

2022
FIRST QUARTERLY REPORT



**GRAND
OPENING
FACTORY 2**

3rd March, 2022 Dong Nai

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

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*This report, 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 report 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 report misleading.*



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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	Notes	Three months ended	
		31.3.2022 HK\$'000 (unaudited)	31.3.2021 HK\$'000 (unaudited)
Revenue	3	155,282	139,533
Cost of sales		(111,223)	(91,991)
Gross profit		44,059	47,542
Other income	4	348	220
Other losses	5	(1,032)	(773)
Selling and distribution expenses		(6,502)	(7,388)
Administrative expenses		(13,713)	(16,704)
Finance costs	6	(1,274)	(1,168)
Profit before income tax expense	8	21,886	21,729
Income tax expense	7	(3,869)	(3,694)
Profit for the period attributable to the owners of the Company		18,017	18,035
Other comprehensive expense for the period <i>Item that may be reclassified subsequently to profit or loss:</i>			
Fair value loss on debt instruments measured at fair value through other comprehensive income		(100)	(23)
		(100)	(23)
Total comprehensive income for the period attributable to the owners of the Company		17,917	18,012
Earnings per share			
Basic and diluted (HK cents)	11	1.64	1.64

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the three months ended 31 March 2022*

	Attributable to owners of the Company					
	Share capital	Share premium	Fair value through other comprehensive income reserve	Other reserves	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	11,000	54,954	44	20,605	137,657	224,260
Profit for the period	-	-	-	-	18,035	18,035
Fair value loss on debt instruments through other comprehensive income	-	-	(23)	-	-	(23)
Profit and total comprehensive (expense) income for the period	-	-	(23)	-	18,035	18,012
As at 31 March 2021 (unaudited)	11,000	54,954	21	20,605	155,692	242,272
At 1 January 2022 (audited)	11,000	54,954	30	20,605	243,868	330,457
Profit for the period	-	-	-	-	18,017	18,017
Fair value loss on debt instruments through other comprehensive income	-	-	(100)	-	-	(100)
Profit and total comprehensive (expense) income for the period	-	-	(100)	-	18,017	17,917
As at 31 March 2022 (unaudited)	11,000	54,954	(70)	20,605	261,885	348,374

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2022

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 Act of the Cayman Islands on 5 July 2017. The shares of the Company (the “**Shares**”) have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 July 2018 (the “**Listing**”). Its registered office is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and principal place of business is located at Unit Nos. 4–8, 2/F, Aberdeen Marina Tower, 8 Shum Wan Road, Aberdeen, Hong Kong.

The Company is an investment holding company and its subsidiaries (the “**Group**”) are principally engaged in manufacturing and sale of candle products. Its parent and ultimate holding company is AVW International Limited (“**AVW**”), a private company incorporated in the British Virgin Islands (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 dollars (“**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 (“**HKFRS**”) 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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. PRINCIPAL ACCOUNTING POLICIES

Application of new and amendments to HKFRSs

The principal accounting policies used in the condensed consolidated financial statements for the three months ended 31 March 2022 are the same as those followed in the preparation of the Group's annual report for the year ended 31 December 2021, except for the following new and amendments to HKFRSs issued by the HKICPA that are adopted for the first time for the current accounting period of the Group:

Amendments to HKFRS 3	Reference to Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the new and amendments to HKFRSs has no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 17	Insurance Contracts and the related Amendments 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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of initial application. So far the Directors concluded that the adoption of the new HKFRSs will have no material impact on the amounts reported in the Group's condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregated revenue information

	Three months ended	
	31.3.2022 HK\$'000 (unaudited)	31.3.2021 HK\$'000 (unaudited)
Sale of candle products		
Daily-use candles	14,108	30,708
Scented candles	118,206	91,936
Decorative candles	1,586	241
Others (including Diffusers)	21,382	16,648
Total	155,282	139,533
Timing of revenue recognition		
A point in time	155,282	139,533

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

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

(ii) Performance obligations

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 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	
	31.3.2022 HK\$’000 (unaudited)	31.3.2021 HK\$’000 (unaudited)
United States of America	124,730	132,085
United Kingdom	29,264	4,959
Others	1,288	2,489
Total	155,282	139,533

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)

4. OTHER INCOME

	Three months ended	
	31.3.2022 HK\$'000 (unaudited)	31.3.2021 HK\$'000 (unaudited)
Bank interest income	4	3
Sundry income	53	16
Others	291	201
	348	220

5. OTHER LOSSES

	Three months ended	
	31.3.2022 HK\$'000 (unaudited)	31.3.2021 HK\$'000 (unaudited)
Net foreign exchange gains/(losses)	45	(124)
Impairment loss on trade receivables	(1,077)	(649)
	(1,032)	(773)

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

6. FINANCE COSTS

	Three months ended	
	31.3.2022 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (unaudited)
Interest on bank borrowings	1,235	1,121
Interest on lease liabilities	39	47
	1,274	1,168

7. INCOME TAX EXPENSE

	Three months ended	
	31.3.2022 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (unaudited)
Current tax:		
– Hong Kong Profits Tax	3,500	3,138
– Vietnam Corporate Income Tax	53	627
	3,553	3,765
Deferred taxation:		
Current period	316	(71)
	3,869	3,694

Under the two-tier profits tax regime, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for Fleming International Limited, the subsidiary of the Company incorporated in Hong Kong, for the three months ended 31 March 2022 and 2021.

For Fleming International Vietnam Limited, the subsidiary of the Company incorporated in Vietnam, the statutory corporate tax rates are 20% for the three months ended 31 March 2022 and 2021.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

8. PROFIT BEFORE INCOME TAX EXPENSE

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

	Three months ended	
	31.3.2022 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (unaudited)
Auditor's remuneration	250	225
Cost of inventories recognised as an expense (Reversal of allowance)/allowance of inventories (included in cost of sales)	111,223 (492)	91,991 231
Donations	28	28
Depreciation of right-of-use assets	904	910
Less: capitalised in inventories	(187)	(187)
	717	723
Depreciation of property, plant and equipment	1,658	773
Less: capitalised in inventories	(1,157)	(569)
	501	204
Employee benefit expenses (excluding directors' remuneration):		
– Salaries and allowances	13,624	14,569
– Discretionary bonus	1,154	1,064
– Retirement benefit scheme contribution	2,582	2,621
Total employee benefit expenses	17,360	18,254
Less: capitalised in inventories	(10,867)	(12,486)
	6,493	5,768

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)**

9. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the three months ended 31 March 2022 and 2021, disclosed pursuant to the applicable GEM Listing Rules and Hong Kong Companies Ordinance (Cap. 622), is as follows:

	Three months ended	
	31.3.2022 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (unaudited)
Fees	114	180
Salaries and other allowances	1,800	1,800
Retirement benefits scheme contributions	9	11
Other benefits	483	731
Discretionary bonus	–	5,000
Total	2,406	7,722

10. DIVIDENDS

No dividends were paid, declared or proposed for the three months ended 31 March 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. EARNINGS PER SHARE

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

	Three months ended	
	31.3.2022 HK\$'000 (unaudited)	31.3.2021 HK\$'000 (unaudited)
Earnings		
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	18,017	18,035

	Three months ended	
	31.3.2022 (unaudited)	31.3.2021 (unaudited)
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,100,000,000	1,100,000,000

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



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

The Group targets in mid-to-high end candle products in overseas markets in different countries and regions, mainly in U.S. and U.K. markets. The candle market has an increasing preference over candle products which are scented and with colour additives. With the preference for candle products with scent and coloured additives for use in rooms and households, increasing demand for scented candle products has provided the impetus for the whole market. We are welcomed and favoured by consumers, and are therefore confident about the future business development of the Group.

The analysis of product segment of the Group for the three months ended 31 March 2022 is set out in Note 3 to the condensed consolidated financial statements. The scented candles remains the best selling product of the Group during the three months ended 31 March 2022, which the sales of scented candles increased by approximately HK\$26.3 million or 28.6% as compared with the same period in 2021. It reflects the trend of preference for candle products with scent and coloured additives is increasing in the U.S. market.

In order to catch up the rapid growth of candle products especially in the U.S. market, the Group entered into the contracts with sales representatives for the sales incentive to sales representatives for the orders from customers introduced by them since 2018. The management of the Group gladly cooperates with sales representatives and expects the potential orders introduced by sales representatives in future.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2021, the Group was continuously awarded as one of the winners of “Business Partner Award Winner for Differentiate Owned Brands” from our major customer since 2020, as we helped our customer to evolve their category of candle products and increase their sales in candle products. The Group consistently offers compelling designs, competitive price while ensuring product quality, responsible sourcing, sustainability, and a commitment to business partners.

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

Since early 2020, the novel coronavirus (“**COVID-19**”) pandemic spread worldwide and caused significant threats to the global health and economy.

The outbreak of the COVID-19 has brought about additional uncertainties in the Group’s operating environment and may affect the Group’s operations and financial position.

Fortunately, the main businesses of the Group located in Vietnam and Hong Kong had not been affected, mainly attributable to (i) the effective management in stable supply of raw materials for production; and (ii) the Group’s enhanced protection against the COVID-19 to ensure the production.

The Group has been closely monitoring the impact from the COVID-19 on the Group’s businesses to ensure the safety of employees and stable operations. Based on the information currently available, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group up to the date of this report. However, the actual impacts may differ from these estimates as the situation continues evolving and is subject to further information becomes available.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

Revenue for the three months ended 31 March 2022 amounted to approximately HK\$155.3 million, representing an increase of approximately HK\$15.8 million or 11.3% as compared with that of approximately HK\$139.5 million for the same period in 2021.

The increase in revenue was principally due to the increase in sales of scented candles and other candle products for approximately HK\$26.3 million and HK\$4.7 million, respectively, which were partially offset by the decrease in sales of daily-use candles for approximately HK\$16.6 million for the three months ended 31 March 2022.

Gross profit and gross profit margin

Gross profit for the three months ended 31 March 2022 amounted to approximately HK\$44.1 million, representing a decrease of approximately HK\$3.4 million or 7.2% as compared with that of approximately HK\$47.5 million for the same period in 2021.

The gross profit margin decreased to approximately 28.4% for the three months ended 31 March 2022 as compared with that of 34.1% for the same period in 2021. The decrease in gross profit margin was mainly due to the increase in the unit price of the raw materials especially the wax and containers for the three months ended 31 March 2022.

Other losses

Other losses for the three months ended 31 March 2022 amounted to approximately HK\$1.0 million, representing an increase of approximately HK\$227,000 or 29.4% as compared with that of approximately HK\$773,000 for the same period in 2021. The increase was mainly due to the increase in allowance of trade receivables for approximately HK\$427,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling and distribution expenses

Selling and distribution expenses for the three months ended 31 March 2022 amounted to approximately HK\$6.5 million, representing a decrease of approximately HK\$0.9 million or 12.2% as compared with that of approximately HK\$7.4 million for the same period in 2021. The decrease was mainly due to the marketing and promotion expenses reduced for approximately HK\$0.4 million.

Administrative expenses

Administrative expenses for the three months ended 31 March 2022 amounted to approximately HK\$13.7 million, representing a decrease of approximately HK\$3.0 million or 18.0% as compared with that of approximately HK\$16.7 million for the same period in 2021. The decrease in administrative expenses was mainly due to the decrease in salary and allowance of approximately HK\$4.7 million and net off by the increase in office expenses and legal and professional expenses of approximately HK\$740,000 and HK\$392,000 respectively.

Finance costs

Finance costs for the three months ended 31 March 2022 amounted to approximately HK\$1.3 million, representing an increase of approximately HK\$0.1 million or 8.3% as compared to that of approximately HK\$1.2 million for the same period in 2021. The increase was mainly due to the increase in using bank borrowings to cope with revenue growth.

Profit for the period

The Group's net profit for the three months ended 31 March 2022 remained stable at approximately HK\$18.0 million as compared with the same period in 2021, which was principally due to the combined effect of decrease in gross profit of approximately HK\$3.4 million and decrease in administrative expenses of approximately HK\$3.0 million.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

Save as disclosed above, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the three months ended 31 March 2022.

EVENT AFTER THE END OF REPORTING PERIOD

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

DIVIDEND

The board of Directors (the "Board") does not declare the payment of an interim dividend for the three months ended 31 March 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2022, the interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") held by the Directors and chief executives of the Company (the "Chief Executives") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long position in ordinary Shares

Name of Directors	Nature of interests	Number of Shares held	Approximate % of the total number of Shares in issue
Mr. Wong Wai Chit <i>(Notes 1 & 2)</i>	Interest in controlled corporation	643,500,000	58.5%
Mr. Wong Man Chit <i>(Notes 1 & 3)</i>	Interest in controlled corporation	643,500,000	58.5%

Notes:

- These 643,500,000 Shares are held by AVW International Limited ("AVW"), which is beneficially owned as to 50% by Mr. Wong Wai Chit and 50% by Mr. Wong Man Chit. Each of Mr. Wong Wai Chit and Mr. Wong Man Chit is deemed to be interested in the same number of Shares in which AVW is interested under the SFO.
- Ms. long Man Lai is the spouse of Mr. Wong Wai Chit. Ms. long Man Lai is deemed to be interested in the same number of Shares in which Mr. Wong Wai Chit is interested by virtue of the SFO.
- Ms. Tse Sheung is the spouse of Mr. Wong Man Chit. Ms. Tse Sheung is deemed to be interested in the same number of Shares in which Mr. Wong Man Chit is interested by virtue of the SFO.



CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 31 March 2022, none of the Directors or Chief Executives had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEME" in this report, at no time during the three months ended 31 March 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors nor their respective close associates had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the three months ended 31 March 2022.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SHARES AND UNDERLYING SHARES

So far as the Directors and the Chief Executives are aware, as at 31 March 2022, other than the Directors and the Chief Executives, the following persons will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Long position in ordinary Shares

Name of Shareholders	Nature of interest	Number of Shares held	Approximate % of the total number of Shares in issue
AVW ^(Note 1)	Beneficial owner	643,500,000	58.5%
Vibes Enterprises Company Limited ^(Note 2)	Beneficial owner	181,500,000	16.5%
Vibes Management Company Limited ^(Note 2)	Interest in controlled corporation	181,500,000	16.5%
Pioneer Unicorn Limited ^(Note 2)	Interest in controlled corporation	181,500,000	16.5%
Ms. Li Yin Ping ^(Note 2)	Interest in controlled corporation	181,500,000	16.5%
Ms. Zheng Xiaochun ^(Note 2)	Interest in controlled corporation	181,500,000	16.5%
Mr. Guan Le ^(Notes 2 & 3)	Interest of spouse	181,500,000	16.5%
Mr. Chan Sheung Chi ^(Notes 2 & 6)	Interest of spouse	181,500,000	16.5%
Ms. long Man Lai ^(Notes 1 & 4)	Interest of spouse	643,500,000	58.5%
Ms. Tse Sheung ^(Notes 1 & 5)	Interest of spouse	643,500,000	58.5%

Notes:

1. AVW is beneficially owned as to 50% by Mr. Wong Wai Chit and 50% by Mr. Wong Man Chit, executive directors of the Company. Each of Mr. Wong Wai Chit and Mr. Wong Man Chit is deemed to be interested in the same number of Shares in which AVW is interested under the SFO.
2. Vibes Enterprises Company Limited (“**Vibes Enterprises**”) is wholly owned by Vibes Management Company Limited (“**Vibes Management**”). Vibes Management Company Limited is wholly owned by Pioneer Unicorn Limited (“**Pioneer Unicorn**”), which is owned as to 50% by Ms. Li Yin Ping and 50% by Ms. Zheng Xiaochun. As such, Ms. Li Yin Ping and Ms. Zheng Xiaochun together indirectly control all the Shares held by Vibes Enterprises. Under the SFO, each of Vibes Management, Pioneer Unicorn, Ms. Li Yin Ping and Ms. Zheng Xiaochun is deemed to be interested in the same number of Shares in which Vibes Enterprises is interested.
3. Mr. Guan Le is the spouse of Ms. Zheng Xiaochun. Mr. Guan Le is deemed to be interested in the same number of Shares in which Ms. Zheng Xiaochun is interested by virtue of the SFO.
4. Ms. long Man Lai is the spouse of Mr. Wong Wai Chit. Ms. long Man Lai is deemed to be interested in the same number of Shares in which Mr. Wong Wai Chit is interested by virtue of the SFO.
5. Ms. Tse Sheung is the spouse of Mr. Wong Man Chit. Ms. Tse Sheung is deemed to be interested in the same number of Shares in which Mr. Wong Man Chit is interested by virtue of the SFO.
6. Mr. Chan Sheung Chi is the spouse of Ms. Li Yin Ping. Mr. Chan Sheung Chi is deemed to be interested in the same number of Shares in which Ms. Li Yin Ping is interested by virtue of the SFO.



CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 31 March 2022, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

SHARE OPTION SCHEME

The Company adopted the share option scheme (the “**Share Option Scheme**”) on 23 June 2018 for the purpose to provide the Company with a flexible means of giving incentive and reward to employee, advisor, customer, service provider, agent, customer, partner or joint-venture partner of the Group (including a director of the Group) (the “**Eligible Participants**”) for incentive or reward for their contribution to the Group.

Under the Share Option Scheme, the Board may make an offer to the Eligible Participants. The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not exceed 30% of the total number of Shares in issue from time to time.

Unless approved by the shareholders of the Company at the general meeting, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Group to each Eligible Participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant of the options must not exceed 1% of the Shares in issue.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not exceed 110,000,000, representing 10% of the total number of Shares in issue on the date of Listing and the date of this report unless the Company seeks the approval of the shareholders of the Company in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group will not be counted for the purpose of calculating 10% limit.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Details of the principal terms of the Share Option Scheme are set out in paragraph headed “Share Option Scheme” in section headed “Statutory and General Information” in Appendix V to the prospectus of the Company dated 29 June 2018. The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 23 June 2018 and remains in force until 23 June 2028. The Company may, by ordinary resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The exercise price per Share for each option granted shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

- (1) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the offer date of the option which must be a trading day;
- (2) the average of the closing prices of the Shares as shown in the daily quotations sheets issued by the Stock Exchange for the five consecutive business days immediately preceding the offer date of the option; and
- (3) the nominal value of the Shares on the offer date of the option.

Upon acceptance of the options, the Eligible Participant shall pay HK\$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter (which shall not be later than 21 days from, and inclusive of, the date of offer) issued by the Company. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years commencing on the date of grant and expiring on the last day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme.



CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

COMPETING INTERESTS

For the three months ended 31 March 2022, none of the Directors, the substantial shareholders or controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE ADVISER'S INTERESTS

As at the date of this report, save and except for the participation of TC Capital International Limited (“**TC Capital**”) as the sponsor in relation to the Listing and acting as the compliance adviser of the Company, neither TC Capital nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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 three months ended 31 March 2022. No incident of non-compliance was noted by the Company for the three months ended 31 March 2022.

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 during the reporting period and up to the date of this report.

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 three months ended 31 March 2022, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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 D.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. Chu Kin Wang, Peleus 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 three months ended 31 March 2022 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

EXECUTIVE DIRECTORS

Mr. Wong Wai Chit (*Chairman*)

Mr. Wong Man Chit (*Chief Executive Officer*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Cheong Tat

Mr. Ho Chi Wai

Mr. Chu Kin Wang, Peleus

Hong Kong, 6 May 2022