq.m.

4. The existing financial securities registered against the Property title are as follows:
  - a. A credit agreement No. DNI/FL/10/001 and mortgage agreement No. DNI/FL/10/001 dated 8 April 2010 in favour of VID Public Bank in connection with a loan amount of USD360,000 secured by 2 residential units No. 21.03 and No. 16.03 with a total living area of approximately 251.3 sq.m.
  - b. A credit agreement No. SHBBH/2014/HDTD-516, mortgage agreement No. SHBBH/2014/HDTD-516A and mortgage agreement No. SHBBH/2014/HDTD-516B dated 8 July 2014 in favour of Shinhan Bank in connection with a loan amount of VND5,780,000,000 secured by 2 residential units No. 4-9.03 and No. 5-15.02 with a total living area of approximately 243.5 sq.m.
5. We have been provided with a legal opinion regarding the property interest by the Company's Vietnam legal advisers, which contains, inter alia, the following:
  - a. The Group has obtained the Land Use Rights Certificates of the property and is entitled to legally use, transfer, lease, mortgage or otherwise dispose of the Land Use Rights of the property.
  - b. The Group has obtained the Building Certificates of the property and is entitled to legally use, transfer, lease, mortgage or otherwise dispose of the ownership rights of the property.
  - c. The property is subject to the financial securities mentioned in Note 4.
6. Details of the property:
  - a) General description of location of the property : The property is approximately 8km to the northeast of the CBD of Ho Chi Minh City. The subject site can be easily accessed via Ha Noi Highway, which is a main road between Dong Nai Province and Ho Chi Minh City.
  - b) Details of encumbrances, liens, pledges, mortgages against the property : Please refer to Note 4 and 5.
  - c) Details of investigations, notices, pending litigation, breaches of law or title defects : Nil
  - d) Future plans for construction, renovation, improvement or development of the property and estimated associated costs : Nil

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## APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 July 2017 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

### 2. ARTICLES OF ASSOCIATION

The Articles were adopted on 23 June 2018 and will be effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

#### (a) Shares

##### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

##### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

***(iii) Alteration of capital***

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

***(iv) Transfer of shares***

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

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## APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

### ***(v) Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.



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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

---

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors**

**(i) *Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

*(iv) Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

***(vi) Compensation or payments for loss of office***

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

***(vii) Loans and provision of security for loans to Directors***

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

***(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries***

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

***(ix) Proceedings of the Board***

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member**

***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.



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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings***

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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*(iv) Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

*(v) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(vi) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

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## APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

### **(f) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

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## APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

### **(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

### **(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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**(i) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 5 July 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.



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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

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## **APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

### **(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

### **(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

### **(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 19 July 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

---

management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "B. Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 July 2017. Our Company's registered office is at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Our Company has established a principal place of business in Hong Kong at Unit Nos. 4–8, 2/F, Aberdeen Marina Tower, 8 Shum Wan Road, Aberdeen, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 30 August 2017. Our Company has appointed Mr. Vincent Wong as its authorised representative for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law and to our Company's constitution, which comprises the Memorandum and the Articles. A summary of various parts of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

**2. Changes in share capital of our Company**

As at the date of incorporation of our Company, its authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Following its incorporation, one Share was allotted and issued to the first subscriber, an Independent Third Party, which was subsequently transferred to AVW at par on 5 July 2017.

On 5 July 2017, our Company allotted and issued 77 and 22 Shares to AVW and Vibes Enterprises, respectively, credited as fully paid. On 13 September 2017, our Company further allotted and issued 78 and 22 Shares to AVW and Vibes Enterprises, respectively, credited as fully paid as consideration for the acquisition of 100 shares in Fleming International, being in aggregate its entire issued share capital.

Pursuant to the written resolutions of our Shareholders passed on 23 June 2018, the authorised share capital of our Company was increased from HK\$380,000 to HK\$50,000,000 divided into 5,000,000,000 Shares by the creation of additional 4,962,000,000 Shares.



Immediately following completion of the Share Offer and the Capitalisation Issue, the authorised share capital of our Company will be HK\$50,000,000 divided into 5,000,000,000 Shares and the issued share capital of our Company will be HK\$11,000,000 divided into 1,100,000,000 Shares fully paid or credited as fully paid. Save as disclosed in this prospectus, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no other alteration in the share capital of our Company since the date of its incorporation.

### **3. Written resolutions of our Shareholders passed on 23 June 2018**

On 23 June 2018, resolutions in writing were passed by our Shareholders pursuant to which, among other matters:

- (a) our Company approved and conditionally adopted the Memorandum and the Articles which will become effective on the Listing Date, the terms of which are summarised in Appendix IV to this prospectus;
- (b) conditional on (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
  - (i) the Share Offer was approved and our Directors were authorised to allot and issue such Shares pursuant to the Share Offer;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$8,249,998 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 824,999,800 Shares for allotment and issue to our Shareholder(s) whose name(s) appear on the register of members of our Company in the Cayman Islands at close of business on the date this resolution was passed in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to its/their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should each rank *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distribution, and the Capitalisation Issue was approved;
- (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of rights issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any shares allotted and issued in lieu of the whole or part of a dividend on shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or under the Share Offer or the Capitalisation Issue) Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with such number of Shares not exceeding 20% of the total number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (not including Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable Cayman Islands laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate number of Shares not exceeding 10% of the total number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the expiration

of the period within which the next annual general meeting of our Company is required by the Articles or any applicable Cayman Islands laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;

- (vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to such number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme; and
- (vii) the Underwriting Agreements, subject to such amendments thereto as may be approved by any one Director, were approved and that any one Director was authorised to sign the same for and on behalf of our Company, and when required, affix the seal of our Company thereon; and any one Director was authorised to approve, execute, ratify and arrange the issue of any documents in relation to or incidental to the Underwriting Agreements.

#### **4. Corporate Reorganisation**

In preparation of the Listing, the companies comprising our Group underwent the Reorganisation to rationalise our Group's corporate structure. Please refer to the section headed "History, development and Reorganisation" in this prospectus for further details.

#### **5. Changes in share capital of the subsidiaries of our Company**

Our Company's subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, development and Reorganisation" in this prospectus, there has been no other changes to the share capital of any of the subsidiaries of our Company within the two years immediately prior to the date of this prospectus.

## 6. Particulars of our subsidiaries

Particulars of our subsidiaries are set forth in the Accountants' Report set out in Appendix I to this prospectus.

## 7. Repurchase by our Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### *(a) Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

#### *(i) Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by our Company must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to specific transactions.

*Note:* Pursuant to the written resolution our Shareholders passed on 23 June 2018, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising any repurchase of Shares by our Company as described above in the paragraph headed “A. Further information about our Company and our subsidiaries — 3. Written resolutions of our Shareholders passed on 23 June 2018” in this Appendix.

#### *(ii) Source of Funds*

Repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum, the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands. Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of our profits, our Company's share premium account and/or the proceeds of a fresh issue of the Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

***(b) Funding of purchases***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands. It is presently proposed that any repurchases of Shares will be made out of funds of our Company legally permitted to be utilised in this connection, including profits and share premium of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital of our Company.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

***(c) Reasons for repurchases***

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and our Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

***(d) Exercise of the Repurchase Mandate***

Exercise in full of the Repurchase Mandate, on the basis of 1,100,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), could accordingly result in up to 110,000,000 Shares being repurchased by our Company during the course of the period prior to the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;

- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles and the applicable laws and regulations of the Cayman Islands to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of our Shareholders in general meeting.

**(e) General**

None of our Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their respective close associates, has any present intention, to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is approved by our Shareholders.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum, the Articles and all applicable laws and regulations of the Cayman Islands from time to time.

If, as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interests of our Shareholder(s), could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made after the Listing. Save as aforesaid, our Directors are not presently aware of any other consequences under the Takeovers Code as a result of a repurchase of Shares made immediately after the Listing. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No core connected person of our Company has notified our Company that he has a present intention to sell any Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

No repurchase of Shares has been made since the incorporation of our Company.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material:—

- (a) the Deed of Non-competition;
- (b) the Deed of Indemnity;
- (c) the agreement for sale and purchase and subscription of shares in Fleming Hong Kong dated 7 November 2016, pursuant to which Mr. Andrew Wong and Mr. Vincent Wong each transferred 40 shares of Fleming Hong Kong to Vibes at an aggregate consideration of HK\$8,000,000 and Vibes subsequently subscribed for 140 shares of Fleming Hong Kong at an aggregate consideration of HK\$14,000,000;
- (d) the agreement for sale and purchase dated 28 August 2017 entered into between Mr. Vincent Wong and Mr. Andrew Wong as vendors and Fleming Hong Kong as purchaser relating to the transfer of the entire issued share capital of Britain Link to Fleming Hong Kong in consideration of HK\$2.00;
- (e) the agreement for sale and purchase dated 8 September 2017 entered into between Mr. Vincent Wong, Mr. Andrew Wong and Vibes as vendors and Fleming International as purchaser to transfer the entire issued share capital of Fleming Hong Kong to Fleming International in consideration of the allotment and issue of 77 shares and 22 shares in Fleming International to AVW and Vibes Enterprises, respectively, all credited as fully paid;

(f) the agreement for sale and purchase dated 13 September 2017 entered into between our Company as purchaser and AVW and Vibes Enterprises as vendors relating to the transfer of the entire issued share capital of Fleming International to our Company in consideration of the allotment and issue of 78 and 22 Shares to AVW and Vibes Enterprises, respectively, all credited as fully paid; and

(g) the Public Offer Underwriting Agreement.

## 2. Intellectual property of our Group

### (a) Trade marks

As at the Latest Practicable Date, our Group had registered the following trade mark in Hong Kong, which is believed to be material to our business:

Trade mark	Registered owner	Place of registration	Class	Registration number	Registration date	Expiry date
<b>FLEMING</b>	Fleming International Limited	Hong Kong	4, 42	304235436	8 August 2017	7 August 2027

As at the Latest Practicable Date, our Group had applied for registration of the following trade mark in Hong Kong:

Trade mark	Name of applicant	Class	Application number	Application date
<b>FLEMING</b>	Fleming International Limited	35	304235445	8 August 2017

As at the Latest Practicable Date, our Group had applied for registration of the following trade mark in Vietnam:

Trade mark	Name of applicant	Class	Application number	Application date
<b>FLEMING</b>	Fleming International Limited	4, 35, 40, 42	4-2017-27581NH	30 August 2017



*(b) Domain name*

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain name:

Registrant	Domain name	Registration date	Expiry date
Fleming International Limited . . . . .	<u>fleming-int.com</u>	17 December 1999	17 December 2022

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of interests

#### *(a) Interests and short positions of substantial shareholders in the share capital of our Company*

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the following person (not being a Director or chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other members of our Group will be as follows:

Name of Shareholder	Nature of interests	Number of Shares held after the Share Offer and Capitalisation Issue (L) <i>(Note 1)</i>	Approximate percentage of shareholding
AVW . . . . .	Beneficial owner <i>(Note 2)</i>	643,500,000	58.5%
Vibes Enterprises . . . . .	Beneficial owner <i>(Note 3)</i>	181,500,000	16.5%
Vibes . . . . .	Interest in a controlled corporation <i>(Note 3)</i>	181,500,000	16.5%

Name of Shareholder	Nature of interests	Number of Shares held after the Share Offer and Capitalisation Issue (L) <i>(Note 1)</i>	Approximate percentage of shareholding
Pioneer . . . . .	Interest in a controlled corporation <i>(Note 3)</i>	181,500,000	16.5%
Ms. Li . . . . .	Interest held jointly with another person; interest in a controlled corporation <i>(Note 3)</i>	181,500,000	16.5%
Ms. Zheng . . . . .	Interest held jointly with another person; interest in a controlled corporation <i>(Note 3)</i>	181,500,000	16.5%
Ms. Tse Sheung . . . . .	Interest of spouse <i>(Note 4)</i>	643,500,000	58.5%
Ms. Iong Man Lai . . . . .	Interest of spouse <i>(Note 5)</i>	643,500,000	58.5%
Mr. Guan Le . . . . .	Interest of spouse <i>(Note 6)</i>	181,500,000	16.5%

*Note 1:* The letter “L” denotes the long position in our Shares.

*Note 2:* AVW is beneficially owned as to 50% by Mr. Andrew Wong and 50% by Mr. Vincent Wong. Mr. Andrew Wong and Mr. Vincent Wong together control all the Shares held by AVW. Under the SFO, each of Mr. Andrew Wong and Mr. Vincent Wong is deemed to be interested in the same number of Shares which AVW is interested.

*Note 3:* Vibes Enterprises is wholly owned by Vibes. Vibes is wholly owned by Pioneer, which is owned as to 50% by Ms. Li and 50% by Ms. Zheng. As such, Ms. Li and Ms. Zheng together indirectly control all the Shares held by Vibes Enterprises. Under the SFO, each of Vibes, Pioneer, Ms. Li and Ms. Zheng is deemed to be interested in the same number of Shares which Vibes Enterprises is interested.

*Note 4:* Ms. Tse Sheung is the spouse of Mr. Andrew Wong. Ms. Tse Sheung is deemed to be interested in the same number of Shares in which Mr. Andrew Wong is interested by virtue of the SFO.

*Note 5:* Ms. Iong Man Lai is the spouse of Mr. Vincent Wong. Ms. Iong Man Lai is deemed to be interested in the same number of Shares in which Mr. Vincent Wong is interested by virtue of the SFO.

*Note 6:* Mr. Guan Le is the spouse of Ms. Zheng. Mr. Guan Le is deemed to be interested in the same number of Shares in which Ms. Zheng is interested by virtue of the SFO.

Save as disclosed herein but taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a director or chief executive of our Company) who will immediately following completion of the Share Offer and the Capitalisation Issue have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will immediately following completion of the Share Offer and the Capitalisation Issue be, directly or indirectly, interested in 10% or more of the issued voting shares of any member of our Group.

## 2. Interests and short positions of directors and chief executive of our Company in the share capital, underlying shares or debentures of our Company and its associated corporations

Immediately following completion of the Share Offer and Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the interests and short positions of each of our Directors and chief executive of our Company in the share capital, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required, to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are set out as follows:

### *Interests in our Company*

<u>Name of Director</u>	<u>Nature of interests</u>	<u>Number of Shares held after the Share Offer and Capitalisation Issue (L) <sup>(Note 1)</sup></u>	<u>Approximate percentage of shareholding</u>
Mr. Andrew Wong . . . . .	Interest held jointly with another person; interest in a controlled corporation <sup>(Note 2)</sup>	643,500,000	58.5%
Mr. Vincent Wong . . . . .	Interest held jointly with another person; interest in a controlled corporation <sup>(Note 2)</sup>	643,500,000	58.5%

*Note 1:* The letter “L” denotes the long position in our Shares.

*Note 2:* Upon completion of the Capitalisation Issue and Share Offer, AVW will directly hold 643,500,000 Shares. AVW is beneficially owned as to 50% by Mr. Andrew Wong and 50% by Mr. Vincent Wong. Mr. Andrew Wong and Mr. Vincent Wong together control all Shares held by AVW. Under the SFO, each of Mr. Andrew Wong and Mr. Vincent Wong is deemed to be interested in the same number of Shares which AVW is interested.

*Interests in associated corporation of our Company*

Name of Director	Name of associated corporation	Nature of interests	Number of shares	Approximate
			held after the Share	
			Offer and	shareholding
			Capitalisation Issue	
			(L) <sup>(Note 1)</sup>	
Mr. Andrew Wong . .	AVW	Beneficial owner	1 share	50%
Mr. Vincent Wong . .	AVW	Beneficial owner	1 share	50%

*Note 1:* The letter “L” denotes the long position in the relevant shares.

Save as disclosed above, immediately following completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to our Company and the Stock Exchange once our Shares are listed.

### **3. Particulars of Directors’ service agreements and Directors’ remuneration**

#### **(a) Director’s service agreements**

Each of our executive Directors has entered into a service agreement with our Company. The terms and conditions of each of such service agreements are similar in all material respects. The service agreements are initially for a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other, which notice shall not expire until after the initial fixed term.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

**(b) Directors' remuneration**

The remuneration of our executive Directors are determined based on the relevant Director's experience, responsibility, workload, and the time devoted to our Company.

For each of the three years ended 31 December 2015, 2016 and 2017, the aggregate amount paid to our Directors as remuneration (including fees, salaries, contribution to retirement benefit schemes and other allowances and benefits in kind and discretionary bonus) were approximately HK\$3.7 million, HK\$4.5 million and HK\$4.7 million, respectively.

For the year ending 31 December 2018, the estimated total compensation payable to our Directors amounts to approximately HK\$4.3 million (excluding any discretionary bonus).

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two financial years immediately preceding the issue of this prospectus.

The basic annual remuneration (subject to annual review and excluding any discretionary bonus) payable by our Group to each of our Directors is as follows:

	<b>Annual remuneration</b>
	<i>Approximate (HK\$)</i>
<b>Executive Directors</b>	
Mr. Andrew Wong .....	1,458,000
Mr. Vincent Wong .....	1,458,000
<b>Non-executive Director</b>	
Ms. Wong Fong .....	180,000
<b>Independent non-executive Directors</b>	
Mr. Chan Cheong Tat .....	180,000
Mr. Yu Pui Hang .....	180,000
Mr. Ho Chi Wai .....	180,000

**4. Related party transaction**

During the two years preceding the date of this prospectus, our Group was engaged in related party transactions as described in Note 36 to the accountants' report set out in Appendix I to this prospectus and the section headed "Relationship with Our Controlling Shareholders".

**5. Disclaimers**

Save as disclosed in this prospectus:

- (a) none of our Directors or the experts named in the paragraph headed “E. Other information — 7. Qualifications of experts” of this Appendix is directly or indirectly interested in the promotion of, or in any assets which have been within the two years immediately preceding the issue of this prospectus acquired or disposed of by or leased to our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “E. Other information — 7. Qualifications of experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (c) none of our Directors or their associates or existing shareholders of our Company (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any other interest in any of the five largest clients of our Group;
- (d) none of our Directors or their associates or the existing shareholders of our Company (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest suppliers of our Group; and
- (e) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**D. SHARE OPTION SCHEME****Summary of terms of the Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

**(a) Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is to enable our Company to grant options to the employee, advisor, customer, service provider, agent, customer, partner or joint-venture partner of our Company or any subsidiary (including any director of our Company or any subsidiary) who is in

full-time or part-time employment with our Company or any subsidiary at the time when an option is granted to such employee, or any person who, in the sole discretion of our Board (the “**Eligible Participants**”), as incentive or reward for their contribution to our Group to subscribe for the Shares thereby linking their interest with that of our Group. The basis of eligibility shall be determined by the Board from time to time.

**(b) Grant and acceptance of options**

Subject to the terms of the Share Option Scheme and all applicable statutory requirements, our Board shall be entitled at any time within 10 years after the adoption date of the Share Option Scheme make offer to the Eligible Participants. An offer shall be made to an Eligible Participant in writing in such form as our Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10<sup>th</sup> anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from, and inclusive of, the date of offer).

Any offer may be accepted or deemed to have been accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

**(c) Subscription price of Shares**

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of our Directors but in any event shall not be less than the highest of (a) the closing price of the Shares as shown in the daily quotations sheet issued by the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average of the closing prices of the Shares as shown in the daily quotations sheets issued by the Stock Exchange for the five consecutive business days immediately preceding the offer date of that particular option (provided that the new issue price for the listing of the Shares shall be used as the closing price for any Business Day falling within the period before listing of the Shares if the Shares have been listed for less than five Business Days before the offer date); or (c) the nominal value of a Share on the offer date of the particular option.

*(d) Maximum number of Shares*

- (i) Subject to (iii) below, the maximum number of Shares which may be allotted and issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Group shall not exceed such number of Shares as equals 10% of the issued share capital of our Company at the Listing Date. On the basis of a total of 1,100,000,000 Shares in issue as at the Listing Date, the relevant limit will be 110,000,000 Shares which represent 10% of the issued Shares at the Listing Date. Our Company may seek approval of our Shareholders in general meeting to renew the 10% limit provided that the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes of our Group in these circumstances must not exceed 10% of the issued share capital of our Company at the date of approval of renewing of such limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options ) will not be counted for the purpose of calculating the limit.
- (ii) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the limit are granted only to Eligible Participant specifically identified by our Company before such approval is sought. Our Company will send a circular to our Shareholders containing a generic description of the specified Eligible Participant who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participant with an explanation as to how the terms of the options serve such purpose, and such information as may be required under the GEM Listing Rules from time to time.
- (iii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Group must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Group if this will result in the limit being exceeded.
- (iv) Unless approved by our Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of our Group to each Eligible Participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant of the options must not exceed 1% of the Shares in issue. Where any further grant of options to an Eligible Participant would



result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. Our Company must send a circular to its Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the GEM Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before our Shareholders' approval and the date of meeting of our Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

- (v) The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient of the then authorised but unissued share capital of our Company to allot the Shares on the exercise of any option.

*(e) Exercise of options*

An option may be exercised at any time during the period to be determined and identified by our Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of offer.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a non-refundable remittance for the full amount of the subscription price for Shares in respect of which the notice is given. Within 21 days after receipt of the notice and, where appropriate, receipt of the auditors' or the independent financial adviser's certificate, our Company shall accordingly allot the relevant number of Shares to the grantee (or his legal personal representative) credited as fully paid.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, our Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as our Directors may determine in their absolute discretion.

***(f) Restrictions on the time of grant of options***

Grant of options may not be made when inside information has come to the knowledge of our Company until such inside information has been announced in accordance with the relevant requirements of the GEM Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of: (i) the date of our Board meeting for the approval of our Company's interim or annual results and (ii) the deadline for our Company to publish its interim or annual results announcement, and ending on the date of such results announcement.

***(g) Rights are personal to grantees***

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber, assign or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so.

***(h) Rights on ceasing employment***

The option period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the date on which the grantee ceases to be an Eligible Participant by reason of a termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract or engagement contract, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has committed any act of bankruptcy, or has become insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or any member of our Group into disrepute).

***(i) Rights on death***

In the event of the grantee ceasing to be an Eligible Participant by reason of his death before exercising the option in full and where the grantee is any employee of our Group none of the events which would be a ground for termination of his employment or engagement under paragraph (h) above arises, his personal representative(s) of the grantee may exercise the option (to the extent which has become exercisable and not already exercised) in whole or in part within a period of 12 months following the date of death, or such longer period as our Directors may at their absolute discretion determine.

***(j) Cancellation of options***

Our Board may, with the consent of the relevant grantee in writing, at any time at its absolute discretion, cancel any option granted but not exercised.

Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by our Shareholders as mentioned in paragraph (d) above.

***(k) Effect of alterations to share capital***

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of our Company, but excluding options under the Share Option Scheme and options under any other similar employee share option scheme of our Company), consolidation, sub-division or reduction of the share capital of our Company or otherwise howsoever, then, in any such case (other than in the case of capitalisation of profits or reserves) our Company shall instruct the auditors or an independent financial adviser to certify in writing:

- (A) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:
  - (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or
  - (ii) the subscription price; and/or

(iii) the maximum number of Shares referred to in paragraph d(i); and/or

(iv) the method of the exercise of the option(s).

and an adjustment as so certified by the auditors or the independent financial adviser shall be made, provided that:

(i) any such adjustment must give a grantee the same proportion of the issued share capital of our Company as that to which that person was previously entitled;

(ii) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;

(iii) no such adjustment shall be made if the effect of which would be to enable any Share to be issued at less than its nominal value;

(iv) the issue of securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and

(v) to the advantage in any respect of the grantee without specific prior approval of our Shareholders.

(B) in respect of any such adjustment, other than any made on a capitalisation issue, the independent financial adviser appointed by our Company or the auditors must confirm to our Directors in writing that the adjustment so made satisfies the requirements of the relevant provisions of the GEM Listing Rules and any guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

***(l) Rights on a general offer***

If a general or partial offer is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional prior to the expiry of the relevant option period, the grantee (or his

representative(s)) shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option in full (to the extent to which it has become exercisable on the date of the notice of the offeror and not already exercised) at any time thereafter and up to the close of such offer.

***(m) Rights on winding up***

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same day as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (containing an extract of the provisions of this paragraph) and thereupon, each grantee or his personal representative(s) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid and register the grantee as holder of such Shares.

***(n) Rights on a compromise or arrangement***

Other than a general or partial offer or a scheme of arrangement contemplated in paragraph (o) below, in the event of a compromise or arrangement between our Company and its members or creditors being proposed for the purposes of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and thereupon any grantee or his personal representative(s) may by notice in writing to our Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice. But the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective.

***(o) Rights on a scheme of arrangement***

If a general or partial offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice.

***(p) Ranking of Shares***

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the exercise date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the exercise date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of our Company as the holder thereof.

***(q) Duration and administration of the Share Option Scheme***

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme until the termination date as provided therein (which being the close of business of our Company on the date which falls ten years from the date of the adoption of the Share Option Scheme), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

***(r) Alterations to the terms of the Share Option Scheme***

- (i) The provisions relating to the matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Eligible Participants without the prior approval of our Shareholders in general meeting;
- (ii) any alteration to the terms and conditions of the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (iii) any change to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting; and
- (iv) the amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of the GEM Listing Rules including Chapter 23 of the GEM Listing Rules and any guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

***(s) Conditions of the Share Option Scheme***

The Share Option Scheme is conditional upon:

- (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, any Shares to be issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;
- (ii) commencement of dealings of Shares on the Stock Exchange;
- (iii) the passing of the necessary resolution to approve and adopt the Share Option Scheme by our Shareholder(s) in general meeting or by way of written resolution and to authorise our Directors to grant options at their absolute discretion thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Share Option Scheme; and
- (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, following the waiver(s) of any conditions by the Joint Bookrunners (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with their terms or otherwise.

*(t) Grant of options to connected persons or any of their associates*

Each grant of options to an Eligible Participant who is a Director, chief executive or substantial Shareholder or an independent non-executive Director (each as defined in the GEM Listing Rules) of our Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option (if any)). Where any grant of options to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by our Shareholders by way of a poll in general meeting. Our Company must send a circular to its Shareholders. The grantee, his associates and all core connected person of our Company must abstain from voting at such general meeting, except that such grantee, his associate, or core connected person of our Company may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. The circular must contain:

- (i) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options) to the independent Shareholders as to voting; and
- (iii) the information as may be required under the GEM Listing Rules from time to time.

Shareholders' approval is also required for any change in the terms of options granted to an Eligible Participant who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates.



***(u) Lapse of option***

The option period (as defined in the Share Option Scheme) in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the periods referred to in paragraphs (h), (i) or (n), where applicable;
- (iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (l);
- (iv) subject to the scheme of arrangement becoming effective, the expiry date of the period referred to in paragraph (o);
- (v) the date on which the grantee ceases to be an Eligible Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (vi) below;
- (vi) the date on which the grantee of an option ceases to be an Eligible Participant by reason of the termination of his employment or engagement on the grounds of, including, but not limited to, misconduct, a breach of a material term of employment contract, appearing either to be unable to pay or to have no reasonable prospect to be able to pay debts, bankruptcy, insolvency and conviction of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or any member of our Group into disrepute);
- (vii) the date of the commencement of the winding-up of our Company referred to in paragraph (m);
- (viii) the date on which the grantee commits a breach of paragraph (g); or
- (ix) the date on which the option is cancelled by our Board as set out in paragraph (j).

***(v) Termination***

Our Company may by an ordinary resolution in general meeting or resolution of our Board at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in

force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

***(w) Disputes***

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares of an option, or any of the matters referred to in paragraph (k) above) shall be referred to the decision of the auditors of our Company or an independent financial adviser appointed by our Company who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

***(x) Present status of the Share Option Scheme***

Application has been made to the Listing Division of the Stock Exchange for the approval of the Share Option Scheme, the subsequent grant of options under the Share Option Scheme and the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme which shall represent 10% of the Share in issue upon completion of the Share Offer and Capitalisation Issue.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

***(y) Value of options***

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of the options. Our Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

***(z) Disclosure in annual and interim reports***

Our Directors shall procure that details of the Share Option Scheme and other schemes of our Company and its subsidiaries are disclosed in the annual reports and interim reports of our Company in compliance with the GEM Listing Rules in force from time to time.

Our Board confirms that it will not approve the exercise of any option if as a result which our Company will not be able to comply with the public float requirements under the GEM Listing Rule.

**E. OTHER INFORMATION****1. Estate duty, tax and other indemnity***Indemnity on estate duty and taxation*

Our Controlling Shareholders have pursuant to the Deed of Indemnity, given indemnities on a joint and several basis in favour of our Company (for itself and as trustee of our subsidiaries) in connection with, among others,

- (a) the amount of any and all taxation falling on any of member of our Group (i) resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring (or deemed to be so earned, accrued, received, entered into or occurring) on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”); (ii) resulting from or by reference to any event occurring or deemed to occur on or before the Effective Date whether alone or in conjunction with another event or other events; (iii) in respect of or in consequence of any act or omission of any member of our Group regarding the inter-companies transactions on or before the Effective Date; (iv) in conjunction with any other circumstances whenever occurring and whether or not such taxation liabilities are chargeable against or attributable to any other person, firm or company, including any and all taxation liabilities resulting from the receipt by any member of our Group of any amounts paid by our Controlling Shareholders under the Deed of Indemnity; or (v) by reason of any transfer of any property to any member of our Group or to any other person, entity or company made or deemed to have been made on or before the Effective Date, whether or not such taxation liabilities are chargeable against or attributable to any other person, firm or company, unless such liability to taxation is also discharged by such other person, firm or company;
- (b) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent or similar thereof under the laws of any jurisdictions outside Hong Kong) to a member of our Group on or before the Listing;
- (c) all actions, claims, losses, damages, costs (including all legal costs), expenses, demands, proceedings, judgments, charges, fees, penalties, fines or other liabilities which any of the member of our Group may make, suffer or incur in connection with but without limitation to the generality of the foregoing (i) the investigation, assessment or the contesting of any taxation claim; (ii) the settlement of any taxation claim under the Deed of Indemnity; (iii) any litigation, arbitration, legal proceedings and/or non-compliance of any member of our Group with any applicable laws, rules and regulations in Hong Kong or any other jurisdictions by any member of our Group on or before the Effective Date, including without limitation all incidents of non-compliance, violation or breach as disclosed in this

prospectus, in which any of the member of our Group claims under or in respect of the Deed of Indemnity and in which award, decision or judgment is given for any of the member of our Group; (iv) the enforcement of any such settlement, judgment or award; and (v) the revocation and refusal of the registration and/or failure to fulfil licensing requirements for the operation of any member of our Group;

- (d) all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by any member of our Group arising from any possible or alleged violation or non-compliance in relation to (i) the applicable laws and regulations of Hong Kong; (ii) the Predecessor Companies Ordinance; (iii) the Companies Ordinance; (iv) the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and (v) any other non-compliance of any of the member of our Group to applicable laws and regulations on or before the Effective Date, whether or not such non-compliance has been disclosed in this prospectus;
- (e) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, interests, penalties and fines of whatever nature suffered or incurred by any of member of our Group as a result of or in connection with any litigation, arbitration, claims (including counter-claims), complaints, demands, and/or legal proceedings instituted by or against our Company or any member of our Group on or before the Effective Date; and
- (f) any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), costs, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation on or before the Effective Date.

Our Controlling Shareholders will however, not be liable under the Deed of Indemnity for taxation where:

- (a) to the extent (if any) to which provision, reserve or allowance has been made for such taxation liabilities and claims in the audited consolidated accounts of our Company for the Track Record Period as set out in Appendix I to this prospectus;
- (b) for which any of the members of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Effective Date;
- (c) to the extent such taxation liabilities and claims falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after the Effective Date would not have arisen but for some act or omission of, or

transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement or acquiescence of our Controlling Shareholders other than any such act, omission or transaction:

- (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Effective Date, or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date or pursuant to any statement of intention made in this prospectus; or
- (d) for which any of the members of our Group is primarily liable as a result of transactions entered into in the ordinary course of business after 31 December 2017;
- (e) to the extent that such taxation liability is discharged by another person who is not our Company or any member of our Group and that our Company or such member of our Group is not required to reimburse such person in respect of the discharge of the taxation liabilities;
- (f) to the extent of any provision, reserve or allowance made for such taxation liabilities in the accountants' report set out in Appendix I to this prospectus up to 31 December 2017 which is finally established to be an over-provision or an excessive reserve or allowance, in which case our Controlling Shareholders' liability (if any) in respect of such taxation liabilities shall be reduced by an amount not exceeding such provision, reserve or allowance, provided that the amount of any such provision, reserve or allowance applied pursuant to this paragraph to reduce our Controlling Shareholders' liability in respect of such taxation liabilities shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess provision, reserve or allowance shall only be applied to reduce the liability of our Controlling Shareholders under the Deed of Indemnity and none of the members of our Group shall in any circumstances be liable to pay our Controlling Shareholders any such excess; or
- (g) to the extent that any such taxation liabilities and claims arise or are incurred as a result of the imposition of such taxation liabilities as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong, Vietnam, the PRC, BVI, the Cayman Islands or any other part of the world) coming into force after the Effective Date or to the extent that such taxation liabilities and claims arise or are increased by an increase in rates of such taxation liabilities after the Effective Date with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands, the BVI, Vietnam and Hong Kong, being jurisdictions in which one or more of our Group members are incorporated.

**2. Litigation**

As at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against our Company.

**3. Sole Sponsor**

The Sole Sponsor is independent from our Company pursuant to Rule 6A.07 of the GEM Listing Rules. The fees to be paid to the Sole Sponsor in relation to its role as sponsor in the Listing is HK\$6.9 million. The Sole Sponsor has made an application on our behalf to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue, the Offer Shares and any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme.

**4. Compliance adviser**

In accordance with the requirements of the GEM Listing Rules, our Company has appointed TC Capital International Limited as our compliance adviser to provide consultancy services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

**5. Promoter**

Our Company has no promoter for the purpose of the GEM Listing Rules.

**6. Preliminary expenses**

The estimated preliminary expenses of our Company are approximately HK\$92,209 and are payable by our Company.

**7. Qualifications of experts**

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus, all of which are dated the date of this prospectus:

<b>Name</b>	<b>Qualification</b>
TC Capital International Limited	Licensed corporation to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Appleby	Legal advisers of the Company as to Cayman Islands law
Foster H.C. Yim	Hong Kong Barrister-at-law
Phuoc & Partners Law Co., Ltd.	Vietnam attorneys-at-law
China Commercial Law Firm (廣東華商律師事務所)	PRC attorneys-at-law
Fairbairn Catley Low & Kong	Hong Kong legal advisers
Frost & Sullivan International Limited	Industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer

**8. Consents of experts**

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of its report and/or opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Group or any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of our Group.

**9. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous) Ordinance so far as applicable.

**10. Agency fees or commissions**

The Underwriters will receive an underwriting commission, and the Sole Sponsor will receive a documentation fee, as referred to in the paragraph headed “Underwriting arrangements and expenses — Total commission, fee and expenses” under the section headed “Underwriting” in this prospectus.

**11. Registration procedures**

The register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Union Registrars Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

**12. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share capital of our Company or any of its subsidiaries;
  - (iv) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
  - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.



- (b) Save for the Listing expenses as set out in the paragraph headed “Listing expenses” under the section headed “Financial information” in this prospectus, subsequent to the Track Record Period and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.
- (c) None of the persons named in the paragraph headed “E. Other information — 7. Qualifications of experts” in this Appendix:
  - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (d) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (e) our Company has no outstanding convertible debt securities;
- (f) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and
- (g) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this prospectus.

### **13. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this prospectus shall prevail over the Chinese text.

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## **APPENDIX VI                      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION**

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### **A.    DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the Application Forms;
- (b) the written consents referred to in the paragraph headed “E. Other information — 8. Consents of experts” in Appendix V to this prospectus; and
- (c) copies of material contracts referred to in the paragraph headed “B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus.

### **B.    DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Fairbairn Catley Low & Kong at 23/F, Shui On Centre, 6-8 Harbour Road, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. Monday to Friday, other than Hong Kong public holidays, up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report of our Group for each of the three years ended 31 December 2017 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2017;
- (e) the Frost & Sullivan Report;
- (f) the rules of the Share Option Scheme;
- (g) the Companies Law;

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**APPENDIX VI                      DOCUMENTS DELIVERED TO THE REGISTRAR  
OF COMPANIES AND AVAILABLE FOR INSPECTION**

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- (h) the material contracts referred to in the paragraph headed “B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus;
- (i) the written consents referred to in the paragraph headed “E. Other information — 8. Consents of experts” in Appendix V to this prospectus;
- (j) the service agreements and appointment letters referred to in the paragraph headed “C. Further information about our Directors and Substantial Shareholders — 3. Particulars of Directors’ service agreements and Directors’ remuneration” in Appendix V to this prospectus;
- (k) the legal opinion issued by Phuoc & Partners Law Co., Ltd., legal advisers to our Company as to Vietnamese laws;
- (l) the legal opinion issued by Fairbairn Catley Low & Kong as to Hong Kong laws;
- (m) the legal opinion issued by China Commercial Law Firm (廣東華商律師事務所), legal advisers to our Company as to PRC laws;
- (n) the legal opinion issued by Foster H.C. Yim, Hong Kong barrister-at-law;
- (o) the letter prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus; and
- (p) the letter of the summary of values and valuation certificates related to our property interests prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix III to this prospectus.

**Hyfusin Group Holdings Limited**  
**凱富善集團控股有限公司**