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
Third Quarterly Report

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CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

	Notes	Three months ended		Nine months ended	
		30.9.2018 HK$'000 (unaudited)	30.9.2017 HK$'000 (unaudited)	30.9.2018 HK$'000 (unaudited)	30.9.2017 HK$'000 (unaudited)
Revenue					
Sales of goods	3	68,105	69,286	155,958	124,416
Total revenue		68,105	69,286	155,958	124,416
Cost of sales		(51,589)	(50,550)	(121,816)	(92,048)
Gross profit		16,516	18,736	34,142	32,368
Other income	4	178	83	463	258
Other gains (losses)	5	(263)	39	(129)	117
Selling and distribution expenses		(2,001)	(1,819)	(4,461)	(3,893)
Administrative expenses		(8,179)	(6,173)	(22,422)	(17,776)
Listing expenses		–	(4,773)	(965)	(12,173)
Finance costs	6	(487)	(414)	(1,439)	(1,155)
Profit (loss) before tax		5,764	5,679	5,189	(2,254)
Income tax expense	7	(998)	(1,892)	(1,426)	(1,906)
Profit (loss) for the period	8	4,766	3,787	3,763	(4,160)
Other comprehensive (expense) income					
Item that may be classified subsequently to profit or loss:					
Fair value (loss) gain on available-for-sale investments		–	34	–	109
Debt instruments measured at fair value through other comprehensive income		(118)	–	(266)	–

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

For the nine months ended 30 September 2018

	Notes	Three months ended		Nine months ended	
		30.9.2018	30.9.2017	**30.9.2018**	30.9.2017
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Other comprehensive (expense) income for the period		**(118)**	34	**(266)**	109
Total comprehensive income (expense) for the period		**4,648**	3,821	**3,497**	(4,051)
Profit (loss) for the period attributable to:					
Owners of the Company		**4,766**	3,259	**3,763**	(2,958)
Non-controlling interests		**–**	528	**–**	(1,202)
		4,766	3,787	**3,763**	(4,160)
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		**4,648**	3,303	**3,497**	(2,855)
Non-controlling interests		**–**	518	**–**	(1,196)
		4,648	3,821	**3,497**	(4,051)
		HK cents	*HK cents*	***HK cents***	*HK cents*
Earnings (loss) per share, basic	*10*	**0.43**	0.53	**0.34**	(0.48)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months period ended 30 September 2018

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	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 equity HK$'000
At 1 January 2017 (audited)	4,536	–	(216)	–	–	27,589	31,909	3,265	35,174
Loss for the period	–	–	–	–	–	(2,764)	(2,764)	(1,202)	(3,966)
Fair value gain on available-for-sale investments	–	–	103	–	–	–	103	6	109
Loss and total comprehensive (expense) income for the period	–	–	103	–	–	(2,764)	(2,661)	(1,196)	(3,857)
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	6,478	–	6,478	7,522	14,000
Adjustments arising from Group Reorganisation	(4,536)	–	–	–	14,127	–	9,591	(9,591)	–
At 30 September 2017 (unaudited)	–	–	(113)	–	20,605	24,825	45,317	–	45,317
At 31 December 2017 (audited)	–	–	281	–	20,605	17,734	38,620	–	28,620
Reclassification from available-for-sale investments to financial assets at fair value through profit or loss	–	–	(281)	277	–	4	–	–	–
At 1 January 2018 (audited)	–	–	–	277	20,605	17,738	38,620	–	38,620
Profit for the period	–	–	–	–	–	3,763	3,763	–	3,763
Fair value loss on debt instruments through other comprehensive income	–	–	–	(266)	–	–	(266)	–	(266)
Profit and total comprehensive (expense) income for the period	–	–	–	(266)	–	3,763	3,497	–	3,497
Capitalisation issue of shares	8,250	(8,250)	–	–	–	–	–	–	–
Issue of shares pursuant to public offering	2,750	78,375	–	–	–	–	81,125	–	81,125
Transaction costs attributable to issue of new ordinary shares	–	(15,171)	–	–	–	–	(15,171)	–	(15,171)
At 30 September 2018 (unaudited)	11,000	54,954	–	11	20,605	21,501	108,071	–	108,071

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).

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.

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 September 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 September 2017 has been prepared to present the results 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 nine months ended 30 September 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 third quarter 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 third quarter 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.

2.2 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.

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; and
- 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 foregoing, 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.

3. REVENUE FROM GOODS

Disaggregation of revenue

	Three months ended 30.9.2018 HK$'000 (unaudited)	**Nine months ended 30.9.2018 *HK$'000* (unaudited)**
Sale of candle products		
Daily-use candles	26,206	**58,171**
Scented candles	33,244	**77,424**
Decorative candles	5,422	**11,444**
Others (included diffusers)	3,233	**8,919**
Total	68,105	**155,958**
Geographical markets		
United States of America	39,629	**100,493**
United Kingdom	22,345	**36,068**
Others	6,131	**19,397**
Total	68,105	**155,958**
Timing of revenue recognition		
At a point in time	68,105	**155,958**

For the nine months ended 30 September 2018

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.

4. OTHER INCOME

	Three months ended		Nine months ended	
	30.9.2018	30.9.2017	**30.9.2018**	30.9.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Dividend and interest income from available-for-sale investments	**–**	–	**–**	29
Dividend and interest income from debt instruments at fair value through other comprehensive income	**–**	–	**29**	–
Interest income from banks	**93**	20	**100**	40
Sample income	**9**	12	**76**	53
Sundry income	**76**	51	**258**	136
	178	83	**463**	258

5. OTHER GAINS (LOSSES)

	Three months ended		Nine months ended	
	30.9.2018	30.9.2017	**30.9.2018**	30.9.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Exchange gain (loss), net	**(262)**	39	**(127)**	100
Gain on disposal of property, plant and equipment	**–**	–	**–**	17
Fair value loss on financial assets at FVTPL	**(1)**	–	**(2)**	–
	(263)	39	**(129)**	117

6. FINANCE COSTS

	Three months ended		Nine months ended	
	30.9.2018	30.9.2017	**30.9.2018**	30.9.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest on bank borrowings	**414**	318	**1,220**	936
Interest on obligations under finance leases	**3**	5	**10**	15
Bank charges	**70**	91	**209**	204
	487	414	**1,439**	1,155

For the nine months ended 30 September 2018

7. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30.9.2018	30.9.2017	**30.9.2018**	30.9.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax:				
Hong Kong Profits tax	**152**	701	**152**	756
Vietnam corporate income tax	**991**	1,191	**1,399**	1,216
Over provision in prior year	**(64)**	–	**(64)**	–
	1,079	1,892	**1,487**	1,972
Deferred taxation:				
Current period	**(81)**	–	**(61)**	(66)
	998	1,892	**1,426**	1,906

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

8. PROFIT (LOSS) FOR THE PERIOD

	Three months ended		Nine months ended	
	30.9.2018	30.9.2017	**30.9.2018**	30.9.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit (loss) for the period has been arrived at after charging:				
Directors' remuneration	**1,242**	1,089	**3,412**	3,241
Other staff costs:				
– salaries and allowances	**9,910**	8,565	**25,122**	21,199
– discretionary bonus	**226**	–	**732**	–
– retirement benefits scheme contributions, excluding directors	**637**	551	**1,863**	1,608
Total staff costs	**12,015**	10,205	**31,129**	26,048
Less: capitalized in inventories	**(6,787)**	(6,172)	**(16,305)**	(14,147)
	5,228	4,033	**14,824**	11,901
Auditor's remuneration	**82**	51	**755**	526
Depreciation of property, plant and equipment:				
– owned assets	**598**	578	**1,727**	1,915
– assets held under finance lease contracts	**35**	35	**106**	106
Total depreciation	**633**	613	**1,833**	2,021
Less: capitalized in inventories	**(434)**	(482)	**(1,247)**	(1,470)
	199	131	**586**	551
Cost of inventories recognized as expense	**51,589**	50,550	**121,816**	92,048
Amortization of prepaid lease payments	**34**	35	**103**	104
Allowance of inventories (included in cost of sales)	**196**	111	**236**	171
Donations	**50**	–	**50**	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		Nine months ended	
	30.9.2018	30.9.2017	**30.9.2018**	30.9.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Earnings (loss)				
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	**4,766**	3,259	**3,763**	(2,958)

	Three months ended		Nine months ended	
	30.9.2018	30.9.2017	**30.9.2018**	30.9.2017
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,100,000,000**	612,454,212	**1,100,000,000**	612,454,212

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 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. EVENT AFTER THE END OF REPORTING PERIOD

Subsequent to the reporting period, an indirect wholly-owned subsidiary of the Company entered into a deposit agreement with the vendor on 12 October 2018 to acquire the land use right of a land which is located at land plot no. 51, Amata Industrial Park, Long Binh Ward, Dong Nai Province, Vietnam and pursuant to which the indirect wholly-owned subsidiary of the Company paid the 10% initial deposit in the sum of VND4,871,790,000.00 (equivalent to approximately HK$1,621,840.00) on 15 October 2018 to the vendor in relation to the acquisition. The purchase price is VND48,717,900,000.00 (equivalent to approximately HK$16,218,400.00), which will be financed by part of the net proceeds which was allocated for acquisition of new premises from the Share Offer (as defined in the Prospectus) and a mortgage loan. It is expected that the Company and the vendor would enter into the Formal Agreement in relation to the acquisition on or before 30 November 2018. The acquisition is expected to be completed by 31 December 2018. For the details, please refer to the announcement of the Company dated 15 October 2018.

BUSINESS REVIEW AND PROSPECTS

The shares of the Company (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 manufactures and sells 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 manufactures 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 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 nine months ended 30 September 2018 amounted to approximately HK$156.0 million, representing an increase of approximately HK$31.6 million or 25.4% as compared with that of approximately HK$124.4 million for the same period in 2017.

The increase of revenue was mainly due to an increase of approximately HK$29.0 million as compared with that of approximately HK$8.3 million for the same period in 2017 generated from two new customers which were introduced in the second half of 2017.

Gross profit and gross profit margin

Gross profit for the nine months ended 30 September 2018 amounted to approximately HK$34.1 million, representing an increase of approximately HK$1.7 million or 5.2% as compared to approximately HK$32.4 million for the same period in 2017. It was mainly due to the increase in revenue.

The gross profit margin dropped to approximately 21.9% for the nine months ended 30 September 2018 as compared with 26.1% 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 and the increase in the cost of materials.

Other income, gains or losses

Other income for the nine months ended 30 September 2018 were approximately HK$463,000, representing an increase of approximately HK$205,000 or 79% as compared to approximately HK$258,000 for the same period in 2017. The increase was mainly due to the increase in sundry income.

Other gains (losses) for the nine months ended 30 September 2018 with losses of HK$129,000, representing a decrease of approximately HK$246,000 or 210% as compared to approximately HK$117,000 gain for the same period in 2017. The decrease was mainly due to the exchange loss generated from inter-bank fund transfer.

Selling and distribution expenses

Selling and distribution expenses for the nine months ended 30 September 2018 were approximately HK$4.5 million, representing an increase of approximately HK$567,000 or 15.3% as compared to approximately HK$3.9 million for the same period in 2017. The increase was mainly due to the increase in transportation and declarations expenses of approximately HK$435,000 which was in line with the increase in revenue.

Administration expenses

Administrative expenses for the nine months ended 30 September 2018 were approximately HK$22.4 million, representing an increase of approximately HK$4.6 million or 25.8% as compared to approximately HK$17.8 million for the same period in 2017. The increase was mainly due to the increase in salary and allowance of approximately HK$2.6 million caused by the increase in number of administrative and finance personnel; and the increase in professional services fee of approximately HK$883,000.

Finance costs

Finance costs for the nine months ended 30 September 2018 were approximately HK$1.4 million, representing an increase of approximately HK$0.2 million or 16.7% compared to approximately HK$1.2 million 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 nine months ended 30 September 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.

Profit for the period

The Group incurred gain of approximately HK$3.8 million for the nine months ended 30 September 2018, representing an increase of approximately HK$7.9 million or 190% as compared with approximately HK$4.2 million loss for the same period in 2017. It was mainly due to the recognition of non-recurring listing expenses of approximately HK$12.2 million for nine months ended 30 September 2017.

The Group's gain excluding non-recurring listing expenses would be approximately HK$4.7 million for the nine months ended 30 September 2018 as compared with approximately HK$8.0 million for the same period in 2017, representing a decrease of approximately HK$3.2 million or 41%. The decrease was mainly due to the increase in administrative expenses of HK$4.6 million.

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 11 of the condensed consolidated financial statements.

DIVIDEND

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

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

As at 30 September 2018, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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, as at 30 September 2018, 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 nine months ended 30 September 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 nine months ended 30 September 2018.

SUBSTANTIAL SHAREHOLDERS IN THE SHARES

So far as the Directors and the Chief Executives are aware, as at 30 September 2018, 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 (Notes 2 & 3)	Interest of spouse	181,500,000	16.5%
Ms. Iong Man Lai (Notes 1 & 4)	Interest of spouse	643,500,000	58.5%
Ms. Tse Sheung (Notes 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, as at 30 September 2018, 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 of 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 nine months ended 30 September 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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the reporting period 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**"). During the nine months ended 30 September 2018, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

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 nine months ended 30 September 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.

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, 9 November 2018