

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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.

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*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 nine months ended 30 September 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 nine months ended 30 September 2021

		Three months ended		Nine months ended	
		30.9.2021	30.9.2020	30.9.2021	30.9.2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	249,511	176,800	588,553	325,107
Cost of sales		(170,844)	(109,599)	(394,645)	(209,028)
Gross profit		78,667	67,201	193,908	116,079
Other income	4	461	993	1,159	1,993
Other gains and losses	5	(2,417)	(1,102)	(2,175)	(3,296)
Selling and distribution expenses		(9,804)	(7,811)	(26,843)	(18,342)
Administrative expenses		(34,549)	(11,618)	(69,413)	(32,004)
Finance costs	6	(1,393)	(1,075)	(3,565)	(2,526)
Profit before income tax expenses	8	30,965	46,588	93,071	61,904
Income tax expenses	7	(6,078)	(8,070)	(16,819)	(11,041)
Profit for the period attributable to the owners of the Company		24,887	38,518	76,252	50,863
Other comprehensive income (expense) for the period					
Items that may be classified subsequently to profit or loss:					
Fair value (loss) gain on debt instruments measured at fair value through other comprehensive income		(15)	6	(12)	58
Disposal of debt instruments of fair value through other comprehensive income		—	—	—	(32)
		(15)	6	(12)	26
Total comprehensive income for the period attributable to the owners of the Company		24,872	38,524	76,240	50,889
Earnings per share					
Basic and diluted (<i>HK cents</i>)	11	2.26	3.50	6.93	4.62

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Fair value through other comprehensive income reserve ("FVTOCI") HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	
At 1 January 2020 (audited)	11,000	54,954	54	20,605	47,175	133,788
Profit for the period	-	-	-	-	50,863	50,863
Other comprehensive income:						
Fair value gain on debt instruments through other comprehensive income	-	-	58	-	-	58
Disposal of debt instruments at FVTOCI	-	-	(32)	-	-	(32)
Total comprehensive income for the period	-	-	26	-	50,863	50,889
As at 30 September 2020 (unaudited)	11,000	54,954	80	20,605	98,038	184,677
At 1 January 2021 (audited)	11,000	54,954	44	20,605	137,657	224,260
Profit for the period	-	-	-	-	76,252	76,252
Other comprehensive income:						
Fair value loss on debt instruments through other comprehensive income	-	-	(12)	-	-	(12)
Total comprehensive (expense) income for the period	-	-	(12)	-	76,252	76,240
As at 30 September 2021 (unaudited)	11,000	54,954	32	20,605	213,909	300,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 nine months ended 30 September 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		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sale of candle products				
Daily-use candles	45,660	31,185	119,225	67,657
Scented candles	170,626	111,012	398,581	189,178
Decorative candles	7,000	10,296	11,363	11,912
Others (including diffusers)	26,225	24,307	59,384	56,360
Total	249,511	176,800	588,553	325,107
Timing of revenue recognition				
At a point in time	249,511	176,800	588,553	325,107

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 for contracts with customers

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

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

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

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

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		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
United States of America	209,080	153,808	532,484	288,972
United Kingdom	38,719	21,024	49,023	30,654
Others	1,712	1,968	7,046	5,481
Total	249,511	176,800	588,553	325,107

4. OTHER INCOME

	Three months ended		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank Interest income	–	16	11	119
Interest income on debt instruments at FVTOCI	–	–	29	29
Sample income	22	–	22	105
Sundry income	439	977	1,097	1,740
	<u>461</u>	<u>993</u>	<u>1,159</u>	<u>1,993</u>

5. OTHER GAINS AND LOSSES

	Three months ended		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net foreign exchange gain (loss)	25	(257)	(264)	(336)
Fair value gain (loss) on financial assets at fair value through profit or loss	–	(2)	2	(9)
Gain on disposal of debt instruments at FVTOCI	–	–	–	43
Write-off of trade receivables	–	–	(101)	(2,359)
Impairment loss on trade receivables	(2,442)	(843)	(1,812)	(635)
	<u>(2,417)</u>	<u>(1,102)</u>	<u>(2,175)</u>	<u>(3,296)</u>

6. FINANCE COSTS

	Three months ended		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on bank borrowings	1,333	1,052	3,390	2,425
Interest on lease liabilities	60	23	175	101
	<u>1,393</u>	<u>1,075</u>	<u>3,565</u>	<u>2,526</u>

7. INCOME TAX EXPENSES

	Three months ended		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax:				
– Hong Kong Profits Tax	2,230	6,766	11,283	8,603
– Vietnam Corporate Income Tax	3,840	1,249	5,692	2,456
– Over provision in prior year	–	(28)	–	(28)
	<u>6,070</u>	<u>7,987</u>	<u>16,975</u>	<u>11,031</u>
Deferred taxation:				
Current period	8	83	(156)	10
	<u>6,078</u>	<u>8,070</u>	<u>16,819</u>	<u>11,041</u>

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 nine months ended 30 September 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 nine months ended 30 September 2021 and 2020.

8. PROFIT BEFORE INCOME TAX EXPENSES

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

	Three months ended		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Auditor's remuneration	225	200	675	600
Cost of inventories recognised as an expense	170,844	109,599	394,645	209,028
(Reversal of allowance) allowance of inventories (included in cost of sales)	(415)	(461)	(54)	(110)
Write-off of trade receivables	–	–	101	2,359
Donations	6	–	96	55
Depreciation of right-of-use assets	902	902	2,713	2,707
Less: capitalised in inventories	(187)	(186)	(560)	(560)
	<u>715</u>	<u>716</u>	<u>2,153</u>	<u>2,147</u>
Depreciation of property, plant and equipment	776	771	2,352	2,210
Less: capitalised in inventories	(563)	(552)	(1,716)	(1,639)
	<u>213</u>	<u>219</u>	<u>636</u>	<u>571</u>
Employee benefit expenses (excluding directors' remuneration):				
– Salaries and allowances	23,974	16,088	58,783	35,545
– Discretionary bonus	1,001	429	3,125	1,157
– Retirement benefit scheme contribution	2,565	2,144	7,968	5,403
Total staff costs	27,540	18,661	69,876	42,105
Less: capitalised in inventories	(20,658)	(12,267)	(51,350)	(25,252)
	<u>6,882</u>	<u>6,394</u>	<u>18,526</u>	<u>16,853</u>

9. DIRECTORS' REMUNERATION

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

	Three months ended		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Fees	180	180	540	540
Salaries and other allowances	1,800	1,800	5,400	5,400
Retirement benefits scheme contributions	11	11	34	34
Other benefits	490	459	1,788	1,354
Discretionary bonus	22,000	250	33,000	750
	<u>24,481</u>	<u>2,700</u>	<u>40,762</u>	<u>8,078</u>
Total	24,481	2,700	40,762	8,078

10. DIVIDENDS

No dividends were paid, declared or proposed for the nine months ended 30 September 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		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	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	24,887	38,518	76,252	50,863
	Three months ended		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	(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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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 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.

The Group targets in mid-to-high end candle products in overseas markets in different countries and regions, mainly in U.S. and U.K. markets. The candle market 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 candle products has provided the impetus for the whole market. We are welcomed and favoured by consumers, and are therefore confident about the future business development of the Group.

The analysis of product segment of the Group for the nine months ended 30 September 2021 is set out in Note 3 to the condensed consolidated financial statements. The scented candles remains the best selling product of the Group during the period, which the sales of scented candles increased by approximately HK\$209.4 million or 110.7% 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 major 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 the well established long-term relationships with the customers and with 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 the production.

In July 2021, following the outbreak of the COVID-19 in Vietnam, the local government has implemented a series of containment measures result in many factories in Vietnam were imposed temporarily suspension of operation. The Group provides accommodation, supplies meals and living resources; and provides vaccine protection to staff in factory. As at 30 September 2021, over 90% of our staff worked and stayed in factory in Vietnam get vaccinated in order to ensure the production during the period.

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 nine months ended 30 September 2021 amounted to approximately HK\$588.6 million, representing an increase of approximately HK\$263.5 million or 81.1% as compared with that of approximately HK\$325.1 million for the same period in 2020.

The increase was mainly due to the increase in sales of scented candles and daily-use candles of approximately HK\$209.4 million and HK\$51.6 million respectively for the nine months ended 30 September 2021.

Gross profit and gross profit margin

Gross profit for the nine months ended 30 September 2021 amounted to approximately HK\$193.9 million, representing an increase of approximately HK\$77.8 million or 67.0% as compared with that of approximately HK\$116.1 million for the same period in 2020.

The gross profit margin decreased to approximately 32.9% for the nine months ended 30 September 2021 as compared with that of approximately 35.7% for the same period in 2020. The decrease in the gross profit margin was mainly due to the decrease in gross profit margin of other products (including diffusers) from approximately 44.9% for the nine months ended 30 September 2020 to approximately 39.8% for the nine months ended 30 September 2021.

Other gains and losses

Other losses for the nine months ended 30 September 2021 amounted to approximately HK\$2.2 million representing a decrease of approximately HK\$1.1 million or 33.3% as compared with other losses of approximately HK\$3.3 million for the same period in 2020. The decrease was mainly due to the combined effect of (i) the decrease in written off of trade receivables of approximately HK\$2.3 million; and (ii) the increase in impairment losses on trade receivables of approximately HK\$1.2 million.

Selling and distribution expenses

Selling and distribution expenses for the nine months ended 30 September 2021 amounted to approximately HK\$26.8 million, representing an increase of approximately HK\$8.5 million or 46.4% as compared with that of approximately HK\$18.3 million for the same period in 2020. The increase was mainly due to (i) the increase in transportation and declarations expenses of approximately HK\$4.8 million which was in line with the increase in sales; and (ii) the increase in marketing and promotion expenses of approximately HK\$5.0 million which mainly included the increase of approximately HK\$3.4 million for the commission to sales representative in relation to the introduction of new customer orders and increase of approximately HK\$1.4 million for design consultation fee for the new products from new orders.

Administrative expenses

Administrative expenses for the nine months ended 30 September 2021 amounted to approximately HK\$69.4 million, representing an increase of approximately HK\$37.4 million or 116.9% as compared with that of approximately HK\$32.0 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\$36.0 million.

Finance costs

Finance costs for the nine months ended 30 September 2021 amounted to approximately HK\$3.6 million, representing an increase of approximately HK\$1.1 million or 44.0% as compared to that of approximately HK\$2.5 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 recorded a net profit of approximately HK\$76.3 million for the nine months ended 30 September 2021, representing an increase of approximately HK\$25.4 million or 49.9% as compared with that of approximately HK\$50.9 million for the same period in 2020.

Such increase was the combined effect of (i) increase in gross profit of approximately HK\$77.9 million; (ii) decrease in other losses of approximately HK\$1.1 million; (iii) increase in selling and distribution expenses of approximately HK\$8.5 million; (iv) increase in administrative expenses of approximately HK\$37.4 million; (v) increase in finance costs of approximately HK\$1.1 million; and (vi) increase in income tax expenses of approximately HK\$5.8 million.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets

As disclosed in the announcement of the Company dated 2 November 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 96.7% of total construction work as at 30 September 2021. The building construction work of the new factory was originally expected to be completed in the third quarter of this year; however, the construction progress of the new factory has been slightly delayed as a result from the outbreak of the COVID-19 in Vietnam, the Vietnamese government's lockdown measures and isolation policies. It is expected the building construction work of the new factory will be completed within 2021.

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 as a whole.

EVENT AFTER THE END OF REPORTING PERIOD

Save as disclosed under the paragraph headed "Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets" above, there are no significant events affecting the Group after the reporting period and up to the date of this announcement.

DIVIDEND

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

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 nine months ended 30 September 2021. No incident of non-compliance was noted by the Company for the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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.

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, 5 November 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.