Hyfusin Group Holdings Limited
凱富善集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8512)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

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

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

*This announcement, for which the directors (the "**Directors**") of Hyfusin Group Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company and its subsidiaries (together, the "**Group**"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2019, together with the comparative unaudited figures for the corresponding period in 2018 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Three months ended		**Six months ended**	
	Notes	**30.6.2019** *HK$'000* **(unaudited)**	30.6.2018 *HK$'000* (unaudited)	**30.6.2019** *HK$'000* **(unaudited)**	30.6.2018 *HK$'000* (unaudited)
Revenue					
Sales of goods	3	**48,327**	47,714	**99,679**	87,853
Total revenue		**48,327**	47,714	**99,679**	87,853
Cost of sales		**(35,889)**	(36,912)	**(73,923)**	(70,227)
Gross profit		**12,438**	10,802	**25,756**	17,626
Other income	4	**146**	255	**323**	285
Other gains	5	**126**	157	**216**	134
Selling and distribution expenses		**(4,154)**	(1,208)	**(8,338)**	(2,460)
Administrative expenses		**(9,016)**	(7,689)	**(18,234)**	(14,242)
Listing expenses		**–**	(242)	**–**	(965)
Finance costs	6	**(653)**	(504)	**(1,238)**	(952)
(Loss) profit before tax		**(1,113)**	1,571	**(1,515)**	(574)
Income tax expense	7	**(360)**	(448)	**(438)**	(428)
(Loss) profit for the period	8	**(1,473)**	1,123	**(1,953)**	(1,002)
Other comprehensive (expense) income					
Items that may be classified subsequently to profit or loss:					
Fair value loss on:					
Debt instruments measured at fair value through other comprehensive income		**(118)**	(40)	**(181)**	(148)
Other comprehensive (expense) income for the period		**(118)**	(40)	**(181)**	(148)
Total comprehensive (expense) income for the period		**(1,591)**	1,083	**(2,134)**	(1,150)

		Three months ended		Six months ended	
		30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss) profit for the period attribute to owners of the Company		**(1,473)**	1,123	**(1,953)**	(1,002)
Total comprehensive (expense) income for the period attributable to owners of the Company		**(1,591)**	1,083	**(2,134)**	(1,150)
(Loss) earnings per share, basic *(HK cents)*	10	**(0.13)**	0.14	**(0.18)**	(0.12)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30.6.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**16,774**	13,538
Prepaid lease payments		**–**	3,757
Prepayment for a land use right		**13,000**	13,000
Deposits for acquisition of property, plant and equipment		**–**	1,525
Financial assets at fair value through profit or loss		**17**	17
Debt instruments at fair value through other comprehensive income		**1,129**	1,682
Deferred tax assets		**359**	366
Right-of-use assets		**5,494**	–
Pledged bank deposits	14	**11,691**	8,875
		48,464	42,760
CURRENT ASSETS			
Inventories	12	**41,188**	32,349
Right-of-use assets		**2,738**	–
Financial assets at fair value through other comprehensive income		**372**	–
Trade and other receivables	13	**48,499**	35,767
Prepaid lease payments		**–**	137
Tax recoverable		**–**	134
Bank balances and cash	14	**37,188**	54,945
		129,985	123,332
CURRENT LIABILITIES			
Trade and other payables	15	**26,780**	22,940
Contract liabilities	16	**408**	204
Bank borrowings – due within one year	17	**33,629**	27,177
Obligations under finance leases		**–**	146
Lease liabilities		**2,764**	–
Tax payable		**297**	–
		63,878	50,467

	Notes	**30.6.2019**	31.12.2018
		HK$'000	*HK$'000*
		(unaudited)	(audited)
NET CURRENT ASSETS		**66,107**	72,865
TOTAL ASSETS LESS CURRENT LIABILITIES		**114,571**	115,625
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	17	**5,848**	6,206
Obligations under finance leases		**–**	139
Other non-current liabilities		**167**	168
Lease liabilities		**1,578**	–
		7,593	6,513
NET ASSETS		**106,978**	109,112
CAPITAL AND RESERVES			
Share capital	18	**11,000**	11,000
Reserves		**95,978**	98,112
TOTAL EQUITY		**106,978**	109,112

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company						
	Share capital *HK$'000*	Share premium *HK$'000*	Investment revaluation reserve *HK$'000*	Fair value through other comprehensive income ("FVTOCI") reserve *HK$'000*	Other reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 31 December 2017 (audited)	–	–	281	–	20,605	17,734	38,620
Reclassification from available-for-sale investments to financial assets at fair value through profit or loss	–	–	(281)	277	–	4	–
At 1 January 2018 (restated)	–	–	–	277	20,605	17,738	38,620
Loss for the period	–	–	–	–	–	(1,002)	(1,002)
Fair value loss on debt instruments through other comprehensive income	–	–	–	(148)	–	–	(148)
Loss and total comprehensive expense for the period	–	–	–	(148)	–	(1,002)	(1,150)
As at 30 June 2018 (unaudited)	–	–	–	129	20,605	16,736	37,470
At 1 January 2019 (audited)	**11,000**	**54,954**	**–**	**41**	**20,605**	**22,512**	**109,112**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(1,953)**	**(1,953)**
Fair value loss on debt instruments through other comprehensive income	**–**	**–**	**–**	**(181)**	**–**	**–**	**(181)**
Loss and total comprehensive expense for the period	**–**	**–**	**–**	**(181)**	**–**	**(1,953)**	**(2,134)**
As at 30 June 2019 (unaudited)	**11,000**	**54,954**	**–**	**(140)**	**20,605**	**20,559**	**106,978**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended	
	30.6.2019	30.6.2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(13,929)**	(8,992)
INVESTING ACTIVITIES		
Repayment from a director	**–**	3,716
Interest income on debt instruments at fair value through other comprehensive income	**29**	29
Interest income from banks	**253**	6
Purchase of property, plant and equipment	**(4,828)**	(1,225)
Advance to a director	**–**	(528)
Placement of pledged bank deposits	**(2,816)**	(6)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(7,362)**	1,992
FINANCING ACTIVITIES		
New bank borrowings raised	**54,480**	51,144
Repayment of bank borrowings	**(48,386)**	(43,705)
Issue costs paid	**–**	(839)
Interest paid	**(1,238)**	(952)
Repayment to directors	**–**	(238)
Repayment of obligations under finance leases	**–**	(70)
Repayment of lease liabilities	**(1,322)**	–
NET CASH FROM FINANCING ACTIVITIES	**3,534**	5,340
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(17,757)**	(1,660)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**54,945**	3,404
CASH AND CASH EQUIVALENTS AT 30 JUNE	**37,188**	1,744
Represented by:		
Bank balances and cash	**37,188**	6,707
Bank overdrafts	**–**	(4,963)
	37,188	1,744

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL AND BASIS OF PREPARATION

Hyfusin Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as amended, supplemented or otherwise modified from time to time) of the Cayman Islands on 5 July 2017. The shares of the Company (the "**Shares**") have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 July 2018 (the "**Listing**"). Its registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and principal place of business is located at Unit Nos. 4–8, 2/F, Aberdeen Marina Tower, 8 Shum Wan Road, Aberdeen, Hong Kong.

The Company is an investment holding company and its subsidiaries (the "**Group**") are principally engaged in manufacturing and sale of candle products. Its parent and ultimate holding company is AVW International Limited ("**AVW**"), a private company incorporated in the British Virgin Islands (the "**BVI**"). Its ultimate controlling shareholders are Mr. Wong Man Chit and Mr. Wong Wai Chit, 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.

The condensed consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) and the GEM Listing Rules.

The condensed consolidated financial statements of the Group have been prepared under the historical cost basis, except for certain financial instrument which have been measured at fair values.

2. PRINCIPAL ACCOUNTING POLICIES

Application of new and amendments to HKFRSs

The principal accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual report for the year ended 31 December 2018, except for the following new and amendments to HKFRSs issued by the HKICPA that are adopted for the first time for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**") and the related interpretations.

The Group has applied HKFRS 16 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2019. 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, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4. Determining whether an arrangement contains a lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK (IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elects the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition; and required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are presented as separate line item

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; and
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Summary of effects arising from initial application of HKFRS 16

The following tables summarise the impacts of applying HKFRS 16 on the Group's consolidated statement of financial position as at 30 June 2019 and its consolidated statement of profit or loss for the current interim period for each of the line items affected.

Impact on the condensed consolidated statement of profit or loss

	Six months ended 30.6.2019 ***HK$'000*** **(unaudited)**
Impact on loss for the period	
Increase in depreciation expense	**(1,221)**
Increase in finance costs	**(67)**
Decrease in administrative expense	**1,319**
Decrease in loss for the period	**31**
Impact on loss per share	
Decrease in loss per share, basic *(HK cents)*	**0.003**

Impact on the condensed consolidated statement of financial position

	31 December 2018	Impact on adoption of HKFRS 16	1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Property, plant and equipment	318	(318)	–
Prepaid lease payments	3,757	(3,757)	–
Right-of-use assets	–	6,935	6,935
Current Assets			
Prepaid lease payments	137	(137)	–
Right-of-use assets	–	2,658	2,658
Current Liabilities			
Obligations under finance leases	146	(146)	–
Lease liabilities	–	2,739	2,739
Non-current Liabilities			
Obligations under finance leases	139	(139)	–
Lease liabilities	–	2,927	2,927

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Three months ended		**Six months ended**	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sale of candle products				
Daily-use candles	**23,075**	16,880	**35,944**	31,965
Scented candles	**15,380**	26,379	**45,625**	44,180
Decorative candles	**4,107**	2,512	**6,378**	6,021
Others (included diffusers)	**5,765**	1,943	**11,732**	5,687
Total	**48,327**	47,714	**99,679**	87,853
Timing of revenue recognition				
At a point in time	**48,327**	47,714	**99,679**	87,853

The Group's market were department stores and buying agents headquartered in United States of America and United Kingdom.

The contracts for sales of goods to external customers are short-term and the contract prices are fixed and agreed with the customers.

(ii) Performance obligations for contracts with customers

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

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

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

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

Segment Information

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

Geographical Information

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

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

Revenue from external customers

	Three months ended		**Six months ended**	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Geographical markets				
United States of America	**39,212**	35,742	**84,392**	60,864
United Kingdom	**4,391**	5,064	**8,180**	13,724
Others	**4,724**	6,908	**7,107**	13,265
Total	**48,327**	47,714	**99,679**	87,853

The information about the Group's non-current assets (exclude financial assets and deferred tax assets) by geographical locations of the assets are details below:

Non-current assets

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Hong Kong	**500**	595
Vietnam	**33,208**	29,700
	33,708	30,295

4. OTHER INCOME

	Three months ended		**Six months ended**	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest income from debt instruments at FVTOCI	**29**	29	**29**	29
Interest income from banks	**92**	4	**253**	6
Sample income	**–**	61	**–**	66
Sundry income	**25**	161	**41**	184
	146	255	**323**	285

5. OTHER GAINS

	Three months ended		**Six months ended**	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Exchange gain, net	**126**	157	**216**	135
Fair value loss on financial assets at FVTPL	**–**	–	**–**	(1)
	126	157	**216**	134

6. FINANCE COSTS

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest on bank borrowings	**615**	500	**1,167**	945
Interest on obligations under finance leases	**–**	4	**–**	7
Interest expenses on lease liabilities	**38**	–	**71**	–
	653	504	**1,238**	952

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax:				
Hong Kong profits tax	**–**	–	**–**	–
Vietnam corporate income tax	**431**	408	**431**	408
	431	408	**431**	408
Deferred taxation:				
Current period	**(71)**	40	**7**	20
	360	448	**438**	428

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%.

For the subsidiary incorporated in Vietnam, the statutory corporate tax rates are 20% for the six months ended 30 June 2019 and 2018.

8. (LOSS) PROFIT FOR THE PERIOD

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss) profit for the period has been arrived at after charging:				
Directors' remuneration	**1,334**	1,846	**2,668**	2,170
Other staff costs:				
– salaries and allowances	**8,877**	7,579	**17,784**	15,212
– discretionary bonus	**200**	288	**634**	506
– retirement benefits scheme contributions, excluding Directors	**689**	611	**1,391**	1,226
Total staff costs	**11,100**	10,324	**22,477**	19,114
Less: capitalized in inventories	**(5,860)**	(5,442)	**(11,272)**	(9,518)
	5,240	4,882	**11,205**	9,596
Auditor's remuneration	**525**	594	**586**	673
Depreciation of property, plant and equipment:				
– owned assets	**650**	537	**1,272**	1,129
– assets held under finance lease contracts	**–**	35	**–**	70
Total depreciation	**650**	572	**1,272**	1,199
Less: capitalized in inventories	**(479)**	(378)	**(930)**	(813)
	171	194	**342**	386
Cost of inventories recognized as expense	**35,889**	36,912	**73,923**	70,227
Amortization of prepaid lease payments	**–**	34	**–**	69
(Reversal of allowance) allowance of inventories (included in cost of sales)	**44**	–	**(25)**	137
Donations	**–**	–	**11**	–
Depreciation of right-of-use assets	**731**	–	**1,361**	–

9. DIVIDENDS

No dividends were paid, declared or proposed for the six months ended 30 June 2019 and 2018.

10. (LOSS) EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss) earnings				
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(1,473)**	1,123	**(1,953)**	(1,002)

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	**30.6.2019**	30.6.2018
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,100,000,000**	825,000,000	**1,100,000,000**	825,000,000

The weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been adjusted, respectively for the effect of (i) the group reorganization and the capitalization issue of 824,999,800 Shares that are deemed to have become effective since 1 January 2017; and (ii) issue of 275,000,000 Shares pursuant to the Share Offer (as defined in the prospectus of the Company dated 29 June 2018 (the "**Prospectus**")) on 19 July 2018.

No diluted (loss) earnings per share for the both periods was presented as there were no potential ordinary shares in issue during both periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment amounting to HK$4,827,000 (for the six months ended 30 June 2018: HK$1,225,000) for the purpose of the Group's operation.

As of 1 January 2019, the Group's property, plant and equipment included motor vehicles held under lease are reclassified to right-of-use assets with carrying amount of HK$318,000.

12. INVENTORIES

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Raw materials	**22,316**	17,368
Work in progress	**3,280**	3,240
Finished goods	**9,677**	8,711
Goods in transit	**6,946**	4,081
	42,219	33,400
Less: Allowance for inventories	**(1,031)**	(1,051)
	41,188	32,349

13. TRADE AND OTHER RECEIVABLES

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

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximated the revenue recognition date, net of allowance for doubtful debts:

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables:		
0–30 days	**19,214**	10,816
31–60 days	**5,710**	12,414
61–90 days	**4,322**	5,638
91–180 days	**14,370**	4,263
Trade receivables	**43,616**	33,131
Deposits and prepayments	**4,850**	2,636
Other receivables	**33**	–
Total	**48,499**	35,767

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the judgement of the management of the Group, the exposure to credit risk and expected credit loss for trade receivables which are assessed collectively based on provision matrix is negligible at 30 June 2019.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. No additional credit loss allowance is recognized on these debtors for the current interim period.

14. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits of the Group are pledged to banks for securing bank borrowings (Note 17). The bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

15. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables:		
1–30 days	**9,717**	8,779
31–60 days	**5,721**	2,596
61–90 days	**1,830**	2,950
91–180 days	**570**	810
	17,838	15,135
Other payables	**3,494**	2,178
Accrued expenses	**5,448**	5,627
	26,780	22,940

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

16. CONTRACT LIABILITIES

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

17. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to HK$54,480,000 (31 December 2018: HK$51,144,000). The bank loans carry interest at variable market rates of 4.5% to 9.6% per annum. The proceeds were used to finance the daily operation of the Group.

18. SHARE CAPITAL

THE COMPANY

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised		
At 31 December 2018 and 30 June 2019	5,000,000,000	50,000
Issued and fully paid		
At 31 December 2018 and 30 June 2019	1,100,000,000	11,000

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personal are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Directors.

Key management personnel remuneration was as follow:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Salaries, allowance and bonus	**2,645**	2,152
Retirement benefits	**23**	18
	2,668	2,170

20. FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value as at				
	30 June 2019	**31 December 2018**	**Fair value hierarchy**	**Valuation technique and key inputs**	**Significant unobservable inputs and relationship of unobservable inputs to fair value**
Financial assets at fair value through profit or loss	Listed equity securities in Hong Kong: HK$17,000	Listed equity securities in Hong Kong: HK$17,000	Level 1	Quoted price in active market.	N/A
Debt instruments at fair value through other comprehensive income	Unlisted bonds investments in Hong Kong: HK$1,501,000	Unlisted bonds investments in Hong Kong: HK$1,682,000	Level 3	Based on the reference prices of respective unlisted bonds provided by financial institution which is determined by using discounted cash flow with discount rate reflecting the credit risk of the issuers.	A slight increase in discount rate used would result in significant decrease in fair value measurement to the unlisted bonds investments and vice versa.

Note: There were no transfers between level 1, level 2 and level 3 during the six months ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

The analysis of product segment of the Group for the six months ended 30 June 2019 is set out in Note 3 to the condensed consolidated financial statements, where scented candles is still the most selling product of the Group during the period, the sales of scented candles has increased by approximately HK$1.4 million or 3.3% as compared with the same period in 2018 that reflects the trend of preference for candle products with scent and coloured additives is increasing recently in the U.S. market. Meanwhile, the demand of diffusers is increasing during the period, the sale of others product that mainly constituted by diffusers, has increased by approximately HK$6.1 million or 106.3% as compared with the same period in 2018.

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 the 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 the competitors of the Group 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 of 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.

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

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2019 amounted to approximately HK$99.7 million, representing an increase of approximately HK$11.8 million or 13.4% as compared with that of approximately HK$87.9 million for the same period in 2018. There were deferred sales of goods of approximately HK$11.0 million to third quarter of 2019 that originally scheduled the shipment in the second quarter of 2019.

The increase was mainly due to the increase in sales of daily-use candles for approximately HK$4.0 million and others products (include diffusers) for approximately HK$6.1 million for the six months ended 30 June 2019.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2019 amounted to approximately HK$25.8 million, representing an increase of approximately HK$8.2 million or 46.6% as compared with that of approximately HK$17.6 million for the same period in 2018.

The gross profit margin increased to approximately 25.9% for the six months ended 30 June 2019 as compared with that of 20.1% for the same period in 2018. The increase was mainly due to the increase in sales of scented candles as well as the increase in gross profit margin of scented candles from 20.9% for the six months ended 30 June 2018 to 29.4% for the six months ended 30 June 2019.

Other income and other gains

Other income for the six months ended 30 June 2019 were approximately HK$323,000, representing an increase of approximately HK$38,000 or 13.3% as compared with that of approximately HK$285,000 for the same period in 2018. The increase was mainly due to the increase in bank interest income from short term deposits.

Other gains for the six months ended 30 June 2019 were approximately HK$216,000, representing an increase of approximately HK$82,000 or 61.2% as compared with that of approximately HK$134,000 for the same period in 2018. The increase was mainly due to the exchange gain generated from inter-bank fund transfer.

Selling and distribution expenses

Selling and distribution expenses for the six months ended 30 June 2019 amounted to approximately HK$8.3 million, representing an increase of approximately HK$5.8 million or 232.0% as compared with that of approximately HK$2.5 million for the same period in 2018.

The increase was mainly due to (i) increase in transportation and declarations expenses of approximately HK$235,000 which was in line with the increase in sales; and (ii) increase in marketing and promotion cost of approximately HK$5.0 million which include the commission to sales representatives for introducing new orders from customers in U.S. for approximately HK$1.5 million and the consultation service fee of approximately HK$3.0 million in relation to U.S. market consultation which is beneficial to the business growth of the Group.

Administrative expenses

Administrative expenses for the six months ended 30 June 2019 amounted to approximately HK$18.2 million, representing an increase of approximately HK$4.0 million or 28.2% as compared with that of approximately HK$14.2 million for the same period in 2018.

The increase was mainly due to the increase in salaries and allowance of approximately HK$1.7 million caused by increase in number of administrative and finance personnel; and increase in professional fee including audit fee, compliance advisory fee, insurance fee, legal advisory fee and printing fee of approximately HK$1.5 million.

Finance costs

Finance costs for the six months ended 30 June 2019 amounted to approximately HK$1.2 million, representing an increase of approximately HK$248,000 or 26.1% as compared with that of approximately HK$952,000 for the same period in 2018.

The increase was mainly due to the increase in using bank borrowings to cope with revenue growth and the interest expenses on lease liabilities.

Listing expenses

During the six months ended 30 June 2018, the Group recognized non-recurring listing expenses of approximately HK$965,000 in connection with the Listing on GEM.

Loss for the period

The Group incurred net loss of approximately HK$1.9 million for the six months ended 30 June 2019, representing an increase of approximately HK$0.9 million or 90.0% as compared with the net loss of approximately HK$1.0 million for the same period in 2018.

The Group's net loss after excluding non-recurring listing expenses would be approximately HK$1.9 million, representing an increase of loss of approximately HK$1.8 million or 4,864.9% as compared with that of approximately HK$37,000 for the same period in 2018. Such increase was the combined effect of (i) increase in gross profit of approximately HK$8.2 million; and (ii) increase in other income and other gains for HK$0.1 million; and offset by (a) the increase in administrative expenses for HK$4.0 million; (b) increase in selling and distribution expenses for HK$5.8 million; and (c) increase in finance costs for HK$0.3 million.

Liquidity and Financial Resources

As at 30 June 2019 and 31 December 2018, the Group had cash and cash equivalents of approximately HK$37.1 million and HK$54.9 million respectively.

As at 30 June 2019 and 31 December 2018, the Group had unutilised banking facilities of approximately HK$44.3 million and HK$37.2 million respectively.

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

The gearing ratio, which is calculated by dividing total debt by total equity, the total debts are defined to include payables incurred not in the ordinary course of business, was 36.9% as at 30 June 2019 (31 December 2018: 30.8%).

Treasury Policy

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

Capital Structure

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

As at 30 June 2019, the Company's issued share capital was HK$11,000,000 and the number of its issued ordinary shares was 1,100,000,000 of HK$0.01 each.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus and this announcement, the Group did not have any plans for material investments or capital assets as of 30 June 2019.

Pledge of Assets

As at 30 June 2019 and 31 December 2018, the Group had pledged certain assets with carrying amounts of HK$23.9 million and HK$22.3 million respectively to secure the Group's bank loans.

Foreign Currency Exposure

The majority transactions of the Group are denominated in foreign currencies which are different from the functional currency of the Group, i.e. US dollar. The Group is mainly exposed to foreign exchange risk arising from transactions that are denominated in Hong Kong dollar and Vietnamese dong. During the six months ended 30 June 2019, the Group did not have any hedging arrangements. The Group currently does not have a foreign currency hedging policy. However, the management of the Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should the need arises. The management of the Group considers the exposure to the foreign exchange risk fluctuation for the Group is not material.

Capital Commitments

As at 30 June 2019, the Group had capital commitments of approximately HK$3.2 million (30 June 2018: Nil) in respect of the land use right in Vietnam.

Contingent Liabilities

As at 30 June 2019, the Group did not have any contingent liabilities (30 June 2018: Nil).

Employees and Remuneration Policies

As at 30 June 2019, the Group employed approximately 1,200 (30 June 2018: approximately 1,000) 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

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 six months ended 30 June 2019.

EVENT AFTER THE END OF REPORTING PERIOD

There are no significant events affecting the Group after the reporting period and up to date of this announcement.

DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2019.

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 30 June 2019, as compared to that envisaged in the Prospectus.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the period from the date of Listing (i.e. 19 July 2018) to 30 June 2019 is set out below:

	Approximate amount of net proceeds	Approximate actual utilised as at 30 June 2019	Unused amount of net proceeds as at 30 June 2019
	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	2.3	6.9
Installation of ERP systems	2.0	0.1	1.9
Partial repayment of bank loans	6.9	6.9	–
General working capital	2.1	2.1	–
	44.5	21.6	22.9

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 six months ended 30 June 2019. As at 30 June 2019, 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 2020.

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 30 June 2019, 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 remaining 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. For details of the above acquisition, please refer to the Company's announcement dated 15 October 2018. The Group expects the completion of acquisition of factory land in the second half of 2019, and the completion of building construction of new production facility within 2020.

Acquisition of new machinery

During the six months ended 30 June 2019, the Group paid a deposit of approximately HK$1.5 million for the balance of machineries for the expected increasing purchase orders from its customers in the year of 2019. The Group expects the acquisition of rest of machinery in 2020.

Installation of ERP systems

During the six months ended 30 June 2019, the Group had planned to use approximately HK$2.0 million of the installation of an ERP system. As at 30 June 2019, 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 year of 2020.

Partial repayment of bank loans

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the "**Required Standard of 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 six months ended 30 June 2019. No incident of non-compliance was noted by the Company for the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after Listing and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieve high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "**CG Code**"). During the six months ended 30 June 2019, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Chan Cheong Tat. The other members are Mr. Yu Pui Hang and Mr. Ho Chi Wai. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process, the internal control systems of the Group and the monitoring of continuing connected transactions. All members of the Audit Committee are appointed by the Board.

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2019 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

REVIEW OF THIS ANNOUNCEMENT

This announcement for the six months ended 30 June 2019 has not been audited, but has been reviewed by the Audit Committee.

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

EXECUTIVE DIRECTORS
Mr. Wong Wai Chit *(Chairman)*
Mr. Wong Man Chit *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTOR
Ms. Wong Fong

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

Hong Kong, 8 August 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.