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

Annual Report 2019

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CONTENTS

CORPORATE INFORMATION

Board of Directors	**Executive Directors** Mr. Wong Wai Chit *(Chairman)* Mr. Wong Man Chit *(Chief Executive Officer)* **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. So Chi Ming
Authorised representatives	Mr. Wong Wai Chit Mr. So Chi Ming
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 251 Pham Van Thuan Street Tan Mai Ward, Bien Hoa City, Dong Nai Vietnam
Compliance Adviser	**TC Capital International Limited** Suites 1903–1904, 19/F, Tower 6 The Gateway, Harbour City 9 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong
Auditor	**BDO Limited** 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of Directors of the Group is pleased to present the audited consolidated financial results of the Group for the year ended 31 December 2019 to the shareholders of the Company (the "**Shareholders**").

REVIEW OF RESULTS

For the year ended 31 December 2019, the Group's revenue was approximately HK$307.5 million. The Group recorded a net profit of approximately HK$24.7 million for the year ended 31 December 2019.

LISTING IN HONG KONG

On 19 July 2018 (the "**Listing Date**"), the Company had been successfully listed on GEM of the Stock Exchange in Hong Kong (the "**Listing**"), demonstrating the realisation of capital expansion and structure optimization of the Company as well as enhancing the recognition and social influence of the Company.

BUSINESS REVIEW

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. The major customers of the Group are mostly U.S. and U.K. department store operators and buying agents.

The Group mainly manufactures candle products based on the requirements and specifications from its customers. The Group would also assess the design and specifications and put forward our suggestions to its customers. The Group offer a wide variety of services to its 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, the Group 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 approximately US$15.6 million, respectively.

The F&S Report also mentioned that as the economy in the U.S. and other developed countries continue to recover, the consumption of mid-to-high end candle products is expected to increase. The candle market also has an increasing preference over candle products which are scented and with colour additives. With the preference for candle products with scent and coloured additives for use in rooms and households, increasing demand for scented and decorative candle products has provided the impetus for the whole market.

The analysis of product segment of the Group for the year ended 31 December 2019 is set out in Note 6 to the consolidated financial statements, where the scented candles are still the best selling products of the Group during the year ended 31 December 2019, the sales of scented candles increased by approximately HK$43.4 million or 40.9% as compared with the same period in 2018 that reflects the trend of preference for candle products with scent and coloured additives is increasing recently in the U.S. market.

In order to catch up the rapid growth of candle products especially in the U.S. market, the Group cooperated with a U.S. market consultant company after the Listing, for the boost of sales by introducing some sales representatives through their network in candle field in the U.S. market.

The U.S. market consultant company helped in analysis and identifying recent developments of the competitors of the Group within the U.S. market, introduced sales representatives in candle industry in the U.S. market, introduced a designer to accelerate the negotiation between the Group and the sales representatives for the potential orders and cooperation and coordinating the communication among each other with the synergy effect during the year ended 31 December 2019.

From the year of 2018, the Group entered into the contracts with sales representatives for the sales incentive to sales representatives for the orders from customers introduced by them. The management of the Group gladly to cooperate with sales representatives and expects the potential orders introduced by sales representatives in future.

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

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2019 amounted to approximately HK$307.5 million (2018: approximately HK$215.4 million), representing an increase of approximately HK$92.1 million or 42.8% as compared with last year. The increase in revenue was mainly due to the increase in sales of scented candles for approximately HK$43.4 million and others products (included diffusers) for approximately HK$29.9 million.

Cost of sales

Cost of sales for the year ended 31 December 2019 amounted to $216.3 million (2018: approximately HK$166.8 million), representing an increase of approximately HK$49.5 million or 29.7% as compared with last year. The increase in cost of sales in line with the increase in revenue.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2019 amounted to approximately HK$91.2 million, representing an increase of approximately HK$42.6 million or 87.7% as compared with that of approximately HK$48.6 million for the same period in 2018.

The gross profit margin increased to approximately 29.7% for the year ended 31 December 2019 as compared with that of 22.6% for the same period in 2018. The increase was mainly due to the increase in sales of scented candles as well as the increase in gross profit margin of scented candles from 23.1% for the year ended 31 December 2018 to 30.3% for the year ended 31 December 2019.

Other income and other gains and losses

Other income for the year ended 31 December 2019 was approximately HK$764,000 representing a decrease of approximately HK$94,000 or 11.0% as compared to approximately HK$858,000 for the same period in 2018. The decrease mainly due to decrease in surcharge income from customers.

Other losses for the year ended 31 December 2019 amounted to approximately HK$309,000, representing a decrease of approximately HK$599,000 or 206.6% as compared to other gains of approximately HK$290,000 for the same period in 2018. The decrease was mainly due to the impairment loss on trade receivable of approximately HK$738,000 recognised for the year ended 31 December 2019.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2019 amounted to approximately HK$18.4 million, representing an increase of approximately HK$10.8 million or 142.1% as compared to approximately HK$7.6 million for the same period in 2018. The increase was mainly due to (i) the increase in transportation and declarations expenses of approximately HK$1.4 million which was in line with the increase in sales; and (ii) the increase in marketing and promotion cost of approximately HK$9.9 million which included the commission to sales representatives for introducing new orders from customers for approximately HK$4.1 million and the consultation service fee of approximately HK$4.0 million in relation to U.S. market consultation which is beneficial to our business growth.

Administrative expenses

Administration expenses for the year ended 31 December 2019 amounted to approximately HK$39.6 million, representing an increase of approximately HK$7.3 million or 22.6% as compared to approximately HK$32.3 million for the same period in 2018. The increase was mainly due to the increase in salary and allowance of approximately HK$4.8 million caused by increase in staff costs; and the increase in travelling and office expenses of approximately HK$1.1 million.

Finance costs

Finance costs for the year ended 31 December 2019 amounted to approximately HK$2.9 million representing an increase of approximately HK$1.0 million or 52.6% as compared to approximately HK$1.9 million for the same period in 2018. The increase was mainly due to the increase in using bank borrowings to cope with revenue growth and the interest expenses on lease liabilities.

Listing expenses

During the year ended 31 December 2018, the Group recognised non-recurring listing expenses of approximately HK$965,000 in connection with the Listing on GEM.

Income tax expense

Income tax expense for the year ended 31 December 2019 amounted to approximately HK$6.3 million (2018: approximately HK$2.3 million), representing an increase of approximately HK$4.0 million or 173.9% as compared with last year. The increase primarily due to the increase in profit before taxation in Hong Kong and Vietnam.

Profit for the year

The Group recorded net profit of approximately HK$24.7 million for the year ended 31 December 2019, representing an increase in profit of approximately HK$19.9 million or 414.6% as compared to approximately of HK$4.8 million for the same period in 2018.

The Group's net profit after excluding non-recurring expenses would be approximately HK$24.7 million, representing an increase in profit of approximately of HK$19.0 million or 333.3% as compared to approximately of HK$5.7 million for the same period in 2018. Such increase was the combined effect of increase in gross profit of approximately HK$42.6 million; and offset by (a) the increase in administrative expenses for HK$7.3 million; (b) the increase in selling and distribution expenses for HK$10.8 million; and (c) the increase in finance costs for HK$1.0 million.

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2019. The detail is disclosed in Note 14 of the consolidated financial statements.

Liquidity and Financial Resources

As at 31 December 2019, the Group had total assets of approximately HK$230.2 million (2018: approximately HK$166.1 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$96.5 million (2018: approximately HK$57.0 million) and approximately HK$133.8 million (2018: approximately HK$109.1 million), respectively.

The total interest-bearing borrowings of the Group as at 31 December 2019 were approximately HK$47.0 million (31 December 2018: approximately HK$33.4 million), and current ratio as at 31 December 2019 was approximately 2.0 times (31 December 2018: approximately 2.4 times) mainly due to the increase in short term bank borrowing to finance the daily operation.

The Group's gearing ratio, which is calculated by dividing total debt by total equity as at the end of each of the financial year, increased from approximately 30.8% as at 31 December 2018 to approximately 37.5% as at 31 December 2019, primarily due to the increase in the level of bank borrowings and recognition of lease liabilities.

As at 31 December 2019 and 2018, the Group has unutilised banking facilities of approximately HK$43.4 million and HK$37.2 million respectively.

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

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 minimise the cost of funds, the Group's treasury activities are centralised 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 to 31 December 2019. The capital structure of the Group comprises of issued share capital and reserves. The Directors review the Group's capital structure regularly.

As at 31 December 2019, 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.

Pledge of Assets

As at 31 December 2019 and 2018, the Group had pledged certain assets including property, plant and equipment, right-of-use assets (2018: prepaid lease payments), debt instruments at fair value through other comprehensive income, pledged bank deposits and corporate guarantees with carrying amounts of HK$39.4 million and HK$22.3 million respectively to secure the Group's bank borrowings.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the prospectus of the Company dated 29 June 2018 (the "**Prospectus**") and this annual report, the Group did not have any other plans for material investment and capital assets as at 31 December 2019.

Foreign Currency Exposure

The majority transactions of expenditure of the Group are denominated in foreign currencies which are different from the functional currency of the Group, i.e. US dollar. The Group is mainly exposed to foreign exchange risk arising from transactions that are denominated in Hong Kong dollar and Vietnamese dong. During the year ended 31 December 2019, the Group did not have any hedging arrangements. The Group currently does not have a foreign currency hedging policy. However, the management of the Group 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 of the Group considers the exposure to the foreign exchange risk fluctuation for the Group is not material.

Capital Commitments

As at 31 December 2019, the Group do not have any capital commitments in respect of property, plant and equipment and land use right in Vietnam (2018: approximately HK$6.5 million).

Contingent Liabilities

As at 31 December 2019, the Group did not have any contingent liabilities (2018: Nil).

Employees and Remuneration Policies

As at 31 December 2019, the Group employed approximately 1,050 (2018: approximately 830) 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

Other than disclosed as elsewhere in this annual report, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the year ended 31 December 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks and uncertainties involved in the Group's current operations, some of which are beyond the Group's control. The most significant risks relating to the business such as (i) fluctuations in prices of raw materials or unstable supply of raw materials could negatively impact the operations and may affect our profitability; (ii) our business is concentrated in the U.S. and the U.K. and is highly susceptible to any adverse economic or social conditions in these markets which would materially and adversely affect the demand for the products; (iii) the business rely on key management personnel; and (iv) the credit risk of trade receivables that the cash flow position may be affected. A detailed discussion of the risk factors is set out in the section headed "Risk Factors" in the Prospectus.

OUTLOOK

Looking forward, the business and operation environments of the Group will remain challenging. Nevertheless, we will embrace these challenges by implementing proactive marketing strategies, investing more resources for product development and reinforcing on cost control measures.

Based on our success, we remain optimistic about the Group's future development. We intend to execute our development plan as set forth in the Prospectus carefully and prudently for the purpose of bringing a desirable return to the Shareholders and facilitating the long-term growth of the business of the Group.

USE OF PROCEEDS

The net proceeds received by the Group from the Listing after deducting the relevant one-off and non-recurring listing expenses amounted to approximately HK$44.5 million (based on the public offering price of HK$0.295 per share), which was below the estimated net proceeds of approximately HK$50.5 million (estimated on the assumption that the public offering price would be HK$1.1 per share), the midpoint of the range stated in the Prospectus.

The following sets forth a summary of the allocation of the net proceeds and its utilisation as at 31 December 2019, as compared to that envisaged in the Prospectus.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the period from the Listing Date (i.e. 19 July 2018) to 31 December 2019 is set out below:

	Approximate amount of net proceeds HK$ million	**Approximate actual utilised as at 31 December 2019** HK$ million	**Unused amount of net proceeds as at 31 December 2019** HK$ million
Upgrade existing production facilities	6.2	–	6.2
Acquisition of new production facilities	18.1	10.2	7.9
Purchase of new machinery	9.2	2.3	6.9
Installation of ERP systems	2.0	0.1	1.9
Partial repayment of bank loans	6.9	6.9	–
General working capital	2.1	2.1	–
	44.5	21.6	22.9

Upgrade existing production facilities

The Group had planned to use approximately HK$6.2 million of the net proceeds for demolition works and renovation of existing production facilities during the year ended 31 December 2019. As at 31 December 2019, no proceeds are spent on demolition works and renovation of existing production facilities, the reasons for the delay were (i) more than expected secured orders received from customers and manpower of existing factory were concentrated in the production; and (ii) the Group entered into an agreement to acquire a new land for new production facility during the year ended 31 December 2018 and completed the acquisition of the new land during the year ended 31 December 2019, the management of the Group needed more time to discuss with designer and constructor for both the renovation of existing production facilities and construction of new production facility together. Given that the Group is performing the tender for the construction of new production facilities, the Group currently expects the demolition works and renovation of existing production facilities together with construction of new production facilities will be scheduled in 2020.

Acquisition of new production facility

During the year ended 31 December 2019, the Group completed the acquisition of the new land for new production facility. As at 31 December 2019, the Group paid approximately HK$10.2 million by part of net proceeds allocated for acquisition of new premises. The building construction of new production facility is under the tender process, the Group expects the completion of building construction of new production facility within 2020.

Acquisition of new machinery

During the year ended 31 December 2019, the Group paid approximately HK$1.5 million for the balance of machineries for the expected increasing purchase orders from its customers in the year of 2019. The Group expects the acquisition of rest of machinery in 2020.

Installation of ERP systems

During the year ended 31 December 2019, the Group is planning to use approximately HK$2.0 million of the installation of an ERP system. As at 31 December 2019, a total of approximately HK$0.1 million was spent on new computers and related hardware peripherals. The Group is planning to install ERP systems for production and warehouse management and customer relationship management. The Group is seeking various systems and expects the implementation of ERP during the year of 2020.

Partial repayment of bank loans

The Group repaid the balance of bank loans in Hong Kong and Vietnam of approximately HK$2.9 million and repaid overdraft in Hong Kong amounting to approximately HK$4.0 million.

Except as explained above, the Group intends to continue to apply the net proceeds received from the Listing in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

All the unutilised balances of net proceeds have been placed in licensed banks for short-term deposits.

The Directors are not aware of any material change to the planned use of proceeds as at the date of this report.

CORPORATE GOVERNANCE PRACTICES

The Board acknowledges the importance of good corporate governance practices and believes that maintaining a high standard of corporate governance practices is crucial to the development of the Company. The Board will continue to review its corporate governance practices in order to enhance its corporate governance standards, comply with the increasingly complicated regulatory requirements, and meet with the rising expectations of the Shareholders and respective investors. The Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules has been applicable to the Company from the Listing Date. The Board is of the view that during the year ended 31 December 2019 (the "**Relevant Period**"), the Company has complied with all applicable code provisions as set out in the CG Code.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the year ended 31 December 2019, the role of the chairman of the Company is performed by Mr. Wong Wai Chit and the executive functions of a chief executive officer are discharged by Mr. Wong Man Chit as the chief executive officer of the Company.

In accordance with article 132 of the memorandum and articles of association (the "**Articles**") of the Company, the Directors may elect a chairman of the Board meetings and determine the period for which he/she is to hold office. If no such chairman is elected, the Directors present may choose one of their members to be chairman of the meeting. The Board considers this arrangement allows contributions from all Directors with different expertise to manage the Group's overall business development, implementation and management.

The key corporate governance principles and practices of the Company are summarised as follows:

BOARD OF DIRECTORS

The Board cultivates good governance as the cornerstone of the Group's corporate culture. The Board is responsible for the leadership and control of the Company and is accountable to the Shareholders for the strategic development of the Group with a targeted goal in respect of maximising long-term Shareholder value, while balancing stakeholders' interests. The Board formulates the overall strategic direction, while the management is delegated with the power to implement policies and strategies as set out by the Board. The Board has also delegated the day-to-day responsibility to the executive Directors who will meet regularly to review the financial results and performance of the Group. The Group oversees the Group's affairs in a responsible and effective manner.

The Board has a balanced composition of executive and non-executive Directors. Currently, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. At all times during the Relevant Period, the independent non-executive Directors represent at least one-third of the Board. Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date which shall continue thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other. A non-executive Director has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date which shall continue thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other. Each of the independent non-executive Directors appointed on 23 June 2018 has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date which shall continue thereafter unless and until terminated by not less than three months' notice in writing by either party on the other. Their appointments are subject to retirement by rotation and re-election at the Company's annual general meeting ("**AGM**") in accordance with the Articles.

The composition of the Board is as follows:

Executive Directors

Mr. Wong Wai Chit *(Chairman)*
Mr. Wong Man Chit *(Chief Executive Officer)*

Non-executive Director

Ms. Wong Fong

Independent non-executive Directors

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

During the Relevant Period, there was no change in the composition of the Board. The biographical information of the Directors, which is set out on pages 25 to 28 in this annual report, demonstrates a balance of skills, experience and diversity perspectives of the Board. Except as disclosed in the biography of Directors, the Directors have no financial, business, family or other material/relevant relationships with the Group.

The Company has throughout the Relevant Period met the requirements of the GEM Listing Rules relating to the appointment of the independent non-executive Directors with at least one of them possessing appropriate accounting professional qualifications as required under rule 5.05(2) of the GEM Listing Rules. Mr. Ho Chi Wai is one of three independent non-executive Directors, possesses the appropriate professional qualifications, or accounting or related financial management expertise as required under rule 5.05(2) of the GEM Listing Rules. Each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence prior to their respective appointment and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence during the year ended 31 December 2019. The Board considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Rule 5.09 of the GEM Listing Rules throughout the year ended 31 December 2019.

In accordance with article 108(a) of the Articles, at each AGM one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors shall be eligible for re-election at the AGM.

In accordance with article 112 of the Articles, any Director appointed by the Board during the year to fill a casual vacancy shall hold office only until the first general meeting of the Company after such appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. Any Director appointed under article 112 of the Articles shall not be taken into account in determining the Directors of the number of Directors who are to retire by rotation at the AGM. Other matters reserved for the Board include consideration of dividend policy, approval of major investments and review of the corporate governance practices of the Group. Daily operations and administration are delegated to management teams.

The Company has arranged insurance cover in respect of legal action against its Directors. The insurance coverage is reviewed at least annually to ensure that the Directors and officers are adequately protected against potential liabilities.

Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

NOMINATION COMMITTEE

The Company has established the nomination committee (the "**Nomination Committee**") on 23 June 2018 with specific written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis; identify qualified individuals to become Board members; assess the independence of independent non-executive Directors; make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and monitor the implementation of the board diversity policy on an ongoing basis.

To facilitate sustainable and balanced development of the Company, the Nomination Committee has adopted a board diversity policy (the "**Diversity Policy**"), which sets out the approach to achieve diversity of the Board. Under the Diversity Policy, the appointment and/or recommendation for appointment will be based on objective criteria, having due regard to the benefits of diversity on the Board, including, among others, the candidates' gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Decisions of the Nomination Committee are made based on the merits and contribution of the selected candidates.

The Nomination Committee has also adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and procedure of appointment and re-appointment of Directors.

Procedure and Process for Nomination of Directors

The Nomination Committee will recommend to the Board for the appointment of a Director including an independent non-executive Director in accordance with the following selection criteria and nomination procedures:

Selection Criteria

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

(a) Diversity in the aspects, amongst others, of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;

(b) The number of directorships in other listed/public companies;

(c) Commitment for responsibilities of the Board in respect of available time and relevant interest;

(d) Qualifications, including accomplishment and experience in the relevant industries in which the Group's business is involved;

(e) Experience in the Group's principal business and/or the industry in which the Group operates;

(f) Independence;

(g) Reputation for integrity; and

(h) Potential contributions that the individual can bring to the Board.

Nomination Procedures

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

i. The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents, and may seek independent professional advice to access a wider range of potential candidates.

ii. The secretary of the Nomination Committee shall invite nomination of candidates from the Board members (if any) for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by the Board.

iii. Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment.

iv. The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate.

v. The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and the Remuneration Committee will make the recommendation to the Board on the policy and structure for the remuneration.

vi. All appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the relevant regulatory authorities, if required.

vii. For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

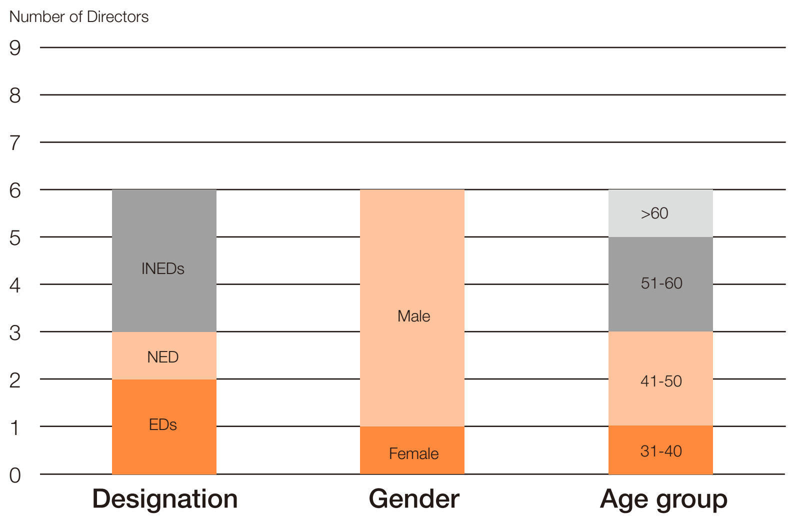
viii. The Nomination Committee and/or the Board should make recommendation to the Shareholders in respect of the proposed election of Director at the general meeting.

The Nomination Committee comprised a total of three members, being the three independent non-executive Directors, namely Mr. Chan Cheong Tat, Mr. Yu Pui Hang and Mr. Ho Chi Wai. The chairman of the Nomination Committee is Mr. Ho Chi Wai.

During the Relevant Period, the Nomination Committee held one meeting for, *inter alia*, considering the retirement and re-election of the Directors at the AGM and to assess, review and make recommendations on the structure, size and composition of the Board.

Details of the attendance records of each committee member at the Nomination Committee meeting are set out under the subheading “Practices and Conduct of Meetings” below.

The following graph provides an analysis on the composition of the Board as at the date of this report:



Remarks:

EDs – Executive Directors
NED – Non-Executive Director
INEDs – Independent Non-executive Directors

REMUNERATION COMMITTEE

The Company has established the remuneration committee (the "**Remuneration Committee**") on 23 June 2018 with specific written terms of reference in compliance with the CG Code. The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to the Directors and senior management of the Group; review performance-based remuneration; make recommendations to the Board on the remuneration packages of the Directors and senior management of the Group; and ensure none of the Directors determine their own remuneration. The remuneration committee has adopted the model as described in the code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual executive Directors, including salaries, bonuses and benefits in kind.

The Remuneration Committee comprised a total of three members, being the three independent non-executive Directors, namely Mr. Chan Cheong Tat, Mr. Yu Pui Hang and Mr. Ho Chi Wai. The chairman of the Remuneration Committee is Mr. Yu Pui Hang.

For the financial year ended 31 December 2019, the remuneration of Directors was determined by their experience, responsibility, workload and the time devoted to the Group. Executive Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance.

During the Relevant Period, the Remuneration Committee held three meetings for, *inter alia*, reviewing the remuneration policy of the Company, the Directors' fee of the independent non-executive Directors and non-executive Director and remuneration packages of the executive Directors.

Details of the attendance records of each committee member at the Remuneration Committee meeting are set out under the subheading "Practices and Conduct of Meetings" below.

AUDIT COMMITTEE

The Company has established the audit committee (the "**Audit Committee**") on 23 June 2018 with specific written terms of reference in compliance with Rule 5.28 to 5.29 of the GEM Listing Rules and the CG Code. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditor; review financial statements and material advice in respect of financial reporting; and review risk management and internal control system of the Company. The Audit Committee shall consider whether, in order to assure continuing auditor independence, there should be a regular rotation of the independent registered public accounting firm.

The Audit Committee comprised a total of three members, being the three independent non-executive Directors, namely Mr. Chan Cheong Tat, Mr. Yu Pui Hang and Mr. Ho Chi Wai. The chairman of the Audit Committee is Mr. Chan Cheong Tat. None of the members of the Audit Committee is a former partner of the Company's and its subsidiary's existing external auditors.

During the Relevant Period, the Audit Committee held seven meetings for, *inter alia*, (1) appointment of external auditor; (2) appointment of independent external assurance provider to conduct the internal audit function; (3) discussing with the external auditor to assess the impact on applying the new accounting standard; (4) reviewing the audited consolidated financial statements for the year ended 31 December 2019, the unaudited consolidated financial statements for the nine months ended 30 September 2019, six months ended 30 June 2019 and three months ended 31 March 2019; (5) reviewing risk management and internal control system in accordance with code provision C.2.1 of the CG Code; (6) improving current standard of operational control procedures; and (7) considering the appointment and re-appointment of external auditor of the Company and reviewing and approving the audit scope and fees proposed by the external auditor.

Details of the attendance records of each committee member at the Audit Committee meeting are set out under the subheading "Practices and Conduct of Meetings" below.

PRACTICES AND CONDUCT OF MEETINGS

Schedules and agendas for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. Notice of at least 14 days is given for a regular Board meeting. For other Board meetings, reasonable notice is given. Board papers together with appropriate, complete and reliable information are circulated to all Directors not less than 3 days before the date of the Board meetings to enable them to make informed decisions.

All Directors are supplied in a timely manner with all relevant documentation and financial information. The company secretary is responsible to keep minutes of all Board meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final version is open for their inspection.

The attendance records of each Director at the Board and the above committee meetings and the general meeting of the Company held during the Relevant Period:

Name of Director	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
	Attendance/Number of Meetings				
Executive Directors					
Mr. Wong Wai Chit	12/12	N/A	N/A	N/A	1/1
Mr. Wong Man Chit	12/12	N/A	N/A	N/A	1/1
Non-executive Director					
Ms. Wong Fong	10/12	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Chan Cheong Tat	12/12	7/7	3/3	1/1	1/1
Mr. Yu Pui Hang	12/12	7/7	3/3	1/1	1/1
Mr. Ho Chi Wai	12/12	7/7	3/3	1/1	1/1

The Board was satisfied with the attendance of the Directors as they have committed sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of the materiality of interest and be required to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CORPORATE GOVERNANCE FUNCTIONS

According to code provision D.3.1 of the CG Code, the Board is responsible for performing the duties relating to corporate governance functions. The Board has the following responsibilities in performing the corporate governance duties of the Company as follows: (i) developing and reviewing the Group's policies and practices on corporate governance and make recommendations; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management of the Group; (iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) reviewing the Group's compliance with the CG Code and disclose in the corporate governance report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2019, the fees of the external auditor in respect of audit and non-audit services provided to the Group were as follows:

Service rendered	Fee amount HK$'000
Audit Service	800

FINANCIAL REPORTING

The Board has acknowledged their responsibility for the preparation of the consolidated financial statements for the year ended 31 December 2019 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the GEM Listing Rules. The management of the Group has provided sufficient explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group for the Board's approval. The statement by auditor about their reporting responsibilities is set out in the independent auditor's report on the consolidated financial statements.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration. The emoluments of executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and prevailing market conditions. The remuneration of the executive Directors and senior management of the Group is subject to review and approval by the Remuneration Committee. The remuneration policy of independent non-executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs. Their emoluments are determined with reference to their skills, experience, knowledge, duties and market trends. The remuneration of the independent non-executive Directors is subject to approval by the Board.

Particulars of the Directors' remuneration for the year ended 31 December 2019 are set out in Note 12 to the consolidated financial statements.

Pursuant to code provision B.1.5. of the CG Code, the remuneration of the members of the senior management of the Group (other than the Directors) whose particulars are contained in the section headed "Biography of Directors and Senior Management" of this annual report for the year ended 31 December 2019 by band is set out below.

Remuneration band	Number of individual
Nil to HK$1,000,000	1
Over HK$1,000,000	1

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 for the year ended 31 December 2019. No incident of non-compliance was noted by the Company for the year ended 31 December 2019.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

According to the information provided by the Directors, a summary of training received by the Directors during the Relevant Period is as follows:

Name of Directors	**Reading materials/ Attending seminars**
Executive Directors	
Mr. Wong Wai Chit *(Chairman)*	✓
Mr. Wong Man Chit *(Chief Executive Officer)*	✓
Non-executive Director	
Ms. Wong Fong	✓
Independent Non-Executive Directors	
Mr. Chan Cheong Tat	✓
Mr. Yu Pui Hang	✓
Mr. Ho Chi Wai	✓

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the effectiveness of the Group's internal control and risk management systems. Such internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board had conducted a review on the effectiveness of the Group's internal control and risk management systems once during the year ended 31 December 2019 which covered financial, operational, compliance procedural and risk management functions and had considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. In light of the size and scale of the Group's business, the Group does not have an internal audit function as the Board has reviewed the effectiveness of the internal control system of the Group and is currently of the view that there is no immediate need to set up an internal audit function within the Group. The Board will review and consider to establish such department as and when it thinks necessary.

The Group has engaged an external professional consultant, to conduct independent internal control review for the year ended 31 December 2019 and the review is completed as at the date of this annual report.

The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established an effective system of internal controls and adopted a series of measures to ensure its safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of the Shareholders.

The Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

Internal Control System

The Company has maintained an internal control system and its implementation has been considered effective by the Audit Committee and the Board. Meanwhile, the Group strives for continual improvement through efforts to enhance controls, ongoing employee training and development, talent retention, and other measures. The Group follows a disciplined and balanced compensation framework with strong internal governance and independent Board oversight. The impact of risk and control issues are carefully considered in the Group's performance evaluation and incentive compensation processes.

SHAREHOLDERS AND INVESTORS' RELATIONS

The Board has established shareholders communication policy and is dedicated to maintaining an on-going dialogue with the Shareholders and the investment community. The policy is subject to review regularly to ensure its effectiveness. It aims to ensure the Shareholders and the investment community are provided with ready and timely access to all publicly available information about the Company such as circulars and Company's financial reports (quarterly, interim and annual reports) so as to enable the Shareholders to exercise their rights in an informed manner and to allow the Shareholders and investment community to engage actively with the Company. We welcome the Shareholders and investment community to visit the Company's website at http://www.fleming-int.com to obtain up-to-date information regarding the Company.

CONSTITUTIONAL DOCUMENTS

These are no significant changes in the Company's constitutional documents for the Relevant Period.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting of the Company and putting forward Proposals at General Meetings

In accordance with article 64 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company and carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting forward Enquiries to the Board

Enquiries by the Shareholders to be put to the Board can be sent in writing to the Directors or company secretary of the Company at the principal place of business in Hong Kong. The Shareholders may make a request for information about the Company by sending an e-mail to info@fleming-int.com.

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the Company's registered shareholders can contact the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited.

COMPANY SECRETARY

Mr. Lee Ka Wai acted as the company secretary of the Company during the period from 1 January 2019 to 30 April 2019 and Mr. So Chi Ming was appointed on 1 May 2019 as the company secretary of the Company. Mr. So's biographical detail is set out under the section headed "Biography of Directors and Senior Management" of this annual report. Mr. So has complied with Rule 5.15 of GEM Listing Rules by taking no less than 15 hours of relevant professional training to update his skills and knowledge.

EXECUTIVE DIRECTORS

Mr. Wong Wai Chit

Mr. Wong Wai Chit (**黃偉捷**) **(Mr. Vincent Wong)**, aged 52, is our chairman and executive Director. Mr. Vincent Wong is one of the controlling shareholders (as defined in the GEM Listing Rules) of the Company and he joined our Group as the director of Fleming International Limited a wholly owned subsidiary of the Company on 20 July 1993. He was appointed as Director on 5 July 2017 and was redesignated as executive Director on 23 June 2018. Mr. Vincent Wong is responsible for formulating our Group's overall strategic plans and overseeing its financial control, business development and policy setting.

Mr. Vincent Wong is one of the founding members of our Group and has over 20 years of candle manufacturing experience. He was educated in secondary schools in Hong Kong. Mr. Vincent Wong is the younger brother of Mr. Andrew Wong.

Mr. Wong Man Chit

Mr. Wong Man Chit (**黃聞捷**) **(Mr. Andrew Wong)**, aged 54, is our chief executive officer and executive Director. Mr. Andrew Wong is one of the controlling shareholders of the Company and he joined our Group as the director of Fleming International Limited a wholly owned subsidiary of the Company on 20 July 1993. He was appointed as Director on 5 July 2017 and was redesignated as executive Director on 23 June 2018. Mr. Andrew Wong is responsible for overseeing our Group's business operations, its overall sales and marketing strategies and its production and product development.

Mr. Andrew Wong is one of the founding members of our Group and has over 20 years of candle manufacturing experience. He was educated in secondary schools in Hong Kong. Mr. Andrew Wong is the elder brother of Mr. Vincent Wong.

NON-EXECUTIVE DIRECTOR

Ms. Wong Fong

Ms. Wong Fong (王芳), aged 41, was appointed as our non-executive Director on 29 August 2017. Ms. Wong provides advice on overall financial matters to our Board in support of our development but is not participating in the day-to-day management of our business operation. Ms. Wong is appointed for a term of 3 years from the Listing Date and she is subject to retirement by rotation and re-election in accordance with the Articles.

Ms. Wong is a director of Grant Thornton Hong Kong Limited (certified public accountants). Prior to that, Ms. Wong had been appointed, among others, as the chief operating officer of Jonten Hopkins CPA Limited from January 2010 to January 2014.

Ms. Wong obtained a Bachelor degree in the Harbin Normal University of PRC in 2000 and was qualified and awarded the certificate of accounting professional by the Ministry of Finance of the PRC in June 2005 and awarded the HKSI Practising Certificate (Securities) by Hong Kong Securities Institute in having successfully completed the relevant Licensing Examination for Securities and Futures Intermediaries in January 2011.

Ms. Wong was appointed, from December 2014 to June 2016, as an independent non-executive director of Chun Sing Engineering Holdings Limited (now known as Huarong Investment Stock Corporation Limited), the shares of which are listed on the Main Board of the Stock Exchange (Stock code 2277).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Cheong Tat

Mr. Chan Cheong Tat (陳昌達), aged 70, was appointed as our independent non-executive Director on 23 June 2018 and is the chairman of the Audit Committee and a member of Remuneration Committee and Nomination Committee. Mr. Chan provides independent advice to our Board on management and provides independent judgment on the issue of strategy, performance, resources and standard of conduct of our Company, despite that he is not participating in the day-to-day management of our business operation. Mr. Chan is appointed for a term of 3 years from the Listing Date and he is subject to retirement by rotation and re-election in accordance with the Articles.

Mr. Chan is the founding shareholder and sole director of C T Tax Consultants Limited since August 2006. Prior to that, Mr. Chan had worked in the Inland Revenue Department for over 32 years. He joined the HK Government as assistant assessor in November 1972, and was promoted to assessor in January 1976, to senior assessor in May 1985, to chief assessor in June 1994, to assistant commissioner of Inland Revenue in September 2003 and commenced the pre-retirement leave in April 2005.

Mr. Chan obtained a Master degree in Financial Management from Central Queensland University of Australia in 1995. He was admitted as, an associate of the Institute of Chartered Secretaries and Administrators in March 1974, a fellow of the Association of Certified Accountants in November 1983, a fellow of the Hong Kong Institute of Certified Public Accountants in March 1986, a fellow of the Australian Society of Certified Practising Accountants in June 1990, and an associate of the Hong Kong Institute of Company Secretaries in August 1994.

Mr. Chan has been appointed as, since March 2006, an independent non-executive director of Guangdong Tannery Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1058), since December 2014, an independent non-executive director of Medicskin Holdings Limited, the shares of which are listed on GEM of the Stock Exchange (Stock code: 8307), since September 2018, an independent non-executive director of Chong Fai Jewellery Group Holdings Company Limited (formerly known as Dominate Group Holdings Company Limited), the shares of which are listed on GEM of the Stock Exchange (Stock code: 8537), since September 2019, an independent non-executive director of Accel Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1283), since February 2020, an independent non-executive director of Ye Xing Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1941), from January 2015 to December 2016, an independent non-executive director of Man Sang International Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 938), from May 2014 to May 2015, an independent non-executive director of Wasion Group Holdings Limited (now known as Wasion Holdings Limited), the shares of which are listed in Main Board of the Stock Exchange (Stock code: 3393), from October 2006 to December 2011, an independent non-executive director of Nobel Jewelry Holdings Limited (now known as Central Development Holdings Limited), the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 475).

Mr. Yu Pui Hang

Mr. Yu Pui Hang (余沛恒), aged 40, was appointed as our independent non-executive Director on 23 June 2018 and is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Yu provides independent advice to our Board on management and provides independent judgment on the issue of strategy, performance, resources and standard of conduct of our Company, despite that he is not participating in the day-to-day management of our business operation. Mr. Yu is appointed for a term of 3 years from the Listing Date and he is subject to retirement by rotation and re-election in accordance with the Articles.

Mr. Yu is the principal partner of L&Y Law Office since January 2016 and Henry Yu & Associates since 2018. Prior to that, Mr. Yu had worked, at ICBC International Holdings Limited from July 2010 to December 2015 with his last position as executive director, associate general counsel of legal department, at Freshfields Bruckhaus Deringer as associate from November 2006 to July 2010, at Norton Rose (Services) Limited as associate from November 2005 to October 2006, and at Kennedys as associate solicitor from July 2004 to August 2005.

Mr. Yu obtained his Bachelor degree of Laws in the King's College London, University of London of United Kingdom in 2001. Mr. Yu was qualified and admitted as, a solicitor in Hong Kong in August 2004, a solicitor in England and Wales in April 2005. Mr. Yu was also admitted as an associate of the Hong Kong Institute of Arbitrators in May 2003, and appointed as a member of Community Talks & Services Working Group of the Law Society of Hong Kong in October 2014, a member of the Innotech Committee of the Law Society of Hong Kong, Hon. Legal Advisor to the Hong Kong Federation of Invention and Innovation, Hon. Legal Advisor to the Institute of Financial Technologies of Asia, Hon. Legal Advisor to the Bitcoin Association of Hong Kong and the Hon. Legal Advisor to the TechFin (GHM Greater Bay Area) Association.

Mr. Yu has been appointed as, since May 2018, an independent non-executive director of Amuse Group Holding Limited, the shares of which are listed on GEM of the Stock Exchange (Stock code: 8545).

Mr. Ho Chi Wai

Mr. Ho Chi Wai (何志威), aged 45, was appointed as our independent non-executive Director on 23 June 2018 and is the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. Mr. Ho provides independent advice to our Board on management and provides independent judgment on the issue of strategy, performance, resources and standard of conduct of our Company, despite that he is not participating in the day-to-day management of our business operation. Mr. Ho is appointed for a term of 3 years from the Listing Date and he is subject to retirement by rotation and re-election in accordance with the Articles.

Mr. Ho has over 23 years of experience in audit assurance and business consulting. He is currently a partner of SRF Partners & Co., Certified Public Accountants. Prior to starting his own practice in 2012, Mr. Ho had been appointed, among others, from May 2010 to November 2011, the principal, from May 2005 to May 2010, the audit manager and from May 2000 to May 2005, the audit senior of an accounting firm, from June 1997 to April 1999, the audit staff, and from May 1999 to May 2000, the audit senior of a local accounting firm.

Mr. Ho obtained a Bachelor of Business Administration degree from Lingnan University (formerly known as Lingnan College) in 1997 and a Master of Finance degree from Jinan University in 2012. He is currently a practicing certified public accountant of the Hong Kong Institute of Certified Public Accountants, a certified tax adviser at the Taxation Institute of Hong Kong, a fellow member of the Taxation Institute of Hong Kong, a fellow member of the Association of International Accountants and a fellow member of Association of Chartered Certified Accountants.

Mr. Ho has been appointed as, since March 2014, an independent non-executive director of Wai Chi Holdings Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1305), from June 2012 to October 2013, an independent non-executive director of Ming Kei Holdings Limited (now known as Capital Finance Holdings Limited), the shares of which are listed on GEM of the Stock Exchange (Stock code: 8239), and since May 2018, an independent non-executive director of Affluent Foundation Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1757).

SENIOR MANAGEMENT

Mr. Choi Ka Shing

Mr. Choi Ka Shing (**蔡嘉成**), aged 38, is the chief financial officer of our Group. Mr. Choi joined our Group in November 2016 and is responsible for the overall finance and accounting matters of our Group.

Mr. Choi has over ten years of experience in auditing, accounting and financial management. Prior to joining our Group, Mr. Choi had been appointed, among others, the financial controller of Architectural Precast GRC (HK) Limited from June 2016 to October 2016, the audit supervisor in FTW & Partners CPA Limited from March 2009 to May 2016, the audit trainee from June 2005 to August 2007 and the audit semi-senior from September 2007 to March 2009 in Anthony Lam & Co.

Mr. Choi obtained a Bachelor of Accountancy in University of South Australia in 2008. Since December 2015, Mr. Choi was admitted to a full membership of CPA Australia.

COMPANY SECRETARY

Mr. So Chi Ming

Mr. So Chi Ming (**蘇志明**), age 50, was appointed as the company secretary of the Company in 1 May 2019. His responsibilities are to serve as one of the primary contact points for communications with the Stock Exchange and relevant regulatory bodies for the Group, and advise the Board and senior management of the Group accordingly on matters relating to governance, administration, and management. Mr. So is admitted as an associate member of The Association of Chartered Certified Accountants in 2002, an associate member of Hong Kong Institute of Certified Public Accountants in 2003, an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in United Kingdom in 2016 and an associate member of The Hong Kong Institute of Chartered Secretaries in 2016.

Mr. So obtained a Master's degree of Science in Professional Accounting and Corporate Governance from City University of Hong Kong in 2007. He has over 25 years of experience in audit, financial account field and involvement of corporate governance.

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 July 2017. The Company completed the group reorganisation (the "**Reorganisation**") on 13 September 2017 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising our Group. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the Prospectus. The shares were listed on the GEM of the Stock Exchange on Listing Date by way of share offer.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 39 to the consolidated financial statements. The principal activities of the Group is the manufacturing and sale of candle products with headquarters in Hong Kong and operation in Vietnam.

BUSINESS REVIEW

The business review of the Group during the reporting period are set out in the section headed "Chairman's Statement and Management Discussion and Analysis" on pages 4 to 11 of this annual report. Principal risks and uncertainties that the Group may be facing are set out on page 9 of this annual report and the Corporate Governance Report is set out on pages 12 to 24 of this annual report. The discussion form part of this report.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2019 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 47 to 49.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to profit or loss for the year by its principal activities is set out in Note 6 to the consolidated financial statements.

DIVIDEND POLICY

The Group adopted a dividend policy on 28 December 2018. A summary of this policy is disclosed below.

The Board considers sustainable returns to the Shareholders whilst retaining adequate reserves for the Group's future development to be an objective. Under the policy on payment of dividends adopted by the Company, dividends may be recommended, declared and paid to the Shareholders from time to time. In summary, the declaration of dividends and the dividend amount shall be determined at the sole and absolute discretion of the Board taking into account the following factors:

- the Group's current and future operations and earnings;
- the Group's liquidity position and future commitments at the time of declaration of dividend;
- any contractual restrictions on payment of dividends by the Company to the Shareholders or by the Company's subsidiaries to the Company;
- the retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the general market conditions; and
- any other factors that the Board deems appropriate.

The Board does not recommend the payment of any final dividend for the year as set out in Note 14 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last financial years is set out on page 124 of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 31 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 50 of this annual report.

DISTRIBUTABLE RESERVES

At 31 December 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the Companies Law of the Cayman Islands, was approximately HK$25.5 million.

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company, after deduction of the professional fees, underwriting commissions and other fees payable by the Company in connection with the Listing, were estimated to be approximately HK$44.5 million. Up to the date of this annual report, approximately HK$21.6 million has been utilised. Balance of net proceeds has been approximately HK$22.9 million. Details are set out in the section headed "Use of Proceeds" on pages 9 to 11 of this annual report.

PLANT AND EQUIPMENT

Details of movements in plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

DEBENTURES

The Company did not issue any debentures during the year ended 31 December 2019.

DONATIONS

Donations made by the Group during the year amounted to HK$11,000 (2018: HK$63,000).

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 63.2% of the turnover of the Group for the year ended 31 December 2019 (2018: approximately 63.4%).

The five largest suppliers of the Group accounted for approximately 52.8% of the total purchases of the Group for the year ended 31 December 2019. (2018: approximately 48.5%).

During the year ended 31 December 2019, the aggregate sales attributable to the Group's largest customer and the aggregate purchases attributable to the Group's largest supplier were approximately 29.0% (2018: approximately 19.6%) and approximately 16.8% (2018: approximately 17.3%) of the Group's sales and purchases respectively.

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors, owns more than 5% of the number of issued shares) had a beneficial interest in the five largest suppliers or customers of the Group for the year ended 31 December 2019.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 12 to 24 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing environmental protection to minimize the impact of its activities on the environment. It is the policy of the Group to promote clean operation and strives to making the most efficient use of resources in its operations, and minimizing wastes and emission.

A separate environment, social and governance report is expected to be published on the GEM website and the Company's website no later than three months after this annual report has been published.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2019, the Group's operations are mainly carried out by the subsidiaries of the Company in Hong Kong and Vietnam. The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. There was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIPS WITH EMPLOYEES AND CUSTOMERS

The Group recognises employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws and regulations in applicable jurisdictions and regularly reviews the existing employee benefits for improvement. Apart from the reasonable remuneration packages, the Group also offers good welfare benefits and continuous professional training. The Group provides good quality services to the customers and maintains a good relationship with them. Without good relationship with customers, the success of the Group's operation would be at risk.

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this report are as follow:

EXECUTIVE DIRECTORS

Mr. Wong Wai Chit *(Chairman)*
Mr. Wong Man Chit *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTOR

Ms. Wong Fong

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Pursuant to the Articles, at each AGM one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors shall be eligible for re-election at the AGM. Accordingly, Mr. Wong Man Chit and Mr. Ho Chi Wai will retire and being eligible, offer themselves for re-election at the forthcoming AGM.

The Company has received an annual confirmation from each independent non-executive Director of their independence pursuant to the requirements of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the GEM Listing Rules.

The biographic details of Directors are set out on pages 25 to 28 of this annual report.

UPDATE INFORMATION OF DIRECTORS

The change in information of Director is set out below pursuant to Rule 17.50A of the GEM Listing Rules:

Mr. Chan Cheong Tat has been appointed as an independent non-executive director of Accel Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1283) since September 2019 and an independent non-executive director of Ye Xing Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1941) since February 2020.

Save as mentioned above, there is no change of information of each Director that is required to be disclosed under Rule 17.50A of the GEM Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date, which shall continue thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other. Each of the non-executive Directors and the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date, which shall continue thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed above, none of the Directors, including those to be re-elected at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY

The Remuneration Committee is responsible for reviewing emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and corporate market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in Note 12 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the Prospectus and elsewhere in the annual report, there were no transactions, arrangements or contracts of significance to which the Company, its holding company, fellow subsidiaries or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year.

CONTROLLING SHAREHOLDERS' INTERESTS

Save as disclosed in this annual report, there were no contracts of significance between the Company or any of its subsidiaries and any controlling shareholder of the Company or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company (the "**Share Option Scheme**"), no equity-linked agreements were entered into by the Company during the year ended 31 December 2019 or subsisted at the end of the year.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

None of related party transactions entered into by the Group during the year ended 31 December 2019. To the best knowledge of the Directors, none of related party transactions constitutes connected transactions that need to be disclosed under GEM Listing Rules.

PERMITTED INDEMNITY PROVISIONS

The Company's Articles provide that every Directors shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has maintained appropriate directors' and officers' liability insurance and such permitted indemnity provision for the benefit of the Directors currently in force.

TAX RELIEF OR EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

NON-COMPETITION UNDERTAKING

The controlling shareholders of the Company gave a non-competition undertaking in favour of the Company and confirm that they and their associates have not breached the terms of the undertaking contained in the deed of non-competition during the year ended 31 December 2019. Details of the non-competition undertaking are set out in section headed "Deed of Non-competition" in the Prospectus. All independent non-executive Directors have reviewed on an annual basis the compliance with the respective non-competition undertakings by the controlling shareholders of the Company. In view of this conclusion, the controlling shareholders of the Company have complied with all the undertakings under the deed of non-competition in favour of the Company during the year ended 31 December 2019.

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

As at 31 December 2019, 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	Number 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 31 December 2019, 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.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SHARES AND UNDERLYING SHARES

So far as the Directors and the Chief Executives are aware, as at 31 December 2019, 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 Shares 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%
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%
Mr. Chan Sheung Chi (Note 2 & 6)	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.

6. Mr. Chan Sheung Chi is the spouse of Ms. Li Yin Ping. Mr. Chan Sheung Chi is deemed to be interested in the same number of Shares in which Ms. Li Yin Ping is interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2019, 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.

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.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 23 June 2018 for the purpose to provide our Company with a flexible means of giving incentive and reward to employee, advisor, customer, service provider, agent, customer, partner or joint-venture partner of the Group (including a director of the Group) (the "**Eligible Participants**") for incentive or reward for their contribution to the Group.

Under the Share Option Scheme, the Board may make an offer to the Eligible Participants. The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not exceed 30% of the total number of Shares in issue from time to time.

Unless approved by the Shareholders at the general meeting, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Group to each Eligible Participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant of the options must not exceed 1% of the Shares in issue.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 110,000,000, representing 10% of the total number of Shares in issue on the Listing Date and the date of this report unless the Company seeks the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group will not be counted for the purpose of calculating 10% limit.

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "Share Option Scheme" in section headed "Statutory and General Information" in Appendix V to the Prospectus. The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 23 June 2018 and remains in force until 23 June 2028. The Company may, by ordinary resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The exercise price per Share for each option granted shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

(1) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the offer date of the option which must be a trading day;

(2) the average of the closing prices of the Shares as shown in the daily quotations sheets issued by the Stock Exchange for the five consecutive business days immediately preceding the offer date of the option; and

(3) the nominal value of the Shares on the offer date of the option.

Upon acceptance of the options, the Eligible Participant shall pay HK$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter (which shall not be later than 21 days from, and inclusive of, the date of offer) issued by the Company. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years commencing on the date of grant and expiring on the last day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme. No share option were granted under the Share Option Scheme since its adoption.

COMPETING INTERESTS

For the year ended 31 December 2019, none of the Directors, the substantial Shareholders or controlling 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company has maintained the sufficient public float as required under the GEM Listing Rules as at the date of this annual report.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 28 May 2020. A notice convening the meeting will be issued and sent to the Shareholders in due course.

EVENT AFTER THE REPORTING PERIOD

There are no significant events affecting the Group after the year ended 31 December 2019 and up to the date of this annual report.

AUDITOR

On 21 October 2019, Messrs. Deloitte Touche Tohmatsu ("**Deloitte**") resigned as the auditor of the Company and BDO Limited ("**BDO**") was appointed as the new auditor of the Company to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next AGM.

The consolidated financial statements for the year ended 31 December 2019 have been audited by BDO and that for the years ended 31 December 2018 and 2017 were audited by Deloitte. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint BDO as the auditor of the Company.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 21 May 2020 to Thursday, 28 May 2020 (both dates inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Wednesday, 20 May 2020.

By order of the Board
Hyfusin Group Holdings Limited
Wong Wai Chit
Executive Director and Chairman

Hong Kong, 18 March 2020

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF HYFUSIN GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Hyfusin Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 47 to 123, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of trade receivables

As at 31 December 2019, the Group's gross trade receivables and loss allowance thereof amounted to approximately HK$92,385,000 and HK$738,000 respectively.

In determining the expected credit losses ("ECL") for trade receivables, management considers the credit rating of the debtors on an individual basis, taking into consideration of forward-looking information that is reasonable and supportable without undue costs or effort.

We identified the impairment of trade receivables as a key audit matter because of the significant judgement involved in developing and implementing the ECL model and high level of estimation uncertainty and the significance of the carrying amounts of trade receivables to the Group's consolidated financial statements.

Refer to Notes 22 and 34(b) to the consolidated financial statements and the accounting policies in Note 4 (m)(ii) to the consolidated financial statements.

Our response:

- Obtained an understanding of the design and implementation of internal controls relating to estimate of ECL;

- Assessed the appropriateness of management's ECL models and challenged assumptions and verified the critical data against source documents used in estimating ECL, including testing the accuracy of the historical data, evaluating whether the probability of default and loss given default are reasonable and appropriately adjusted based on current economic conditions and forward-looking information; and

- Examined the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regards.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 21 March 2019.

BDO Limited
Certified Public Accountants
Tang Tak Wah
Practising Certificate no. P06262

Hong Kong, 18 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	6	**307,546**	215,434
Cost of sales		**(216,273)**	(166,819)
Gross profit		**91,273**	48,615
Other income	7	**764**	858
Other gains and losses	8	**(309)**	290
Selling and distribution expenses		**(18,385)**	(7,553)
Administrative expenses		**(39,565)**	(32,296)
Listing expenses		**–**	(965)
Finance costs	9	**(2,864)**	(1,916)
Profit before income tax	11	**30,914**	7,033
Income tax expense	10	**(6,251)**	(2,259)
Profit for the year attributable to the owners of the Company		**24,663**	4,774
Other comprehensive income/(expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on debt instruments measured at fair value through other comprehensive income		**13**	(236)
		13	(236)
Total comprehensive income for the year attributable to the owners of the Company		**24,676**	4,538
Earnings per share			
– Basic and diluted (HK cents)	13	**2.24**	0.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	15	14,412	13,538
Right-of-use assets	16	22,976	–
Prepaid lease payments	17	–	3,757
Prepayment for a land use right	18	–	13,000
Deposits for the acquisition of property, plant and equipment		1,676	1,525
Financial assets at fair value through profit or loss	19	17	17
Debt instruments at fair value through other comprehensive income	20	1,695	1,682
Deferred tax assets	30	437	366
Pledged bank deposits	23	11,733	8,875
Total non-current assets		52,946	42,760
CURRENT ASSETS			
Inventories	21	52,749	32,349
Trade and other receivables	22	94,506	35,767
Prepaid lease payments	17	–	137
Tax recoverable		–	134
Bank balance and cash	23	30,039	54,945
Total current assets		177,294	123,332
Total assets		230,240	166,092
CURRENT LIABILITIES			
Contract liabilities	25	183	204
Trade and other payables	24	42,686	22,940
Bank borrowings	26	40,555	27,177
Lease liabilities	27	2,890	–
Obligations under finance leases	28	–	146
Tax payable		3,178	–
Total current liabilities		89,492	50,467
NET CURRENT ASSETS		87,802	72,865
TOTAL ASSETS LESS CURRENT LIABILITIES		140,748	115,625

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings	26	6,453	6,206
Lease liabilities	27	322	–
Obligations under finance leases	28	–	139
Other non-current liabilities	29	185	168
Total non-current liabilities		6,960	6,513
Total liabilities		96,452	56,980
NET ASSETS		133,788	109,112
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	11,000	11,000
Reserves		122,788	98,112
TOTAL EQUITY		133,788	109,112

The consolidated financial statements on pages 47 to 123 were approved and authorised for issue by the Board of Directors on 18 March 2020 and are signed on its behalf by:

WONG WAI CHIT
Director

WONG MAN CHIT
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share Capital *HK$'000*	Share premium *HK$'000*	Fair value through other comprehensive income reserve *HK$'000*	Other reserves *HK$'000* *(Note)*	Retained Earnings *HK$'000*	Total *HK$'000*
As at 1 January 2018	–	–	277	20,605	17,738	38,620
Profit for the year	–	–	–	–	4,774	4,774
Other comprehensive expense:						
Fair value loss on debt instruments through other comprehensive income	–	–	(236)	–	–	(236)
Total comprehensive income for the year	–	–	(236)	–	4,774	4,538
Capitalisation issue of shares	8,250	(8,250)	–	–	–	–
Issue of shares pursuant to initial public offering	2,750	78,375	–	–	–	81,125
Transaction costs attributable to issue of new ordinary shares	–	(15,171)	–	–	–	(15,171)
As at 31 December 2018 and 1 January 2019	11,000	54,954	41	20,605	22,512	109,112
Profit for the year	–	–	–	–	24,663	24,663
Other comprehensive income:						
Fair value gain on debt instruments through other comprehensive income	–	–	13	–	–	13
Total comprehensive income for the year	–	–	13	–	24,663	24,676
As at 31 December 2019	11,000	54,954	54	20,605	47,175	133,788

Note: Other reserves represent (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 (as defined in Note 1) of the Company and adjusting the non-controlling interests at the time of the Group Reorganisation (as detailed in "History, development and Reorganisation" section to the prospectus dated 29 June 2018).

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**30,914**	7,033
Adjustments for:			
Depreciation of property, plant and equipment	11	**3,126**	2,482
Depreciation of right-of-use assets	11	**2,916**	–
Amortisation of prepaid lease payments	11	**–**	137
Interest income on debt instruments at fair value through other comprehensive income	7	**(58)**	(57)
Loss from changes in fair value of financial assets at fair value through profit or loss	8	**–**	3
Allowance of inventories	11	**392**	18
Impairment loss on trade receivables	8	**738**	–
Write-off of trade receivables	8	**41**	–
Gain on disposal of property, plant and equipment	8	**(137)**	–
Interest income from banks	7	**(432)**	(205)
Finance costs	9	**2,864**	1,916
Operating cash flows before movements in working capital		**40,364**	11,327
Increase in inventories		**(20,792)**	(7,999)
Increase in trade and other receivables		**(59,518)**	(3,064)
Decrease in contract liabilities		**(21)**	–
Increase/(decrease) in trade and other payables		**19,746**	(8,879)
Increase in other non-current liabilities		**17**	16
Cash used in operations		**(20,204)**	(8,599)
Income tax paid		**(3,010)**	(1,944)
NET CASH USED IN OPERATING ACTIVITIES		**(23,214)**	(10,543)
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment from a director		**–**	3,716
Bank interest income		**432**	205
Interest income on debt instruments at fair value through other comprehensive income		**58**	57
Deposits for acquisition of property, plant and equipment		**(1,676)**	(1,525)
Purchases of property, plant and equipment		**(2,793)**	(1,915)
Proceeds from disposal of property, plant and equipment		**137**	–
Prepayment for a land use right		**–**	(13,000)
Acquisition of land use right		**(3,266)**	(9)
Placement of pledged bank deposits		**(2,858)**	–
Advance to a director		**–**	(528)
NET CASH USED IN INVESTING ACTIVITIES		**(9,966)**	(12,999)

For the year ended 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings raised	142,001	108,545
Repayment of bank borrowings	(128,376)	(101,920)
Issue of shares pursuant to initial public offering	–	81,125
Share issue expenses	–	(10,371)
Interest paid	(2,617)	(1,916)
Repayment to directors	–	(238)
Repayment of obligations under finance leases	–	(142)
Repayment of lease liabilities	(2,734)	–
NET CASH FROM FINANCING ACTIVITIES	8,274	75,083
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(24,906)	51,541
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	54,945	3,404
CASH AND CASH EQUIVALENTS AT END OF YEAR	30,039	54,945
Analysis of balances of cash and cash equivalents		
Bank balances and cash	30,039	54,945

1. GENERAL INFORMATION

Hyfusin Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as amended, supplemented or otherwise modified from time to time) of the Cayman Islands on 5 July 2017. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 July 2018. Its registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and principal place of business is located at Unit Nos. 4-8, 2/F, Aberdeen Marina Tower, 8 Shum Wan Road, Aberdeen, Hong Kong.

The Company is an investment holding company and its subsidiaries (the "**Group**") are principally engaged in manufacturing and sale of candle products. Its parent and ultimate holding company is AVW International Limited ("**AVW**"), a private company incorporated in the British Virgin Islands (the "**BVI**"). Its ultimate controlling shareholders are Mr. Wong Man Chit ("**Mr. Andrew Wong**") and Mr. Wong Wai Chit ("**Mr. Vincent Wong**"), who are brothers and act in concert over AVW and the companies now comprising the Group (the "**Controlling Shareholders**").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2019

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("**the new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Other than as noted below, the adoption of the new HKFRSs has no material impact on the Group's consolidated financial statements.

For the year ended 31 December 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 *(Continued)*

HKFRS 16 - Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**") and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply HKFRS 16 to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised the lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group has elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application as the practical expedient to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts.

In addition, as the practical expedient, the Group also applied a single discount rate to portfolio of lease with reasonably similar characteristics.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 *(Continued)*

HKFRS 16 – Leases *(Continued)*

Reconciliation of operating lease commitment to lease liabilities

	HK$'000
Operating lease commitment as of 31 December 2018	2,489
Less: short-term leases for which lease terms end within 31 December 2019	(130)
Less: future interest expenses	(147)
Add: finance lease liabilities of 31 December 2018	285
Total lease liabilities of 1 January 2019	2,497

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities is 6.12%.

Impact on the consolidated statement of financial position

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	31 December 2018 HK$'000	**Impact on adoption of HKFRS 16** HK$'000	**1 January 2019** HK$'000 (restated)
Non-current assets			
Property, plant and equipment	318	(318)	–
Prepaid lease payments	3,757	(3,757)	–
Right-of-use assets	–	6,424	6,424
Current assets			
Prepaid lease payments	137	(137)	–
Current liabilities			
Obligations under finance leases	146	(146)	–
Lease liabilities	–	1,197	1,197
Non-current liabilities			
Obligations under finance leases	139	(139)	–
Lease liabilities	–	1,300	1,300

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 *(Continued)*

HKFRS 16 – Leases *(Continued)*

Impact on the consolidated statement of financial position (Continued)

(i) Upfront payments for leasehold lands in Vietnam for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$137,000 and HK$3,757,000 respectively were reclassified to right-of-use assets.

(ii) In relation to motor vehicles previously under finance leases, the Group reclassified the carrying amount of the motor vehicles which were still under lease as at 1 January 2019 amounting to HK$318,000 as right-of-use assets.

In addition, the Group reclassified the obligations under finance leases of HK$146,000 and HK$139,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 17	Insurance Contracts[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of Business[1]
Amendments to HKFRS 9, HKAS 29 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2020.
[2] Effective for annual periods beginning on or after 1 January 2021.
[3] The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of initial application. So far the directors of the Company (the "**Directors**") concluded that the adoption of the new HKFRSs will have no material impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-Based Payment, leasing transactions that are within the scope of HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Functional and presentation currency

The functional currency of the Company and its subsidiaries is United States dollars ("**US$**"). However, the consolidated financial statements are presented in Hong Kong dollars ("**HK$**") as the Directors consider that HK$ is preferable in presenting the operating results and financial position of the Group, which is more beneficial to the users of the consolidated financial statements.

For the year ended 31 December 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less impairment loss, if any. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Revenue recognition

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognised 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 recognised at a point in time when the customer obtains control of the distinct good or service.

Sales of candle products

Revenue is thus recognised at the point in time when customers obtain control of candle products when the goods are transferred to the customers, being when the goods have been shipped to customers' specific location. There is generally only one performance obligation.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income

Dividend income from investments in recognised when the shareholders' rights to receive payment have been established.

For the year ended 31 December 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Revenue recognition *(Continued)*

Refund liability

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Variable consideration

For contracts that contain variable consideration in relation to sales rebate and refund for defective goods to customers, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updated the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Contract assets and liabilities

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. 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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(e) Leasehold land and buildings and prepaid lease payments (accounting policy applied until 31 December 2018)

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assess the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

For the year ended 31 December 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases

(A) Accounting policies applied from 1 January 2019

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition; and required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

(A) *Accounting policies applied from 1 January 2019* *(Continued)*

The Group as a lessee (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

For the year ended 31 December 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

(A) Accounting policies applied from 1 January 2019 (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; and

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(B) Accounting policies applied until 31 December 2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

(B) Accounting policies applied until 31 December 2018 *(Continued)*

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(g) Borrowing costs

Borrowing costs which are not capitalised to qualifying assets are recognised in profit or loss in the period in which they are incurred.

(h) Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful life to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

For the year ended 31 December 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment losses on tangible assets *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(j) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Employee benefits

(i) Retirement benefit costs

Payments to the defined contribution retirement benefit plans including the Mandatory Provident Fund Scheme in Hong Kong and state pension scheme in Vietnam are recognised as an expense when employees have rendered service entitling them to the contributions.

(ii) Short-term and other long term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS require or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurement are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

(l) Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(m) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(i) Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets 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; and
- the contractual terms 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 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 recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significant reduces an accounting mismatch.

For the year ended 31 December 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

(i) Financial assets

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Debt instruments classified as at FVTOCI

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

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised 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 recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises a loss allowance for expected credit loss ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, 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, 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 recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

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 recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

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;
- 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; or
- 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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and 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 amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises 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 recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial instruments *(Continued)*

(iii) Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a director, bank borrowings are subsequently measured at amortised cost, using the effective interest method.

(iv) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continued to control the transferred assets, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

Provision of ECL for trade receivables

The Group assessed trade debtors individually for the expected credit losses, by considering the credit rating of the debtors based on the Group's historical default rates of the debtors on an individual basis, taking into consideration forward-looking information that is reasonable and supportable without undue costs or effort. Forward-looking information considered includes the future prospects of the economies in which the Group's debtors operate. At every reporting date, the credit rating and historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 22 and 34(b).

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. In cases where the net realisable value of inventories assessed are less than expected, recognition of a material allowance for inventories may arise which would be recognised in profit or loss in the period in which such recognition takes place.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

For the year ended 31 December 2019

6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregated revenue information

	2019 *HK$'000*	2018 *HK$'000*
Sale of candle products		
Daily-use candles	**84,671**	78,817
Scented candles	**149,577**	106,170
Decorative candles	**29,838**	16,851
Others (included Diffusers)	**43,460**	13,596
Total	**307,546**	215,434
Timing of revenue recognition		
A point in time	**307,546**	215,434

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.

(ii) Performance obligations

Sale of candle products (revenue recognised at one point in time)

The Group sells candle products to external customers in which the revenue is recognised when the control of the goods has transferred to the customers, being when the goods have been shipped to the external customers' specific location.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All performance obligations for sale of candle products are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), regularly review revenue analysis by product type as set out in the revenue analysis above for the purpose of resource allocation and assessment of performance. However, other than revenue analysis, no operating results and other discrete financial information is regularly reviewed by the CODM for the purpose of resource allocation and assessment of performance of respective businesses. The CODM reviews the operating results (excluding listing expenses) of the Group as a whole to make decisions about resource allocation and for assessment of performance. The operation of the Group constitutes one single operating and reportable segment under HKFRS 8 Operating Segments and accordingly no separate segment information is presented.

Geographical information

The Group's operations are located in Hong Kong and Vietnam.

Information about the Group's revenue from external customers is presented based on the location of the destination points of the customers.

Revenue from external customers

	2019 *HK$'000*	2018 *HK$'000*
United States of America	238,089	133,158
United Kingdom	55,559	52,737
Others	13,898	29,539
Total	307,546	215,434

For the year ended 31 December 2019

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

Information about the Group's non-current assets (exclude financial assets and deferred tax assets) is presented based on the geographical location of the assets.

Non-current assets

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong	3,377	595
Vietnam	34,011	29,700
Total	37,388	30,295

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Customer A	89,245	*
Customer B	*	42,198
Customer C	39,587	34,076
Customer D	*	27,198

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective years.

7. OTHER INCOME

	2019 *HK$'000*	2018 *HK$'000*
Bank interest income	432	205
Interest income on debt instruments at FVTOCI	58	57
Sample income	30	87
Surcharge income	167	464
Sundry income	77	45
	764	858

For the year ended 31 December 2019

8. OTHER GAINS AND LOSSES

	2019 *HK$'000*	2018 *HK$'000*
Net foreign exchange gains	333	293
Gain on disposal of property, plant and equipment	137	–
Loss from changes in fair value of financial assets at FVTPL	–	(3)
Write-off of trade receivables	(41)	–
Impairment loss on trade receivables	(738)	–
	(309)	290

9. FINANCE COSTS

	2019 *HK$'000*	2018 *HK$'000*
Interest on bank borrowings	2,617	1,904
Interest on obligations under finance leases	–	12
Interest on lease liabilities	247	–
	2,864	1,916

10. INCOME TAX EXPENSE

	2019 *HK$'000*	2018 *HK$'000*
Current tax		
– Hong Kong Profits Tax	3,745	632
– Vietnam Corporate Income Tax	2,650	1,753
– Over-provision in respect of prior years	(73)	(64)
	6,322	2,321
Deferred tax *(Note 30)*	(71)	(62)
	6,251	2,259

10. INCOME TAX EXPENSE *(Continued)*

Under the two-tier profits tax regime, Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million for Fleming International Limited ("**Fleming Hong Kong**"). No provision for Hong Kong Profits Tax for Britain Link Limited has been made as there is no assessable profit for the years ended 31 December 2019 and 2018.

For Fleming International Vietnam Limited ("**Fleming Vietnam**"), the subsidiary incorporated in Vietnam, the statutory corporate tax rates are 20% for the years ended 31 December 2019 and 2018.

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 *HK$'000*	2018 *HK$'000*
Profit before income tax	30,914	7,033
Tax at the Hong Kong Profits Tax rate of 16.5% (2018: 16.5%) *(Note)*	5,101	1,160
Tax effect of expenses not deductible for tax purposes	1,020	956
Tax effect of income not taxable for tax purposes	(84)	(16)
Over-provision in respect of prior years	(73)	(64)
Income tax at concessionary rate	(165)	(165)
Effect of different tax rates of subsidiaries operating in different jurisdiction	429	258
Others	23	130
Income tax expense	6,251	2,259

Note: The domestic tax rate (which is Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

For the year ended 31 December 2019

11. PROFIT BEFORE INCOME TAX

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

	2019 *HK$'000*	2018 *HK$'000*
Auditor's remuneration	800	1,000
Amortisation of prepaid lease payments	–	137
Cost of inventories recognised as an expense	216,273	166,819
Allowance of inventories (included in cost of sales)	392	18
Donations	11	63
Depreciation of right-of-use assets	2,916	–
Depreciation of property, plant and equipment		
– Owned assets	3,126	2,341
– Assets held under finance lease contracts	–	141
Total depreciation	3,126	2,482
Less: capitalised in inventories	(2,138)	(1,693)
	988	789
Employee benefit expense (excluding directors' remuneration *(note 12)*):		
– Salaries and allowances	40,811	33,615
– Discretionary bonus	2,494	1,079
– Retirement benefit scheme contribution	5,237	2,528
Total staff costs	48,542	37,222
Less: capitalised in inventories	(29,620)	(21,462)
	18,922	15,760

For the year ended 31 December 2019

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2019

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Other benefits *HK$'000*	Discretionary bonus *HK$'000*	Total *HK$'000*
Executive directors						
Mr. Andrew Wong	–	1,458	18	916	500	2,892
Mr. Vincent Wong	–	3,000	18	795	500	4,313
Non-executive director						
Ms. Wong Fong	180	–	9	–	–	189
Independent non-executive directors						
Mr. Chan Cheong Tat	180	–	–	–	–	180
Mr. Yu Pui Hang	180	–	–	–	–	180
Mr. Ho Chi Wai	180	–	–	–	–	180
	720	4,458	45	1,711	1,000	7,934

For the year ended 31 December 2018

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Other benefits *HK$'000*	Discretionary bonus *HK$'000*	Total *HK$'000*
Executive directors						
Mr. Andrew Wong	–	1,458	18	891	–	2,367
Mr. Vincent Wong	–	1,458	18	514	–	1,990
Non-executive director						
Ms. Wong Fong	81	–	4	–	–	85
Independent non-executive directors						
Mr. Chan Cheong Tat*	81	–	–	–	–	81
Mr. Yu Pui Hang*	81	–	–	–	–	81
Mr. Ho Chi Wai*	81	–	–	–	–	81
	324	2,916	40	1,405	–	4,685

* Appointed on 23 June 2018

For the year ended 31 December 2019

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' remuneration *(Continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During the years ended 31 December 2019 and 2018, the Group leased living quarters and carparks from outsiders and provided to Mr. Andrew Wong and Mr. Vincent Wong at rent-free and the amounts included in other benefits represent the market rental expenses paid to the landlords of the leased quarters and carparks and the utilities expenses.

(b) Five highest paid individuals

The five highest paid individuals of the Group during the year included two (2018: two) directors, details of their emoluments are set out above. The emoluments of the remaining three (2018: three) individuals are as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Salaries and allowances	**2,036**	1,732
Discretionary bonus	**704**	261
Retirement benefits scheme contributions	**64**	54
	2,804	2,047

Their emoluments were fell within the following band:

	2019 **Number of individual**	2018 Number of individual
Nil to HK$1,000,000	**2**	3
Over HK$1,000,000	**1**	–

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the Directors or any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

13. EARNINGS PER SHARE

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

	2019 *HK$'000*	2018 *HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	24,663	4,774

	2019	2018
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,100,000,000	950,068,493

For year ended 31 December 2018, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been adjusted, respectively for the effect of (i) the Group Reorganisation and the capitalisation issue of 824,999,800 shares of the Company that are deemed to have become effective since 1 January 2017; and (ii) issue of 275,000,000 shares of the Company pursuant to the initial public offering (as defined in the prospectus of the Company dated 29 June 2018) on 19 July 2018.

No diluted earnings per share for both 2019 and 2018 were presented as there were no potential ordinary shares in issue for both 2019 and 2018.

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for years ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Yacht HK$'000	Total HK$'000
Cost								
At 1 January 2018	20,724	13,884	3,071	756	1,091	919	180	40,625
Additions	–	1,307	369	29	147	63	–	1,915
At 31 December 2018	20,724	15,191	3,440	785	1,238	982	180	42,540
Reclassification on adoption of HKFRS 16	–	–	(706)	–	–	–	–	(706)
At 1 January 2019 (restated)	20,724	15,191	2,734	785	1,238	982	180	41,834
Additions	–	3,299	912	–	83	24	–	4,318
Disposal	–	–	(412)	–	–	–		(412)
Written-off	–	(71)	–	–	–	(232)		(303)
At 31 December 2019	20,724	18,419	3,234	785	1,321	774	180	45,437
Accumulated depreciation								
At 1 January 2018	10,638	11,888	1,967	712	754	489	72	26,520
Provided for the year	1,086	812	329	25	118	94	18	2,482
At 31 December 2018	11,724	12,700	2,296	737	872	583	90	29,002
Reclassification on adoption of HKFRS 16	–	–	(388)	–	–	–	–	(388)
At 1 January 2019 (restated)	11,724	12,700	1,908	737	872	583	90	28,614
Provided for the year	1,054	1,298	260	19	142	335	18	3,126
Disposal	–	–	(412)	–	–	–	–	(412)
Written-off	–	(71)	–	–	–	(232)	–	(303)
At 31 December 2019	12,778	13,927	1,756	756	1,014	686	108	31,025
Carrying Value								
At 31 December 2019	7,946	4,492	1,478	29	307	88	72	14,412
At 31 December 2018	9,000	2,491	1,144	48	366	399	90	13,538

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The principal annual rates used for calculating depreciation are as follows:

Motor vehicles	20%
Plant and machinery	14%–33%
Furniture and fixtures	10%–25%
Buildings	6%-20%
Office equipment	10%-20%
Computer equipment	30%
Yacht	10%

The carrying value of properties shown above comprises:

	2019	2018
	HK$'000	*HK$'000*
Buildings on leasehold land outside Hong Kong under medium-term lease	**7,946**	9,000

As at 31 December 2019, certain property, plant and equipment located in Vietnam with aggregated carrying amount of Vietnamese Dong ("VND") 17,661,117,253, approximately equivalent to HK$6,740,000 (2018: HK$7,836,000) were pledged to secure bank borrowings (Note 26) and general bank facilities granted to the subsidiaries of the Company.

As at 31 December 2018, the Group's property, plant and equipment included motor vehicles of approximately HK$318,000 are held under finance leases. Upon adoption of HKFRS 16, motor vehicles held under finance leases of HK$318,000 as at 1 January 2019 are reclassified as right-of-use assets.

16. RIGHT-OF-USE ASSETS

	Leasehold land *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Office premise *HK$'000*	Directors' quarters *HK$'000*	Total *HK$'000*
Cost						
At 31 December 2018	–	–	–	–	–	–
Adjustment on adoption of HKFRS 16	5,447	105	706	2,107	–	8,365
At 1 January 2019 (restated)	5,447	105	706	2,107	–	8,365
Additions	16,266	–	–	–	3,202	19,468
At 31 December 2019	21,713	105	706	2,107	3,202	27,833
Accumulated depreciation						
At 31 December 2018	–	–	–	–	–	–
Adjustment on adoption of HKFRS 16	1,553	–	388	–	–	1,941
At 1 January 2019 (restated)	1,553	–	388	–	–	1,941
Provided for the year	353	32	141	1,054	1,336	2,916
At 31 December 2019	1,906	32	529	1,054	1,336	4,857
Carrying Value						
At 31 December 2019	19,807	73	177	1,053	1,866	22,976
At 31 December 2018	–	–	–	–	–	–

The right-of-use assets are depreciated over lease terms as follows:

Leasehold land	25 to 50 years
Office premises and directors' quarters	23 to 25 months
Motor vehicles	54 months
Office equipment	60 months

16. RIGHT-OF-USE ASSETS *(Continued)*

Upon adoption of HKFRS 16, motor vehicles held under finance leases of HK$318,000 (Note 15) and prepaid lease payments of HK$3,894,000 (Note 17) as at 1 January 2019 are reclassified as right-of-use assets.

As at 31 December 2019, the Group's right-of-use assets comprise leasehold interests in certain land situated in Vietnam and held under medium-term lease.

As at 31 December 2019, the land use right of approximately HK$19,807,000 were pledged to secure bank borrowings (Note 26) and general bank facilities granted to the subsidiaries of the Company.

17. PREPAID LEASE PAYMENTS

	2018 *HK$'000*
Cost	
At the beginning and end of the year	5,447
Amortisation	
At the beginning of the year	1,416
Provided for the year	137
At the end of the year	1,553
Carrying Values	
At the end of the year	3,894
Analysis by:	
Current portion	137
Non-current portion	3,757
	3,894

As at 31 December 2018, the Group's prepaid lease payments comprise leasehold interests in a land situated in Vietnam and held under medium-term lease. Upon adoption of HKFRS 16, prepaid lease payments of HK$3,894,000 as at 1 January 2019 are reclassified as right-of-use assets (Note 16).

As at 31 December 2018, the prepaid lease payments were pledged to secure bank borrowings (Note 26) and general bank facilities granted to the subsidiaries of the Company.

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18. PREPAYMENT FOR A LAND USE RIGHT

	2019 *HK$'000*	2018 *HK$'000*
Prepayment for a land use right in Vietnam	–	13,000

As at 31 December 2018, the amount represents the prepayment of HK$13,000,000 for the land use right in Vietnam. On 12 October 2018, a deposit agreement was entered into by Fleming Vietnam, an indirectly wholly-owned subsidiary of the Company and the vendor, an independent third party, for the acquisition of the land use right of the land located in Vietnam at a cash consideration of VND48,717,900,000 (equivalent to approximately HK$16,218,000). A prepayment of VND38,974,320,000 (equivalent to approximately HK$13,000,000) was paid by the Group during the year ended 31 December 2018.

On 14 August 2019, the remaining contractual amount of VND9,743,580,000 (equivalent to approximately HK$3,266,000) was fully settled and the transfer of land use right has been successfully completed. Accordingly, the total consideration for this land use right was recognised as an addition of right-of-use assets during the year ended 31 December 2019.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

	2019 *HK$'000*	2018 *HK$'000*
Listed securities:		
– Equity securities listed in Hong Kong	17	17
Analysed for reporting purposes as:		
Non-current assets	17	17

20. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	HK$'000	*HK$'000*
Investments in unlisted bonds, with fixed interest of 7.45% and maturity date on 24 November 2033	**1,144**	1,053
Investments in perpetual unlisted bonds, with fixed interest of 7.25% per annum	**551**	629
Total	**1,695**	1,682

At 31 December 2019, the debt instruments at FVTOCI of HK$1,144,000 (2018: HK$1,682,000) were pledged to secure the bank borrowings (Note 26).

Details of impairment assessment of debt instruments at FVTOCI for the year ended 31 December 2019 are set out in Note 34(b).

21. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw materials	**30,582**	17,368
Work in progress	**3,801**	3,240
Finished goods	**12,789**	8,711
Goods in transit	**7,020**	4,081
	54,192	33,400
Less: Allowance for inventories	**(1,443)**	(1,051)
	52,749	32,349

For the year ended 31 December 2019

22. TRADE AND OTHER RECEIVABLES

	2019 *HK$'000*	2018 *HK$'000*
Trade receivables, gross	92,385	33,131
Less: Allowance for credit losses	(738)	–
Trade receivables, net	91,647	33,131
Deposits and prepayments	2,859	2,636
Total	94,506	35,767

As at 31 December 2019 and 2018, trade receivables from contracts with customers amounted to HK$91,647,000 and HK$33,131,000, respectively.

The Group allows credit period ranging from 30 to 120 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the year:

	2019 *HK$'000*	2018 *HK$'000*
0-30 days	32,981	10,816
31-60 days	19,575	12,414
61-90 days	18,988	5,638
91-180 days	19,645	4,263
Over 180 days	458	–
	91,647	33,131

22. TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of trade receivables, net of loss allowance for credit losses, as of the end of reporting period, based on past due dates, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Past due over:		
Neither past due nor impaired	**79,383**	23,495
1-30 days	**11,254**	7,267
31-60 days	**473**	1,812
61-90 days	**523**	557
91-180 days	**7**	–
Over 180 days	**7**	–
	91,647	33,131

The movements in loss allowance of trade receivables were as follows:

	HK$'000
At 1 January 2018, 31 December 2018 and 1 January 2019	–
Loss allowance recognised during the year	738
At 31 December 2019	738

Details of impairment assessment of trade receivables for the year ended 31 December 2019 are set out in Note 34(b).

For the year ended 31 December 2019

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits of the Group are pledged to banks for securing long-term bank borrowings (Note 26) and therefore, the bank deposits are classified as non-current assets. The bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The pledged bank deposits/bank balances carry interest at market rates as follows:

	2019 *HK$'000*	2018 *HK$'000*
Range of interest rate per annum:		
Pledged bank deposits	**0.20%-1.00%**	0.20%-0.25%
Bank balances	**0.001%-2.00%**	0.001%-2.30%

The carrying amounts of the Group's pledged bank deposits and bank balances and cash denominated in currencies other than functional currency of the relevant group entities are as follows:

	2019 *HK$'000*	2018 *HK$'000*
HK$	**7,461**	13,484
Singapore dollars ("SG$")	**147**	–
VND	**382**	423

Details of impairment assessment of pledged bank deposits for the year ended 31 December 2019 are set out in Note 34(b).

For the year ended 31 December 2019

24. TRADE AND OTHER PAYABLES

	2019 *HK$'000*	2018 *HK$'000*
Trade payables:		
1-30 days	**18,473**	8,779
31-60 days	**11,745**	2,596
61-90 days	**1,358**	2,950
91-180 days	**459**	810
Over 180 days	**6**	–
	32,041	15,135
Other payables	**1,974**	2,178
Accrued expenses (Note)	**8,671**	5,627
	42,686	22,940

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

The Group's trade payables that are denominated in currencies other than functional currency of relevant group entities are as follows:

	2019 *HK$'000*	2018 *HK$'000*
HK$	**–**	75
VND	**9,721**	4,738

Note: Included in accrued expenses are the refunded liabilities for sales rebate of HK$886,000 (2018: HK$691,000) and refund for defective goods of HK$1,061,000 (2018: Nil).

For the year ended 31 December 2019

25. CONTRACT LIABILITIES

	2019	2018
	HK$'000	*HK$'000*
Sales of candle products	**183**	204

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

The movements in the Group's contract liabilities are as follows:

	2019	2018
	HK$'000	*HK$'000*
At beginning of the year	**204**	204
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(155)**	(153)
Increase due to cash received, excluding amounts recognised during the year	**134**	153
At end of the year	**183**	204

26. BANK BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Bank loans	**23,979**	24,075
Import and export loans	**23,029**	9,308
	47,008	33,383

All of the Group's borrowings are guaranteed and secured and carried variable rate of interest.

The variable-rate secured bank borrowings are repayable as follows:

	2019 **HK$'000**	2018 HK$'000
Carrying amounts repayable (based on scheduled repayable terms):		
Within one year	**40,055**	26,481
More than one year, but not more than two years	**970**	931
More than two years, but not more than five years	**5,983**	5,971
	47,008	33,383
Less: Amounts due shown under current liabilities		
– due within one year	**(764)**	(735)
– due within one year (contain a repayable on demand clause)	**(39,291)**	(25,746)
– due after one year (contain a repayable on demand clause)	**(500)**	(696)
	(40,555)	(27,177)
Amounts shown under non-current liabilities	**6,453**	6,206

The banking facilities contain various covenants which include the maintenance of certain financial ratios and restrictions on the maximum amounts due from directors and related companies. The Directors have reviewed the covenants compliance and confirmed there were not aware of any breach during both years.

For the year ended 31 December 2019

26. BANK BORROWINGS *(Continued)*

At 31 December 2019, the bank borrowings are guaranteed by (i) the corporate guarantees by the Company and/or the Company and Fleming Group International Limited ("**Fleming International**"); and secured by (i) debt instruments at FVTOCI of HK$1,144,000 (Note 20); (ii) pledged bank deposits; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK$6,740,000 (Note 15); and (iv) the Group's leasehold land under right-of-use assets of HK$19,807,000 (Note 16).

At 31 December 2018, the bank borrowings are guaranteed by the corporate guarantees by the Company and/or the Company and Fleming International; and secured by (i) debt instruments at FVTOCI of HK$1,682,000 (Note 20); (ii) pledged bank deposits; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK$7,836,000 (Note 15); and (iv) the Group's prepaid lease payments of HK$3,894,000 (Note 17).

The variable-rate bank borrowings are carried interest at Hong Kong Prime Rate quoted by the lending banks less 0.5% per annum, prevailing HIBOR quoted by the lending banks plus 1% per annum.

The effective interest rates (which are also equal to contracted interest rates) of the Group's borrowings are as follow:

	2019	2018
Effective interest rates (per annum):		
Variable-rate bank borrowings	2.64%-10.1%	4.98%-9.5%

The carrying amounts of the Group's bank borrowings that are denominated in currencies other than functional currency of the relevant group entities at each of the reporting date are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Denominated in HK$	27,224	13,688
Denominated in VND	6,820	662

27. LEASE LIABILITIES

	As at 31 December 2019 HK$'000	As at 1 January 2019 HK$'000 (restated)
Analysed for reporting purpose as:		
Current liabilities	2,890	1,197
Non-current liabilities	322	1,300
	3,212	2,497

	As at 31 December 2019		As at 1 January 2019	
	Minimum lease payments HK$'000	Present value of minimum lease payments HK$'000	Minimum lease payments HK$'000 (restated)	Present value of minimum lease payments HK$'000 (restated)
Lease liabilities				
Within one year	3,004	2,890	1,311	1,197
More than one year, but not more than two years	317	313	1,299	1,257
More than two year, but not more than five years	9	9	45	43
	3,330	3,212	2,655	2,497
Less: future interest expense	(118)	–	(158)	–
Present value of lease liabilities	3,212	3,212	2,497	2,497
Less: Amounts due for settlement within 12 months (shown under current portion)		(2,890)		(1,197)
Amount due for settlement after 12 months		322		1,300

The Group leases motor vehicles under finance leases. The average lease term is 4.5 years for the year ended 31 December 2019. The underlying interest rate is fixed at 4.35% per annum for the year ended 31 December 2019.

Other than motor vehicles, the Group leases other right-of-use assets under operating leases. The lease terms are set out in Note 16. The Group discounts the lease liabilities at the weighted average incremental borrowing rate of 6.12% for the year ended 31 December 2019.

Lease liabilities are denominated in HK$, which are currency other than functional currency of the relevant group entities.

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28. OBLIGATIONS UNDER FINANCE LEASES

	2018
	HK$'000
Analysed for reporting purpose as:	
Current liabilities	146
Non-current liabilities	139
Carrying amount at the end of the year	285

The Group leases motor vehicles under finance leases. The average lease term is 4.5 years for the year ended 31 December 2018. Interest rates underlying all obligations under finance leases are fixed at 4.35% per annum for the year ended 31 December 2018.

	2018	
	Minimum lease payments	Present value of minimum lease payments
	HK$'000	*HK$'000*
Obligations under finance lease payable		
Within one year	154	146
More than one year, but not more than two years	141	139
	295	285
Less: future finance charges	(10)	–
Present value of lease obligations	285	285
Less: Amounts due for settlement within 12 months (shown under current portion)		(146)
Amount due for settlement after 12 months		139

Finance lease obligations are denominated in HK$, which are currency other than functional currency of the relevant group entities.

For the year ended 31 December 2019

29. OTHER NON-CURRENT LIABILITIES

	2019 HK$'000	2018 HK$'000
Provision for severance allowance for employees	185	168

The amount represents the provision for severance payment set aside for the retirement of employees whose were employed by Fleming Vietnam before 2009. During the years ended 31 December 2018 and 2019, the Group contributes the severance allowance based on the calculation provided by the Vietnamese Ministry of Labour to those staff employed by Fleming Vietnam before 2009.

The movement of the provision for severance allowance during the years ended 31 December 2019 and 2018 is set out as below:

	2019 HK$'000	2018 HK$'000
Carrying amount at the beginning of the year	168	152
Additions	17	16
Carrying amount at the end of the year	185	168

30. DEFERRED TAX ASSETS

The deferred tax assets recognised and the movements thereon during the current and prior years:

	Accelerated accounting depreciation HK$'000
At 1 January 2018	304
Credit to profit and loss for the year	62
At 31 December 2018 and 1 January 2019	366
Credit to profit and loss for the year	71
At 31 December 2019	437

31. SHARE CAPITAL – GROUP AND COMPANY

The movements in the issued ordinary share capital during the year are as follows:

	Number	*HK$'000*
Ordinary shares of the Company of HK$0.01 each		
Authorised:		
At 1 January 2018	38,000,000	380
Addition of authorised share capital *(Note a)*	4,962,000,000	49,620
At 31 December 2018, 1 January 2019 and 31 December 2019	5,000,000,000	50,000
Issued and fully paid:		
At 1 January 2018	200	–
Capitalisation issue *(Note b)*	824,999,800	8,250
Issue of shares on 19 July 2018 *(Note c)*	275,000,000	2,750
At 31 December 2018, 1 January 2019 and 31 December 2019	1,100,000,000	11,000

Notes:

(a) Pursuant to the written resolution of the shareholders of the Company passed on 23 June 2018, the authorised 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.

(b) 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 were authorised to capitalise an amount of HK$8,249,998 standing to the credit of the share premium account of the Company and to appropriate such amount as capital to pay up in full at par 824,998,800 shares for allotment and issue to the shareholders at close of business on the date this resolution was passed, on a pro rata basis.

(c) On 19 July 2018, the Company issued 275,000,000 new shares at HK$0.01 per share at an offer price of HK$0.295 each for a total gross proceeds of approximately HK$81,125,000 by way of initial public offering of the Company on GEM of the Stock Exchange.

The shares allotted and issued during the year ended 31 December 2018 rank pari passu in all respects with the then existing shares of the Company.

32. SHARE BASED PAYMENT TRANSACTIONS

Share Option Scheme

The Company adopted the share option scheme on 23 June 2018 (the "**Share Option Scheme**") for the purpose to provide the Company with a flexible means of giving incentive and reward to employee, advisor, customer, service provider, agent, customer, partner or joint-venture partner of the Group (including a director of the Group) (the "**Eligible Participants**") for incentive or reward for their contribution to the Group. Under the Share Option Scheme, the board of directors (the "**Board**") may make an offer to the Eligible Participants. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not exceed 30% of the total number of Shares in issue from time to time.

Unless approved by the shareholders of the Company at the general meeting, the total number of shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Group to each Eligible Participant (including both exercised and outstanding options) in any 12-month period up to and including the date on grant of the options must not exceed 1% of the shares in issue.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 110,000,000, representing 10% of the total number of shares in issue on 19 July 2018 (the date of listing of the Company's shares to the Stock Exchange) and the date of this report unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group will not be counted for the purpose of calculating 10% limit.

The Share Option Scheme was adopted for a period of 10 years commencing from 23 June 2018 and remains in force until 23 June 2028. The Company may, by ordinary resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination. The exercise price per Share for each option granted shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the offer date of the option which must be a trading day; (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets issued by the Stock Exchange for the five consecutive business days immediately preceding the offer date of the option; and (iii) the nominal value of the shares on the offer date of the option.

As at 31 December 2019 and 2018, no options have been granted under the Share Option Scheme.

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33. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the secured bank borrowings and lease liabilities (2018: obligations under finance leases), and equity attributable to owners of the Company, comprising share capital and reserves.

The Directors review the capital structure from time to time. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debt or the redemption of existing debts.

The gearing ratio at the end of reporting period was as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Bank borrowings	**47,008**	33,383
Obligations under finance leases	**–**	285
Lease liabilities	**3,212**	–
Net debt	**50,220**	33,668
Equity	**133,788**	109,112
Net debt to equity ratio	**37.5%**	30.8%

34. FINANCIAL INSTRUMENTS

(a) Categories of financial assets and liabilities

	2019 *HK$'000*	2018 *HK$'000*
Financial assets		
Financial assets at FVTPL	17	17
Debt instruments at FVTOCI	1,695	1,682
Financial assets at amortised cost	134,404	97,580
	136,116	99,279
Financial liabilities		
Financial liabilities at amortised cost	84,235	50,696

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, debt instruments at FVTOCI, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings and lease liabilities (2018: obligations under finance leases). Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity price. Details of each type of market risks are described as follows:

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate debt instruments at FVTOCI.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, pledged bank deposits and secured bank borrowings. The Group currently does not enter into any hedging instrument for cash flow interest rate risk. The Group monitors interest rate risk exposure and will consider hedging significant interest rate risk should the need arises.

For the year ended 31 December 2019

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

(i) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances, pledged bank deposits and secured bank borrowings at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease represents management's assessment on the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for variable rate bank balances and pledged bank deposits, with all other variables held constant, the Group's profit for the year ended 31 December 2019 would increase/decrease by HK$198,000 (profit for the year ended 31 December 2018 would increase/decrease by HK$265,000).

If interest rates had been 50 basis points higher/lower for variable rate bank borrowings, with all other variables held constant, the Group's profit for the year ended 31 December 2019 would decrease/increase by HK$193,000 (profit for the year ended 31 December 2018 would decrease/increase by HK$136,000).

No sensitivity analysis for the decrease in interest rate of financial assets at FVTOCI is presented as the impact is insignificant as at 31 December 2019.

(ii) Foreign currency risk

Certain transactions of the Group are denominated in foreign currencies which are different from the functional currency of the respective relevant entities. The Group is mainly exposed to foreign exchange risk arising from transactions that are denominated in HK$ and VND. 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.

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

(ii) Foreign currency risk (Continued)

The carrying amounts of the foreign currency denominated monetary assets and liabilities at the reporting period are as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The Group				
HK$	**8,158**	14,065	**8,011**	14,153
VND	**671**	488	**17,912**	7,188
SG$	**147**	–	**–**	–

(iii) Foreign currency risk

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuations in US$ against VND and HK$.

As HK$ is pegged to US$, the exposures to fluctuations in exchange rate of US$ against HK$ are considered insignificant and are not considered in the sensitivity analysis.

The following table details the Group's sensitivity to a 5% increase and decrease in the entity's respective functional currency against VND, excluding HK$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the Directors' assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive/(negative) number below indicates increase/(decrease) in profit for the year for the year ended 31 December 2019 and increase/(decrease) in profit for the year ended 31 December 2018 where US$ strengthens against the relevant currency. For a 5% weakening of US$ against the relevant currency, there would be an equal and opposite impact on the results for the year.

	2019	2018
	HK$'000	*HK$'000*
Profit for the year		
– VND	**690**	268

For the year ended 31 December 2019

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

***Market risks** (Continued)*

(iv) Other price risk

The Group is exposed to price risk through its financial assets at FVTPL. The Directors manage this exposure by maintaining a portfolio of investments with different risks.

No sensitivity analysis is presented for the other price risk on the Group's financial assets at FVTPL for the years ended 31 December 2019 and 2018 as the carrying amount of financial assets at FVTPL is considered as insignificant to the Group.

(v) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

(v) Liquidity risk (Continued)

	Weighted average interest rate	Repayable on demand/less than 1 year	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2019						
Trade and other payables	–	34,015	–	–	34,015	34,015
Bank borrowings	5.17	41,745	1,006	6,065	48,816	47,008
Lease liabilities	6.12	3,004	317	9	3,330	3,212
		78,764	1,323	6,074	86,161	84,235
At 31 December 2018						
Trade and other payables	–	17,313	–	–	17,313	17,313
Bank borrowings	7.42	27,177	790	6,313	34,280	33,383
Obligations under finance leases	4.35	154	141	–	295	285
		44,644	931	6,313	51,888	50,981

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risks and impairment provision

As at 31 December 2019 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. There is no significant changes in the quality of that collateral as a result of deterioration or changes in the collateral policies of the entity during both reporting periods.

Trade receivables from sales of candle products

In respect of trade receivables from sales of candle products, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's credit rating, past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers. In addition, the Group performs impairment assessment under ECL model on trade balances individually. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 80% (2018: 67%) of the total trade receivables was due from the Group's five largest customers.

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risks and impairment provision *(Continued)*

Debt instruments at FVTOCI

The Group only invests in debt securities with low credit risk. The Group's debt instruments at FVTOCI mainly comprise unlisted bonds that are graded in the top investment grade as per globally understood definitions and therefore are considered to be low credit risk investments. During the years ended 31 December 2019 and 2018, the expected credit losses on debt instruments at FVTOCI was considered insignificant.

Other receivables, pledged bank deposits and bank balances and cash

The Group performs impairment assessment under ECL model on other receivables, pledged bank deposits and bank balances and cash based on 12m ECL.

The credit risk on other receivables is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly change for the 12 months after the reporting date. Accordingly, no impairment loss allowance is recognised for other receivables.

The credit risk on pledged bank deposits and bank balances and cash is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Accordingly, no material impairment loss allowance is recognised for pledged bank deposits and bank balances and cash.

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34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risks and impairment provision *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	12-month or lifetime ECL	Gross carrying amount 2019 HK$'000	2018 HK$'000
Financial assets at amortised cost				
Trade receivables from sales of candle products	*22*	Lifetime ECL	**92,385**	33,131
Deposits paid	*22*	12m ECL	**985**	629
Pledged bank deposits	*23*	12m ECL	**11,733**	8,875
Bank balances and cash	*23*	12m ECL	**30,039**	54,728
Other item				
Debt instruments at FVTOCI	*20*	12m ECL	**1,695**	1,682

Note:

For trade receivables from sales of candle products, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

Trade receivables have been assessed individually for debtors by considering the credit rating of debtors based on the historical default rates of the trade debtors, taking into consideration forward-looking information includes future prospects of the economies in which the Group's debtors operate.

The expected credit loss rates of the Group's trade receivable ranged from 0.03% to 1.94% are estimated based on historical default rates of the debtors and external sources of information and are adjusted for forward-looking information that is available without undue cost or effort.

During the year ended 31 December 2019, expected credit loss of HK$738,000 for trade receivables from sales of candle products is recognised to profit or loss.

During the year ended 31 December 2018, management considered impairment on trade receivables from sales of candle products is insignificant and therefore, no expected credit loss is recognised to profit or loss.

34. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets

	Fair value as at				
	31 December 2019 *HK$'000*	**31 December 2018** *HK$'000*	**Fair value hierarchy**	**Valuation technique and key inputs**	**Relationship of unobservable inputs to fair value**
Financial assets at FVTPL *(Note 19)*	**17**	17	Level 1	Quoted price in active market.	N/A
Debt instruments at FVTOCI *(Note 20)*	**1,695**	1,682	Level 3	Based on the reference prices of respective unlisted bonds provided by financial institution which is reflecting the credit risk of the issuers.	A slight increase in discount rate used would result in significant decrease in fair value measurement to the unlisted bonds investments and vice versa.

Note: There were no transfers between level 1 and level 3 during the years ended 31 December 2019 and 2018.

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34. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(Continued)*

Financial assets (Continued)

Reconciliation of level 3 fair value measurements:

	Debt instruments at FVTOCI	
	2019	2018
	HK$'000	*HK$'000*
Opening balance	**1,682**	1,918
Fair value gain/(loss) in other comprehensive income	**13**	(236)
Closing balance	**1,695**	1,682

35. OPERATING LEASES

The Group as lessee

	2018 *HK$'000*
Minimum lease payments under operating leases during the year:	
– office premises and warehouses	1,309
– quarters and carparks for directors (included in directors' remuneration)	1,367
– office equipment	40
	2,716

At the end of each reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises and warehouses, quarters and carparks for directors, and office equipment which fall due as follows:

	2018 *HK$'000*
Within one year	1,287
Within two to five years	1,202
	2,489

Leases are negotiated for lease terms ranging from 1 to 2 years and rentals are fixed throughout the lease period.

36. CAPITAL COMMITMENTS

	2019 ***HK$'000***	2018 *HK$'000*
Capital expenditure of contracted for but not provided in the consolidated financial statements in respect of the acquisition:		
– property, plant and equipment	–	3,242
– a land use right in Vietnam *(Note 18)*	–	3,218
	–	6,460

For the year ended 31 December 2019

37. RETIREMENT BENEFIT SCHEMES

	2019 HK$'000	2018 HK$'000
Contributions made during the year	5,282	2,568

The employees of the Group's subsidiary in Vietnam are members of a state-managed retirement benefit scheme operated by the local government. The subsidiary is required to contribute 5% of the relevant payroll costs to those staff employed before 2009 (details in Note 29) and a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group's subsidiary in Vietnam with respect to the retirement benefit scheme is to make the specified contributions. The total contribution to the state-managed retirement benefit scheme and charged to profit or loss amounted to HK$4,948,000 for the year ended 31 December 2019 (2018: HK$2,239,000).

The Group operates a scheme under Mandatory Provident Fund Scheme (the "**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance in December 2000 for the Group's Hong Kong employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. For employees who are members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme subject to a maximum of HK$1,500 per month, which contribution is matched by the employee. The total contribution to MPF Scheme and charged to profit or loss amounted to HK$334,000 for the year ended 31 December 2019 (2018: HK$329,000).

38. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The Directors were considered to be the key management personnel of the Company. The remuneration of the Directors is set out in Note 12.

39. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place and date of Incorporation form of business structure	Issued and fully paid ordinary share capital	Equity attributable to the Company 2019	Equity attributable to the Company 2018	Principal activities and principal place of business
Directly held:					
Fleming International	BVI 5 July 2017 Limited liability company	Ordinary shares US$100	100%	100%	Investment holding, BVI
Indirectly held:					
Fleming Hong Kong	Hong Kong 29 June 1993 Limited liability company	Ordinary shares HK$19,000,858	100%	100%	Trading of candle products and investment holding, Hong Kong
Fleming Vietnam	Vietnam 12 October 2004 Limited liability company	Ordinary shares US$1,800,000 (equivalent to HK$13,968,000)	100%	100%	Design, manufacture and trading of candle products, Vietnam
Success Glory Worldwide Limited	BVI 2 March 2004 Limited liability company	Ordinary shares US$5,000	100%	100%	Investment holding, BVI
Britain Link Limited	Hong Kong 1 August 2011 Limited liability company	Ordinary shares HK$2	–	100%	Trading of candle products and liquidated in 2019, Hong Kong
Fleming International Singapore Pte. Limited	Singapore 25 January 2019 Limited liability company	Ordinary shares SG$2	100%	100%	Dormant company, Singapore

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40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

Reconciliation of liabilities arising from financing activities is as follows:

For the year ended 31 December 2019:

	Bank borrowings *HK$'000*	Lease liabilities *HK$'000*	Obligations under finance leases *HK$'000*	Total *HK$'000*
At 31 December 2018	33,383	–	285	33,668
Reclassification on adoption of HKFRS 16	–	285	(285)	–
Initial recognition of lease liabilities on adoption of HKFRS 16	–	2,212	–	2,212
At 1 January 2019 (restated)	33,383	2,497	–	35,880
Financing cash flows:				
New bank borrowing raised	142,001	–	–	142,001
Repayment of bank borrowings/ lease liabilities	(128,376)	(2,734)	–	(131,110)
Interest paid	(2,617)	–	–	(2,617)
Total changes from cash flows	11,008	(2,734)	–	8,274
Non-cash changes:				
Addition of lease liabilities *(Note (i))*	–	3,202	–	3,202
Interest expense	2,617	247	–	2,864
Total non-cash changes	2,617	3,449	–	6,066
At 31 December 2019	47,008	3,212	–	50,220

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

For the year ended 31 December 2018:

	Bank borrowings, excluding bank overdrafts HK$'000	Amount due to a director HK$'000	Obligations under finance leases HK$'000	Issued cost deferred/ accrued HK$'000	Total HK$'000
At 1 January 2018	26,758	2,446	427	–	29,631
Financing cash flows:					
New bank borrowing raised	108,545	–	–	–	108,545
Repayment of bank borrowings/ obligations under finance leases	(101,920)	–	(142)	–	(102,062)
Interest paid	(1,904)	–	(12)	–	(1,916)
Repayment to a director	–	(238)	–	–	(238)
Payment of issued cost	–	–	–	(10,371)	(10,371)
Total changes from cash flows	4,721	(238)	(154)	(10,371)	(6,042)
Non-cash changes:					
Interest expense	1,904	–	12	–	1,916
Set off current account *(Note (ii))*	–	(2,208)	–	–	(2,208)
Accrued issued cost	–	–	–	10,371	10,371
Total non-cash changes	1,904	(2,208)	12	10,371	10,079
At 31 December 2018	33,383	–	285	–	33,668

Notes:

(i) During the year ended 31 December 2019, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$3,202,000 and HK$3,202,000, respectively, in respect of lease arrangements for directors' quarters.

(ii) During the year ended 31 December 2018, Mr. Andrew Wong agreed to waive the amount owed by the Group to him amounted to HK$2,208,000 and offsetted to the amount owed by Mr. Vincent Wong to the Group in the same amount.

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41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2019 *HK$'000*	2018 *HK$'000*
Non-current assets		
Investment in a subsidiary	45,435	45,435
Amounts due from subsidiaries	31,803	32,648
	77,238	78,083
Current assets		
Prepayments	235	150
Cash and cash equivalents	5,431	9,332
	5,666	9,482
Current liabilities		
Amounts due to subsidiaries	1	1
Accrued expenses	1,006	1,072
	1,007	1,073
Net current assets	4,659	8,409
Total assets less current liabilities	81,897	86,492
EQUITY		
Equity attributable to owners of the Company		
Share capital	11,000	11,000
Reserves *(Note)*	70,897	75,492
TOTAL EQUITY	81,897	86,492

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

	Share Premium *HK$'000*	Special reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
On 1 January 2018	–	45,434	(19,750)	25,684
Loss for the year	–	–	(5,146)	(5,146)
Capitalisation issue *(Note 31(b))*	(8,250)	–	–	(8,250)
Issue of shares upon the Placing *(Note 31(c))*	78,375	–	–	78,375
Transaction costs attributable to the issue of shares	(15,171)	–	–	(15,171)
At 31 December 2018 and 1 January 2019	54,954	45,434	(24,896)	75,492
Loss for the year	–	–	(4,595)	(4,595)
At 31 December 2019	54,954	45,434	(29,491)	70,897

Note: Special reserve represents the difference between the nominal amount of the share capital issued by the Company and the net assets value of a subsidiary acquired by the Company pursuant to the Group Reorganisation in preparation for the listing of the Company's shares on GEM of the Stock Exchange.

FINANCIAL SUMMARY

A Summary of the results and of assets and liabilities of the Group for the last four financial years, extracted from the audited consolidated financial statements in this annual report and the Prospectus of the Company dated 29 June 2018, is as follows:

RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**307,546**	215,434	162,525	158,434	146,006
Profit (loss) before tax	**30,914**	7,033	(8,986)	11,112	14,200
Income tax expense	**(6,251)**	(2,259)	(2,071)	(2,339)	(3,168)
Profit (loss) for the year	**24,663**	4,774	(11,057)	8,773	11,032

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**230,240**	166,092	105,404	93,620	81,897
Total liabilities	**(96,452)**	(56,980)	(66,784)	(58,446)	(46,660)
Total equity	**133,788**	109,112	38,620	35,174	35,237