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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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.

*This announcement, 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 announcement 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 announcement misleading.*

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2021, together with the comparative unaudited figures for the corresponding period in 2020 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Three months ended		**Six months ended**	
		30.6.2021	30.6.2020	**30.6.2021**	30.6.2020
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*3*	**199,509**	69,496	**339,042**	148,307
Cost of sales		**(131,810)**	(45,333)	**(223,801)**	(99,429)
Gross profit		**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)
Profit for the period attributable to the owners of the Company		**33,330**	6,367	**51,365**	12,345
Other comprehensive income (expense) for the period					
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
Total comprehensive income for the period attributable to the owners of the Company		**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 HK$'000 (unaudited)	31.12.2020 HK$'000 (audited)
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**15,970**	16,470
Right-of-use assets		**23,319**	21,441
Deposits for the acquisition of property, plant and equipment		**19,982**	4,618
Debt instruments at fair value through other comprehensive income		**1,169**	1,166
Deferred tax assets		**701**	537
Pledged bank deposits	*15*	**15,473**	13,759
Total non-current assets		**76,614**	57,991
CURRENT ASSETS			
Inventories	*13*	**140,377**	92,993
Trade and other receivables	*14*	**130,902**	94,364
Financial assets at fair value through profit or loss		**–**	11
Bank balances and cash	*15*	**98,117**	108,383
Total current assets		**369,396**	295,751
Total assets		**446,010**	353,742
CURRENT LIABILITIES			
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
Total current liabilities		**156,525**	122,200
NET CURRENT ASSETS		**212,870**	173,551
TOTAL ASSETS LESS CURRENT LIABILITIES		**289,485**	231,542

	Notes	**30.6.2021**	31.12.2020
		HK$'000	*HK$'000*
		(unaudited)	(audited)
NON-CURRENT LIABILITIES			
Bank borrowings	*18*	**11,728**	5,993
Lease liabilities		**1,930**	1,091
Other non-current liabilities		**199**	198
Total non-current liabilities		**13,857**	7,282
Total liabilities		**170,382**	129,482
NET ASSETS		**275,628**	224,260
EQUITY			
Equity attributable to owners of the Company			
Share capital	*19*	**11,000**	11,000
Reserves		**264,628**	213,260
TOTAL EQUITY		**275,628**	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 *HK$'000*	**Share premium** *HK$'000*	**Fair value through other comprehensive income ("FVTOCI") reserve** *HK$'000*	**Other reserve** *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
At 1 January 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
As at 30 June 2020 (unaudited)	11,000	54,954	74	20,605	59,520	146,153
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**
As at 30 June 2021 (unaudited)	**11,000**	**54,954**	**47**	**20,605**	**189,022**	**275,628**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended	
	30.6.2021	30.6.2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	**1,957**	7,405
INVESTING ACTIVITIES		
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)
NET CASH USED IN INVESTING ACTIVITIES	**(18,101)**	(1,738)
FINANCING ACTIVITIES		
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)
NET CASH FROM FINANCING ACTIVITIES	**4,733**	988
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(11,411)**	6,655
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**108,383**	30,039
CASH AND CASH EQUIVALENTS AT 30 JUNE	**96,972**	36,694
Represented by:		
Bank balances and cash	**98,117**	36,694
Bank overdrafts	**(1,145)**	–
	96,972	36,694

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 AVW International Limited ("**AVW**"), 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 AVW 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.

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

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

[3] 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.

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Three months ended		Six months ended	
	30.6.2021	30.6.2020	**30.6.2021**	30.6.2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sale of candle products				
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
Total	**199,509**	69,496	**339,042**	148,307
Timing of revenue recognition				
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.

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	30.6.2020	**30.6.2021**	30.6.2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(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
Total	**199,509**	69,496	**339,042**	148,307

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

Non-current assets

	30.6.2021	31.12.2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Hong Kong	**4,838**	2,601
Vietnam	**54,433**	39,928
Total	**59,271**	42,529

4. OTHER INCOME

	Three months ended		Six months ended	
	30.6.2021	30.6.2020	**30.6.2021**	30.6.2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
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
	478	832	**698**	1,000

5. OTHER GAINS AND LOSSES

	Three months ended		Six months ended	
	30.6.2021	30.6.2020	**30.6.2021**	30.6.2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(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	30.6.2020	**30.6.2021**	30.6.2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(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

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30.6.2021	30.6.2020	**30.6.2021**	30.6.2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax:				
– 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
Deferred taxation:				
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.

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	30.6.2020	**30.6.2021**	30.6.2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(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

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	30.6.2020	**30.6.2021**	30.6.2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(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
Total	**8,559**	2,695	**16,281**	5,378

10. DIVIDENDS

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

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	30.6.2020	**30.6.2021**	30.6.2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Earnings				
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	30.6.2020	**30.6.2021**	30.6.2020
	(unaudited)	(unaudited)	**(unaudited)**	(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.

13. INVENTORIES

	30.6.2021	31.12.2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
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
	142,466	94,721
Less: Allowance for inventories	**(2,089)**	(1,728)
	140,377	92,993

14. TRADE AND OTHER RECEIVABLES

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

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.

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	31.12.2020
	HK$'000	*HK$'000*
	(unaudited)	(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
	119,497	91,676

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	31.12.2020
	HK$'000	*HK$'000*
	(unaudited)	(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
	119,497	91,676

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.

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	31.12.2020
	HK$'000	*HK$'000*
	(unaudited)	(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.

19. SHARE CAPITAL

The Company

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

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

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

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 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 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.

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.

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 announcement, 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 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 announcement, 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.

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 announcement.

DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2021.

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 amount of net proceeds *HK$ million*	**Approximate actual utilised as at 30 June 2021** *HK$ million*	**Unused amount of net proceeds as at 30 June 2021** *HK$ million*
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.

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 announcement.

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 announcement.

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 ANNOUNCEMENT

This announcement 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 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, 6 August 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.