

# 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



## 2021 Interim Report

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*This report, for which the directors (the “**Directors**”) of Hyfusin Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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

Windward 3, Regatta Office Park

PO Box 1350

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.hyfusingroup.com>

**Principal share registrar and transfer office**

**Ocorian Trust (Cayman) Limited**  
Windward 3, Regatta Office Park  
PO Box 1350  
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

#### **DBS Bank (Hong Kong) Limited**

16/F, The Center  
99 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**

Suite 3508, 35/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 2021

|   | Notes | Three months ended                   |                                      | Six months ended                     |                                      |
|---|-------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|   |       | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) |
| <b>Revenue</b>  | 3     | 199,509                              | 69,496                               | 339,042                              | 148,307                              |
| Cost of sales   |       | (131,810)                            | (45,333)                             | (223,801)                            | (99,429)                             |
| <b>Gross profit</b>   |       | 67,699                               | 24,163                               | 115,241                              | 48,878                               |
| Other income  | 4     | 478                                  | 832                                  | 698                                  | 1,000                                |
| Other gains and losses  | 5     | 1,015                                | (48)                                 | 242                                  | (2,194)                              |
| Selling and distribution expenses   |       | (9,651)                              | (6,650)                              | (17,039)                             | (10,531)                             |
| Administrative expenses   |       | (18,160)                             | (9,768)                              | (34,864)                             | (20,386)                             |
| Finance costs   | 6     | (1,004)                              | (628)                                | (2,172)                              | (1,451)                              |
| Profit before income tax expense  | 8     | 40,377                               | 7,901                                | 62,106                               | 15,316                               |
| Income tax expense  | 7     | (7,047)                              | (1,534)                              | (10,741)                             | (2,971)                              |
| <b>Profit for the period attributable to the owners of the Company</b>                        |       | 33,330                               | 6,367                                | 51,365                               | 12,345                               |
| <b>Other comprehensive income (expense) for the period</b>                                    |       |                                      |                                      |                                      |                                      |
| Items that may be classified subsequently to profit or loss:                                  |       |                                      |                                      |                                      |                                      |
| Fair value gain on debt instruments measured at fair value through other comprehensive income |       | 26                                   | 56                                   | 3                                    | 52                                   |
| Disposal of debt instruments at fair value through other comprehensive income                 |       | –                                    | –                                    | –                                    | (32)                                 |
|   |       | 26                                   | 56                                   | 3                                    | 20                                   |
| <b>Total comprehensive income for the period attributable to the owners of the Company</b>    |       | 33,356                               | 6,423                                | 51,368                               | 12,365                               |
| Earnings per share  |       |                                      |                                      |                                      |                                      |
| Basic and diluted (HK cents)  | 11    | 3.03                                 | 0.58                                 | 4.67                                 | 1.12                                 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  | Notes | 30.6.2021<br>HK\$'000<br>(unaudited) | 31.12.2020<br>HK\$'000<br>(audited) |
|--|-------|--------------------------------------|-------------------------------------|
| <b>ASSETS AND LIABILITIES</b>  |       |                                      |                                     |
| <b>NON-CURRENT ASSETS</b>  |       |                                      |                                     |
| Property, plant and equipment  | 12    | 15,970                               | 16,470                              |
| Right-of-use assets  |       | 23,319                               | 21,441                              |
| Deposits for the acquisition of property,<br>plant and equipment     |       | 19,982                               | 4,618                               |
| Debt instruments at fair value through other<br>comprehensive income |       | 1,169                                | 1,166                               |
| Deferred tax assets  |       | 701                                  | 537                                 |
| Pledged bank deposits  | 15    | 15,473                               | 13,759                              |
| <b>Total non-current assets</b>                                      |       | <b>76,614</b>                        | <b>57,991</b>                       |
| <b>CURRENT ASSETS</b>  |       |                                      |                                     |
| Inventories  | 13    | 140,377                              | 92,993                              |
| Trade and other receivables  | 14    | 130,902                              | 94,364                              |
| Financial assets at fair value through<br>profit or loss             |       | –                                    | 11                                  |
| Bank balances and cash   | 15    | 98,117                               | 108,383                             |
| <b>Total current assets</b>  |       | <b>369,396</b>                       | <b>295,751</b>                      |
| <b>Total assets</b>  |       | <b>446,010</b>                       | <b>353,742</b>                      |
| <b>CURRENT LIABILITIES</b>   |       |                                      |                                     |
| Trade and other payables   | 16    | 105,083                              | 83,981                              |
| Contract liabilities   | 17    | 13                                   | –                                   |
| Bank borrowings  | 18    | 27,399                               | 23,730                              |
| Lease liabilities  |       | 2,810                                | 1,314                               |
| Tax payable  |       | 21,220                               | 13,175                              |
| <b>Total current liabilities</b>                                     |       | <b>156,525</b>                       | <b>122,200</b>                      |
| <b>NET CURRENT ASSETS</b>  |       | <b>212,870</b>                       | <b>173,551</b>                      |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES</b>                     |       | <b>289,485</b>                       | <b>231,542</b>                      |



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

|   | Notes | 30.6.2021<br>HK\$'000<br>(unaudited) | 31.12.2020<br>HK\$'000<br>(audited) |
|---|-------|--------------------------------------|-------------------------------------|
| <b>NON-CURRENT LIABILITIES</b>                          |       |                                      |                                     |
| Bank borrowings   | 18    | 11,728                               | 5,993                               |
| Lease liabilities                                       |       | 1,930                                | 1,091                               |
| Other non-current liabilities                           |       | 199                                  | 198                                 |
| <b>Total non-current liabilities</b>                    |       | <b>13,857</b>                        | 7,282                               |
| <b>Total liabilities</b>                                |       | <b>170,382</b>                       | 129,482                             |
| <b>NET ASSETS</b>                                       |       | <b>275,628</b>                       | 224,260                             |
| <b>EQUITY</b>   |       |                                      |                                     |
| <b>Equity attributable to owners<br/>of the Company</b> |       |                                      |                                     |
| Share capital   | 19    | 11,000                               | 11,000                              |
| Reserves  |       | 264,628                              | 213,260                             |
| <b>TOTAL EQUITY</b>                                     |       | <b>275,628</b>                       | 224,260                             |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

|  | Attributable to owners of the Company |                           |  |                           |                               |                   |
|--|---------------------------------------|---------------------------|--|---------------------------|-------------------------------|-------------------|
|  | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Fair value through other comprehensive income<br>("FVTOCI")<br>reserve<br>HK\$'000 | Other reserve<br>HK\$'000 | Retained earnings<br>HK\$'000 | Total<br>HK\$'000 |
| At 1 January 2020 (audited)  | 11,000                                | 54,954                    | 54   | 20,605                    | 47,175                        | 133,788           |
| Profit for the period  | -                                     | -                         | -  | -                         | 12,345                        | 12,345            |
| Other comprehensive income:  |                                       |                           |  |                           |                               |                   |
| Fair value gain on debt instruments through other comprehensive income | -                                     | -                         | 52   | -                         | -                             | 52                |
| Disposal of debt instruments at FVTOCI                                 | -                                     | -                         | (32)   | -                         | -                             | (32)              |
| Total comprehensive income for the period                              | -                                     | -                         | 20   | -                         | 12,345                        | 12,365            |
| <b>As at 30 June 2020 (unaudited)</b>                                  | <b>11,000</b>                         | <b>54,954</b>             | <b>74</b>  | <b>20,605</b>             | <b>59,520</b>                 | <b>146,153</b>    |
| At 1 January 2021 (audited)  | 11,000                                | 54,954                    | 44   | 20,605                    | 137,657                       | 224,260           |
| Profit for the period  | -                                     | -                         | -  | -                         | 51,365                        | 51,365            |
| Other comprehensive income:  |                                       |                           |  |                           |                               |                   |
| Fair value gain on debt instruments through other comprehensive income | -                                     | -                         | 3  | -                         | -                             | 3                 |
| Total comprehensive income for the period                              | -                                     | -                         | 3  | -                         | 51,365                        | 51,368            |
| <b>As at 30 June 2021 (unaudited)</b>                                  | <b>11,000</b>                         | <b>54,954</b>             | <b>47</b>  | <b>20,605</b>             | <b>189,022</b>                | <b>275,628</b>    |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2021*

|   | Six months ended                     |                                      |
|---|--------------------------------------|--------------------------------------|
|   | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                                       | <b>1,957</b>                         | <b>7,405</b>                         |
| <b>INVESTING ACTIVITIES</b>   |                                      |                                      |
| Interest income on debt instruments at FVTOCI                                   | 29                                   | 29                                   |
| Bank interest income  | 11                                   | 103                                  |
| Purchase of property, plant and equipment                                       | (1,224)                              | (2,276)                              |
| Deposits for acquisition of property, plant and equipment                       | (15,216)                             | (130)                                |
| Proceeds from disposal of debt instruments at FVTOCI                            | –                                    | 562                                  |
| Proceeds from disposal of financial assets at fair value through profit or loss | 13                                   | –                                    |
| Placement of pledged bank deposits  | (1,714)                              | (26)                                 |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                                    | <b>(18,101)</b>                      | <b>(1,738)</b>                       |
| <b>FINANCING ACTIVITIES</b>   |                                      |                                      |
| New bank borrowings raised  | 66,834                               | 102,233                              |
| Repayment of bank borrowings  | (58,575)                             | (98,366)                             |
| Interest paid   | (2,057)                              | (1,451)                              |
| Repayment of lease liabilities  | (1,469)                              | (1,428)                              |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>                                       | <b>4,733</b>                         | <b>988</b>                           |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>                     | <b>(11,411)</b>                      | <b>6,655</b>                         |
| <b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>                                   | <b>108,383</b>                       | <b>30,039</b>                        |
| <b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>                                     | <b>96,972</b>                        | <b>36,694</b>                        |
| Represented by:   |                                      |                                      |
| Bank balances and cash  | 98,117                               | 36,694                               |
| Bank overdrafts   | (1,145)                              | –                                    |
|   | <b>96,972</b>                        | <b>36,694</b>                        |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 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 Windward 3, Regatta Office Park, PO Box 1350, 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 AWW International Limited (“**AWW**”), a private company incorporated in the British Virgin Islands. Its ultimate controlling shareholders are Mr. Wong Man Chit and Mr. Wong Wai Chit, who are brothers and act in concert over AWW and the companies now comprising the Group.

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 2021

### 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 2021 are the same as those followed in the preparation of the Group's annual report for the year ended 31 December 2020, 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 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |
| Amendment to HKFRS 16   | Covid-19 – Related Rented Concessions    |

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 and the related Amendments <sup>2</sup>  |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>                               |
| Amendments to HKFRS 3              | Reference to the Conceptual Framework <sup>1</sup>   |
| Amendments to HKAS 1               | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup> |
| Amendments to HKAS 16              | Property, Plant and Equipment : Proceeds before Intended Use <sup>1</sup>  |
| Amendments to HKAS 37              | Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>   |
| Amendments to HKFRSs               | Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

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 2021

**3. REVENUE AND SEGMENT INFORMATION**

**(i) Disaggregation of revenue from contracts with customers**

|                                      | <b>Three months ended</b> |                    | <b>Six months ended</b> |                    |
|--------------------------------------|---------------------------|--------------------|-------------------------|--------------------|
|                                      | <b>30.6.2021</b>          | <b>30.6.2020</b>   | <b>30.6.2021</b>        | <b>30.6.2020</b>   |
|                                      | <b>HK\$'000</b>           | <b>HK\$'000</b>    | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
|                                      | <b>(unaudited)</b>        | <b>(unaudited)</b> | <b>(unaudited)</b>      | <b>(unaudited)</b> |
| <b>Sale of candle products</b>       |                           |                    |                         |                    |
| Daily-use candles                    | 42,857                    | 17,464             | 73,565                  | 36,472             |
| Scented candles                      | 136,019                   | 36,601             | 227,955                 | 78,166             |
| Decorative candles                   | 4,122                     | 526                | 4,363                   | 1,616              |
| Others (including diffusers)         | 16,511                    | 14,905             | 33,159                  | 32,053             |
| <b>Total</b>                         | <b>199,509</b>            | <b>69,496</b>      | <b>339,042</b>          | <b>148,307</b>     |
| <b>Timing of revenue recognition</b> |                           |                    |                         |                    |
| At a point in time                   | 199,509                   | 69,496             | 339,042                 | 148,307            |

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' specified 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 2021

### 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                     |                                      |
|--------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                          | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) |
| United States of America | 191,319                              | 63,773                               | 323,404                              | 135,164                              |
| United Kingdom           | 5,345                                | 3,867                                | 10,304                               | 9,630                                |
| Others                   | 2,845                                | 1,856                                | 5,334                                | 3,513                                |
| <b>Total</b>             | <b>199,509</b>                       | <b>69,496</b>                        | <b>339,042</b>                       | <b>148,307</b>                       |

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

*For the six months ended 30 June 2021*

**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***

|              | <b>30.6.2021</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 31.12.2020<br><b>HK\$'000</b><br><b>(audited)</b> |
|--------------|---|---|
| Hong Kong    | 4,838   | 2,601   |
| Vietnam      | 54,433  | 39,928  |
| <b>Total</b> | <b>59,271</b>   | <b>42,529</b>                                     |

**4. OTHER INCOME**

|   | <b>Three months ended</b>                                 |  | <b>Six months ended</b>                                   |  |
|---|---|--|---|--|
|   | <b>30.6.2021</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 30.6.2020<br><b>HK\$'000</b><br><b>(unaudited)</b> | <b>30.6.2021</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 30.6.2020<br><b>HK\$'000</b><br><b>(unaudited)</b> |
| Bank interest income                          | 8   | 37   | 11  | 103  |
| Interest income on debt instruments at FVTOCI | 29  | 29   | 29  | 29   |
| Sample income                                 | –   | 33   | –   | 105  |
| Sundry income                                 | 441   | 733  | 658   | 763  |
|   | <b>478</b>  | <b>832</b>   | <b>698</b>  | <b>1,000</b>                                       |



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

For the six months ended 30 June 2021

### 5. OTHER GAINS AND LOSSES

|   | Three months ended                   |                                      | Six months ended                     |                                      |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|   | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) |
| Net foreign exchange losses   | (164)                                | (254)                                | (289)                                | (79)                                 |
| Fair value gain (loss) on financial assets at fair value through profit or loss | 1                                    | (2)                                  | 2                                    | (7)                                  |
| Gain on disposal of debt instruments at FVTOCI                                  | –                                    | –                                    | –                                    | 43                                   |
| Write-off of trade receivables  | (101)                                | –                                    | (101)                                | (2,359)                              |
| Reversal of impairment loss on trade receivables                                | 1,279                                | 208                                  | 630                                  | 208                                  |
|   | 1,015                                | (48)                                 | 242                                  | (2,194)                              |

### 6. FINANCE COSTS

|                               | Three months ended                   |                                      | Six months ended                     |                                      |
|-------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                               | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) |
| Interest on bank borrowings   | 936                                  | 595                                  | 2,057                                | 1,373                                |
| Interest on lease liabilities | 68                                   | 33                                   | 115                                  | 78                                   |
|                               | 1,004                                | 628                                  | 2,172                                | 1,451                                |

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

*For the six months ended 30 June 2021*

**7. INCOME TAX EXPENSE**

|                                | Three months ended                   |                                      | Six months ended                     |                                      |
|--------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                                | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) |
| <b>Current tax:</b>            |                                      |                                      |                                      |                                      |
| – Hong Kong Profits Tax        | 5,915                                | 835                                  | 9,053                                | 1,837                                |
| – Vietnam Corporate Income Tax | 1,225                                | 766                                  | 1,852                                | 1,207                                |
|                                | 7,140                                | 1,601                                | 10,905                               | 3,044                                |
| <b>Deferred taxation:</b>      |                                      |                                      |                                      |                                      |
| Current period                 | (93)                                 | (67)                                 | (164)                                | (73)                                 |
|                                | 7,047                                | 1,534                                | 10,741                               | 2,971                                |

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 2021 and 2020.

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 2021 and 2020.

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

For the six months ended 30 June 2021

### 8. PROFIT BEFORE INCOME TAX EXPENSE

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

|   | Three months ended                   |                                      | Six months ended                     |                                      |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|   | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) |
| Auditor's remuneration  | 225                                  | 200                                  | 450                                  | 400                                  |
| Cost of inventories recognised as an expense                  | 131,810                              | 45,333                               | 223,801                              | 99,429                               |
| Allowance of inventories (included in cost of sales)          | 130                                  | 305                                  | 361                                  | 351                                  |
| Write-off of trade receivables                                | 101                                  | –                                    | 101                                  | 2,359                                |
| Donations   | 62                                   | 25                                   | 90                                   | 55                                   |
| Depreciation of right-of-use assets                           | 901                                  | 903                                  | 1,811                                | 1,805                                |
| Less: capitalised in inventories                              | (186)                                | (186)                                | (373)                                | (374)                                |
|   | 715                                  | 717                                  | 1,438                                | 1,431                                |
| Depreciation of property, plant and equipment                 | 803                                  | 669                                  | 1,576                                | 1,439                                |
| Less: capitalised in inventories                              | (584)                                | (493)                                | (1,153)                              | (1,087)                              |
|   | 219                                  | 176                                  | 423                                  | 352                                  |
| Employee benefit expense (excluding directors' remuneration): |                                      |                                      |                                      |                                      |
| – Salaries and allowances                                     | 20,240                               | 9,104                                | 34,809                               | 19,457                               |
| – Discretionary bonus   | 1,060                                | 356                                  | 2,124                                | 728                                  |
| – Retirement benefit scheme contribution                      | 2,782                                | 1,650                                | 5,403                                | 3,259                                |
| Total staff costs   | 24,082                               | 11,110                               | 42,336                               | 23,444                               |
| Less: capitalised in inventories                              | (18,206)                             | (5,964)                              | (30,692)                             | (12,985)                             |
|   | 5,876                                | 5,146                                | 11,644                               | 10,459                               |

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

For the six months ended 30 June 2021

### 9. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the six months ended 30 June 2021 and 2020, disclosed pursuant to the applicable GEM Listing Rules and Hong Kong Companies Ordinance (Cap. 622), is as follows:

|  | Three months ended                   |                                      | Six months ended                     |                                      |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|  | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) |
| Fees                                     | 180                                  | 180                                  | 360                                  | 360                                  |
| Salaries and other allowances            | 1,800                                | 1,800                                | 3,600                                | 3,600                                |
| Retirement benefits scheme contributions | 12                                   | 12                                   | 23                                   | 23                                   |
| Other benefits                           | 567                                  | 453                                  | 1,298                                | 895                                  |
| Discretionary bonus                      | 6,000                                | 250                                  | 11,000                               | 500                                  |
| <b>Total</b>                             | <b>8,559</b>                         | <b>2,695</b>                         | <b>16,281</b>                        | <b>5,378</b>                         |

### 10. DIVIDENDS

No dividends were paid, declared or proposed for the six months ended 30 June 2021 and 2020.

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

For the six months ended 30 June 2021

### 11. EARNINGS PER SHARE

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

|   | Three months ended                   |                                      | Six months ended                     |                                      |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|   | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) | 30.6.2021<br>HK\$'000<br>(unaudited) | 30.6.2020<br>HK\$'000<br>(unaudited) |
| <b>Earnings</b>   |                                      |                                      |                                      |                                      |
| Profit for the period attributable to owners of the Company for the purpose of basic earnings per share | 33,330                               | 6,367                                | 51,365                               | 12,345                               |
|   |                                      |                                      |                                      |                                      |
|   | Three months ended                   |                                      | Six months ended                     |                                      |
|   | 30.6.2021<br>(unaudited)             | 30.6.2020<br>(unaudited)             | 30.6.2021<br>(unaudited)             | 30.6.2020<br>(unaudited)             |
| Weighted average number of ordinary shares for the purpose of basic earnings per share                  | 1,100,000,000                        | 1,100,000,000                        | 1,100,000,000                        | 1,100,000,000                        |

No diluted earnings 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\$1,075,000 (for the six months ended 30 June 2020: HK\$3,837,000) for the purpose of the Group's operation.

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

*For the six months ended 30 June 2021*

**13. INVENTORIES**

|                                 | <b>30.6.2021</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | <b>31.12.2020</b><br><b>HK\$'000</b><br><b>(audited)</b> |
|---------------------------------|---|--|
| Raw materials                   | 67,979  | 47,544   |
| Work in progress                | 6,404   | 4,325  |
| Finished goods                  | 36,740  | 30,379   |
| Goods in transit                | 31,343  | 12,473   |
|                                 | <b>142,466</b>  | <b>94,721</b>  |
| Less: Allowance for inventories | <b>(2,089)</b>  | <b>(1,728)</b>   |
|                                 | <b>140,377</b>  | <b>92,993</b>  |

**14. TRADE AND OTHER RECEIVABLES**

|                                   | <b>30.6.2021</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | <b>31.12.2020</b><br><b>HK\$'000</b><br><b>(audited)</b> |
|-----------------------------------|---|--|
| Trade receivables, gross          | 119,609   | 92,417   |
| Less: Allowance for credit losses | <b>(111)</b>  | <b>(741)</b>   |
| Trade receivables, net            | <b>119,498</b>  | <b>91,676</b>  |
| Deposits and prepayments          | <b>11,404</b>   | <b>2,688</b>   |
| <b>Total</b>                      | <b>130,902</b>  | <b>94,364</b>  |

As at 30 June 2021 and 31 December 2020, trade receivables from contracts with customers amounted to HK\$119,498,000 and HK\$91,676,000, respectively.

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

For the six months ended 30 June 2021

### 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:

|               | 30.6.2021<br>HK\$'000<br>(unaudited) | 31.12.2020<br>HK\$'000<br>(audited) |
|---------------|--------------------------------------|-------------------------------------|
| 0-30 days     | 90,936                               | 64,682                              |
| 31-60 days    | 12,030                               | 15,350                              |
| 61-90 days    | 10,963                               | 5,354                               |
| 91-180 days   | 5,568                                | 5,275                               |
| Over 180 days | —                                    | 1,015                               |
|               | <b>119,497</b>                       | <b>91,676</b>                       |

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:

|                               | 30.6.2021<br>HK\$'000<br>(unaudited) | 31.12.2020<br>HK\$'000<br>(audited) |
|-------------------------------|--------------------------------------|-------------------------------------|
| Past due over:                |                                      |                                     |
| Neither past due nor impaired | 102,436                              | 77,273                              |
| 1-30 days                     | 8,194                                | 9,337                               |
| 31-60 days                    | 7,417                                | 3,586                               |
| 61-90 days                    | 1,425                                | 460                                 |
| 91-180 days                   | 25                                   | 8                                   |
| Over 180 days                 | —                                    | 1,012                               |
|                               | <b>119,497</b>                       | <b>91,676</b>                       |

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances and the balance are non-interest-bearing.

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

For the six months ended 30 June 2021

### 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

The ageing analysis of trade payables based on the invoice at the end of the period.

|                  | 30.6.2021<br>HK\$'000<br>(unaudited) | 31.12.2020<br>HK\$'000<br>(audited) |
|------------------|--------------------------------------|-------------------------------------|
| Trade payables:  |                                      |                                     |
| 1–30 days        | 39,307                               | 30,781                              |
| 31–60 days       | 15,987                               | 3,480                               |
| 61–90 days       | 531                                  | 2,679                               |
| 91–180 days      | 110                                  | 563                                 |
| Over 180 days    | 21                                   | –                                   |
|                  | 55,956                               | 37,503                              |
| Bills payables   | 8,673                                | 7,839                               |
| Other payables   | 4,697                                | 287                                 |
| Accrued expenses | 35,757                               | 38,352                              |
|                  | 105,083                              | 83,981                              |

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\$66,834,000 (31 December 2020: HK\$99,944,000). The bank loans carry interest at variable market rates of 2.64% to 9.2% 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 2021

### 19. SHARE CAPITAL

#### The Company

|                                      | Number<br>of shares | Share<br>capital<br>HK\$'000 |
|--------------------------------------|---------------------|------------------------------|
| Ordinary shares of HK\$0.01 each     |                     |                              |
| <b>Authorised</b>                    |                     |                              |
| At 31 December 2020 and 30 June 2021 | 5,000,000,000       | 50,000                       |
| <b>Issued and fully paid</b>         |                     |                              |
| At 31 December 2020 and 30 June 2021 | 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        |                                 |
|-------------------------------|---------------------------------|---------------------------------|
|                               | 2021<br>HK\$'000<br>(unaudited) | 2020<br>HK\$'000<br>(unaudited) |
| Salaries, allowance and bonus | 16,258                          | 5,355                           |
| Retirement benefits           | 23                              | 23                              |
|                               | 16,281                          | 5,378                           |

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

For the six months ended 30 June 2021

### 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            |                                 |                         |  | Significant<br>unobservable<br>inputs and<br>relationship of<br>unobservable<br>inputs to fair value  |
|---|-----------------------------|---------------------------------|-------------------------|--|---|
|   | 30 June<br>2021<br>HK\$'000 | 31 December<br>2020<br>HK\$'000 | Fair value<br>hierarchy | Valuation technique<br>and key inputs  |   |
| Financial assets at<br>fair value through<br>profit or loss | –                           | 11                              | Level 1                 | Quoted price in active<br>market.  | N/A   |
| Debt instruments at<br>FVTOCI                               | 1,169                       | 1,166                           | Level 3                 | Based on the reference<br>prices of respective<br>unlisted bonds provided<br>by financial institution<br>which is determined by<br>using discounted cash<br>flow with discount rate<br>reflecting the credit risk<br>of the issuers. | A slight increase in<br>discount rate used would<br>result in significant<br>decrease in fair value<br>measurement to the<br>unlisted bonds<br>investments and vice<br>versa. |

*Note:* There were no transfers between level 1, level 2 and level 3 during the six months ended 30 June 2021.

## 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 2021 is set out in Note 3 to the condensed consolidated financial statements. The scented candles are still the best selling product of the Group during the period, which the sales of scented candles increased by approximately HK\$149.8 million or 191.6% as compared with the same period in 2020. It reflects the trend of preference for candle products with scent and coloured additives is increasing in the U.S. market.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In order to catch up the rapid growth of candle products especially in the U.S. market, the Group entered into the contracts with sales representatives for the sales incentive to sales representatives for the orders from customers introduced by them since 2018. The management of the Group gladly to cooperate with sales representatives and expects the potential orders introduced by sales representatives in future.

During the year ended 31 December 2020, the Group was awarded as one of the winners of “2020 Business Partner Award Winner for Differentiate Owned Brands” from our customer as we helped our customer to evolve their category of candle products and increase their sales in candle products. The Group consistently offers compelling designs, competitive price while ensuring product quality, responsible sourcing, sustainability, and a commitment to business partners.

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

The outbreak of the novel coronavirus (“**COVID-19**”) has brought about additional uncertainties in the Group’s operating environment and may affect the Group’s operations and financial position. Fortunately, the main businesses of the Group located in Vietnam and Hong Kong have not been affected, mainly attributable to (i) the effective management in stable supply of raw materials for production; and (ii) the Group’s enhanced protection against the COVID-19 to ensure smooth production during the period ended 30 June 2021.

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 confirmed that there has 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 evolving and is subject to further information becomes available.

## FINANCIAL REVIEW

### Revenue

Revenue for the six months ended 30 June 2021 amounted to approximately HK\$339.0 million, representing an increase of approximately HK\$190.7 million or 128.6% as compared with that of approximately HK\$148.3 million for the same period in 2020.

The increase was mainly due to the increase in sales of scented candles for approximately HK\$149.8 million and daily-use candles for approximately HK\$37.1 million for the six months ended 30 June 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2021 amounted to approximately HK\$115.2 million, representing an increase of approximately HK\$66.3 million or 135.6% as compared with that of approximately HK\$48.9 million for the same period in 2020.

The gross profit margin increased to approximately 34.0% for the six months ended 30 June 2021 as compared with that of approximately 33.0% for the same period in 2020. 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 approximately 33.1% for the six months ended 30 June 2020 to approximately 34.1% for the six months ended 30 June 2021.

### Other gains and losses

Other gains for the period ended 30 June 2021 amounted to approximately HK\$242,000, representing an increase of approximately HK\$2.4 million or 109.1% as compared with other losses of approximately HK\$2.2 million for the same period in 2020. The increase was mainly due to the decrease in written off of trade receivables for approximately HK\$2.3 million.

### Selling and distribution expenses

Selling and distribution expenses for the period ended 30 June 2021 amounted to approximately HK\$17.0 million, representing an increase of approximately HK\$6.5 million or 61.9% as compared with that of approximately HK\$10.5 million for the same period in 2020. The increase was mainly due to (i) the increase in transportation and declarations expenses of approximately HK\$3.1 million which was in line with the increase in sales; and (ii) increase in marketing and promotion expenses of approximately HK\$5.4 million which mainly included the increase of approximately HK\$4.0 million for the commission to sales representative in relation to the introduction of new customer orders and increase of approximately HK\$1.1 million for design consultation fee for the new products from new orders.

### Administrative expenses

Administrative expenses for the period ended 30 June 2021 amounted to approximately HK\$34.9 million, representing an increase of approximately HK\$14.5 million or 71.1% as compared with that of approximately HK\$20.4 million for the same period in 2020. The increase in administrative expenses was mainly due to the increase in salary and allowance of approximately HK\$13.1 million.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Finance costs

Finance costs for the period ended 30 June 2021 amounted to approximately HK\$2.2 million, representing an increase of approximately HK\$0.7 million or 46.7% as compared to that of approximately HK\$1.5 million for the same period in 2020.

The increase was mainly due to the increase in using bank borrowings to cope with revenue growth.

### Profit for the period

The Group incurred net profit of approximately HK\$51.4 million for the period ended 30 June 2021, representing an increase of approximately HK\$39.1 million or 317.9% as compared with net profit of approximately HK\$12.3 million for the same period in 2020.

Such increase was the combined effect of (i) increase in gross profit of approximately HK\$66.3 million; (ii) increase in other gains of approximately HK\$2.4 million and offset by (a) decrease in other income of approximately HK\$302,000; (b) increase in selling and distribution expenses of approximately HK\$6.5 million; (c) increase in administrative expenses of approximately HK\$14.5 million; (d) increase in finance costs of approximately HK\$0.7 million; and (e) increase in income tax expenses of approximately HK\$7.7 million.

### Liquidity and Financial Resources

As at 30 June 2021, the Group had total assets of approximately HK\$446.0 million (31 December 2020: approximately HK\$353.7 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$170.4 million (31 December 2020: approximately HK\$129.5 million) and approximately HK\$275.6 million (31 December 2020: approximately HK\$224.3 million), respectively.

The total interest-bearing borrowings of the Group as at 30 June 2021 were approximately HK\$39.1 million (31 December 2020: approximately HK\$29.7 million), and current ratio as at 30 June 2020 was approximately 2.4 times (31 December 2020: approximately 2.4 times) which 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, increased from approximately 14.3% as at 31 December 2020 to approximately 15.9% as at 30 June 2021, primarily due to the increase in lease liabilities.

As at 30 June 2021 and 31 December 2020, the Group has unutilised banking facilities of approximately HK\$70.1 million and HK\$62.3 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 2021, 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 2021.

### Pledge of Assets

As at 30 June 2021 and 31 December 2020, 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\$41.0 million and HK\$39.9 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 2021, 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 2021, the Group had capital commitments of approximately HK\$10.4 million in respects of property, plant and equipment (30 June 2020: Nil).

### Contingent Liabilities

As at 30 June 2021, the Group did not have any contingent liabilities (30 June 2020: Nil).

### Employees and Remuneration Policies

As at 30 June 2021, the Group employed approximately 2,100 (30 June 2020: approximately 1,400) 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

As disclosed in the announcement of the Company dated 2 November 2020 and the circular of the Company dated 8 December 2020, Fleming International Vietnam Limited, an indirect wholly-owned subsidiary of the Company, entered into the construction contract with the independent contractor in relation to the construction of the new factory on the land located at plot no. 236 (formerly known as plot no. 51), Amata Road, Amata Industrial Park, Long Binh Park, Bien Hoa City, Dong Nai Province, Vietnam which acquired in 2018 at the contract price of VND83,279,000,000 (equivalent to approximately HK\$28,000,000).

The building construction work of the new factory commenced in December 2020 with the completion of approximately 64.5% of total construction work as at 30 June 2021. The building construction work of the new factory is expected to complete by September 2021 subject to any extension of time for completion.

The Directors consider that the terms of the construction contract and the contract price are fair and reasonable and in the interests of the Company and its shareholders (the **"Shareholders"**) as a whole.

Save as disclosed above, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the six months ended 30 June 2021.

## 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 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## 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\$0.32 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 2021, 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 date of Listing (i.e. 19 July 2018) to 30 June 2021 is set out below:

|  | Approximate<br>amount of net<br>proceeds<br><i>HK\$ million</i> | Approximate<br>actual utilised<br>as at<br>30 June 2021<br><i>HK\$ million</i> | Unused<br>amount of<br>net proceeds<br>as at<br>30 June 2021<br><i>HK\$ million</i> |
|--|---|--|---|
| Upgrade existing production facilities   | 6.2   | –  | 6.2   |
| Acquisition of new production facilities | 18.1  | 18.1   | –   |
| Purchase of new machinery                | 9.2   | 5.4  | 3.8   |
| 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  | 32.6   | 11.9  |

## Upgrade existing production facilities

As at 30 June 2021, the management of the Group has considered the renovation of existing production facilities after the completion of the construction of new production facility. The Group expects the demolition works and renovation of existing production facilities will be scheduled in 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 disclosed in the announcement of the Company dated 2 November 2020 and the circular of the Company dated 8 December 2020, Fleming International Vietnam Limited, an indirect wholly-owned subsidiary of the Company, entered into the construction contract with the independent contractor in relation to the construction of the new factory on the new land. As at 30 June 2021, the Group paid approximately HK\$18.1 million by part of net proceeds allocated for acquisition of new premises which is expected to complete in September 2021 subject to any extension of time for completion.

### Acquisition of new machinery

As at 30 June 2021, the Group paid approximately HK\$5.4 million for the acquisition of machineries for the expected increasing purchase orders from its customers in future.

### Installation of ERP systems

As at 30 June 2021, a total of approximately HK\$0.1 million was spent on the purchase of 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 such ERP systems in 2022.

### 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 2021, 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 &amp; 2)</i> | Interest in controlled corporation | 643,500,000            | 58.5%  |
| Mr. Wong Man Chit <i>(Notes 1 &amp; 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 2021, 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 2021 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 2021.

## 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 2021, 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<br>Shares held | Approximate<br>% of the<br>total number<br>of Shares<br>in issue |
|--|---------------------------------------|--------------------------|--|
| AVW <sup>(Note 1)</sup>                                  | Beneficial owner                      | 643,500,000              | 58.5%  |
| Vibes Enterprises Company<br>Limited <sup>(Note 2)</sup> | Beneficial owner                      | 181,500,000              | 16.5%  |
| Vibes Management Company<br>Limited <sup>(Note 2)</sup>  | Interest in controlled<br>corporation | 181,500,000              | 16.5%  |
| Pioneer Unicorn Limited <sup>(Note 2)</sup>              | Interest in controlled<br>corporation | 181,500,000              | 16.5%  |
| Ms. Li Yin Ping <sup>(Note 2)</sup>                      | Interest in controlled<br>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 &amp; 3)</i>         | Interest of spouse                 | 181,500,000           | 16.5%  |
| Mr. Chan Sheung Chi <i>(Notes 2 &amp; 6)</i> | Interest of spouse                 | 181,500,000           | 16.5%  |
| Ms. long Man Lai <i>(Notes 1 &amp; 4)</i>    | Interest of spouse                 | 643,500,000           | 58.5%  |
| Ms. Tse Sheung <i>(Notes 1 &amp; 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 2021, 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 2021, 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 the participation of TC Capital International Limited ("**TC Capital**") as the sponsor in relation to the Listing and acting as the compliance adviser of the Company, neither TC Capital nor its directors, employees or close associates had any interests in the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company 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 Dealings**") 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 2021. No incident of non-compliance was noted by the Company for the six months ended 30 June 2021.

### 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 2021, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

### AUDIT COMMITTEE

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

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2021 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 2021 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 2021