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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The board of Directors (the "**Board**") of the Company is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2020 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	*3*	**555,912**	307,546
Cost of sales		**(349,307)**	(216,273)
Gross profit		**206,605**	91,273
Other income	*4*	**2,883**	764
Other gains and losses, net	*5*	**(2,367)**	(309)
Selling and distribution expenses		**(28,268)**	(18,385)
Administrative expenses		**(65,098)**	(39,565)
Finance costs	*6*	**(3,965)**	(2,864)
Profit before income tax expense		**109,790**	30,914
Income tax expense	*7*	**(19,308)**	(6,251)
Profit for the year attributable to owners of the Company		**90,482**	24,663
Other comprehensive (expense)/income for the year			
Item that may be reclassified subsequently to profit or loss:			
Fair value gain on debt instruments measured at fair value through other comprehensive income		**33**	13
Cumulative gain on debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal		**(43)**	–
		(10)	13
Total comprehensive income for the year attributable to owners of the Company		**90,472**	24,676
Earnings per share – Basic and diluted (HK cents)	*8*	**8.23**	2.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**16,470**	14,412
Right-of-use assets		**21,441**	22,976
Deposits for the acquisition of property, plant and equipment		**4,618**	1,676
Financial assets at fair value through profit or loss		**–**	17
Debt instruments at fair value through other comprehensive income		**1,166**	1,695
Deferred tax assets		**537**	437
Pledged bank deposits		**13,759**	11,733
Total non-current assets		**57,991**	52,946
Current assets			
Inventories	*10*	**92,993**	52,749
Trade and other receivables	*11*	**94,364**	94,506
Financial assets at fair value through profit or loss		**11**	–
Bank balances and cash		**108,383**	30,039
Total current assets		**295,751**	177,294
Total assets		**353,742**	230,240
Current liabilities			
Trade and other payables	*12*	**83,981**	42,686
Contract liabilities	*13*	**–**	183
Bank borrowings	*14*	**23,730**	40,555
Lease liabilities		**1,314**	2,890
Tax payable		**13,175**	3,178
Total current liabilities		**122,200**	89,492
Net current assets		**173,551**	87,802
Total assets less current liabilities		**231,542**	140,748

	Notes	**2020** HK$'000	2019 HK$'000
Non-current liabilities			
Bank borrowings	*14*	**5,993**	6,453
Lease liabilities		**1,091**	322
Other non-current liabilities		**198**	185
Total non-current liabilities		**7,282**	6,960
Total liabilities		**129,482**	96,452
NET ASSETS		**224,260**	133,788
Equity			
Equity attributable to owners of the Company			
Share capital		**11,000**	11,000
Reserves		**213,260**	122,788
TOTAL EQUITY		**224,260**	133,788

NOTES

1. GENERAL INFORMATION

Hyfusin Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Act 3 of 1961, as amended, supplemented or otherwise modified from time to time) of the Cayman Islands on 5 July 2017. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 July 2018. Its registered office is located at 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 AVW International Limited ("**AVW**"), a private company incorporated in the British Virgin Islands (the "**BVI**"). Its ultimate controlling shareholders are Mr. Wong Man Chit ("**Mr. Andrew Wong**") and Mr. Wong Wai Chit ("**Mr. Vincent Wong**"), who are brothers and act in concert over AVW and the companies now comprising the Group (the "**Controlling Shareholders**").

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

2.1 Adoption of new or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of new or amended HKFRSs that are first effective for the current accounting of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7, and HKFRS 9	Interest Rate Benchmark Reform

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

2.2 New and amendments to HKFRSs that have been issued but are not yet effective

The following new and amendments to 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[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendment to HKFRS 16	Covid-19 – Related Rented Concessions[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[4]
Amendments to HKAS 16	Property, Plant and Equipment : Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[3]

[1] Effective for annual periods beginning on or after 1 June 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning on or after 1 January 2022
[4] Effective for annual periods beginning on or after 1 January 2023
[5] 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 of the Company (the "**Directors**") concluded that the adoption of the new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregated revenue information

	2020	2019
	HK$'000	*HK$'000*
Sale of candle products		
Daily-use candles	**98,083**	84,671
Scented candles	**339,718**	149,577
Decorative candles	**17,431**	29,838
Others (including diffusers)	**100,680**	43,460
Total	**555,912**	307,546
Timing of revenue recognition		
A point in time	**555,912**	307,546

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.

Segment information

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

Geographical information

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

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

Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
United States of America	**504,203**	238,089
United Kingdom	**44,920**	55,559
Others	**6,789**	13,898
Total	**555,912**	307,546

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

Non-current assets

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**2,601**	3,377
Vietnam	**35,310**	34,011
Total	**37,911**	37,388

Information about major customers

Revenue from customers of the corresponding years contributing over 5% of the total revenue of the Group are as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A *(Note (i))*	**335,762**	89,245
Customer B	**35,397**	24,954
Customer C *(Note (ii))*	**43,243**	39,587
Customer D	*	25,435

Notes:

(i) Revenue from Customer is contributing over 10% (2019:10%) of the total revenue of the Group for year ended 31 December 2020.

(ii) Revenue from Customer is contributing over 5% (2019: 10%) of the total revenue of the Group for year ended 31 December 2020.

* The corresponding revenue did not contribute over 5% of the total revenue of the Group for the respective years.

4. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**128**	432
Interest income on debt instruments at fair value through other comprehensive income ("**FVTOCI**")	**58**	58
Sample income	**192**	30
Surcharge income	**596**	167
Government grants *(Note)*	**883**	–
Others	**1,026**	77
	2,883	764

Note: The government grants of HK$883,000 (2019: Nil) obtained from Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

5. OTHER GAINS AND LOSSES, NET

	2020 *HK$'000*	2019 *HK$'000*
Net foreign exchange (losses)/gains	**(25)**	333
Gain on disposal of property, plant and equipment	**–**	137
Loss on write-off of property, plant and equipment	**(20)**	–
Gain on disposal of debt instruments at FVTOCI	**43**	–
Loss from changes in fair value of financial assets at fair value through profit or loss ("**FVTPL**")	**(6)**	–
Gain on lease termination	**2**	–
Write off of trade receivables	**(2,358)**	(41)
Impairment loss on trade receivables *(Note 11)*	**(3)**	(738)
	(2,367)	(309)

6. FINANCE COSTS

	2020 *HK$'000*	2019 *HK$'000*
Interest on bank borrowings	**3,841**	2,617
Interest on lease liabilities	**124**	247
	3,965	2,864

7. INCOME TAX EXPENSE

	2020 *HK$'000*	2019 *HK$'000*
Current tax		
– Hong Kong Profits Tax	**14,682**	3,745
– Vietnam Corporate Income Tax	**4,754**	2,650
– Over-provision in respect of prior years	**(28)**	(73)
	19,408	6,322
Deferred tax	**(100)**	(71)
	19,308	6,251

Under the two-tier profits tax regime, Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million for Fleming International Limited ("**Fleming Hong Kong**").

For Fleming International Vietnam Limited ("**Fleming Vietnam**"), the subsidiary incorporated in Vietnam, the statutory corporate tax rates are 20% for years ended 31 December 2020 and 2019.

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

	2020	2019
	HK$'000	*HK$'000*
Profit before income tax	**109,790**	30,914
Tax at the Hong Kong Profits Tax rate of 16.5% (2019: 16.5%) *(Note)*	**18,115**	5,101
Tax effect of expenses not deductible for tax purposes	**781**	1,020
Tax effect of income not taxable for tax purpose	**(146)**	(84)
Over-provision in respect of prior years	**(28)**	(73)
Income tax at concessionary rate	**(165)**	(165)
Effect of different tax rates of subsidiaries operating in different jurisdiction	**805**	429
Others	**(54)**	23
Income tax expense	**19,308**	6,251

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

8. EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**90,482**	24,663

	2020	2019
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,100,000,000**	1,100,000,000

No diluted earnings per share for both 2020 and 2019 were presented as there were no potential ordinary shares in issue for both 2020 and 2019.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

10. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Raw materials	**47,544**	30,582
Work in progress	**4,325**	3,801
Finished goods	**30,379**	12,789
Goods in transit	**12,473**	7,020
	94,721	54,192
Less: Allowance for inventories	**(1,728)**	(1,443)
	92,993	52,749

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables, gross	**92,417**	92,385
Less: Allowance for credit losses	**(741)**	(738)
Trade receivables, net	**91,676**	91,647
Prepayments, deposits and other receivables	**2,688**	2,859
Total	**94,364**	94,506

As at 31 December 2020 and 2019, trade receivables from contracts with customers amounted to HK$91,676,000 and HK$91,647,000, respectively.

The Group allows credit period ranging from 30 to 120 days to its trade customers.

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the year:

	2020	2019
	HK$'000	*HK$'000*
0–30 days	**64,682**	32,981
31–60 days	**15,350**	19,575
61–90 days	**5,354**	18,988
91–180 days	**5,275**	19,645
Over 180 days	**1,015**	458
	91,676	91,647

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

	2020	2019
	HK$'000	*HK$'000*
Current (not past due)	**77,273**	79,383
Past due 1 to 30 days	**9,337**	11,254
Past due 31 to 60 days	**3,586**	473
Past due 61 to 90 days	**460**	523
Past due 91 to 180 days	**8**	7
Past due over 180 days	**1,012**	7
	91,676	91,647

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

	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**738**	–
Loss allowance recognised during the year *(Note 5)*	**3**	738
At end of year	**741**	738

12. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables *(Note a)*	**37,503**	32,041
Bills payables *(Note b)*	**7,839**	–
Other payables	**287**	1,974
Accrued expenses *(Note c)*	**38,352**	8,671
	83,981	42,686

(a) Trade payables

The following is an aged analysis of trade payables based on the invoice date at the end of the year:

	2020	2019
	HK$'000	*HK$'000*
1–30 days	**30,781**	18,473
31–60 days	**3,480**	11,745
61–90 days	**2,679**	1,358
91–180 days	**563**	459
Over 180 days	**–**	6
	37,503	32,041

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

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

	2020	2019
	HK$'000	*HK$'000*
HK$	**91**	–
VND	**11,885**	9,721
Euro ("**EUR**")	**744**	–
GBP	**283**	–

(b) Bills payables

The maturity dates of bills payables at the end of the reporting period are analysed as follows:

	2020
	HK$'000
1–30 days	**2,896**
31–60 days	**4,943**
	7,839

All bills payables at the end of the reporting period are not yet due.

(c) Accrued expenses

Included in accrued expense are the refunded liabilities for sales rebate of HK$74,000 (2019: HK$886,000) and refund for defective goods of HK$4,431,000 (2019: HK$1,061,000).

13. CONTRACT LIABILITIES

	2020	2019
	HK$'000	*HK$'000*
Sales of candle products	**–**	183

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

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

	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**183**	204
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(183)**	(155)
Increase due to cash received, excluding amounts recognised during the year	**–**	134
At end of year	**–**	183

14. BANK BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Bank loans	**21,811**	23,979
Import and export loans	**7,912**	23,029
	29,723	47,008

The variable-rate bank borrowings are repayable as follows:

	2020	2019
	HK$'000	*HK$'000*
Carrying amounts repayable (based on scheduled repayable terms):		
Within one year	**23,731**	40,055
More than one year, but not more than two years	**784**	970
More than two years, but not more than five years	**1,617**	5,983
More than five years	**3,591**	–
	29,723	47,008
Less: Amounts due shown under current liabilities		
– due within one year	**(18,777)**	(764)
– due within one year (contain a repayable on demand clause)	**(4,953)**	(39,291)
– due after one year (contain a repayable on demand clause)	**–**	(500)
	(23,730)	(40,555)
Amounts shown under non-current liabilities	**5,993**	6,453

At 31 December 2020, the bank borrowings are guaranteed by (i) the corporate guarantees by the Company and/or the Company and Fleming Group International Limited ("**Fleming International**"); and secured by (i) debt instruments at FVTOCI of HK$1,166,000; (ii) pledged bank deposits; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK$5,892,000; and (iv) the Group's leasehold land under right-of-use assets of HK$19,026,000.

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

The banking facilities contain various covenants which include the maintenance of certain financial ratios. The Directors have reviewed the covenants compliance and confirmed there were not aware of any breach during both years.

All of the Group's bank borrowings are carried at variable rate of interest. The effective interest rates of the Group's bank borrowings are as follow:

	2020	2019
Effective interest rates (per annum):		
Variable-rate bank borrowings	**1.74%-9.30%**	2.64% - 10.1%

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

	2020	2019
	HK$'000	*HK$'000*
Denominated in HK$	**4,000**	27,224
Denominated in VND	**6,265**	7,385
Denominated in GBP	**193**	–

BUSINESS REVIEW

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

The Group mainly manufactures candle products based on the requirements and specifications from its customers. The Group would also assess the design and specifications and put forward our suggestions to its customers. The Group offer a wide variety of services to its customers ranging from product design, raw material selection and procurement, provision of sample candle before mass production, laboratory testing to recommendation to improve the product quality.

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

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

The analysis of product segment of the Group for the year ended 31 December 2020 is set out in Note 3 in this announcement, where the scented candles are still the best selling products of the Group during the year ended 31 December 2020, the sales of scented candles increased by approximately HK$190.1 million or 127.1% as compared with the same period in 2019 that reflects the trend of preference for candle products with scent and coloured additives is increasing recently in the U.S. market.

Simultaneously, the demand of diffusers is also increasing during the year, the sales of others product that mainly constituted by diffusers, increased by approximately HK$57.2 million or 131.5% as compared with the same period in 2019.

In order to catch up the rapid growth of candle products especially in the U.S. market, since 2018 the Group entered into the contracts with sales representatives for the sales incentive to sales representatives for the orders from customers introduced by them. The management of the Group gladly cooperates with the sales representatives and expects that more potential orders will be 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 A in respect of candle products. The Group consistently offers compelling designs, competitive price while ensuring product quality, responsible sourcing, sustainability, and a commitment to business partner, that helped our Customer A to evolve their category of candle products and increase their sales in candle products.

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

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 are located in Vietnam and Hong Kong, which have not been affected, resulted from an effective management in stable supply of raw materials for production, the Group's enhanced protection against the COVID-19 to ensure smooth production and the good performance of the Vietnamese government in controlling the epidemic without large-scale outbreak during the year ended 31 December 2020.

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 announcement. 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 year ended 31 December 2020 amounted to approximately HK$555.9 million (2019: approximately HK$307.5 million), representing an increase of approximately HK$248.4 million or 80.8% as compared with last year.

The increase in revenue was mainly due to the increase in sales of scented candles and others products (including diffusers) of approximately HK$190.1 million and HK$57.2 million respectively for the year ended 31 December 2020.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2020 amounted to approximately HK$206.6 million, representing an increase of approximately HK$115.4 million or 126.5% as compared to approximately HK$91.2 million for the same period in 2019.

The gross profit margin increased to approximately 37.2% for the year ended 31 December 2020 as compared with that of 29.7% for the same period in 2019. The increase in the gross profit margin was mainly due to the increase in both sales and profit margin for scented candles and others products. The gross profit margin of scented candles and others products increased from approximately 30.3% and 33.1% respectively for the year ended 31 December 2019 to approximately 35.7% and 47.9% respectively for the year ended 31 December 2020.

Other income and other gains and losses

Other income for the year ended 31 December 2020 was approximately HK$2.9 million, representing an increase of approximately HK$2.1 million or 274.9% as compared to approximately HK$764,000 for the same period in 2019. The increase in other income was mainly due to the increase in sundry income which included the charges on customers for cancellation of orders of approximately HK$464,000 and the government grants obtained from the Hong Kong SAR Government under the Employment Support Scheme for approximately HK$883,000.

Other losses for the year ended 31 December 2020 amounted to approximately HK$2.4 million, representing an increase of approximately HK$2.1 million or 679.6% as compared with other losses of approximately HK$309,000 for the same period in 2019. The increase was mainly due to the written off of trade receivables for approximately HK$2.4 million.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2020 amounted to approximately HK$28.3 million, representing an increase of approximately HK$9.9 million or 53.8% as compared to approximately HK$18.4 million for the same period in 2019. The increase was mainly due to (i) increase in transportation and declarations expenses of approximately HK$2.9 million which was in line with the increase in sales; (ii) increase in compensation expenses of approximately HK$2.9 million; and (iii) increase in marketing and promotion cost of approximately HK$3.3 million mainly due to the combined effect of (a) decrease in consultation services fee of approximately HK$4.0 million in relation to U.S. market consultation, (b) increase of approximately HK$5.2 million in commission to sales representatives, and (c) increase of approximately HK$2.3 million in design consultation fee for new products of new orders.

Administrative expenses

Administration expenses for the year ended 31 December 2020 amounted to approximately HK$65.1 million, representing an increase of approximately HK$25.5 million or 64.4% as compared to approximately HK$39.6 million for the same period in 2019. The increase was mainly due to the increase in salary and allowance of approximately HK$24.4 million; and the increase in other expenses of approximately HK$1.7 million.

Finance costs

Finance costs for the year ended 31 December 2020 amounted to approximately HK$4.0 million representing an increase of approximately HK$1.1 million or 37.9% as compared to approximately HK$2.9 million for the same period in 2019. The increase was mainly due to the increase in using bank borrowings to cope with revenue growth.

Income tax expense

Income tax expense for the year ended 31 December 2020 amounted to approximately HK$19.3 million (2019: approximately HK$6.3 million), representing an increase of approximately HK$13.0 million or 206.3% as compared with last year. The increase was primarily due to the increase in profit before taxation in Hong Kong and Vietnam.

Profit for the year

The Group recorded a net profit of approximately HK$90.5 million for the year ended 31 December 2020, representing an increase in profit of approximately HK$65.8 million or 266.4% as compared to approximately HK$24.7 million for the same period in 2019.

Such increase was mainly due to the combined effect of increase in gross profit of approximately HK$206.6 million; and increase in other income of approximately HK$2.1 million which offset by (i) increase in other losses of approximately HK$2.1 million; (ii) increase in selling and distribution expenses of approximately HK$9.9 million; (iii) increase in administrative expenses of approximately HK$25.5 million; (iv) increase in finance costs of approximately HK$1.1 million; and (v) increase in income tax expenses of approximately HK$13.0 million.

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2020. The detail is disclosed in Note 9 in this announcement.

Liquidity and Financial Resources

As at 31 December 2020, the Group had total assets of approximately HK$353.7 million (2019: approximately HK$230.2 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$129.5 million (2019: approximately HK$96.5 million) and approximately HK$224.3 million (2019: approximately HK$133.8 million), respectively.

The total interest-bearing borrowings of the Group as at 31 December 2020 were approximately HK$29.7 million (31 December 2019: approximately HK$47.0 million), and the current ratio of the Group as at 31 December 2020 was approximately 2.4 times (31 December 2019: approximately 2.0 times) mainly due to the increase in cash and cash equivalents level.

The Group's gearing ratio, which is calculated by dividing total debt by total equity as at the end of each of the financial year, decreased from approximately 37.5% as at 31 December 2019 to approximately 14.3% as at 31 December 2020, primarily due to the decrease in bank borrowings and increase in retained earnings.

As at 31 December 2020 and 2019, the Group has unutilised banking facilities of approximately HK$67.3 million and HK$43.4 million respectively.

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

Treasury Policy

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

Capital Structure

The Company's shares were successfully listed on GEM on 19 July 2018. There has been no change in the Company's capital structure since 19 July 2018 to 31 December 2020. The capital structure of the Group comprises of issued share capital and reserves. The Directors review the Group's capital structure regularly.

As at 31 December 2020, the Company's issued share capital was HK$11,000,000 and the number of its issued ordinary shares was 1,100,000,000 of HK$0.01 each.

Pledge of Assets

As at 31 December 2020 and 2019, the Group had pledged certain assets including property, plant and equipment, right-of-use assets, debt instruments at fair value through other comprehensive income, pledged bank deposits and corporate guarantees with carrying amounts of approximately HK$39.9 million and HK$39.4 million respectively to secure the Group's bank borrowings.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the prospectus of the Company dated 29 June 2018 (the "**Prospectus**") and this announcement, the Group did not have any other plans for material investment and capital assets as at 31 December 2020.

Foreign Currency Exposure

The majority transactions of expenditure and bank borrowings of the Group are denominated in foreign currencies which are different from the functional currency of the Group, i.e. US dollar. The Group is mainly exposed to foreign exchange risk arising from transactions that are denominated in Hong Kong dollar and Vietnamese dong. During the year ended 31 December 2020, the Group did not have any hedging arrangements. The Group currently does not have a foreign currency hedging policy. However, the management of the Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should the need arises. The management of the Group considers the exposure to the foreign exchange risk fluctuation for the Group is not material.

Capital Commitments

As at 31 December 2020, the Group had capital commitments of approximately HK$23.9 million in respect of property, plant and equipment and land use right in Vietnam (2019: Nil).

Contingent Liabilities

As at 31 December 2020, the Group did not have any contingent liabilities (2019: Nil).

Employees and Remuneration Policies

As at 31 December 2020, the Group employed approximately 1,830 (2019: approximately 1,050) staff (including executive Directors). The Group determines the employees' remuneration based on factors such as qualification, duty, contribution 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 1.2% of total construction work as at 31 December 2020. The building construction work of the new factory is expected to complete by 10 August 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 the Shareholders as a whole.

Save as disclosed above and other than disclosed as elsewhere in this announcement, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the year ended 31 December 2020.

PRINCIPAL RISKS AND UNCERTAINTIES

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

OUTLOOK

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

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

USE OF PROCEEDS

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

The following sets forth a summary of the allocation of the net proceeds and its utilisation as at 31 December 2020, as compared to that envisaged in the Prospectus.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the period from the Listing Date (i.e. 19 July 2018) to 31 December 2020 is set out below:

	Approximate amount of net proceeds	**Approximate actual utilised as at 31 December 2020**	**Unused amount of net proceeds as at 31 December 2020**
	HK$ million	*HK$ million*	*HK$ million*
Upgrade existing production facilities	6.2	–	6.2
Acquisition of new production facilities	18.1	10.6	7.5
Purchase of new machinery	9.2	2.3	6.9
Installation of ERP systems	2.0	0.1	1.9
Partial repayment of bank loans	6.9	6.9	–
General working capital	2.1	2.1	–
	44.5	22.0	22.5

Upgrade existing production facilities

As at 31 December 2020, the management of the Group would consider 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 2021.

Acquisition of new production facility

During the year ended 31 December 2019, the Group completed the acquisition of the new land for new production facility. As at 31 December 2020, the Group paid approximately HK$10.6 million by part of net proceeds allocated for acquisition of new premises, and the tender process for building construction of new production facility was completed and the construction work commenced in December 2020 and is expected to complete in August 2021 subject to any extension of time for completion.

Acquisition of new machinery

As at 31 December 2020, the Group paid approximately HK$2.3 million for the acquisition of machineries for the expected increasing purchase orders from its customers in the year of 2020. The Group expects the acquisition of rest of machinery in 2021.

Installation of ERP systems

As at 31 December 2020, 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 2021.

Partial repayment of bank loans

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

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

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

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

EVENT AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 5 March 2021, Fleming International Vietnam Limited entered into a service agreement with ICP International Construction Project Management and Consultancy Joint Stock Company, as engineer, for the services to be provided in relation to the construction contract and the total service fee (inclusive of VAT) shall be VND1,736,000,000 (equivalent to approximately HK$587,000).

Save as disclosed above, there are no significant events affecting the Group after the reporting period and up to date of this announcement.

CORPORATE GOVERNANCE PRACTICES

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 year ended 31 December 2020, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the "**Required Standard of Dealing**") set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings for the year ended 31 December 2020. No incident of non-compliance was noted by the Company for the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2020 including critical accounting policies, estimation uncertainty and significant judgement adopted by the Group.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT

The annual general meeting ("**AGM**") for the financial year 2020 of the Company will be held on Friday, 14 May 2021. A notice of the AGM together with the annual report for the year ended 31 December 2020 will be published on the Company's website at *www.hyfusingroup.com* and the GEM website at *www.hkgem.com* and despatched to the shareholders of the Company in due course.

As at the date of this announcement, 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, 19 March 2021

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and will also be published on the Company's website at www.hyfusingroup.com.