

# 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 2021

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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 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 2021 together with the comparative figures as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>	3	<b>815,143</b>	555,912
Cost of sales		<u>(545,223)</u>	<u>(349,307)</u>
<b>Gross profit</b>		<b>269,920</b>	206,605
Other income	4	<b>1,812</b>	2,883
Other gains and losses	5	<b>(3,303)</b>	(2,367)
Selling and distribution expenses		<b>(37,137)</b>	(28,268)
Administrative expenses		<b>(96,589)</b>	(65,098)
Finance costs	6	<u><b>(4,913)</b></u>	<u>(3,965)</u>
Profit before income tax expense		<b>129,790</b>	109,790
Income tax expense	7	<u><b>(23,579)</b></u>	<u>(19,308)</u>
<b>Profit for the year attributable to owners of the Company</b>		<u><b>106,211</b></u>	<u>90,482</u>
<b>Other comprehensive expense for the year</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Fair value (loss)/gain on debt instruments measured at fair value through other comprehensive income		<b>(14)</b>	33
Cumulative gain on debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal		<u>-</u>	<u>(43)</u>
		<u><b>(14)</b></u>	<u>(10)</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u><b>106,197</b></u>	<u>90,472</u>
Earnings per share			
– Basic and diluted (HK cents)	8	<u><b>9.66</b></u>	<u>8.23</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>60,721</b>	16,470
Right-of-use assets		<b>21,527</b>	21,441
Deposits for the acquisition of property, plant and equipment		<b>11,850</b>	4,618
Debt instruments at fair value through other comprehensive income		<b>1,152</b>	1,166
Deferred tax assets		<b>1,031</b>	537
Pledged bank deposits		<b>19,904</b>	13,759
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>116,185</b>	57,991
<b>Current assets</b>			
Inventories	<i>10</i>	<b>138,978</b>	92,993
Trade and other receivables	<i>11</i>	<b>89,473</b>	94,364
Financial assets at fair value through profit or loss		–	11
Bank balances and cash		<b>138,347</b>	108,383
		<hr/>	<hr/>
<b>Total current assets</b>		<b>366,798</b>	295,751
		<hr/>	<hr/>
<b>Total assets</b>		<b>482,983</b>	353,742
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>82,673</b>	83,981
Contract liabilities	<i>13</i>	<b>12</b>	–
Bank borrowings	<i>14</i>	<b>46,912</b>	23,730
Lease liabilities		<b>2,890</b>	1,314
Tax payable		<b>3,699</b>	13,175
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>136,186</b>	122,200
		<hr/>	<hr/>
<b>Net current assets</b>		<b>230,612</b>	173,551
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>346,797</b>	231,542
		<hr/>	<hr/>

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Bank borrowings	<i>14</i>	<b>15,669</b>	5,993
Lease liabilities		<b>469</b>	1,091
Other non-current liabilities		<b>202</b>	198
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>16,340</b>	7,282
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>152,526</b>	129,482
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>330,457</b>	224,260
		<hr/> <hr/>	<hr/> <hr/>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>11,000</b>	11,000
Reserves		<b>319,457</b>	213,260
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>330,457</b>	224,260
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## 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 Act 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. Its ultimate controlling shareholders are Mr. Wong Man Chit and Mr. Wong Wai Chit, who are brothers and act in concert over AVW and the companies now comprising the Group (the “**Controlling Shareholders**”).

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

#### (a) Adoption of new or amended HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2021:

Amendment to HKFRS 16	Covid-19 Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the adoption of the above amendments to HKFRSs has no 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.

*Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2*

The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosure.

As at 1 January 2021, the Group has several bank borrowings, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of bank borrowings are shown at their carrying amounts.

	<b>USD London Interbank Offered Rate (“LIBOR”) HK\$’000</b>
<b>Financial liabilities</b>	
Bank borrowings	11,729

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost.

(b) **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 <sup>3</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of initial application. So far the directors of the Company (the “**Directors**”) concluded that the adoption of these 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Sale of candle products</b>		
Daily-use candles	146,375	98,083
Scented candles	569,965	339,718
Decorative candles	18,686	17,431
Others (included Diffusers)	<u>80,117</u>	<u>100,680</u>
<b>Total</b>	<b><u>815,143</u></b>	<b><u>555,912</u></b>
<b>Timing of revenue recognition</b>		
A point in time	<b><u>815,143</u></b>	<b><u>555,912</u></b>

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 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

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
United States of America	<b>736,267</b>	504,203
United Kingdom	<b>68,174</b>	44,920
Others	<b>10,702</b>	6,789
	<hr/>	<hr/>
<b>Total</b>	<b>815,143</b>	555,912
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>4,090</b>	2,601
Vietnam	<b>90,008</b>	39,928
	<hr/>	<hr/>
<b>Total</b>	<b>94,098</b>	42,529
	<hr/> <hr/>	<hr/> <hr/>

### Information about major customers

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

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A ( <i>Note (i)</i> )	<b>478,256</b>	335,762
Customer B	<b>59,458</b>	35,397
Customer C	<b>52,424</b>	43,243
Customer D	<b>48,716</b>	*

*Notes:*

(i) Revenue from Customer A is contributing over 10% (2020: 10%) of the total revenue of the Group for year ended 31 December 2021.

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

### 4. OTHER INCOME

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	<b>23</b>	128
Interest income on debt instruments at fair value through other comprehensive income (“FVTOCI”)	<b>58</b>	58
Government grants ( <i>Note</i> )	–	883
Others	<b>1,731</b>	1,814
	<b>1,812</b>	2,883

*Note:* For the year ended 31 December 2020, included in profit of loss is HK\$883,000 of government grants 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**

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net foreign exchange gain/(losses)	<b>157</b>	(25)
Loss on disposal of property, plant and equipment	<b>(14)</b>	–
Loss on write-off of property, plant and equipment	–	(20)
Gain on disposal of debt instruments at FVTOCI	–	43
Gain/(loss) from changes in fair value of financial asset at fair value through profit or loss (“FVTPL”)	<b>3</b>	(6)
Loss on disposal of financial asset at FVTPL	<b>(1)</b>	–
Gain on lease termination	–	2
Write off of trade receivables	<b>(100)</b>	(2,358)
Impairment loss on trade receivables ( <i>Note 11</i> )	<b>(3,348)</b>	(3)
	<u><b>(3,303)</b></u>	<u>(2,367)</u>

**6. FINANCE COSTS**

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	<b>5,270</b>	3,841
Interest on lease liabilities	<b>209</b>	124
	<u><b>5,479</b></u>	<u>3,965</u>
Total borrowing costs	<b>5,479</b>	3,965
Less: amount capitalised in the cost of property, plant and equipment	<b>(566)</b>	–
	<u><b>4,913</b></u>	<u>3,965</u>

## 7. INCOME TAX EXPENSE

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	<b>17,286</b>	14,682
– Vietnam Corporate Income Tax	<b>6,589</b>	4,754
– Under/(over)-provision in respect of prior years	<b>198</b>	(28)
	<b>24,073</b>	19,408
Deferred tax	<b>(494)</b>	(100)
	<b>23,579</b>	19,308

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.

For Fleming International Vietnam Limited, the subsidiary incorporated in Vietnam, the statutory corporate tax rates are 20% for the years ended 31 December 2021 and 2020.

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

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<b>129,790</b>	109,790
Tax at the Hong Kong Profits Tax rate of 16.5% (2020: 16.5%) (Note)	<b>21,415</b>	18,115
Tax effect of expenses not deductible for tax purposes	<b>1,362</b>	781
Tax effect of income not taxable for tax purpose	–	(146)
Under/(over)-provision in respect of prior years	<b>198</b>	(28)
Income tax at concessionary rate	<b>(165)</b>	(165)
Effect of different tax rates of subsidiaries operating in different jurisdiction	<b>1,086</b>	805
Others	<b>(317)</b>	(54)
Income tax expense	<b>23,579</b>	19,308

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Earnings</b>		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u><b>106,211</b></u>	<u>90,482</u>
	<b>2021</b>	2020
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><b>1,100,000,000</b></u>	<u>1,100,000,000</u>

No diluted earnings per share for the years ended 31 December 2021 and 2020 were presented as there were no potential ordinary shares in issue for both years.

## 9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

**10. INVENTORIES**

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials	<b>71,278</b>	47,544
Work in progress	<b>5,883</b>	4,325
Finished goods	<b>46,336</b>	30,379
Goods in transit	<b>17,362</b>	12,473
	<u>140,859</u>	<u>94,721</u>
Less: Allowance for inventories	<b>(1,881)</b>	(1,728)
	<u><b>138,978</b></u>	<u>92,993</u>

**11. TRADE AND OTHER RECEIVABLES**

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables, gross	<b>90,486</b>	92,417
Less: Allowance for credit losses	<b>(4,089)</b>	(741)
	<u>86,397</u>	<u>91,676</u>
Prepayments, deposits and other receivables	<b>3,076</b>	2,688
	<u>89,473</u>	<u>94,364</u>
Total	<u><b>89,473</b></u>	<u>94,364</u>

As at 31 December 2021, trade receivables from contracts with customers amounted to HK\$86,397,000 (2020: HK\$91,676,000).

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

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
0–30 days	<b>54,720</b>	64,682
31–60 days	<b>19,623</b>	15,350
61–90 days	<b>2,959</b>	5,354
91–180 days	<b>5,659</b>	5,275
Over 180 days	<b>3,436</b>	1,015
	<u><b>86,397</b></u>	<u>91,676</u>

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:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Current (not past due)	<b>68,649</b>	77,273
Past due 1 to 30 days	<b>12,408</b>	9,337
Past due 31 to 60 days	<b>542</b>	3,586
Past due 61 to 90 days	<b>1,362</b>	460
Past due 91 to 180 days	<b>2,601</b>	8
Past due over 180 days	<b>835</b>	1,012
	<u><b>86,397</b></u>	<u>91,676</u>

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
At beginning of the year	<b>741</b>	738
Loss allowance recognised during the year ( <i>Note 5</i> )	<b>3,348</b>	3
	<u><b>4,089</b></u>	<u>741</u>

## 12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables ( <i>Note a</i> )	45,710	37,503
Bills payables ( <i>Note b</i> )	–	7,839
Other payables	7,270	287
Accrued expenses ( <i>Note c</i> )	29,693	38,352
	<u>82,673</u>	<u>83,981</u>

*Notes:*

### (a) Trade payables

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1–30 days	31,518	30,781
31–60 days	13,593	3,480
61–90 days	584	2,679
91–180 days	5	563
Over 180 days	10	–
	<u>45,710</u>	<u>37,503</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
HK\$	–	91
VND	12,200	11,885
Euro (“EUR”)	121	744
GBP	595	283
	<u>12,916</u>	<u>12,903</u>



(b) **Bills payables**

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1–30 days	–	2,896
31–60 days	–	4,943
	<u>–</u>	<u>4,943</u>
	<u>–</u>	<u>7,839</u>

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

(c) **Accrued expenses**

Included in accrued expenses are the refunded liabilities for sales rebate of HK\$77,000 (2020: HK\$74,000) and refund for defective goods of HK\$1,939,000 (2020: HK\$4,431,000).

**13. CONTRACT LIABILITIES**

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of candle products	<u>12</u>	<u>–</u>

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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of the year	–	183
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	–	(183)
Increase due to cash received, excluding amounts recognised during the year	<u>12</u>	<u>–</u>
At end of the year	<u>12</u>	<u>–</u>

## 14. BANK BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Secured and guaranteed:		
Bank overdrafts	546	–
Bank borrowings		
– Bank loans	25,568	21,811
– Import and export loans	36,467	7,912
	<u>62,035</u>	<u>29,723</u>
	<u>62,581</u>	<u>29,723</u>

The carrying amount of the Group's bank overdrafts and bank borrowings are repayable as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amounts repayable (based on scheduled repayable terms):		
Within one year	46,912	23,730
More than one year, but not more than two years	1,333	784
More than two years, but not more than five years	3,775	1,617
More than five years	10,561	3,592
	<u>62,581</u>	<u>29,723</u>
Less: Amounts due shown under current liabilities		
– due within one year	(24,761)	(18,777)
– due within one year (contain a repayable on demand clause)	(22,151)	(4,953)
	<u>(46,912)</u>	<u>(23,730)</u>
Amounts shown under non-current liabilities	<u>15,669</u>	<u>5,993</u>

At 31 December 2021, the bank borrowings are guaranteed by the corporate guarantees by the Company and/or the Company and Fleming Group International Limited; and secured by (i) debt instruments at FVTOCI of HK\$1,152,000 (2020: HK\$1,166,000); (ii) pledged bank deposits; (iii) certain of the Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK\$43,256,000 (2020: HK\$5,892,000); and (iv) the Group's leasehold land under right-of-use assets of HK\$18,243,000 (2020: HK\$19,025,000).

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.

The exposure of the Group's bank overdrafts and bank borrowings are as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fixed-rate	<b>16,852</b>	–
Variable-rate	<b>45,729</b>	29,723
	<b>62,581</b>	29,723

The ranges of effective interest rates of the Group's bank overdrafts and bank borrowings are as follow:

	<b>2021</b>	2020
Effective interest rates (per annum):		
Fixed-rate	<b>9.0% - 9.2%</b>	N/A
Variable-rate	<b>1.36% - 5.25%</b>	1.74% - 9.30%

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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Denominated in HK\$	<b>3,793</b>	4,000
Denominated in VND	<b>16,852</b>	6,265
Denominated in GBP	–	193

## **BUSINESS REVIEW**

The Group is principally engaged 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.

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 year ended 31 December 2021 is set out in Note 3 (i) to this announcement. The scented candles remains the best selling product of the Group during the year ended 31 December 2021, which the sales of scented candles increased by approximately HK\$230.2 million or 67.8% 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.

Simultaneously, the demand of daily-use candles is also increasing during the year, the sales of daily-use candles, increased by approximately HK\$48.3 million or 49.2% as compared with the same period in 2020.

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 cooperates with sales representatives and expects the potential orders introduced by sales representatives in future.

During the year ended 31 December 2021, the Group was continuously awarded as one of the winners of “Business Partner Award Winner for Differentiate Owned Brands” from our major customer since 2020, 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.

Since early 2020, the novel coronavirus (“COVID-19”) pandemic spread worldwide and caused significant threats to the global health and economy. The prolonged COVID-19 pandemic in 2021, had resulted in, among other things, ongoing travel restrictions, prolonged closures of workplaces, lockdowns in certain countries.

In order to control the spread of the COVID-19 pandemic, the Vietnamese Government had implemented a series of precautionary measures such as lockdowns, quarantines, travel restrictions, business shutdowns and vaccination during the year ended 31 December 2021.

The outbreak of the 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 had 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 early July 2021, following the outbreak of the COVID-19 in Vietnam, the local government has implemented a series of containment measures which resulted in many factories in Vietnam imposed temporarily suspension of operation. The Group’s subsidiary in Vietnam is one of the model factories recommended by the Vietnamese Government that those factories was allowed for normal operation if they were capable to supply accommodation, meals and living resources and vaccine protection to staff who worked and lived inside factory. The Group’s subsidiary in Vietnam maintained the living for approximately 1,200 staff for the productions for around 3 months from July 2021. In August 2021, all of our staff worked and stayed in factory in Vietnam got one dose vaccinated. Vietnam had shifted to the transition phase towards COVID-19 resilience in the 4th quarter of 2021. The precautionary measures such as lockdowns, quarantines were released and resumed in Vietnam from October 2021. As at 31 December 2021, all of our staff in Vietnam got two doses vaccinated. As a result, the Group spent approximately HK\$6.0 million for the above arrangements to safeguard the health of our staff and maintain the operation of the Group’s subsidiary in Vietnam which benefited the Group to deliver better financial results in 2021.

The Group has been closely monitoring the impact from the COVID-19 on the Group’s businesses to ensure the safety of employees and stable operations. Based on the information currently available, the Directors confirmed that there was 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 2021 amounted to approximately HK\$815.1 million, representing an increase of approximately HK\$259.2 million or 46.6% as compared with that of approximately HK\$555.9 million for the same period in 2020.

The increase in revenue was due to the increase in sales of scented candles and daily-use candles for approximately HK\$230.2 million and HK\$48.3 million respectively for the year ended 31 December 2021.

### **Gross profit and gross profit margin**

Gross profit for the year ended 31 December 2021 amounted to approximately HK\$269.9 million, representing an increase of approximately HK\$63.3 million or 30.6% as compared with that of approximately HK\$206.6 million for the same period in 2020.

The gross profit margin decreased to approximately 33.1% for the year ended 31 December 2021 as compared with that of approximately 37.2% for the same period in 2020.

The decrease in the gross profit margin was mainly due to the significant increase of wax price that resulting in our wax cost increased approximately 37.0% averagely for the year ended 31 December 2021.

### **Other income and other gains and losses**

Other income for the year ended 31 December 2021 was approximately HK\$1.8 million, representing a decrease of approximately HK\$1.1 million or 37.9% as compared to that of approximately HK\$2.9 million for the same period in 2020. The decrease in other income mainly due to the decrease in surcharge income for the charges on customers for cancellation of orders and the wage subsidies from the Hong Kong SAR Government.

Other losses for the year ended 31 December 2021 amounted to approximately HK\$3.3 million, representing an increase of approximately HK\$0.9 million or 37.5% as compared with other losses of approximately HK\$2.4 million for the same period in 2020. The increase was the combined effect of the increase in allowance of trade receivables for approximately HK\$3.3 million and net off by the decrease in written off of trade receivables for approximately HK\$2.3 million.

### **Selling and distribution expenses**

Selling and distribution expenses for the year ended 31 December 2021 amounted to approximately HK\$37.1 million, representing an increase of approximately HK\$8.8 million or 31.1% as compared with that of approximately HK\$28.3 million for the same period in 2020.

The increase was mainly due to (i) the increase in transportation and declarations expenses of approximately HK\$5.5 million which was in line with the increase in sales; and (ii) increase in marketing and promotion expenses of approximately HK\$3.7 million which mainly include the increase of approximately HK\$2.6 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 year ended 31 December 2021 amounted to approximately HK\$96.6 million, representing an increase of approximately HK\$31.5 million or 48.4% as compared with that of approximately HK\$65.1 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\$28.0 million.

### **Finance costs**

Finance costs for the year ended 31 December 2021 amounted to approximately HK\$4.9 million, representing an increase of approximately HK\$0.9 million or 22.5% as compared to that of approximately HK\$4.0 million for the same period in 2020. 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 2021 amounted to approximately HK\$23.6 million (2020: approximately HK\$19.3 million), representing an increase of approximately HK\$4.3 million or 22.3% 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 incurred net profit of approximately HK\$106.2 million for the year ended 31 December 2021, representing an increase of approximately HK\$15.8 million or 17.5% as compared with net profit of approximately HK\$90.4 million for the same period in 2020.

Such increase was the combined effect of increase in gross profit of approximately HK\$63.3 million; and offset by (a) decrease in other income of approximately HK\$1.1 million; (b) increase in other losses for approximately HK\$0.9 million; (c) increase in selling and distribution expenses for approximately HK\$8.8 million; (d) the increase in administrative expenses for approximately HK\$31.5 million; (e) increase in finance costs for approximately HK\$0.9 million; and (f) increase in income tax expenses for approximately HK\$4.3 million.

## **Dividend**

The Board does not recommend the payment of any dividend for the year ended 31 December 2021. The detail is disclosed in Note 9 of the consolidated financial statements.

## **Liquidity and Financial Resources**

As at 31 December 2021, the Group had total assets of approximately HK\$483.0 million (2020: approximately HK\$353.7 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$152.5 million (2020: approximately HK\$129.5 million) and approximately HK\$330.5 million (2020: approximately HK\$224.3 million) respectively.

The total interest-bearing borrowings of the Group as at 31 December 2021 were approximately HK\$62.6 million (31 December 2020: approximately HK\$29.7 million), and the current ratio of the Group as at 31 December 2021 was approximately 2.7 times (31 December 2020: approximately 2.4 times) mainly due to the increase in cash and cash equivalents and inventories.

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, increased from approximately 14.3% as at 31 December 2020 to approximately 20.0% as at 31 December 2021, primarily due to the increase in bank borrowings.

As at 31 December 2021 and 2020, the Group has unutilised banking facilities of approximately HK\$46.0 million and HK\$62.3 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 US 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 2021. 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 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.

## **Pledge of Assets**

As at 31 December 2021 and 2020, the Group had corporate guarantee and pledged certain assets including property, plant and equipment, right-of-use assets, debt instruments at fair value through other comprehensive income, pledged bank deposits with carrying amounts of approximately HK\$82.6 million and HK\$39.9 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 2021.

## **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 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 31 December 2021, the Group had capital commitments of approximately HK\$1.2 million in respect of property, plant and equipment and construction in Vietnam (2020: approximately HK\$23.9 million).

## **Contingent Liabilities**

As at 31 December 2021, the Group did not have any contingent liabilities (2020: Nil).

## **Employees and Remuneration Policies**

As at 31 December 2021, the Group employed approximately 1,400 (2020: approximately 1,830) 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**

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 with the final construction cost of approximately VND106,554,000,000 (equivalent to approximately HK\$36.5 million).

The building construction work of the new factory commenced in December 2020 and completed in December 2021. For further details on the construction of the new factory, please refer to the circular of the Company dated 8 December 2020 and the announcements of the Company 15 October 2018, 2 November 2020 and 5 March 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 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 2021.

## **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 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 Listing Date (i.e. 19 July 2018) to 31 December 2021 is set out below:

	<b>Approximate amount of net proceeds <i>HK\$ million</i></b>	<b>Approximate actual utilised as at 31 December 2021 <i>HK\$ million</i></b>	<b>Unused amount of net proceeds as at 31 December 2021 <i>HK\$ million</i></b>
Upgrade existing production facilities	6.2	–	6.2
Acquisition of new production facilities	18.1	18.1	–
Purchase of new machinery	9.2	9.2	–
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	–
	<u>44.5</u>	<u>36.4</u>	<u>8.1</u>

### **Upgrade existing production facilities**

As at 31 December 2021, 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 2022.

### **Acquisition of new production facility**

In 2019, the Group completed the acquisition of the new land for new production facility. In 2020, the Group completed the tender process and commenced the construction work for building construction of new production facility. As at 31 December 2021, the Group's building construction of new production facility was completed and fully utilised approximately HK\$18.1 million from part of net proceeds allocated for the new production facility.

### **Acquisition of new machinery**

As at 31 December 2021, the Group paid approximately HK\$9.2 million for the acquisition of machineries for the expected increasing purchase orders from its customers.

### **Installation of ERP systems**

As at 31 December 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.

## **EVENT AFTER THE REPORTING PERIOD**

As disclosed in the announcement of the Company dated 9 March 2022, Fleming International Vietnam Limited, as transferee, entered into a transfer agreement with Pacific Investment and Production Joint Stock Company, as transferor, to acquire the land use right of a parcel of land situated at Long Binh (Amata) Industrial Park, Dong Nai Province, Vietnam (land plot No. 56 map sheet No. 10) with a gross floor area of 19,999.7 sq.m. for a lease term at the consideration of VND93,186,000,000 (excluding value-added tax) (equivalent to approximately HK\$31.90 million).

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 2021, 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 2021. No incident of non-compliance was noted by the Company for the year ended 31 December 2021.

## **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 2021.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2021 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 2021 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 2021 of the Company will be held on Friday, 10 June 2022. A notice of the AGM together with the annual report for the year ended 31 December 2021 will be published on the Company's website at [www.hyfusingroup.com](http://www.hyfusingroup.com) and the GEM website at [www.hkgem.com](http://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*)

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Mr. Chan Cheong Tat

Mr. Ho Chi Wai

Mr. Chu Kin Wang, Peleus

Hong Kong, 18 March 2022

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://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](http://www.hyfusingroup.com).*