

2020 INTERIM REPORT



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

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

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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. Leung Chi Kit

Authorized representatives

Mr. Wong Wai Chit

Mr. Leung Chi Kit

Compliance officer

Mr. Wong Wai Chit

Registered office

PO Box 1350

Clifton House, 75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

CORPORATE INFORMATION (CONTINUED)

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

Ocorian 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

CORPORATE INFORMATION (CONTINUED)**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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Three months ended		Six months ended	
		30.6.2020	30.6.2019	30.6.2020	30.6.2019
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	3	69,496	48,327	148,307	99,679
Cost of sales		(45,333)	(35,889)	(99,429)	(73,923)
Gross profit		24,163	12,438	48,878	25,756
Other income	4	832	146	1,000	323
Other gains and losses	5	(48)	126	(2,194)	216
Selling and distribution expenses		(6,650)	(4,154)	(10,531)	(8,338)
Administrative expenses		(9,768)	(9,016)	(20,386)	(18,234)
Finance costs	6	(628)	(653)	(1,451)	(1,238)
Profit (loss) before income tax	8	7,901	(1,113)	15,316	(1,515)
Income tax expense	7	(1,534)	(360)	(2,971)	(438)
Profit (loss) for the period attributable to the owners of the Company		6,367	(1,473)	12,345	(1,953)
Other comprehensive income (expense) for the period					
Items that may be classified subsequently to profit or loss:					
Fair value gain (loss) on debt instruments measured at fair value through other comprehensive income		56	(118)	52	(181)
Disposal of debt instruments at fair value through other comprehensive income		-	-	(32)	-
		56	(118)	20	(181)
Total comprehensive income (expense) for the period attributable to the owners of the Company		6,423	(1,591)	12,365	(2,134)
Earnings (loss) per share					
Basic and diluted (<i>HK cents</i>)	11	0.58	(0.13)	1.12	(0.18)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	12	16,810	14,412
Right-of-use assets		21,172	22,976
Deposits for the acquisition of property, plant and equipment		245	1,676
Financial assets at fair value through profit or loss		10	17
Debt instruments at fair value through other comprehensive income		1,196	1,695
Deferred tax assets		510	437
Pledged bank deposits	15	11,759	11,733
Total non-current assets		51,702	52,946
CURRENT ASSETS			
Inventories	13	62,468	52,749
Trade and other receivables	14	100,354	94,506
Bank balances and cash	15	36,694	30,039
Total current assets		199,516	177,294
Total assets		251,218	230,240
CURRENT LIABILITIES			
Contract liabilities	17	80	183
Trade and other payables	16	46,367	42,686
Bank borrowings	18	44,782	40,555
Lease liabilities		1,757	2,890
Tax payable		5,774	3,178
Total current liabilities		98,760	89,492
NET CURRENT ASSETS		100,755	87,802
TOTAL ASSETS LESS CURRENT LIABILITIES		152,458	140,748

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Notes</i>	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
NON-CURRENT LIABILITIES			
Bank borrowings	18	6,093	6,453
Lease liabilities		27	322
Other non-current liabilities		185	185
Total non-current liabilities		6,305	6,960
Total liabilities		105,065	96,452
NET ASSETS		146,153	133,788
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	11,000	11,000
Reserves		135,153	122,788
TOTAL EQUITY		146,153	133,788

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2020*

	Attributable to owners of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Fair value through other comprehensive income ("FVTOCI") reserve HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2019 (audited)	11,000	54,954	41	20,605	22,512	109,112
Loss for the period	-	-	-	-	(1,953)	(1,953)
Fair value loss on debt instruments through other comprehensive income	-	-	(181)	-	-	(181)
Loss and total comprehensive expense for the period	-	-	(181)	-	(1,953)	(2,134)
As at 30 June 2019 (unaudited)	11,000	54,954	(140)	20,605	20,559	106,978
At 1 January 2020 (audited)	11,000	54,954	54	20,605	47,175	133,788
Profit for the period	-	-	-	-	12,345	12,345
Fair value gain on debt instruments through other comprehensive income	-	-	52	-	-	52
Disposal of debt instruments at FVTOCI	-	-	(32)	-	-	(32)
Profit and total comprehensive income for the period	-	-	20	-	12,345	12,365
As at 30 June 2020 (unaudited)	11,000	54,954	74	20,605	59,520	146,153

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2020*

	Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	7,405	(13,929)
INVESTING ACTIVITIES		
Interest income on debt instruments at FVTOCI	29	29
Bank interest income	103	253
Purchase of property, plant and equipment	(2,276)	(4,828)
Deposits for acquisition of property, plant and equipment	(130)	–
Proceeds from disposal of debt instruments at FVTOCI	562	–
Placement of pledged bank deposits	(26)	(2,816)
NET CASH USED IN INVESTING ACTIVITIES	(1,738)	(7,362)
FINANCING ACTIVITIES		
New bank borrowings raised	102,233	54,480
Repayment of bank borrowings	(98,366)	(48,386)
Interest paid	(1,451)	(1,238)
Repayment of lease liabilities	(1,428)	(1,322)
NET CASH FROM FINANCING ACTIVITIES	988	3,534
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,655	(17,757)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	30,039	54,945
CASH AND CASH EQUIVALENTS AT 30 JUNE	36,694	37,188
Represented by:		
Bank balances and cash	36,694	37,188

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL AND BASIS OF PREPARATION

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 (the “**Shares**”) have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 July 2018 (the “**Listing**”). 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 and Mr. Wong Wai Chit, who are brothers and act in concert over AVW and the companies now comprising the Group (the “**Controlling Shareholders**”).

The functional currency of the Company and its subsidiaries is United States Dollar (“**US\$**”) while the presentation currency of the consolidated financial statements is Hong Kong dollars (“**HK\$**”) as the directors of the Company (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.

The condensed consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) and the GEM Listing Rules.

The condensed consolidated financial statements of the Group have been prepared under the historical cost basis, except for certain financial instrument which have been measured at fair values.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES

Application of new and amendments to HKFRSs

The principal accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual report for the year ended 31 December 2019, except for the following new and amendments to HKFRSs issued by the HKICPA that are adopted for the first time for the current accounting period of the Group:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 29 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and amendments to HKFRSs has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

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 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2021.

² 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 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 concluded that the adoption of the new HKFRSs will have no material impact on the amounts reported in the Group's condensed consolidated financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Three months ended		Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Sale of candle products				
Daily-use candles	17,464	23,075	36,472	35,944
Scented candles	36,601	15,380	78,166	45,625
Decorative candles	526	4,107	1,616	6,378
Others (included diffusers)	14,905	5,765	32,053	11,732
Total	69,496	48,327	148,307	99,679
Timing of revenue recognition				
At a point in time	69,496	48,327	148,307	99,679

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.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information

Information reported to the executive Directors, being the chief operating decision maker (“**CODM**”), regularly review revenue analysis by product type as set out in the revenue analysis above for the purpose of resource allocation and assessment of performance. However, other than revenue analysis, no operating results and other discrete financial information is regularly reviewed by the CODM for the purpose of resource allocation and assessment of 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

	Three months ended		Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
United States of America	63,773	39,212	135,164	84,392
United Kingdom	3,867	4,391	9,630	8,180
Others	1,856	4,724	3,513	7,107
Total	69,496	48,327	148,307	99,679

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION (Continued)

The information about the Group's non-current assets (excluded financial assets and deferred tax assets) is presented based on the geographical locations of the assets.

Non-current assets

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Hong Kong	1,955	3,377
Vietnam	36,027	34,011
Total	37,982	37,388

4. OTHER INCOME

	Three months ended		Six months ended	
	30.6.2020 <i>HK\$'000</i> (unaudited)	30.6.2019 <i>HK\$'000</i> (unaudited)	30.6.2020 <i>HK\$'000</i> (unaudited)	30.6.2019 <i>HK\$'000</i> (unaudited)
Bank interest income	37	92	103	253
Interest income from debt instruments at FVTOCI	29	29	29	29
Sample income	33	–	105	–
Sundry income	733	25	763	41
	832	146	1,000	323

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2020

5. OTHER GAINS AND LOSSES

	Three months ended		Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Net foreign exchange (loss) gain	(254)	126	(79)	216
Fair value loss on financial assets at fair value through profit or loss	(2)	–	(7)	–
Gain on disposal of debt instruments at FVTOCI	–	–	43	–
Write-off of trade receivables	–	–	(2,359)	–
Reversal of impairment loss on trade receivables	208	–	208	–
	(48)	126	(2,194)	216

6. FINANCE COSTS

	Three months ended		Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Interest on bank borrowings	595	615	1,373	1,167
Interest expenses on lease liabilities	33	38	78	71
	628	653	1,451	1,238

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2020

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Current tax:				
Hong Kong profits tax	835	–	1,837	–
Vietnam corporate income tax	766	431	1,207	431
	1,601	431	3,044	431
Deferred taxation:				
Current period	(67)	(71)	(73)	7
	1,534	360	2,971	438

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, the subsidiary of the Company incorporated in Hong Kong, for the six months ended 30 June 2020 and 2019.

For Fleming International Vietnam Limited, the subsidiary of the Company incorporated in Vietnam, the statutory corporate tax rates are 20% for the six months ended 30 June 2020 and 2019.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2020

8. PROFIT (LOSS) BEFORE INCOME TAX

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

	Three months ended		Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Auditor's remuneration	200	525	400	586
Cost of inventories recognised as an expense	45,333	35,889	99,429	73,923
Allowance (reversal of allowance) of inventories (included in cost of sales)	305	44	351	(25)
Write-off of trade receivables	–	–	2,359	–
Donations	25	–	55	11
Depreciation of right-of-use assets	903	731	1,805	1,361
Depreciation of property, plant and equipment	669	650	1,439	1,272
Less: capitalised in inventories	(493)	(479)	(1,087)	(930)
	176	171	352	342
Employee benefit expense (excluding directors' remuneration):				
– Salaries and allowances	9,104	8,877	19,457	17,784
– Discretionary bonus	356	200	728	634
– Retirement benefit scheme contribution	1,650	689	3,259	1,391
Total staff costs	11,110	9,766	23,444	19,809
Less: capitalised in inventories	(5,964)	(5,960)	(12,985)	(11,272)
	5,146	3,806	10,459	8,537

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

9. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the six months ended 30 June 2020 and 2019, disclosed pursuant to the applicable GEM Listing Rules and Hong Kong Companies Ordinance (Cap. 622), is as follows:

	Three months ended		Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Fees	180	180	360	360
Salaries and other allowances	1,800	1,114	3,600	2,229
Retirement benefits scheme contributions	12	12	23	23
Other benefits	453	28	895	56
Discretionary bonus	250	–	500	–
Total	2,695	1,334	5,378	2,668

10. DIVIDENDS

No dividends were paid, declared or proposed for the six months ended 30 June 2020 and 2019.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2020

11. EARNINGS (LOSS) PER SHARE

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

	Three months ended		Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Earnings (loss)				
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	6,367	(1,473)	12,345	(1,953)

	Three months ended		Six months ended	
	30.6.2020 (unaudited)	30.6.2019 (unaudited)	30.6.2020 (unaudited)	30.6.2019 (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,100,000,000	1,100,000,000	1,100,000,000	1,100,000,000

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

12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment amounting to HK\$3,837,000 (for the six months ended 30 June 2019: HK\$4,827,000) for the purpose of the Group's operation.

As of 1 January 2019, the Group's property, plant and equipment included motor vehicles held under lease are reclassified to right-of-use assets with carrying amount of HK\$318,000.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2020

13. INVENTORIES

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Raw materials	34,358	30,582
Work in progress	4,044	3,801
Finished goods	15,688	12,789
Goods in transit	10,172	7,020
	64,262	54,192
Less: Allowance for inventories	(1,794)	(1,443)
	62,468	52,749

14. TRADE AND OTHER RECEIVABLES

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Trade receivables, gross	95,340	92,385
Less: Allowance for credit losses	(530)	(738)
	94,810	91,647
Deposits and prepayments	5,544	2,859
Total	100,354	94,506

As at 30 June 2020 and 31 December 2019, trade receivables from contracts with customers amounted to HK\$94,810,000 and HK\$91,647,000, respectively.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2020

14. TRADE AND OTHER RECEIVABLES (Continued)

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 reporting period:

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
0-30 days	33,014	32,981
31-60 days	11,537	19,575
61-90 days	17,235	18,988
91-180 days	33,024	19,645
Over 180 days	–	458
	94,810	91,647

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:

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Past due over:		
Neither past due nor impaired	63,416	79,383
1-30 days	14,921	11,254
31-60 days	14,064	473
61-90 days	696	523
91-180 days	1,377	7
Over 180 days	336	7
	94,810	91,647

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the judgement of the management of the Group, the exposure to credit risk and expected credit loss for trade receivables which are assessed collectively based on provision matrix is negligible at 30 June 2020.

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

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2020

15. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits of the Group are pledged to banks for securing bank borrowings (Note 18). 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.

16. TRADE AND OTHER PAYABLES

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Trade payables:		
1–30 days	18,133	18,473
31–60 days	11,335	11,745
61–90 days	974	1,358
91–180 days	334	459
Over 180 days	–	6
	30,776	32,041
Other payables	2,130	1,974
Accrued expenses	13,461	8,671
	46,367	42,686

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

17. CONTRACT LIABILITIES

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

18. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to HK\$102,233,000 (31 December 2019: HK\$142,001,000). The bank loans carry interest at variable market rates of 2.64% to 10.1% per annum. The proceeds were used to finance the daily operation of the Group.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2020

19. SHARE CAPITAL

The Company

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised		
At 31 December 2019 and 30 June 2020	5,000,000,000	50,000
Issued and fully paid		
At 31 December 2019 and 30 June 2020	1,100,000,000	11,000

20. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

Key management personnel remuneration was as follow:

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Salaries, allowance and bonus	5,355	2,645
Retirement benefits	23	23
	5,378	2,668

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

For the six months ended 30 June 2020

**21. FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS THAT
ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS**

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

	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs and relationship of unobservable inputs to fair value
	30 June 2020 HK\$'000	31 December 2019 HK\$'000			
Financial assets at fair value through profit or loss	10	17	Level 1	Quoted price in active market.	N/A
Debt instruments at FVTOCI	1,196	1,695	Level 3	Based on the reference prices of respective unlisted bonds provided by financial institution which is determined by using discounted cash flow with discount rate reflecting the credit risk of the issuers.	A slight increase in discount rate used would result in significant decrease in fair value measurement to the unlisted bonds investments and vice versa.

Note: There were no transfers between level 1, level 2 and level 3 during the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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 suggestions to its customers. The Group offers 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 is 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 six months ended 30 June 2020 is set out in Note 3 to the condensed consolidated financial statements, where scented candles are still the best selling product of the Group during the period, the sales of scented candles increased by approximately HK\$32.5 million or 71.3% as compared with the same period in 2019 that reflects the trend of preference for candle products with scent and coloured additives is increasing recently in the U.S. market. Simultaneously, the demand of diffusers is also increasing during the period, the sale of others product that mainly constituted by diffusers, increased by approximately HK\$20.3 million or 173.2% as compared with the same period in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In order to catch up the rapid growth of candle products especially in the U.S. market since 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 the 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.

The recent outbreak of the novel coronavirus (“**COVID-19**”) has brought about additional uncertainties in the Group’s operating environment and may impact the Group’s operations and financial position. The Group has been closely monitoring the impact from the COVID-19 on the Group’s businesses. Based on the information currently available, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group up to the date of this report. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information becomes available.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2020 amounted to approximately HK\$148.3 million, representing an increase of approximately HK\$48.6 million or 48.7% as compared with that of approximately HK\$99.7 million for the same period in 2019.

The increase was mainly due to the increase in sales of scented candles for approximately HK\$32.5 million and others products (included diffusers) for approximately HK\$20.3 million for the six months ended 30 June 2020.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2020 amounted to approximately HK\$48.9 million, representing an increase of approximately HK\$23.1 million or 89.5% as compared with that of approximately HK\$25.8 million for the same period in 2019.

The gross profit margin increased to approximately 33.0% for the six months ended 30 June 2020 as compared with that of 25.9% for the same period in 2019. The increase was mainly due to the increase in sales of other products (included diffusers) as well as the increase in gross profit margin of other products (included diffusers) from 23.8% for the six months ended 30 June 2019 to 39.6% for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other income, gains and losses

Other income for the six months ended 30 June 2020 were approximately HK\$1.0 million, representing an increase of approximately HK\$677,000 or 209.6% as compared with that of approximately HK\$323,000 for the same period in 2019. The increase was mainly due to the increase in sundry income for the charges on customers for cancellation of orders.

Other losses for the six months ended 30 June 2020 were approximately HK\$2.2 million, representing a decrease of approximately HK\$2.4 million or 1,111.1% as compared with other gains of approximately HK\$216,000 for the same period in 2019. The decrease was mainly due to the write off of trade receivables for approximately HK\$2.4 million.

Selling and distribution expenses

Selling and distribution expenses for the six months ended 30 June 2020 amounted to approximately HK\$10.5 million, representing an increase of approximately HK\$2.2 million or 26.5% as compared with that of approximately HK\$8.3 million for the same period in 2019.

The increase was mainly due to the combined effect of (i) increase in transportation and declarations expenses of approximately HK\$828,000 which was in line with the increase in sales; (ii) increase in compensation expenses for HK\$2.6 million; and (iii) offset by the net decrease in marketing and promotion expenses for HK\$1.5 million due to the combined effect of the decrease in consultation service fee of approximately HK\$3.0 million in relation to U.S. market consultation and increase of approximately HK\$1.1 million in commission to sales representatives for introducing new orders from customers in U.S..

Administrative expenses

Administrative expenses for the six months ended 30 June 2020 amounted to approximately HK\$20.4 million, representing an increase of approximately HK\$2.2 million or 12.1% as compared with that of approximately HK\$18.2 million for the same period in 2019. The increase was mainly due to the increase in salaries and allowance of approximately HK\$1.9 million.

Finance costs

Finance costs for the six months ended 30 June 2020 amounted to approximately HK\$1.5 million, representing an increase of approximately HK\$0.3 million or 25.0% as compared with that of approximately HK\$1.2 million for the same period in 2019.

The increase was mainly due to the increase in using bank borrowings to cope with revenue growth and the interest expenses on lease liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Profit for the period

The Group incurred net profit of approximately HK\$12.3 million for the six months ended 30 June 2020, representing an increase of approximately HK\$14.2 million or 747.4% as compared with net loss of approximately HK\$1.9 million for the same period in 2019. Such increase was the combined effect of (i) increase in gross profit of approximately HK\$23.1 million; and offset off by (a) increase in selling and distribution expenses for HK\$2.2 million; (b) increase in administrative expenses for HK\$2.2 million; (c) decrease in other gains and losses for HK\$2.4 million; (d) increase in other income for HK\$0.7 million; (e) increase in finance costs for HK\$0.3 million; and (f) increase in income tax expenses for approximately HK\$2.5 million.

Liquidity and Financial Resources

As at 30 June 2020, the Group had total assets of approximately HK\$251.2 million (31 December 2019: approximately HK\$230.2 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$105.1 million (31 December 2019: approximately HK\$96.5 million) and approximately HK\$146.2 million (31 December 2019: approximately HK\$133.8 million), respectively.

The total interest-bearing borrowings of the Group as at 30 June 2020 were approximately HK\$50.9 million (31 December 2019: approximately HK\$47.0 million), and current ratio as at 30 June 2020 was approximately 2.0 times (31 December 2019: approximately 2.0 times) and the ratio remains stable.

The Group's gearing ratio, which is calculated by dividing total debt by total equity as at the end of each of the reporting period, decreased from approximately 37.5% as at 31 December 2019 to approximately 36.0% as at 30 June 2020, primarily due to the decrease in lease liabilities.

As at 30 June 2020 and 31 December 2019, the Group has unutilised banking facilities of approximately HK\$42.2 million and HK\$43.4 million respectively.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Treasury Policy

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

Capital Structure

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

As at 30 June 2020, the Company's issued share capital was HK\$11,000,000 and the number of its issued ordinary shares was 1,100,000,000 of HK\$0.01 each.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus of the Company dated 29 June 2018 (the "**Prospectus**") and this report, the Group did not have any plans for material investments or capital assets as of 30 June 2020.

Pledge of Assets

As at 30 June 2020 and 31 December 2019, the Group had pledged certain assets including property, plant and equipment, right-of-use assets, debt instruments of fair value through other comprehensive income, pledged bank deposits and corporate guarantees with carrying amounts of HK\$38.6 million and HK\$39.4 million respectively to secure the Group's bank loans.

Foreign Currency Exposure

The majority transactions of the Group are denominated in foreign currencies which are different from the functional currency of the Group, i.e. US dollar. The Group is mainly exposed to foreign exchange risk arising from transactions that are denominated in Hong Kong dollar and Vietnamese dong. During the six months ended 30 June 2020, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Commitments

As at 30 June 2020, the Group did not have any significant capital commitments (30 June 2019: HK\$3.2 million).

Contingent Liabilities

As at 30 June 2020, the Group did not have any contingent liabilities (30 June 2019: Nil).

Employees and Remuneration Policies

As at 30 June 2020, the Group employed approximately 1,400 (30 June 2019: approximately 1,200) staff (including executive Directors). The Group determines 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 report, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the six months ended 30 June 2020.

EVENT AFTER THE END OF REPORTING PERIOD

There are no significant events affecting the Group after the reporting period and up to date of this report.

DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2020.

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 30 June 2020, as compared to that envisaged in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 date of Listing (i.e. 19 July 2018) to 30 June 2020 is set out below:

	Approximate amount of net proceeds <i>HK\$ million</i>	Approximate actual utilised as at 30 June 2020 <i>HK\$ million</i>	Unused amount of net proceeds as at 30 June 2020 <i>HK\$ million</i>
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 six months ended 30 June 2020. As at 30 June 2020, no proceeds are spent on demolition works and renovation of existing production facilities, the reasons for the delay was the Group entered into an agreement to acquire a new land for new production facility during the year ended 31 December 2018, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Acquisition of new production facility

During the six months ended 30 June 2020, the Group completed the acquisition of the new land for new production facility. As at 30 June 2020, 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 2021.

Acquisition of new machinery

During the six months ended 30 June 2020, the Group paid approximately HK\$2.3 million for the acquisition of machineries for the expected increasing purchase orders from its customers. The Group expects the acquisition of rest of machinery in 2021.

Installation of ERP systems

During the six months ended 30 June 2020, the Group had planned to use approximately HK\$2.0 million of the installation of an ERP system. As at 30 June 2020, a total of approximately HK\$0.1 million was spent on new computers and related hardware peripherals. The Group has planned to install ERP systems for production and warehouse management and customer relationship management but has not yet identified suitable systems. The Group is seeking various systems and expects the implementation of ERP during the year of 2021.

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 AND OTHER INFORMATION

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

As at 30 June 2020, the interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") held by the Directors and chief executives of the Company (the "Chief Executives") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long position in ordinary Shares

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

Save as disclosed above, as at 30 June 2020, none of the Directors or Chief Executives had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed “DIRECTORS’ AND CHIEF EXECUTIVES’ INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURE” and “SHARE OPTION SCHEME” in this report, at no time during the six months ended 30 June 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

DIRECTORS’ INTERESTS IN CONTRACTS

None of the Directors nor their respective close associates had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS IN THE SHARES

So far as the Directors and the Chief Executives are aware, as at 30 June 2020, 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 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

Name of shareholders	Nature of interests	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%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Name of shareholders	Nature of interests	Number of Shares held	Approximate % of the total number of Shares in issue
Ms. Zheng Xiaochun <i>(Note 2)</i>	Interest in controlled corporation	181,500,000	16.5%
Mr. Guan Le <i>(Notes 2 & 3)</i>	Interest of spouse	181,500,000	16.5%
Mr. Chan Sheung Chi <i>(Notes 2 & 6)</i>	Interest of spouse	181,500,000	16.5%
Ms. long Man Lai <i>(Notes 1 & 4)</i>	Interest of spouse	643,500,000	58.5%
Ms. Tse Sheung <i>(Notes 1 & 5)</i>	Interest of spouse	643,500,000	58.5%

Notes:

1. AWW 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 AWW is interested under the SFO.
2. Vibes Enterprises Company Limited ("**Vibes Enterprises**") is wholly owned by Vibes Management Company Limited ("**Vibes Management**"). Vibes Management 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. long Man Lai is the spouse of Mr. Wong Wai Chit. Ms. long 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 30 June 2020, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

SHARE OPTION SCHEME

The Company adopted the share option scheme (the **"Share Option Scheme"**) on 23 June 2018 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 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 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 Group must not exceed 110,000,000, representing 10% of the total number of Shares in issue on the date of Listing and the date of this report unless the Company seeks the approval of the shareholders of the Company 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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.

COMPETING INTERESTS

For the six months ended 30 June 2020, none of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

COMPLIANCE ADVISER'S INTERESTS

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the “**Required Standard of Dealing**”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings for the six months ended 30 June 2020. No incident of non-compliance was noted by the Company for the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities after Listing and up to the date of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieve high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the “**CG Code**”). During the six months ended 30 June 2020, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)**AUDIT COMMITTEE**

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

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2020 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

REVIEW OF THIS REPORT

This report for the six months ended 30 June 2020 has not been audited, but has been reviewed by the Audit Committee.

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

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

Hong Kong, 6 August 2020