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

2018
Interim Report

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*This report, for which the directors (the "**Directors**") of Hyfusin Group Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company and its subsidiaries (together, the "**Group**"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

CONTENTS

CORPORATE INFORMATION

Board of Directors	**Executive Directors** Mr. Wong Wai Chit Mr. Wong Man Chit **Non-executive Director** Ms. Wong Fong **Independent Non-executive Directors** Mr. Chan Cheong Tat Mr. Yu Pui Hang Mr. Ho Chi Wai
Audit committee	Mr. Chan Cheong Tat *(Chairman)* Mr. Yu Pui Hang Mr. Ho Chi Wai
Remuneration committee	Mr. Yu Pui Hang *(Chairman)* Mr. Chan Cheong Tat Mr. Ho Chi Wai
Nomination committee	Mr. Ho Chi Wai *(Chairman)* Mr. Chan Cheong Tat Mr. Yu Pui Hang
Company secretary	Mr. Lee Ka Wai
Authorized representatives	Mr. Wong Wai Chit Mr. Lee Ka Wai
Compliance officer	Mr. Wong Wai Chit
Registered office	PO Box 1350 Clifton House, 75 Fort Street Grand Cayman KY1-1108 Cayman Islands

Headquarters and principal place of business in Hong Kong	Unit Nos.4–8, 2/F Aberdeen Marina Tower 8 Shum Wan Road Aberdeen Hong Kong
Company's website address	http://www.fleming-int.com
Principal share registrar and transfer office	**Estera Trust (Cayman) Limited** PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1–1108 Cayman Islands
Hong Kong branch share registrar and transfer office	**Union Registrars Limited** Suites 3301–04, 33/F Two Chinachem Exchange Square 338 King's Road, North Point Hong Kong

Principal bankers	**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
Compliance Adviser	**TC Capital International Limited** Suite 1903–4, 19/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Auditor	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F One Pacific Place 88 Queensway Hong Kong

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF
HYFUSIN GROUP HOLDINGS LIMITED
凱富善集團控股有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Hyfusin Group Holdings Limited (the "**Company**") and its subsidiaries set out on pages 7 to 41, which comprises the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income for each of the three-month periods ended 30 June 2018 and 30 June 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
10 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Three months ended 30.6.2018 HK$'000 (unaudited)	Three months ended 30.6.2017 HK$'000 (unaudited)	Six months ended 30.6.2018 HK$'000 (unaudited)	Six months ended 30.6.2017 HK$'000 (audited)
Revenue					
Sales of goods	3	47,714	35,234	87,853	55,130
Total revenue		47,714	35,234	87,853	55,130
Cost of sales		(36,912)	(27,433)	(70,227)	(41,498)
Gross profit		10,802	7,801	17,626	13,632
Other income	4	255	96	285	175
Other gains (losses)	5	157	43	134	78
Selling and distribution expenses		(1,208)	(1,066)	(2,460)	(2,074)
Administrative expenses		(7,689)	(6,042)	(14,242)	(11,603)
Listing expenses		(242)	(3,700)	(965)	(7,400)
Finance costs	6	(504)	(376)	(952)	(741)
Profit (loss) before tax		1,571	(3,244)	(574)	(7,933)
Income tax expense	7	(448)	(21)	(428)	(14)
Profit (loss) for the period	8	1,123	(3,265)	(1,002)	(7,947)
Other comprehensive (expense) income					
Items that may be classified subsequently to profit or loss:					
Fair value (loss) gain on:					
Available-for-sale investments		–	(1)	–	75
Debt instruments measured at fair value through other comprehensive income		(40)	–	(148)	–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2018

		Three months ended		Six months ended	
	Notes	**30.6.2018** *HK$'000* **(unaudited)**	30.6.2017 *HK$'000* (unaudited)	**30.6.2018** *HK$'000* **(unaudited)**	30.6.2017 *HK$'000* (audited)
Other comprehensive (expense) income for the period		**(40)**	(1)	**(148)**	75
Total comprehensive income (expense) for the period		**1,083**	(3,266)	**(1,150)**	(7,872)
Profit (loss) for the period attribute to:					
Owners of the Company		**1,123**	(3,265)	**(1,002)**	(6,217)
Non-controlling interests		**–**	–	**–**	(1,730)
		1,123	(3,265)	**(1,002)**	(7,947)
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		**1,083**	(3,266)	**(1,150)**	(6,158)
Non-controlling interests		**–**	–	**–**	(1,714)
		1,083	(3,266)	**(1,150)**	(7,872)
		HK cents	HK cents	**HK cents**	HK cents
Earnings (loss) per share, basic	*10*	**0.10**	(0.51)	**(0.09)**	(0.97)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	14,131	14,105
Prepaid lease payments		3,825	3,894
Financial assets at fair value through profit or loss		19	20
Debt instruments at fair value through other comprehensive income		1,770	1,918
Deferred tax assets		284	304
Pledged bank deposits	14	8,872	8,866
		28,901	29,107
CURRENT ASSETS			
Inventories	12	28,680	24,368
Trade and other receivables	13	45,756	37,503
Prepaid lease payments		137	137
Amount due from a director		—	5,396
Tax recoverable		290	511
Bank balances and cash	14	6,707	8,382
		81,570	76,297
CURRENT LIABILITIES			
Trade and other payables	15	32,833	32,023
Contract liabilities	16	299	—
Amount due to a director		—	2,446
Bank borrowings — due within one year	17	37,980	30,366
Obligations under finance leases		144	142
Tax payable		187	—
		71,443	64,977
NET CURRENT ASSETS		10,127	11,320
TOTAL ASSETS LESS CURRENT LIABILITIES		39,028	40,427

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Bank borrowings — due after one year	17	1,180	1,370
Obligations under finance leases		213	285
Other non-current liabilities		165	152
		1,558	1,807
NET ASSETS		37,470	38,620
CAPITAL AND RESERVES			
Share capital	18	—	—
Reserves		37,470	38,620
TOTAL EQUITY		37,470	38,620

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2018

	Attributable to owners of the Company							
	Share capital HK$'000 (Note 18)	Investment revaluation reserve HK$'000	FVTOCI reserve HK$'000	Other reserve HK$'000 (Note)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017 (audited)	4,536	(216)	–	–	27,589	31,909	3,265	35,174
Loss for the period	–	–	–	–	(6,217)	(6,217)	(1,730)	(7,947)
Fair value gain on available-for-sale investments	–	59	–	–	–	59	16	75
Loss and total comprehensive (expense) income for the period	–	59	–	–	(6,217)	(6,158)	(1,714)	(7,872)
Capital contribution from non-controlling interests of a subsidiary	10,285	(11)	–	2,591	(6,387)	6,478	7,522	14,000
At 30 June 2017 (audited)	14,821	(168)	–	2,591	14,985	32,229	9,073	41,302
At 31 December 2017 (audited)	–	281	–	20,605	17,734	38,620	–	38,620
Reclassification from available-for-sale investments to financial assets at fair value through profit or loss	–	(281)	277	–	4	–	–	–
At 1 January 2018 (restated)	–	–	277	20,605	17,738	38,620	–	38,620
Loss for the period	–	–	–	–	(1,002)	(1,002)	–	(1,002)
Fair value loss on debt instruments through other comprehensive income	–	–	(148)	–	–	(148)	–	(148)
Loss and total comprehensive expense for the period	–	–	(148)	–	(1,002)	(1,150)	–	(1,150)
At 30 June 2018 (unaudited)	–	–	129	20,605	16,736	37,470	–	37,470

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 Limited attributable to Controlling Shareholders of the Company at the time of the Group Reorganization (as defined in Note 1).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
NET CASH USED IN OPERATING ACTIVITIES	**(8,992)**	(945)
INVESTING ACTIVITIES		
Repayment from a director	**3,716**	486
Dividend and interest from financial assets at fair value through other comprehensive income	**29**	—
Interest income from banks	**6**	20
Repayment from related companies	**—**	1,235
Dividend and interest received from available-for-sale investments	**—**	29
Proceeds from disposal of property, plant and equipment	**—**	17
Purchase of property, plant and equipment	**(1,225)**	(477)
Advance to a director	**(528)**	(2,242)
Placement of pledged bank deposits	**(6)**	(20)
Placement of deposits for properties	**—**	(788)
Advance to related companies	**—**	(139)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,992**	(1,879)
FINANCING ACTIVITIES		
New bank borrowings raised	**51,144**	26,504
Repayment of bank borrowings	**(43,705)**	(31,336)
Issue costs paid	**(839)**	—
Interest paid	**(952)**	(741)
Repayment to directors	**(238)**	(1,543)
Repayment of obligations under finance leases	**(70)**	(121)
Advance from directors	**—**	486
Capital contribution from non-controlling interests of a subsidiary	**—**	14,000

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2018

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
NET CASH FROM FINANCING ACTIVITIES	**5,340**	7,249
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,660)**	4,425
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**3,404**	11,415
CASH AND CASH EQUIVALENTS AT 30 JUNE	**1,744**	15,840
Represented by:		
Bank balances and cash	**6,707**	20,618
Bank overdrafts	**(4,963)**	(4,778)
	1,744	15,840

1. GENERAL AND BASIS OF PREPARATION

Hyfusin Group Holdings Limited (the "**Company**") is a public limited company incorporated in Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 July 2018.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

Prior to the group reorganization to rationale the structure of the Group in preparing for the Listing of the Company's shares on GEM of the Stock Exchange ("**Group Reorganization**"), Fleming International Limited ("**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 Mr. Wong Man Chit ("**Mr. Andrew Wong**") and Mr. Wong Wai Chit ("**Mr. Vincent Wong**"), who are brothers and act in concert over AVW International Limited ("**AVW**"), a private company incorporated in the British Virgin Islands and the ultimate holding company of the Company, and the companies now comprising the Group (the "**Controlling Shareholders**"). In preparing for the Listing of the Company's shares on GEM of the Stock Exchange, the Group underwent the reorganization steps set out in note 2 to the Accountants' Report included in the Appendix I to the prospectus of the Company dated on 29 June 2017.

Upon completion of the Group Reorganization, Fleming Group International Limited ("**Fleming International**"), Fleming Hong Kong, Fleming Vietnam, Success Glory, Fleming China 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 (collectively referred to "**the Subsidiaries**") became indirectly wholly-owned subsidiaries of the Company. The Company has also become the holding company of the companies now comprising the Group on 13 September 2017. The Company and the Subsidiaries have been under the common control of Mr. Andrew Wong and Mr. Vincent Wong throughout the reporting periods or since their respective dates of incorporation, where there is a shorter period, and before and after the Group Reorganization. The condensed consolidated statement of profit or loss and other comprehensive income for the Group for the period ended 30 June 2017 and the condensed consolidated statement of financial position of the Group at 31 December 2017 have been prepared to present the results and assets and liabilities of the subsidiaries now comprising the Group, as if the current group structure has been where in existence those dates taking into account the respective dates of incorporation or establishment applicable.

As Fleming Hong Kong and its subsidiaries were under the common control of the Controlling Shareholders, equity interest held by Vibes Management Limited ("**Vibes Management**") 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 Reorganization on 13 September 2017 is presented as non-controlling interests in the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which is measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("**HKFRS**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognizes revenue from the sales of candle products.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application, 1 January 2018 without restating the comparative information. In accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognizing revenue:

- 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: Recognize revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognizes 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.1.2 A point in time revenue recognition: measurement of complete satisfaction of a performance obligation

Under HKFRS 15, revenue from sales of customized product is generally recognized when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the product and obtain substantially all of the remaining benefit of the products. This results in revenue from sales of customized product being recognized upon customer acceptance instead of good delivery.

2.1.3 Summary of effects arising from initial application of HKFRS 15

As at 1 January 2018, the Group has trade deposits received from customers amounted to HK$204,000 previously included in trade and other payables were reclassified to contract liabilities. The impacts from the application of HKFRS 15 thereof are detailed in Note 2.3.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognized in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9*

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognized financial assets that are within the scope of HKFRS 9 are subsequently measured at amortized cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the 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.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the 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.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognized in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognized in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments/receivables. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these debt instruments/receivables had been measured at amortized cost. When these debt instruments/receivables are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains (losses)" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, debt instruments at fair value through other comprehensive income, pledged bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognized through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognized in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments/receivables.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	Available-for-sale investments HK$'000	Financial assets at FVTPL required by HKFRS 9 HK$'000	Debt instruments at FVTOCI HK$'000	Investment revaluation reserve HK$'000	FVTOCI reserve HK$'000	Retained earnings HK$'000
Closing balance at 31 December 2017 (audited) – HKAS 39		1,938	–	–	281	–	17,734
Effect arising from initial application of HKFRS 9:							
Reclassification							
From available-for-sale ("**AFS**") investments	*(a)*	(1,938)	20	1,918	(281)	277	4
Opening balance at 1 January 2018		–	20	1,918	–	277	17,738

Notes:

(a) Available-for-sale investments

From AFS investments to FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments of HK$20,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value gains of HK$4,000 relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained earnings.

From AFS debt investments to FVTOCI

Unlisted debt investments with a fair value of HK$1,918,000 were reclassified from available-for-sale investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value gains of HK$277,000 were reclassified to FVTOCI reserve as at 1 January 2018.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. The Group has therefore concluded that the expected loss rates for the trade receivables are reasonable.

Loss allowances for other financial assets at amortized cost mainly comprise of pledged bank deposits and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

All of the Group's debt instruments at FVTOCI are unlisted debt investments that are graded in the top credit rating. Therefore, these investments are considered to be low credit risk investments and the loss allowance is measured on 12m ECL basis.

As at 1 January 2018, no additional credit loss allowance has been recognized against retained earnings.

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognized for each individual line item.

	31 December 2017 *HK$'000*	Impact on adoption of HKFRS 15 *HK$'000*	Impact on adoption of HKFRS 9 *HK$'000*	1 January 2018 *HK$'000*
Non-current Assets				
Available-for-sale investments	1,938	–	(1,938)	–
Financial assets at FVTPL	–	–	20	20
Debt instruments at FVTOCI	–	–	1,918	1,918
Pledged bank deposits	8,866	–	–	8,866
Deferred tax assets	304	–	–	304
Property, plant and equipment	14,105	–	–	14,105
Prepaid lease payments	3,894	–	–	3,894
Current Assets				
Trade and other receivables	37,503	–	–	37,503
Amounts due from a director	5,396	–	–	5,396
Tax recoverable	511	–	–	511
Bank balances and cash	8,382	–	–	8,382
Inventories	24,368	–	–	24,368
Prepaid lease payments	137	–	–	137
Current Liabilities				
Trade and other payables	32,023	(204)	–	31,819
Contract liabilities	–	204	–	204
Amount due to a director	2,446	–	–	2,446
Bank borrowings	30,366	–	–	30,366
Obligations under finance leases	142	–	–	142
Net Current Assets	11,320	–	–	11,320
Total Assets less Current Liabilities	40,427	–	–	40,427

	31 December 2017 *HK$'000*	Impact on adoption of HKFRS 15 *HK$'000*	Impact on adoption of HKFRS 9 *HK$'000*	1 January 2018 *HK$'000*
Non-current Liabilities				
Bank borrowings				
— due after one year	1,370	–	–	1,370
Obligations under finance leases	285	–	–	285
Other non-current liabilities	152	–	–	152
Net Assets	38,620	–	–	38,620
Capital and Reserves				
Share capital	–	–	–	–
Reserves	38,620	–	–	38,620
Total Equity	38,620	–	–	38,620

3A. REVENUE FROM GOODS

Disaggregation of revenue

	Three months ended 30.6.2018 ***HK$'000*** **(unaudited)**	Six months ended 30.6.2018 *HK$'000* (unaudited)
Sale of candle products		
Daily-use candles	**16,880**	31,965
Scented candles	**26,379**	44,180
Decorative candles	**2,512**	6,021
Others (included diffusers)	**1,943**	5,687
Total	**47,714**	87,853

	Three months ended 30.6.2018 *HK$'000* **(unaudited)**	Six months ended 30.6.2018 *HK$'000* (unaudited)
Geographical markets		
United States of America	**35,742**	60,864
United Kingdom	**5,064**	13,724
Others	**6,908**	13,265
Total	**47,714**	87,853
Timing of revenue recognition		
At a point in time	**47,714**	87,853

The Group's market were department stores and buying agents headquartered in United States of America and United Kingdom.

The contracts for sales of goods to external customers are short-term and the contract prices are fixed and agreed with the customers.

3B. SEGMENT INFORMATION

The Board of Directors, being the chief operating decision maker ("**CODM**"), regularly reviews 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 are 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 reviews 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.

3B. SEGMENT INFORMATION *(Continued)*

The information about its non-current assets (exclude financial assets and deferred tax assets) by geographical locations of the assets are details below:

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Hong Kong	574	655
Vietnam	17,381	17,344
	17,955	17,999

4. OTHER INCOME

	Three months ended		Six months ended	
	30.6.2018 HK$'000 (unaudited)	30.6.2017 HK$'000 (unaudited)	30.6.2018 HK$'000 (unaudited)	30.6.2017 HK$'000 (audited)
Dividend and interest income from available-for-sale investments	–	29	–	29
Dividend and interest income from debt instruments at fair value through other comprehensive income	29	–	29	–
Interest income from banks	4	1	6	20
Sample income	61	–	66	41
Sundry income	161	66	184	85
	255	96	285	175

5. OTHER GAINS (LOSSES)

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Exchange gain, net	**157**	26	**135**	61
Gain on disposal of property, plant and equipment	**–**	17	**–**	17
Fair value loss on financial assets at FVTPL	**–**	–	**(1)**	–
	157	43	**134**	78

6. FINANCE COSTS

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Interest on bank borrowings	**437**	310	**806**	618
Interest on obligations under finance leases	**4**	5	**7**	10
Bank charges	**63**	61	**139**	113
	504	376	**952**	741

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Current tax:				
Hong Kong Profits tax	**–**	55	**–**	55
Vietnam corporate income tax	**408**	25	**408**	25
	408	80	**408**	80
Deferred taxation:				
Current period	**40**	(59)	**20**	(66)
	448	21	**428**	14

For the subsidiaries located in Hong Kong and Vietnam, the statutory corporate tax rate is 16.5% and 20% for the six months ended 30 June 2018 and 2017, respectively.

8. PROFIT (LOSS) FOR THE PERIOD

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Profit (loss) for the period has been arrived at after charging:				
Directors' remuneration	**1,846**	966	**2,170**	2,152
Other staff costs:				
— salaries and allowances	**7,579**	6,785	**15,212**	12,634
— discretionary bonus	**288**	—	**506**	—
— retirement benefits scheme contributions, excluding directors	**611**	554	**1,226**	1,057
Total staff costs	**10,324**	8,305	**19,114**	15,843
Less: capitalized in inventories	**(5,442)**	(4,409)	**(9,518)**	(7,975)
	4,882	3,896	**9,596**	7,868
Auditor's remuneration	**594**	470	**673**	475
Depreciation of property, plant and equipment:				
— owned assets	**537**	662	**1,129**	1,337
— assets held under finance lease contracts	**35**	31	**70**	71
Total depreciation	**572**	693	**1,199**	1,408
Less: capitalized in inventories	**(378)**	(495)	**(813)**	(988)
	194	198	**386**	420
Cost of inventories recognized as expense	**36,912**	27,433	**70,227**	41,498
Amortization of prepaid lease payments	**34**	34	**69**	69
Allowance of inventories (included in cost of sales)	**–**	40	**137**	60
Donations	**–**	2	**–**	7

9. DIVIDENDS

No dividends were paid, declared or proposed for the both reporting periods.

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Earnings (loss)				
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	**1,123**	(3,265)	**(1,002)**	(6,217)

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,100,000,000**	643,500,000	**1,100,000,000**	643,500,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share has been adjusted, respectively for the effect of (i) the Group Reorganization and the capitalization issue of 824,999,800 shares of the Company that are deemed to have become effective since 1 January 2017; and (ii) issue of 275,000,000 shares of the Company pursuant to the Share Offer (as defined in Note 21) on 19 July 2018.

No diluted earnings (loss) per share for the both periods was presented as there were no potential ordinary shares in issue during both periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment amounting to HK$1,225,000 (for the six months ended 30 June 2017: HK$477,000) for the purpose of the Group's operation.

12. INVENTORIES

	30.6.2018 ***HK$'000*** **(unaudited)**	31.12.2017 *HK$'000* (audited)
Raw materials	**16,201**	10,700
Work in progress	**5,553**	2,496
Finished goods	**4,213**	7,970
Goods in transit	**3,883**	4,235
	29,850	25,401
Less: Allowance for inventories	**(1,170)**	(1,033)
	28,680	24,368

13. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 to 90 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximated the revenue recognition date, net of allowance for doubtful debts.

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables:		
0–30 days	**23,700**	13,743
31–60 days	**11,336**	9,849
61–90 days	**1,668**	3,009
91–180 days	**178**	2,452
Over 180 days	**—**	1,177
Trade receivables	**36,882**	30,230
Deposits and prepayments	**3,083**	1,727
Prepayments for Listing expenses	**—**	593
Deferred Listing expenses	**5,639**	4,800
Other receivables	**152**	153
Total	**45,756**	37,503

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the judgement of the management of the Group, the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix is negligible at 30 June 2018.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. No additional credit loss allowance is recognized on these debtors for the current interim period.

14. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits of the Group are pledged to banks for securing bank borrowings (Note 17). 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.

15. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	30.6.2018 *HK$'000* (unaudited)	31.12.2017 *HK$'000* (audited)
Trade payables:		
1–30 days	9,917	11,777
31–60 days	6,335	3,602
61–90 days	3,160	430
91–180 days	440	303
	19,852	16,112
Other payables	2,162	1,665
Deposits received from customers	—	204
Accrued expenses	2,499	2,451
Accruals for Listing expenses	8,320	11,591
	32,833	32,023

The credit period on purchases of goods is 0 to 90 days.

16. CONTRACT LIABILITIES

The amount represented the trade deposits received from customers, which will be recognized as the Group's revenue when the control of the goods transferred to customers.

17. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to HK$51,144,000 (31 December 2017: HK$60,757,000). The bank loans carry interest at variable market rates of 3.75% to 9% per annum. The proceeds were used to finance the daily operation of the Group.

18. SHARE CAPITAL

Share capital as at 1 January 2017 represented the aggregate amount of the issued and fully paid share capital of Fleming Hong Kong 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 (including the shares of HK$465,080 acquired by Vibes in 2016) 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 30 June 2017 and 8 September 2017. On 9 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, by issuing and allotting 77 and 22 Fleming International's shares respectively to AVW and to Vibes, 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 and 30 June 2018 represented the issued share capital of the Company.

THE COMPANY

Ordinary shares of HK$0.01 each	Number of shares	Share capital *HK$'000*
Authorized		
At 5 July 2017 (date of incorporation) *(Note a)*	38,000,000	380
Additional of authorized share capital *(Note b)*	4,962,000,000	49,620
At 31 December 2017 and 30 June 2018	5,000,000,000	50,000
Issued and fully paid		
Issue of shares at 5 July 2017 (date of incorporation) *(Note c)*	100	–
Issue of shares on 13 September 2017 *(Note d)*	100	–
At 31 December 2017 and 30 June 2018	200	–

Notes:

(a) At 5 July 2017, date of incorporation, the Company's authorized share capital was HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

(b) Pursuant to the written resolution of the shareholders of the Company passed on 23 June 2018, the authorized share capital of the 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.

(c) 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 allotted to Vibes Enterprises Company Limited ("**Vibes Enterprises**") at par.

(d) 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 Group International Limited from AVW and Vibes Enterprises, respectively. Upon the completion of this share swap, the share capital of the Company as at 31 December 2017 and 30 June 2018 represented the aggregate 200 shares of the Company issued of HK$0.01 each.

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personal are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the directors of the Company.

Key management personnel remuneration was as follow:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Short-term employee benefits	**2,152**	2,134
Post-employment benefits	**18**	18
	2,170	2,152

20. 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 categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value as at				
	30 June 2018	31 December 2017	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs and relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss	Listed equity securities in Hong Kong: HK$19,000	Listed equity securities in Hong Kong: HK$20,000	Level 1	Quoted price in active market.	N/A
Debt instruments at fair value through other comprehensive income	Unlisted bonds investments in Hong Kong: HK$1,770,000	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, level 2 and level 3 during the period ended 30 June 2018.

21. EVENT AFTER THE END OF REPORTING PERIOD

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 authorized to capitalize 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. The capitalization issue has been completed on 19 July 2018.

On 19 July 2018, the Company succeeded its initial public offer of the Company's shares to GEM of the Stock Exchange and issuance of 275,000,000 new shares at HK$0.01 per share for a total gross proceeds of approximately HK$81 million ("**Share Offer**").

The new shares allotted and issued above rank pari passu in all respects with the then existing shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Shares were listed on GEM of the Stock Exchange on 19 July 2018 (the "**Listing**") where 275,000,000 ordinary shares (comprising a public offer of 27,500,000 Shares and a placing of 247,500,000 Shares) had been offered for subscription, at an offer price of HK$0.295 per Share. The net proceeds received by the Company was approximately HK$44.5 million.

The Group principally engages in the manufacturing and sale of candle products with headquarters in Hong Kong and operations in Vietnam. The Group mainly manufacture and sell daily-use candles, scented candles, decorative candles and other products such as diffusers. Our major customers are mostly U.S. and U.K. department store operators and buying agents.

The Group mainly manufacture our candle products based on the requirements and specifications from our customers. The Group would also assess the design and specifications and put forward our suggestions to our customers. The Group 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.

According to an industry overview report prepared by Frost & Sullivan International Limited (the "**F&S Report**"), an independent market research and consulting firm, 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 products in 2017, respectively. According to the F&S Report, the import value and share of candle products in U.S. and U.K. from Vietnam expected to reach approximately US$195.6 million and US$15.6 million, respectively.

Based on our well established long-term relationships with our customers and with support from our experienced management team in the industry, we are confidential on capitalizing further business opportunities and growth.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2018 amounted to approximately HK$87.9 million, representing an increase of approximately HK$32.8 million or 59.5% as compared with that of approximately HK$55.1 million for the same period in 2017.

The increase was mainly due to the revenue of approximately HK$27.5 million generated from two new customers which were introduced in the second half of 2017.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2018 amounted to approximately HK$17.6 million, representing an increase of approximately HK$4.0 million or 29.4% as compared to approximately HK$13.6 million for the same period in 2017. It was mainly due to the increase in revenue.

The gross profit margin dropped to approximately 20.1% for the six months ended 30 June 2018 as compared with 24.7% for the same period in 2017. The decrease was mainly due to the increase in sales of scented candles, which generally had lower gross profit margin when compared with daily-use candles.

Other income, gains or losses

Other income for the six months ended 30 June 2018 were approximately HK$285,000, representing an increase of approximately HK$110,000 or 62.9% as compared to approximately HK$175,000 for the same period in 2017. The increase was mainly due to the increase in sundry income.

Other gains for the six months ended 30 June 2018 were approximately HK$134,000, representing an increase of approximately HK$56,000 or 71.8% as compared to approximately HK$78,000 for the same period in 2017. The increase was mainly due to the exchange gain generated from inter-bank fund transfer.

Selling and distribution expenses

Selling and distribution expenses for the six months ended 30 June 2018 were approximately HK$2.5 million when compared to approximately HK$2.1 million for the same period in 2017. The increase was mainly due to the increase in transportation and declarations expenses of approximately HK$459,000 which was in line with the increase in revenue and partially offset by the decrease in compensation expenses of approximately HK$129,000 as a result of improved quality control.

Administration expenses

Administrative expenses for the six months ended 30 June 2018 were approximately HK$14.2 million, representing an increase as approximately HK$2.6 million or 22.4% as compared to approximately HK$11.6 million for the same period in 2017. The increase was mainly due to the increase in salary and allowance of approximately HK$1.4 million caused by increase in number of administrative and finance personnel; and increase in professional services fee of approximately HK$613,000.

Finance costs

Finance costs for the six months ended 30 June 2018 were approximately HK$952,000 representing an increase of approximately 211,000 or 28.5% compared to approximately HK$741,000 for the same period in 2017. The increase was mainly due to the increase in using bank borrowings to cope with revenue growth.

Listing expenses

During the six months ended 30 June 2018, the Group recognized non-recurring Listing expenses under accrual basis of approximately HK$965,000 as compared with approximately HK$7.4 million for the same period in 2017.

Loss for the period

The Group incurred loss of approximately HK$1.0 million for the six months ended 30 June 2018 as compared with approximately HK$7.9 million for the same period in 2017. It was mainly due to the recognition of non-recurring Listing expenses of approximately HK$965,000 for six months ended 30 June 2018.

The Group's loss excluding non-recurring Listing expenses would be approximately HK$37,000 for the six months ended 30 June 2018 as compared with approximately HK$547,000 for the same period in 2017.

Liquidity and Financial Resources

As at 30 June 2018 and 31 December 2017, the Group had cash and cash equivalents of approximately HK$1.7 million and HK$3.4 million respectively.

As at 30 June 2018 and 31 December 2017, the Group had unutilised banking facilities of approximately HK$18.9 million and HK$22.3 million respectively.

The Directors are of the view that at the date hereof, the Group's financial resources are sufficient to support its business and operations.

The gearing ratio, which is calculated by dividing total debt by total equity, the total debts are defined to include payables incurred not in the ordinary course of business, was 106.0% as at 30 June 2018 (31 December 2017: 89.6%).

Treasury Policy

The Group adopts a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position throughout the reporting period. The management of the Group regularly reviews the recoverable amount of trade receivables by performing ongoing credit assessments and monitoring prompt recovery and if necessary to make adequate impairment losses for irrecoverable amounts. In order to achieve better cost control and minimize the cost of funds, the Group's treasury activities are centralized and cash is generally deposited with leading licensed banks in Hong Kong and denominated in Hong Kong dollars.

Capital Structure

The Company's shares were successfully listed on GEM on 19 July 2018. There has been no change in the Company's capital structure since 19 July 2018. The capital structure of the Group comprises of issued share capital and reserves. The Directors review the Group's capital structure regularly.

Immediately after the Listing, the Company's issued share capital was HK$11,000,000 and the number of its issued ordinary shares was 1,100,000,000 of HK$0.01 each.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus of the Company (the "**Prospectus**") and this report, the Group did not have any plans for material investments or capital assets as of 30 June 2018.

Pledge of Assets

As at 30 June 2018 and 31 December 2017, the Group had pledged certain assets with carrying amounts of HK$23.0 million and HK$23.8 million respectively to secure the Group's bank loans.

Foreign Currency Exposure

The majority transactions of the Group are denominated in foreign currencies which are different from the functional currency of the Group, i.e. US dollar. The Company is mainly exposed to foreign exchange risk arising from transactions that are denominated in HK$, Vietnam dong and Renminbi. During the six months ended 30 June 2018, the Group did not have any hedging arrangements. 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 management considers the exposure to the foreign exchange risk fluctuation for the Group is not material.

Capital Commitments and Contingent Liabilities

As at 30 June 2018, the Group did not have any significant capital commitments and contingent liabilities (2017: Nil).

Employees and Remuneration Policies

As at 30 June 2018, the Group employed approximately 1,000 (2017: approximately 900) staff (including executive Directors). We determine the employees' remuneration based on factors such as qualification, duty, contributions and years of experience. In addition, the Group provides comprehensive training programs to its employees or sponsors the employees to attend various job-related training courses.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets

The Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the reporting period.

EVENT AFTER THE END OF REPORTING PERIOD

Please refer to Note 21 of the condensed consolidated financial statements.

DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2018.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The Company was listed on GEM on 19 July 2018. As the Listing date is subsequent to 30 June 2018, the Group is in its preliminary stage of implementing its business objectives and strategies as disclosed in the Prospectus. The Group will endeavor to achieve the milestone events as stated in the Prospectus.

USE OF PROCEEDS FROM LISTING

The Company's issued Shares were listed on GEM on 19 July 2018. The net proceeds from the Listing (after deducting the underwriting fees and expenses related to the Share Offer) amounted to approximately HK$44.5 million will be used for the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the shares of the Company (the "**Share(s)**") were not listed on the Stock Exchange. The respective Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), Section 352 of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules were not applicable.

Immediately after the Listing and up to the date of this report, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company (the "**Chief Executives**") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long position in ordinary Shares

Name of Directors	Nature of interests	Numbers of Shares held	Approximate % of the total number of Shares in issue
Mr. Wong Wai Chit *(Notes 1 & 2)*	Interest in controlled corporation	643,500,000	58.5%
Mr. Wong Man Chit *(Notes 1 & 3)*	Interest in controlled corporation	643,500,000	58.5%

Notes:

1. These 643,500,000 Shares are held by AVW International Limited ("**AVW**") is beneficially owned as to 50% by Mr. Wong Wai Chit and 50% by Mr. Wong Man Chit. Each of Mr. Wong Wai Chit and Mr. Wong Man Chit is deemed to be interested in the same number of Shares in which AVW is interested under the SFO.

2. Ms. Iong Man Lai is the spouse of Mr. Wong Wai Chit. Ms. Iong Man Lai is deemed to be interested in the same number of Shares in which Mr. Wong Wai Chit is interested by virtue of the SFO.

3. Ms. Tse Sheung is the spouse of Mr. Wong Man Chit. Ms. Tse Sheung is deemed to be interested in the same number of Shares in which Mr. Wong Man Chit is interested by virtue of the SFO.

Save as disclosed above, immediately after the Listing and up to the date of this report, none of the Directors or Chief Executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "DIRECTORS AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURE" and "SHARE OPTION SCHEME" in this report, at no time during the six months ended 30 June 2018 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors nor their respective close associates had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2018.

SUBSTANTIAL SHAREHOLDERS IN THE SHARES

As at 30 June 2018, the Shares were not listed on the Stock Exchange. The respective Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable.

So far as the Directors and the Chief Executives are aware, immediately after the Listing and up to the date of this report, other than the Directors and the Chief Executives, the following persons will have or be deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long position in ordinary Shares

Names of shareholder	Nature of interest	Number of Share held	Approximate % of the total number of Shares in issue
AVW *(Note 1)*	Beneficial owner	643,500,000	58.5%
Vibes Enterprises Company Limited *(Note 2)*	Beneficial owner	181,500,000	16.5%
Vibes Management Company Limited *(Note 2)*	Interest in controlled corporation	181,500,000	16.5%
Pioneer Unicorn Limited *(Note 2)*	Interest in controlled corporation	181,500,000	16.5%
Ms. Li Yin Ping *(Note 2)*	Interest in controlled corporation	181,500,000	16.5%

Names of shareholder	Nature of interest	Number of Share held	Approximate % of the total number of Shares in issue
Ms. Zheng Xiaochun *(Note 2)*	Interest in controlled corporation	181,500,000	16.5%
Mr. Guan Le *(Note 2 & 3)*	Interest of spouse	181,500,000	16.5%
Ms. Iong Man Lai *(Note 1 & 4)*	Interest of spouse	643,500,000	58.5%
Ms. Tse Sheung *(Note 1 & 5)*	Interest of spouse	643,500,000	58.5%

Notes:

1. AVW is beneficially owned as to 50% by Mr. Wong Wai Chit and 50% by Mr. Wong Man Chit, executive directors of the Company. Each of Mr. Wong Wai Chit and Mr. Wong Man Chit is deemed to be interested in the same number of Shares in which AVW is interested under the SFO.

2. Vibes Enterprises Company Limited ("**Vibes Enterprises**") is wholly owned by Vibes Management Company Limited ("**Vibes Management**"). Vibes Management Company Limited is wholly owned by Pioneer Unicorn Limited ("**Pioneer Unicorn**"), which is owned as to 50% by Ms. Li Yin Ping and 50% by Ms. Zheng Xiaochun. As such, Ms. Li Yin Ping and Ms. Zheng Xiaochun together indirectly control all the Shares held by Vibes Enterprises. Under the SFO, each of Vibes Management, Pioneer Unicorn, Ms. Li Yin Ping and Ms. Zheng Xiaochun is deemed to be interested in the same number of Shares in which Vibes Enterprises is interested.

3. Mr. Guan Le is the spouse of Ms. Zheng Xiaochun. Mr. Guan Le is deemed to be interested in the same number of Shares in which Ms. Zheng Xiaochun is interested by virtue of the SFO.

4. Ms. Iong Man Lai is the spouse of Mr. Wong Wai Chit. Ms. Iong Man Lai is deemed to be interested in the same number of Shares in which Mr. Wong Wai Chit is interested by virtue of the SFO.

5. Ms. Tse Sheung is the spouse of Mr. Wong Man Chit. Ms. Tse Sheung is deemed to be interested in the same number of Shares in which Mr. Wong Man Chit is interested by virtue of the SFO.

Save as disclosed above, immediately after the Listing and up to the date of this report, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by the shareholders of the Company and was effective on 23 June 2018. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. During the period from 23 June 2018 to the date of this report, no share options were outstanding, granted, cancelled and lapsed by the Company.

COMPETING INTERESTS

For the six months ended 30 June 2018, none of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE ADVISER'S INTERESTS

As at the date of this report, save and except for (i) the participation of TC Capital International Limited ("**TC Capital**") as the sponsor in relation to the Listing; and (ii) the compliance adviser's agreement entered into between the Company and TC Capital dated 25 September 2017, neither TC Capital nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the "**Required Standard of Dealing**") set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the period from 19 July 2018, on which dealings in the Shares first commence on GEM, to the date of this report. No incident of non-compliance was noted by the Company during such period.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company's issued Shares were listed on GEM on 19 July 2018. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after Listing and up to the date of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieve high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "**CG Code**"). Upon the date of Listing of the Company and up to the date of this report, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

At the request of the audit committee of the Company (the "**Audit Committee**"), the Company's auditor, Deloitte Touche Tohmatsu, had carried out a review of the unaudited interim financial information of the Company for the six months ended 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The unaudited interim financial information of the Company for the six months ended 30 June 2018 has also been reviewed by the Audit Committee.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Chan Cheong Tat. The other members are Mr. Yu Pui Hang and Mr. Ho Chi Wai. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process, the internal control systems of the Group and the monitoring of continuing connected transactions. All members of the Audit Committee are appointed by the Board.

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2018 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

REVIEW OF THE INTERIM REPORT

This interim financial report for the six months ended 30 June 2018 has not been audited, but has been reviewed by the Audit Committee and Deloitte Touche Tohmatsu, Certified Public Accountants, the external auditor of the Company.

As at the date of this report, the Directors are:

EXECUTIVE DIRECTORS

Mr. Wong Wai Chit
Mr. Wong Man Chit

NON-EXECUTIVE DIRECTOR

Ms. Wong Fong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Cheong Tat
Mr. Yu Pui Hang
Mr. Ho Chi Wai

Hong Kong, 10 August 2018