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 2018

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 board of Directors (the "**Board**") of the Company is pleased to announce the consolidated financial results of the Group for the year ended 31 December 2018 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018** *HK$'000*	2017 *HK$'000*
Revenue			
Sales of goods	*4*	**215,434**	162,525
Total revenue		**215,434**	162,525
Cost of sales		**(166,819)**	(121,402)
Gross profit		**48,615**	41,123
Other income	*5*	**858**	284
Other gains and losses	*6*	**290**	28
Selling and distribution expenses		**(7,553)**	(5,079)
Administrative expenses		**(32,296)**	(24,210)
Listing expenses		**(965)**	(19,499)
Finance costs	*7*	**(1,916)**	(1,633)
Profit (loss) before tax		**7,033**	(8,986)
Income tax expense	*8*	**(2,259)**	(2,071)
Profit (loss) for the year	*9*	**4,774**	(11,057)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss) gain on:			
Available-for-sale investments		**—**	503
Debt instruments measured at fair value through other comprehensive income		**(236)**	—
Other comprehensive (expense) income for the year		**(236)**	503
Total comprehensive income (expense) for the year		**4,538**	(10,554)

	NOTES	2018 HK$'000	2017 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**4,774**	(9,855)
Non-controlling interests		**—**	(1,202)
		4,774	(11,057)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**4,538**	(9,358)
Non-controlling interests		**—**	(1,196)
		4,538	(10,554)
		HK cents	*HK cents*
Earning (loss) per share, basic	10	**0.50**	(1.41)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**13,538**	14,105
Prepaid lease payments		**3,757**	3,894
Prepayment for a land use right	*12*	**13,000**	—
Deposits for acquisition of property, plant and equipment		**1,525**	—
Available-for-sale investments		**—**	1,938
Financial assets at fair value through profit or loss		**17**	—
Debt instruments at fair value through other comprehensive income		**1,682**	—
Deferred tax assets		**366**	304
Pledged bank deposits		**8,875**	8,866
		42,760	29,107
CURRENT ASSETS			
Inventories	*13*	**32,349**	24,368
Trade and other receivables	*14*	**35,767**	37,503
Prepaid lease payments		**137**	137
Amount due from a director		**—**	5,396
Tax recoverable		**134**	511
Bank balances and cash		**54,945**	8,382
		123,332	76,297
CURRENT LIABILITIES			
Trade and other payables	*15*	**22,940**	32,023
Contract liabilities		**204**	—
Amount due to a director		**—**	2,446
Bank borrowings — due within one year	*16*	**27,177**	30,366
Obligations under finance leases		**146**	142
		50,467	64,977
NET CURRENT ASSETS		**72,865**	11,320
TOTAL ASSETS LESS CURRENT LIABILITIES		**115,625**	40,427

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings — due after one year	*16*	**6,206**	1,370
Obligations under finance leases		**139**	285
Other non-current liabilities		**168**	152
		6,513	1,807
NET ASSETS		**109,112**	38,620
CAPITAL AND RESERVES			
Share capital		**11,000**	—
Reserves		**98,112**	38,620
TOTAL EQUITY		**109,112**	38,620

NOTES

1. GENERAL

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 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 PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business is located at Unit Nos. 4-8, 2/F, Aberdeen Marina Tower, 8 Shum Wan Road, Aberdeen, Hong Kong.

The Company is an investment holding company and its subsidiaries (the "**Group**") are principally engaged in manufacturing and sale of candle products. Its parent and ultimate holding company is AVW International Limited ("**AVW**"), a private company incorporated in the British Virgin Islands (the "**BVI**"). Its ultimate controlling shareholders are Mr. Wong Man Chit ("**Mr. Andrew Wong**") and Mr. Wong Wai Chit ("**Mr. Vincent Wong**"), who are brothers and act in concert over AVW and the companies now comprising the Group (the "**Controlling Shareholders**").

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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In the preparation for the listing of the Company's shares on GEM of the Stock Exchange, the companies now comprising the Group underwent a group reorganisation (the "**Group Reorganisation**").

Prior to the group reorganisation, Fleming International Limited ("**Fleming Hong Kong**") and its subsidiaries including Fleming International Vietnam Limited ("**Fleming Vietnam**"), Success Glory Worldwide Limited ("**Success Glory**") and 泛明工藝禮品(深圳)有限公司("**Fleming China**") were wholly owned by the Controlling Shareholders before the transfer and issuance of shares of Fleming Hong Kong pursuant to the Step (1) and (2) below and Britain Link Limited ("**Britain Link**") which was held by Mr. Chau Pong on trust for and on behalf of Mr. Andrew Wong and Mr. Vincent Wong. The group underwent the following reorganisation steps:

(1) On 16 December 2016, pursuant to an agreement for sale and purchase and subscription for shares in Fleming Hong Kong (the "**Pre-IPO Investment Agreement**") dated 7 November 2016 entered into among Mr. Andrew Wong and Mr. Vincent Wong as vendors, Vibes Management Company Limited ("**Vibes**") as purchaser, each of Mr. Andrew Wong and Mr. Vincent Wong transferred 40 shares of Fleming Hong Kong to Vibes at an aggregate cash consideration of HK$8,000,000. As a result, Fleming Hong Kong is wholly and beneficially held as to approximately 45.35%, 45.35% and 9.3% by Mr. Andrew Wong, Mr. Vincent Wong and Vibes, respectively and Fleming Hong Kong is still controlled by the Controlling Shareholders whereas Vibes became an non-controlling interest. Vibes is a company incorporated in Hong Kong with limited liability on 30 May 2016 with total issued share capital of HK$10,000 wholly owned by Pioneer Unicorn Limited ("**Pioneer**") which is wholly and beneficially owned by Ms. Li Yin Ping and Ms. Zheng Xiaochun, independent third parties, in equal shares. Vibes and Pioneer is an investment holding company incorporated in the BVI, principally engaged in investment holding.

(2) On 7 February 2017, pursuant to the Pre-IPO Investment Agreement, Vibes further subscribed for 140 shares (the "**Subscription**") of Fleming Hong Kong at an aggregate cash consideration of HK$14,000,000. Upon completion of the Subscription, Fleming Hong Kong is wholly and beneficially owned as to 39%, 39% and 22% by Mr. Andrew Wong, Mr. Vincent Wong and Vibes, respectively and Fleming Hong Kong is still controlled by the Controlling Shareholders whereas Vibes became an non-controlling interest.

(3) On 28 August 2017, one new ordinary share of Britain Link was allotted and issued to Mr. Chau Pong who held the share as trustee for and on behalf of Mr. Andrew Wong and Mr. Vincent Wong in equal shares. On the same day, Mr. Chau Pong (as transferor) and Mr. Andrew Wong and Mr. Vincent Wong (each as transferee) entered into an instrument of transfer, pursuant to which Mr. Chau Pong transferred to each of Mr. Andrew Wong and Mr. Vincent Wong one share in Britain Link, which Mr. Chau Pong held on trust for and on behalf of Mr. Andrew Wong and Mr. Vincent Wong at nil consideration. On 28 August 2017, Mr. Andrew Wong and Mr. Vincent Wong (as transferor) and Fleming Hong Kong (as transferee) entered into a sale and purchase agreement, pursuant to which each Mr. Andrew Wong and Mr. Vincent Wong transferred 1 share in Britain Link to Fleming Hong Kong at a sum of HK$1.00 per share. After the aforesaid transfer, the legal and beneficial interests in Britain Link became wholly-owned by Fleming Hong Kong.

(4) AVW International Limited ("**AVW**") was incorporated in the BVI with limited liability on 4 July 2017. The authorised share capital of AVW is US$50,000 divided into 50,000 shares of US$1.00 each, of which one share was allotted and issued fully paid to each of Mr. Andrew Wong and Mr. Vincent Wong on incorporation. As a result, Mr. Andrew Wong and Mr. Vincent Wong are the shareholders of AVW, each holding 50% of the issued share capital of AVW. AVW is principally engaged in investment holding and became the parent and ultimate holding company of the Company upon completion of the Group Reorganisation.

(5) Vibes Enterprises Company Limited ("**Vibes Enterprises**") was incorporated in the BVI with limited liability on 4 July 2017. The authorised share capital of Vibes Enterprises is US$50,000 divided into 50,000 shares of US$1.00 each, of which one share was allotted and issued fully paid to Vibes on its incorporation. As a result, Vibes is the sole shareholder of Vibes Enterprises, holding the entire issued share capital of Vibes Enterprises. Vibes Enterprises is principally engaged in investment holding and became an non-controlling shareholder of the Company upon the completion of the Group Reorganisation.

(6) Fleming Group International Limited ("**Fleming International**") was incorporated in the BVI with limited liability on 5 July 2017. The authorised share capital of Fleming International is US$50,000 divided into 50,000 shares of US$1.00 each (the "**Fleming International's Share**"). One Fleming International's Share was allotted and issued fully paid to AVW on incorporation at par. As a result, AVW is the sole shareholder of Fleming International, holding the entire issued share capital of Fleming International.

(7) The Company was incorporated in the Cayman Islands on 5 July 2017. The authorised share capital of the Company upon incorporation is HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Upon its incorporation, one subscriber share was allotted and issued as fully paid to the first subscriber, which was subsequently transferred to AVW. Further, 99 additional shares were issued as fully paid, in which 77 shares were allotted to AVW while 22 shares were allotted to Vibes Enterprises at par.

(8) The Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 30 August 2017.

(9) On 8 September 2017, Fleming International acquired the entire issued share capital of Fleming Hong Kong (1,000 shares) from Mr. Andrew Wong, Mr. Vincent Wong and Vibes, respectively. The consideration for the acquisition was satisfied by the allotment and issue of 77 and 22 Fleming International's Shares respectively to AVW (at the direction of Mr. Andrew Wong and Mr. Vincent Wong) and to Vibes Enterprises (at the direction of Vibes), all credited as fully paid.

(10) On 13 September 2017, the Company acquired the entire issued share capital of Fleming International (100 shares) from AVW and Vibes Enterprises, respectively. The consideration for the acquisition was satisfied by the allotment and issue of 78 and 22 shares of the Company to AVW and Vibes Enterprises respectively, all credited as fully paid. As a result, Fleming International is wholly owned by the Company while the Company continues to be owned as to 78% by AVW and 22% by Vibes Enterprises.

Upon completion of the Group Reorganisation on 13 September 2017, Fleming International became a directly wholly-owned subsidiary of the Company and Fleming Hong Kong and its subsidiaries including Fleming Vietnam, Success Glory and Britain Link became indirectly wholly-owned subsidiaries of the Company. The Company has also become the holding company of those companies now comprising the Group on 13 September 2017. The Company and the subsidiaries have been under the common control of Mr. Andrew Wong and Mr. Vincent Wong throughout the year ended 31 December 2017 or since their respective dates of incorporation, where there is a shorter period, and before and after the Group Reorganisation. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2017 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the year ended 31 December 2017.

As Fleming Hong Kong and its subsidiaries were under the common control of the Controlling Shareholders, equity interest held by Vibes Management Company Limited ("**Vibes**") in Fleming Hong Kong as at 31 December 2016 and for the period from 1 January 2017 up to the date of the completion of the Group Reorganisation on 13 September 2017 is presented as non-controlling interests in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective in the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognised revenue from sales of candle products.

Information about the Group's performance obligations and the accounting policies resulting from the application of HKFRS 15 are disclosed in Note 4 and significant accounting policies, respectively.

Summary of effects arising from initial application of HKFRS 15

The application on HKFRS 15 has no material impact on the Group's retained earnings at 1 January 2018. The following adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(Note)*	
Trade and other payables	32,023	(204)	31,819
Contract liabilities	—	204	204
	32,023	—	32,023

Note: As at 1 January 2018, trade deposits received from customers of HK$204,000 previously included in trade and other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for the current year for each of the line items affected. Line items that were not affected by the changes have not been included. The application on HKFRS 15 has no significant impact on the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

Impact on the consolidated statement of financial position

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
CURRENT LIABILITIES			
Trade and other payables	22,940	204	23,144
Contract liabilities	204	(204)	—

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; (2) expected credit losses ("**ECL**") for financial assets; and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between the carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in significant accounting policies.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	Available-for-sale ("AFS") investments HK$'000	Financial assets at fair value through profit or loss ("FVTPL") required by HKFRS 9 HK$'000	Debt instruments at fair value through other comprehensive income ("FVTOCI") HK$'000	Investment revaluation reserve HK$'000	FVTOCI reserve HK$'000	Retained earnings HK$'000
Closing balance at 31 December 2017 — HKAS 39		1,938	—	—	281	—	17,734
Effect arising from initial application of HKFRS 9:							
Reclassification							
From AFS investments	*(a)*	(1,938)	20	1,918	(281)	277	4
Opening balance at 1 January 2018		—	20	1,918	—	277	17,738

The Group's other financial assets and financial liabilities continued to carry at amortised cost as at 1 January 2018.

(a) AFS investments

From AFS investments to financial assets at FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments of HK$20,000 were reclassified from AFS investments to financial assets at FVTPL. The fair value gains of HK$4,000 relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained earnings.

From AFS debt investments to debt instruments at FVTOCI

Unlisted debt securities investments with a fair value of HK$1,918,000 were reclassified from AFS investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value gains of HK$277,000 was transferred from investment revaluation reserve to FVTOCI reserve as at 1 January 2018.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Trade receivables have been assessed individually.

ECL for other financial assets at amortised cost, including other receivables, pledged bank deposits and bank balances, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

All of the Group's debt instruments at FVTOCI are unlisted debt investments that are graded in the top credit rating. Therefore, these investments are considered to be low credit risk investments and the loss allowance is assessed on 12m ECL basis.

The Directors considered that the measurement of ECL has no material impact to the Group's retained earnings as at 1 January 2018.

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the individual line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (audited) *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	**1 January 2018 (Restated)** ***HK$'000***
NON-CURRENT ASSETS				
Financial assets at FVTPL	—	—	20	**20**
Debt instruments at FVTOCI	—	—	1,918	**1,918**
AFS investments	1,938	—	(1,938)	**—**
CURRENT LIABILITIES				
Trade and other payables	32,023	(204)	—	**31,819**
Contract liabilities	—	204	—	**204**
CAPITAL AND RESERVES				
FVTOCI reserve	—	—	277	**277**
Retained earnings	17,734	—	4	**17,738**
Investment revaluation reserve	281	—	(281)	**—**

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

Except for the application of new requirements under HKFRS 16 Leases which may result in changes in measurement, presentation and disclosure, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	2018	2017
	HK$'000	*HK$'000*
Sale of candle products		
Daily-use candles	**78,817**	74,787
Scented candles	**106,170**	53,212
Decorative candles	**16,851**	24,690
Others (included Diffusers)	**13,596**	9,836
Total	**215,434**	162,525
Timing of revenue recognition		
A point in time	**215,434**	162,525

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.

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

Segment information

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

Geographical Information

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

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

Revenue from external customers	**2018**	2017
	HK$'000	*HK$'000*
United States of America	**133,158**	93,544
United Kingdom	**52,737**	49,758
Others	**29,539**	19,223
Total	**215,434**	162,525

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**595**	655
Vietnam	**29,700**	17,344
	30,295	17,999

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**42,198**	*
Customer B	**34,076**	35,478
Customer C	**27,198**	20,221
Customer D	*	20,612

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective years.

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Dividend and interest income from available-for-sale investments	**—**	57
Interest income on debt instruments at FVTOCI	**57**	—
Interest income from banks	**205**	42
Sample income	**87**	54
Surcharge income	**464**	—
Sundry income	**45**	131
	858	284

6. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Net foreign exchange gains	**293**	11
Gain on disposal of property, plant and equipment	**—**	17
Loss from changes in fair value of financial assets at FVTPL	**(3)**	–
	290	28

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings	**1,904**	1,614
Interest on obligations under finance leases	**12**	19
	1,916	1,633

8. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**632**	889
Vietnam Corporate Income Tax	**1,753**	1,437
Overprovision in prior years	**(64)**	(57)
	2,321	2,269
Deferred taxation:		
Current year	**(62)**	(198)
	2,259	2,071

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the 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 Hong Kong. No provision for Hong Kong Profits Tax for Britain Link has been made as there is no assessable profit for the years ended 31 December 2018 and 2017.

For the subsidiary incorporated in Vietnam, the statutory corporate tax rates are 20% for both years.

9. PROFIT (LOSS) FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Directors' remuneration	**4,685**	4,319
Other staff costs		
— salaries and allowances	**33,615**	28,288
— discretionary bonus	**1,079**	319
— retirement benefit scheme contributions, excluding directors	**2,528**	2,166
Total staff costs	**41,907**	35,092
Less: capitalised in inventories	**(21,462)**	(18,450)
	20,445	16,642
Auditor's remuneration	**1,393**	725
Depreciation of property, plant and equipment		
— Owned assets	**2,341**	2,627
— Assets held under finance lease contracts	**141**	141
Total depreciation	**2,482**	2,768
Less: capitalised in inventories	**(1,693)**	(1,954)
	789	814
Cost of inventories recognised as an expense	**166,819**	121,402
Amortisation of prepaid lease payments	**137**	137
Allowance of inventories (included in cost of sales)	**18**	220

10. EARNING (LOSS) PER SHARE

The calculation of the basic earning (loss) per share attributable to the owners of the Company is based on the following data:

	2018	2017
	HK$'000	*HK$'000*
Earning (loss)		
Profit (loss) for the year attributable to owners of the Company for the purpose of basic earning (loss) per share	**4,774**	(9,855)

	2018	2017
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earning (loss) per share	**950,068,493**	700,684,932

The weighted average number of ordinary shares for the purpose of calculating basic earning (loss) per share has been adjusted, respectively for the effect of (i) the Group Reorganisation and the capitalisation issue of 824,999,800 shares of the Company that are deemed to have become effective since 1 January 2017; and (ii) issue of 275,000,000 shares of the Company pursuant to the initial public offering on 19 July 2018.

No diluted earning (loss) per share for both 2018 and 2017 were presented as there were no potential ordinary shares in issue for both 2018 and 2017.

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for both years ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

12. PREPAYMENT FOR A LAND USE RIGHT

	2018	2017
	HK$'000	*HK$'000*
Prepayment for a land use right in Vietnam	**13,000**	—

The amount represents the prepayment of HK$13,000,000 (2017: Nil) for the land use right in Vietnam. On 12 October 2018, a deposit agreement was entered into by Fleming Vietnam, an indirectly wholly-owned subsidiary of the Company and the vendor, an independent third party, for the acquisition of the land use right of the land located in Vietnam at a cash consideration of VND48,717,900,000 (equivalent to approximately HK$16,218,000). A prepayment of VND38,974,320,000 (equivalent to approximately HK$13,000,000) was paid by the Group during the year ended 31 December 2018 and the remaining contractual amount of VND9,743,580,000 (equivalent to approximately HK$3,218,000) is to be paid upon the signing of a formal agreement and fulfilment of the conditions as stated in the announcement of the Company dated 15 October 2018.

13. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**17,368**	10,700
Work in progress	**3,240**	2,496
Finished goods	**8,711**	7,970
Goods in transit	**4,081**	4,235
	33,400	25,401
Less: Allowance for inventories	**(1,051)**	(1,033)
	32,349	24,368

14. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**33,131**	30,230
Less: Allowance for credit losses	**—**	—
	33,131	30,230
Deposits and prepayments	**2,636**	1,727
Prepayments for listing expenses	**—**	593
Deferred listing expenses	**—**	4,800
Other receivables	**—**	153
Total	**35,767**	37,503

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$33,131,000 and HK$30,230,000, respectively.

The Group allows credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the year:

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**10,816**	13,743
31–60 days	**12,414**	9,849
61–90 days	**5,638**	3,009
91–180 days	**4,263**	2,452
Over 180 days	**—**	1,177
	33,131	30,230

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$9,637,000 which are past due as at the reporting date. No balance has been past due over 90 days or more.

As at 31 December 2017, included in the Group's trade receivables were debtors with a carrying amount of HK$6,061,000 which were past due at the end of reporting period but are regarded as not impaired as there had not been a significant change in credit quality and amounts were still considered recoverable based on historical experience. The Group did not hold any collateral over these balances.

15. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date:

	2018	2017
	HK$'000	*HK$'000*
Trade payables:		
1–30 days	**8,779**	11,777
31–60 days	**2,596**	3,602
61–90 days	**2,950**	430
91–180 days	**810**	303
	15,135	16,112
Other payables	**2,178**	1,665
Deposits received from customers *(Note)*	**—**	204
Accrued expenses	**5,627**	2,451
Accruals for listing expenses	**—**	11,591
	22,940	32,023

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

Note: The amount was reclassified to contract liabilities for the year ended 31 December 2018.

16. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Bank loans	**24,075**	21,186
Import and export loans	**9,308**	5,572
Bank overdrafts	**—**	4,978
	33,383	31,736

All of the Group's borrowings are guaranteed and secured and carried variable rate of interest.

The variable-rate secured bank borrowings are repayable as follows:

	2018	2017
	HK$'000	*HK$'000*
Carrying amounts repayable (based on scheduled repayable terms):		
Within one year	**26,481**	29,636
More than one year, but not more than two years	**931**	774
More than two years, but not more than five years	**5,971**	1,326
	33,383	31,736
Less: Amounts due shown under current liabilities		
— due within one year	**(735)**	(366)
— due within one year (contain a repayable on demand clause)	**(25,746)**	(29,270)
— due after one year but contain a repayable on demand clause	**(696)**	(730)
	(27,177)	(30,366)
Amounts shown under non-current liabilities	**6,206**	1,370

The banking facilities contain various covenants which include the maintenance of certain financial ratios and restrictions on the maximum amounts due from directors and related companies. The Directors have reviewed the covenants compliance and confirmed there were not aware of any breach during both years.

At 31 December 2018, the bank borrowings are guaranteed by the corporate guarantees by the Company and/or the Company and Fleming International; and secured by (i) debt instruments at FVTOCI of HK$1,682,000; (ii) pledged bank deposits; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK$7,836,000; and (iv) the Group's prepaid lease payments of HK$3,894,000.

At 31 December 2017, the bank borrowings were guaranteed by personal guarantees from Mr. Andrew Wong and Mr. Vincent Wong; and secured by (i) unlisted debt securities of HK$1,918,000; (ii) pledged bank deposits; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK$8,986,000; and (iv) the Group's prepaid lease payments of HK$4,031,000.

The variable-rate bank borrowings are carried interest at Hong Kong Prime Rate quoted by the lending banks less 1.5% per annum, Hong Kong Prime Rate quoted by the lending banks plus 0.25% per annum and Singapore Interbank Offered Rate plus 2.5% to 4.6% per annum.

The effective interest rates (which are also equal to contracted interest rates) of the Group's borrowings are as follow:

	2018	2017
Effective interest rates (per annum):		
Variable-rate bank borrowings	**4.98%–9.5%**	3.75%–9.00%

17. RELATED PARTY DISCLOSURES

(i) Details of balances with related parties are set out in the consolidated financial statements.

(ii) During the year ended 31 December 2017, Mr. Andrew Wong and Mr. Vincent Wong provided personal guarantees to secure the repayment obligations under banking facilities granted to the Group as disclosed in Note 16. These personal guarantees had been released and/or replaced by corporate guarantees provided by the Company during the year ended 31 December 2018.

(iii) Compensation of key management personnel.

The Directors were considered to be the key management personnel of the Company.

BUSINESS REVIEW

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. Our major customers are mostly U.S. and U.K. department store operators and buying agents.

The Group mainly manufactures our candle products based on the requirements and specifications from our customers. The Group would also assess the design and specifications and put forward our suggestions to our customers. The Group offer a wide variety of services to our 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, we ranked the third, the fourth and the fourth among the candle manufacturers in Vietnam in terms of estimated export value, estimated revenue and estimated production capacity in 2017, respectively. According to the F&S Report, the import value and share of candle products in U.S. and U.K. from Vietnam expected to reach approximately US$195.6 million and approximately US$15.6 million, respectively.

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

The analysis of product segment of the Group for the year ended 31 December 2018 is set out in Note 4 to the consolidated financial statements, where the sales of scented candles has growth turn around approximately in a double as compared with 2017 that reflects the trend of preference for candle products with scent and coloured additives is increasing in the U.S. market. The increase of sales of scented candles mainly due to an increase of approximately HK$36.0 million (approximately 34% of sales of scented candles in 2018) generated from a new customer introduced in the second half of 2017.

In order to catch up the rapid growth of candle products especially in the U.S. market, the Group cooperated with a U.S. market consultant company after our Listing, for the boost of sales by introducing some sales representatives through their network in candle field in the U.S. market.

The U.S. market consultant company helped in analysis and identifying recent developments of our competitors within the U.S. market, introducing sales representatives in candle industry in the U.S. market, introducing a designer to accelerate the negotiation between the Group and the sales representatives for the potential orders and cooperation and coordinating the communication among each other with the synergy effect.

During the year ended 31 December 2018, the Group entered into the contracts with sales representatives for the sales incentive to sales representatives for the orders from customers introduced by them. The Group received secured orders from customers introduced by those sales representatives. Those newly received secured orders are expected to be delivered to customers in the first half of 2019.

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

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2018 amounted to approximately HK$215.4 million (2017: approximately HK$162.5 million), representing an increase of approximately HK$52.9 million or 32.6% as compared with last year. The increase in revenue was mainly due to the increase in sales of daily-use candles, scented candles and diffusers, which was partially offset by the decrease in sales of decorative candles.

Cost of sales

Cost of sales for the year ended 31 December 2018 amounted to approximately HK$166.8 million (2017: approximately HK$121.4 million), representing an increase of approximately HK$45.4 million or 37.4% as compared with last year. The increase in cost of sales was mainly due to the increase in the sales volume of scented candles as well as the increase in cost of raw materials.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2018 amounted to approximately HK$48.6 million (2017: approximately HK$41.1 million), representing an increase of approximately HK$7.5 million or 18.2% as compared with last year.

The gross profit margin dropped from approximately 25.3% in 2017 to approximately 22.6% in 2018, mainly due to the increase in sales of scented candles, which generally had lower gross profit margin when compared with daily-use candles and the increase in the cost of raw materials.

Other income and other gains

Other income for the year ended 31 December 2018 amounted to approximately HK$0.9 million (2017: approximately HK$0.3 million), representing an increase of approximately HK$0.6 million or 200% as compared with last year. The increase in other income was mainly due to the increase in bank interest income from approximately HK$42,000 in 2017 to approximately HK$205,000 in 2018 and increase in surcharge income from reimbursement from our customers of approximately HK$464,000 in 2018.

Other gains for the year ended 31 December 2018 amounted to approximately HK$290,000 (2017: approximately HK$28,000), representing an increase of approximately HK$262,000 or 935.7% as compared with last year. The increase was mainly due to the exchange gain generated from inter-bank fund transfer and the US$ appreciated against Vietnamese dong.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2018 amounted to approximately HK$7.6 million (2017: approximately HK$5.1 million), representing an increase of approximately HK$2.5 million or 49.0% as compared with last year. The increase was mainly due to (i) the increase in transportation and declarations expenses of approximately HK$0.9 million as a result of the increase in sales; and (ii) increase in consultation service fee of approximately HK$1.2 million paid starting in current year in relation to U.S. market consultation which is beneficial to our business growth.

Administrative expenses

Administrative expenses for the year ended 31 December 2018 amounted to approximately HK$32.3 million (2017: approximately HK$24.2 million), representing an increase of approximately HK$8.1 million or 33.5% as compared with last year. The increase was mainly due to the increase in salaries and allowances of approximately HK$3.5 million caused by the increase in the number of administrative and finance personnel; and increase in legal and professional fees during the year ended 31 December 2018.

Finance costs

Finance costs for the year ended 31 December 2018 amounted to approximately HK$1.9 million (2017: approximately HK$1.6 million), representing an increase of approximately HK$0.3 million or 18.8% as compared with last year. The increase was mainly due to the increase in using bank borrowings for bank loans and import and export loans to cope with business growth.

Listing expenses

During the year ended 31 December 2018, the Group recognised non-recurring listing expenses of approximately HK$965,000 in connection with the listing on GEM (2017: approximately HK$19.5 million).

Income tax expense

Income tax expense for the year ended 31 December 2018 amounted to approximately HK$2.3 million (2017: approximately HK$2.1 million), representing an increase of approximately HK$0.2 million or 9.5% as compared with last year. The increase primarily due to the increase in profit before taxation in Hong Kong and Vietnam.

Profit for the year

The Group recorded net profit of approximately HK$4.8 million for the year ended 31 December 2018 (2017: net loss of approximately HK$11.1 million), representing an increase of approximately HK$15.9 million as compared with last year. Such increase was mainly due to the recognition of non-recurring listing expenses of approximately HK$965,000 for the year ended 31 December 2018, compared to that of approximately HK$19.5 million in 2017.

The Group's net profit after excluding non-recurring expenses would be approximately HK$5.7 million (2017: approximately HK$8.4 million), representing a decrease of approximately HK$2.7 million or 32.1% as compared with last year. Such decrease was the combined effect of (i) increase in gross profit of approximately HK$7.5 million; (ii) increase in other income and other gains for HK$0.9 million; and offset by (a) the increase in administrative expenses for HK$8.1 million; (b) increase in selling and distribution expenses for HK$2.5 million; and (c) increase in finance costs for HK$0.3 million.

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2018. The detail is disclosed in Note 11 of the announcement of annual result.

Liquidity and Financial Resources

As at 31 December 2018, the Group had total assets of approximately HK$166.1 million (2017: approximately HK$105.4 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$57.0 million (2017: approximately HK$66.8 million) and approximately HK$109.1 million (2017: approximately HK$38.6 million), respectively.

The total interest-bearing borrowings and bank overdraft of the Group as at 31 December 2018 were approximately HK$33.4 million (31 December 2017: approximately HK$31.7 million), and current ratio as at 31 December 2018 was approximately 2.4 times (31 December 2017: approximately 1.2 times) mainly due to the increase in cash and cash equivalents attributable to the unutilised proceeds received from the Listing.

The Group's gearing ratio, which is calculated by dividing total debt (total debts are defined to include payables incurred not in the ordinary course of business) by total equity as at the end of each of the financial year, dropped from approximately 89.6% as at 31 December 2017 to approximately 30.8% as at 31 December 2018, primarily due to the slightly decrease in the level of bank borrowings and the increase in total equity.

As at 31 December 2018 and 2017, the Group has unutilised banking facilities of approximately HK$37.2 million and HK$22.3 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 Hong Kong dollars.

Capital Structure

The Company's shares were successfully listed on GEM on 19 July 2018. There has been no change in the Company's capital structure since 19 July 2018 to 31 December 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 31 December 2018, the Company's issued share capital was HK$11,000,000 and the number of its issued ordinary shares was 110,000,000 of HK$0.01 each.

Pledge of Assets

As at 31 December 2018 and 2017, the Group had pledged certain assets including property, plant and equipment, prepaid lease payments, debts instruments at fair value through other comprehensive income, pledged bank deposits and corporate guarantee with carrying amounts of HK$22.3 million and HK$23.8 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 2018.

Foreign Currency Exposure

The majority transactions of expenditure 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 2018, 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 2018, the Group had capital commitments of approximately HK$6.5 million (2017: Nil) in respect of property, plant and equipment and land use right in Vietnam.

Contingent Liabilities

As at 31 December 2018, the Group did not have any contingent liabilities (2017: Nil).

Employees and Remuneration Policies

As at 31 December 2018, the Group employed approximately 830 (2017: approximately 760) staff (including executive Directors). We determine 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

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 2018.

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) the business rely 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 our 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 2018, 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 Listing Date to 31 December 2018 is set out below:

	Approximate amount of net proceeds	**Approximate actual utilised as at 31 December 2018**	**Unused amount of net proceeds as at 31 December 2018**
	HK$ million	*HK$ million*	*HK$ million*
Upgrade existing production facilities	6.2	–	6.2
Acquisition of new production facilities	18.1	10.2	7.9
Purchase of new machinery	9.2	0.8	8.4
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	20.1	24.4

Upgrade existing production facilities

The Group had planned to use approximately HK$6.2 million of the net proceeds for demolition works and renovation of existing production facilities during the year ended 31 December 2018. As at 31 December 2018, no proceeds are spent on demolition works and renovation of existing production facilities, the reasons for the delay were (i) more than expected secured orders received from customers and manpower of existing factory were concentrated in the production; and (ii) the Group entered into an agreement to acquire a new land for new production facility during the year ended 31 December 2018, the management of the Group needed more time to discuss with designer and constructor for both the renovation of existing production facilities and construction of new production facility together. Given that the Group is performing the tender for the construction of new production facilities, the Group currently expects the demolition works and renovation of existing production facilities together with construction of new production facilities will be scheduled in the second half of 2019.

Acquisition of new production facility

During the year ended 31 December 2018, in consideration of the competition for land supply in Amata Industrial Park and the impact of increasing demand of factory land in Vietnam resulting from the China-United States trade war, the Board considers that the new land with a larger gross floor area and with a higher purchase price than the Board's planned use of the net proceeds, will cater and is suitable for the Group's expansion plan and production scale. The Group entered into an agreement to acquire a new land situated at land plot no.51, Amata Industrial Park, Long Binh Ward, Dong Nai Province, Vietnam (official parcel number: 234 and map sheet number: 8) with a gross floor area of 19,000 sq.m. (the "**Land**") for new production facility amounting to approximately HK$16.2 million of which approximately HK$10.2 million paid by part of net proceeds allocated for acquisition of new premises, the rest of balance approximately HK$6.0 million financed by a mortgage loan in Vietnam. The Land is designated for industrial use. As at 31 December 2018, the Group paid 80% of the total consideration of the new land for new production facility in accordance with the agreement on transfer of property lease right, the reminding 20% of the total consideration is payable and financing by bank loan upon (i) completion of the notarisation of the formal agreement; (ii) the signing of a new property lease agreement between the purchaser and Amata Vietnam Group Limited for sub-leasing of the Land; (iii) the purchaser being granted a new certificate of land use right; and (iv) the delivery of vacant possession of the land to the purchaser on site. The payment method is consistent with that mentioned in the section headed "Major Terms of the Deposit Agreement — Manner of payment" of the Company's announcement of Discloseable Transaction dated 15 October 2018. The Group expects the completion of acquisition of factory land on 1st half 2019, and the completion of billing construction of new production facility within 2019.

Acquisition of new machinery

During the year ended 31 December 2018, the Group paid a deposit approximately HK$0.8 million for a new multi-wicking machinery for the expected increasing purchase orders from our customers in year of 2019. The Group expects the acquisition of rest of machinery in second half of 2019.

Installation of ERP systems

The Group had planned to use approximately HK$2.0 million of the installation of an ERP system. As at 31 December 2018, a total of approximately HK$0.1 million was spent on new computers and related hardware peripherals. The Group has planned to install ERP systems for production and warehouse management and customer relationship management but has not yet identified suitable systems. The Group is seeking various systems and expects the implementation of ERP during the second half of 2019.

Partial repayment of bank loans

During the year ended 31 December 2018, the Group repaid the balance of bank loans in Hong Kong and Vietnam 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 in Hong Kong.

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

There are no significant events affecting the Group after the year ended 31 December 2018 and up to the 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**"). Upon the date of listing of the Company and up to 31 December 2018, 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 throughout the period from 19 July 2018, on which dealings in the Shares first commenced on GEM, to 31 December 2018. No incident of non-compliance was noted by the Company during such period.

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 after listing and up to 31 December 2018.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2018 including critical accounting policies, estimation uncertainty and significant judgement adopted by the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT

The annual general meeting ("**AGM**") for the financial year 2018 of the Company will be held on Wednesday, 12 June 2019. A notice of the AGM together with the annual report for the year ended 31 December 2018 will be published on the Company's website at ***www.fleming-int.com*** and the GEM website at ***www.hkgem.com*** and despatched to the shareholders of the Company in due course.

As at the date of this announcement, the Directors are:

EXECUTIVE DIRECTORS
Mr. Wong Wai Chit
Mr. Wong Man Chit

NON-EXECUTIVE DIRECTOR
Ms. Wong Fong

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Chan Cheong Tat
Mr. Yu Pui Hang
Mr. Ho Chi Wai

Hong Kong, 21 March 2019

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.fleming-int.com.