

Hyfusin Group Holdings Limited

凱富善集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8512)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

The board of Directors (the “**Board**”) of the Company is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2024 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	<i>Notes</i>	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Revenue	3	909,449	866,251
Cost of sales		<u>(557,548)</u>	<u>(530,710)</u>
Gross profit		351,901	335,541
Other income	4	17,704	9,111
Other gains and losses, net	5	32,333	1,764
Selling and distribution expenses		(42,354)	(86,173)
Administrative expenses		(144,993)	(110,712)
Finance costs	6	<u>(11,769)</u>	<u>(14,571)</u>
Profit before income tax expense		202,822	134,960
Income tax expense	7	<u>(31,388)</u>	<u>(32,674)</u>
Profit for the year attributable to owners of the Company		<u>171,434</u>	<u>102,286</u>
Other comprehensive (expense)/income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Fair value (loss)/gain on debt instruments measured at fair value through other comprehensive income		<u>(32)</u>	<u>21</u>
		<u>(32)</u>	<u>21</u>
Total comprehensive income for the year attributable to owners of the Company		<u>171,402</u>	<u>102,307</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
– Basic and diluted	8	<u>17.58</u>	<u>9.30</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment		142,093	90,944
Right-of-use assets		49,457	50,420
Deposits for the acquisition of property, plant and equipment		4,492	6,689
Debt instruments at fair value through other comprehensive income		889	921
Financial asset at fair value through profit or loss		3,251	3,165
Deferred tax assets		1,569	2,020
Pledged bank deposits		18,297	19,346
		<hr/>	<hr/>
Total non-current assets		220,048	173,505
Current assets			
Inventories	<i>10</i>	105,476	102,503
Trade and other receivables	<i>11</i>	145,038	74,138
Restricted bank deposits		1,711	–
Bank balances and cash		324,514	336,772
		<hr/>	<hr/>
Total current assets		576,739	513,413
		<hr/>	<hr/>
Total assets		796,787	686,918
Current liabilities			
Trade and other payables	<i>12</i>	116,636	92,285
Contract liabilities	<i>13</i>	5,637	2
Provision	<i>14</i>	3,880	52,994
Bank borrowings	<i>15</i>	5,073	6,338
Lease liabilities		1,643	2,873
Tax payable		7,013	17,511
		<hr/>	<hr/>
Total current liabilities		139,882	172,003
		<hr/>	<hr/>
Net current assets		436,857	341,410
		<hr/>	<hr/>
Total assets less current liabilities		656,905	514,915
		<hr/>	<hr/>

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Non-current liabilities			
Bank borrowings	<i>15</i>	7,657	8,669
Lease liabilities		2,053	483
Other non-current liabilities		223	193
		<hr/>	<hr/>
Total non-current liabilities		9,933	9,345
		<hr/>	<hr/>
Total liabilities		149,815	181,348
		<hr/>	<hr/>
NET ASSETS		646,972	505,570
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Equity attributable to owners of the Company			
Share capital		9,185	11,000
Reserves		637,787	494,570
		<hr/>	<hr/>
TOTAL EQUITY		646,972	505,570
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NOTES

1. GENERAL INFORMATION

Hyfusin Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Act of the Cayman Islands on 5 July 2017. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 July 2018. Its registered office is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and principal place of business is located at Unit Nos. 4-8, 2/F, Aberdeen Marina Tower, 8 Shum Wan Road, Aberdeen, Hong Kong.

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

2. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”) AND CHANGES IN OTHER ACCOUNTING POLICIES

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kon Interpretation 5 (2020)
Amendments to HKAS 1	Non-current liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

The Group has applied the amendments for the first time in the current year.

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within 12 months.
- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity’s own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity’s right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

In accordance with the transition provision, the Group has applied the new accounting policy to the classification of liability as current or non-current retrospectively. The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The Group has applied the amendments for the first time in the current year.

The amendments add a disclosure objective to HKAS 7 *Statement of Cash Flows* stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows.

In addition, HKFRS 7 *Financial Instruments: Disclosures* was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

In accordance with the transition provision, an entity is not required to disclose comparative information for any reporting periods presented before the beginning of the annual reporting period in the first year of application as well as the information required by HKAS 7:44 (b) (ii) and (b)(iii) above as at the beginning of the annual reporting period in which the entity first applies those amendments.

The Group has provided additional disclosures related to the amendments in note 15.

(b) New and amendments to HKFRSs in issued but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture ¹
Amendments to HKAS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ³
Amendments to HKAS 21	Lack of Exchangeability ²
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

Except for the new HKFRSs mentioned below, the directors of the Company (the “**Directors**”) anticipate that the adoption of the new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements, even though it will not impact the recognition or measurement of items in the financial statement. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements and will apply it from its mandatory effective date of 1 January 2027 and retrospective application is required.

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregated revenue information

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of candle products		
Daily-use candles	123,889	111,594
Scented candles	603,578	612,177
Decorative candles	33,754	27,308
Others (included Diffusers)	148,228	115,172
	<hr/>	<hr/>
Total	909,449	866,251
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
A point in time	909,449	866,251
	<hr/> <hr/>	<hr/> <hr/>

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

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

(ii) Performance obligations

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

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

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

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

Segment information

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

Geographical information

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

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

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Revenue from external customers		
United States of America	845,568	801,380
United Kingdom	59,585	60,842
Others	4,296	4,029
Total	909,449	866,251

Information about the Group’s non-current assets (exclude financial assets and deferred tax assets) is presented based on the geographical location of the assets.

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Non-current assets		
Hong Kong	4,377	3,939
Vietnam	191,665	144,114
Total	196,042	148,053

Information about major customers

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A (<i>Note</i>)	503,882	544,698
Customer B (<i>Note</i>)	139,151	83,113
Customer C	N/A	59,341
Customer D	55,532	N/A
	<u>508,565</u>	<u>697,152</u>

Note: Revenue from Customers A and B are contributing over 10% (2023: revenue from Customer A is contributing over 10%) of the total revenue of the Group for year ended 31 December 2024.

4. OTHER INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank interest income	9,350	4,800
Interest income on debt instruments at FVTOCI	58	58
Others	8,296	4,253
	<u>17,704</u>	<u>9,111</u>

5. OTHER GAINS AND LOSSES, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Net foreign exchange gain	578	2,496
Gain on termination of lease	–	8
Fair value change of financial asset at FVTPL	86	(715)
Recovery of bad debts	212	–
Written-off of trade receivables	(165)	–
Impairment loss on trade receivables, net of reversal	(64)	(25)
Gain on disposal of property, plant and equipment (<i>Note</i>)	1,972	–
Gain on reversal of provision (<i>Note 14</i>)	29,714	–
	<u>32,333</u>	<u>1,764</u>

Note: On 23 August 2024, the Group entered into a sales and purchase agreement with an independent third party on sale of a property located in Vietnam with total consideration approximately HK\$2,346,000. A gain on disposal amounting to HK\$799,000 is recognised and included in other gains and losses in the consolidated statement of profit or loss and other comprehensive income.

On 26 September 2024, the Group entered into a sales and purchase agreement with an independent third party on sale of another property located in Vietnam with total consideration approximately HK\$1,966,000. A gain on disposal amounting to HK\$694,000 is recognised and included in other gains and losses in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

	2024	2023
	HK\$'000	HK\$'000
Interest on bank borrowings	11,590	14,277
Interest on lease liabilities	179	294
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Total finance costs	11,769	14,571
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX EXPENSE

	2024	2023
	HK\$'000	HK\$'000
Current tax		
– Hong Kong Profits Tax	22,320	25,343
– Vietnam Corporate Income Tax	7,594	7,883
– Singapore Corporate Income Tax	826	448
– Under/(over)-provision in respect of prior years	197	(89)
	<hr/>	<hr/>
	30,937	33,585
Deferred tax	451	(911)
	<hr/>	<hr/>
	31,388	32,674
	<hr/> <hr/>	<hr/> <hr/>

Under the two-tier profits tax regime, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for Fleming International Limited.

For Fleming International Vietnam Limited, the subsidiary incorporated in Vietnam, the statutory corporate tax rate is 20% for the years ended 31 December 2024 and 2023.

For Fleming International (Singapore) Pte. Limited, the subsidiary incorporated in Singapore, the statutory corporate tax rate is 17% for the years ended 31 December 2024 and 2023.

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

	2024	2023
	HK\$'000	HK\$'000
Profit before income tax expense	<u>202,822</u>	<u>134,960</u>
Tax at the Hong Kong Profits Tax rate of 16.5% (2023: 16.5%) (Note)	33,466	22,268
Tax effect of expenses not deductible for tax purposes	1,329	9,778
Tax effect of income not taxable for tax purpose	(4,955)	(445)
Under/(over)-provision in respect of prior years	197	(89)
Income tax at concessionary rate	(165)	(165)
Effect of different tax rates of subsidiaries operating in different jurisdictions	1,263	1,153
Others	<u>253</u>	<u>174</u>
Income tax expense	<u>31,388</u>	<u>32,674</u>

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

8. EARNINGS PER SHARE

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

	2024	2023
	HK\$'000	HK\$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>171,434</u>	<u>102,286</u>
	2024	2023
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>975,187,671</u>	<u>1,100,000,000</u>

No diluted earnings per share were presented as there were no potential ordinary shares in issue for both 2024 and 2023.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for the years ended 31 December 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

10. INVENTORIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Raw materials	72,068	83,371
Work in progress	3,951	1,883
Finished goods	27,443	15,870
Goods in transit	7,571	9,541
	<u>111,033</u>	<u>110,665</u>
Less: Allowance for inventories	(5,557)	(6,037)
Write off of inventories	–	(2,125)
	<u>105,476</u>	<u>102,503</u>

11. TRADE AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables, gross	133,363	65,683
Less: Allowance for credit losses	(2,397)	(2,564)
Trade receivables, net	130,966	63,119
Prepayments, deposits and other receivables	14,072	11,019
Total	<u>145,038</u>	<u>74,138</u>

As at 31 December 2024, trade receivables from contracts with customers amounted to HK\$130,966,000 (2023: HK\$63,119,000).

The Group allows credit period ranging from 30 to 180 days to its trade customers.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–30 days	51,030	34,947
31–60 days	46,555	13,453
61–90 days	8,075	2,221
91–180 days	24,289	10,694
Over 180 days	1,017	1,804
	130,966	63,119

The ageing analysis of trade receivables, net of allowance for credit losses, as of the end of reporting period, based on past due dates, is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current (not past due)	101,070	47,219
Past due 1 to 30 days	4,123	9,524
Past due 31 to 60 days	23,574	3,630
Past due 61 to 90 days	361	942
Past due 91 to 180 days	995	1,804
Past due over 180 days	843	–
	130,966	63,119

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At beginning of the year	2,564	3,715
Reversal of loss allowance recognised	(2,330)	(2,531)
Written-off	(231)	(1,176)
Loss allowance recognised during the year	2,394	2,556
At end of the year	2,397	2,564

12. TRADE AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables (<i>Note a</i>)	45,299	39,259
Other payables	14,026	13,435
Accrued expenses	57,311	39,591
	<u>116,636</u>	<u>92,285</u>

Note:

(a) Trade payables

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
1–30 days	27,339	24,234
31–60 days	11,019	13,372
61–90 days	4,488	1,569
91–180 days	2,453	84
	<u>45,299</u>	<u>39,259</u>

The credit period on purchases of goods is 0 to 60 days.

The Group's trade payables that are denominated in currencies other than functional currency of relevant group entities are as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
VND	14,191	10,256
EUR	34	6
GBP	22	20
	<u>14,247</u>	<u>10,282</u>

13. CONTRACT LIABILITIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Sale of candle products	<u>5,637</u>	<u>2</u>

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

The movements in the Group's contract liabilities are as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At beginning of the year	2	14
Increase due to cash received, excluding amounts recognised during the year	5,637	6
Decrease due to recognised in revenue during the year	<u>(2)</u>	<u>(18)</u>
At end of the year	<u>5,637</u>	<u>2</u>

14. PROVISION

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Provision	<u>3,880</u>	<u>52,994</u>

During the year ended 31 December 2023, the Group was advised by a customer in the United States of America about two alerts initiated by the United States Consumer Product Safety Commission, requiring the customer to recall a certain number of units of glass jar candles supplied by the Group. In December 2023, the Group has received a claim of about US\$6.8 million (equivalent to approximately HK\$52,994,000) from the customer to compensate for its commercial losses due to the recall of the products. Accordingly, the Group has made full provision of the claim as at 31 December 2023, and the related expense was included in selling and distribution expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023.

During the year ended 31 December 2024, the Group finalised an agreement with the customer for a settlement with a compensation amount of US\$3.0 million (equivalent to approximately HK\$23.3 million) and the Company shall be discharged from any further liability in respect of the claim. Accordingly, reversal of provision of HK\$29,714,000 was recognised and included in other gains and losses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024.

15. BANK BORROWINGS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Secured and guaranteed:		
Bank borrowings		
– Bank loans	12,730	13,187
– Bank loans under supplier finance arrangement	–	1,820
	<u>12,730</u>	<u>15,007</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Carrying amounts repayable (based on scheduled repayable terms):		
Within one year	5,073	6,338
More than one year, but not more than two years	4,286	3,587
More than two years, but not more than five years	3,371	5,082
More than five years	–	–
	<u>12,730</u>	<u>15,007</u>
Less: Amounts due shown under current liabilities		
– due within one year	–	(4,518)
– due within one year (contain a repayable on demand clause)	(5,073)	(1,820)
	<u>(5,073)</u>	<u>(6,338)</u>
Amounts shown under non-current liabilities	<u>7,657</u>	<u>8,669</u>

At 31 December 2024, the bank borrowings are guaranteed by corporate guarantees given by the Company or the Company and Fleming Group International Limited; and secured by (i) debt instruments at FVTOCI of HK\$889,000 (2023: HK\$921,000); (ii) pledged bank deposits; (iii) certain of the Group's property, plant and equipment located in Vietnam with an aggregate carrying amount of HK\$36,980,000 (2023: HK\$39,508,000); (iv) the Group's leasehold interests in land classified as right-of-use assets of HK\$45,708,000 (2023: HK\$47,158,000); and (v) financial asset at FVTPL of HK\$3,251,000 (2023: HK\$3,165,000).

The Group's banking facilities contain various covenants which include the maintenance of certain financial ratios. The Directors have reviewed the covenants compliance and were not aware of any breach during both years.

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

	2024	2023
	HK\$'000	HK\$'000
Fixed-rate	9,200	13,187
Variable-rate	3,530	1,820
	12,730	15,007

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

	2024	2023
Effective interest rates (per annum):		
Fixed-rate	6.57%-6.95%	6.95%-6.99%
Variable-rate	7.28%-8.02%	7.75%-8.50%

The carrying amounts of the Group's bank borrowings that are denominated in currencies other than functional currency of the relevant group entities are as follows:

	2024	2023
	HK\$'000	HK\$'000
Denominated in VND	11,799	12,256

Bank loans arising from supplier finance arrangements

The Group has entered into certain supplier finance arrangements with banks, under which the Group obtained extended credit in respect of the invoiced amounts owed to certain suppliers. The banking facilities in relation to these arrangements are guaranteed by (i) corporate guarantees given by the Company or the Company and Fleming International; and secured by (i) debt instruments at FVTOCI of HK\$889,000 (2023: HK\$921,000); (ii) pledged bank deposits and (iii) financial asset at FVTPL of HK\$3,251,000 (2023: HK\$3,165,000) .

Under these arrangements, the banks pay suppliers the amounts owed by the Group on original due dates, which are normally between 0 to 60 days after the invoice dates. The Group then settles with the banks within 90 days after the original due dates with suppliers, with interest.

In the consolidated statement of financial position, the Group has presented the payables to the banks under these arrangements as "Bank borrowings", in view of the nature and function of such liabilities when compared with the Group's trade payables, to suppliers. As at 31 December 2024, there is no financial liabilities under these arrangements (1 January 2024: HK\$1,820,000, HK\$1,820,000 of which suppliers have received payments from the banks).

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 Group aims to be the competitive manufacturer among the industry, which requires the fostering of various abilities. The Group has overcome numerous challenges that prompted us to further strengthen the organizational capacity to counter the challenges posed by the uncertainty of the external environment.

Our production capacity for candle products was enhanced by highly automation of two new factories that were established in 2022 and 2024. The Group expects the renovation of the first factory under construction will be completed in the first half of 2025 and will further consummate the Group's production capacity and operation efficiency in foreseeable future. The expansion of production capacity will contribute to our rapid development to catch up with the growth of candle markets in the U.S. market.

During the year ended 31 December 2024, the Group has continued to focus on the development of our mainstream business and enhances production and operation. Benefited from the high demand in candle products, the level of customers' order continues to hit the record high of the Group. The Group continuously improve the liquidity position by lower the external borrowing during the high-interest rate period.

The Group continues to improve our product strength, efficiency and capability in both operation and production. As a result of the improvement of these capabilities, the Group have achieved good market performance in 2024.

The analysis of product segment of the Group for the year ended 31 December 2024 is set out in Note 3 to the consolidated financial statements. The scented candles remains the best-selling product of the Group during the year ended 31 December 2024. It reflects the trend of preference for candle products with scent and coloured additives remains the same in the U.S. market.

In order to catch up the 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. The management of the Group gladly cooperates with sales representatives and expects the potential orders introduced by sales representatives in future.

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.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2024 amounted to approximately HK\$909.4 million, representing an increase of approximately HK\$43.1 million or 5.0% as compared with that of approximately HK\$866.3 million for the same period in 2023.

The increase in revenue was due to the increase in sale of daily-use candles and other candle products for approximately HK\$12.3 million and HK\$33.1 million respectively for the year ended 31 December 2024.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2024 amounted to approximately HK\$351.9 million, representing an increase of approximately HK\$16.4 million or 4.9% as compared with that of approximately HK\$335.5 million for the same period in 2023.

The gross profit margin remained at approximately 38.7% for the years ended 31 December 2024 and 2023. This was mainly due to the decrease in the cost of packing and the increase in the sales of other products for the year ended 31 December 2024.

Other income

Other income for the year ended 31 December 2024 was approximately HK\$17.7 million, representing an increase of approximately HK\$8.6 million or 94.5% compared to that of approximately HK\$9.1 million for the same period in 2023. The increase in other income mainly due to (i) increase in bank interest income of approximately HK\$4.6 million; and (ii) increase in sample income and sales of scrap materials of approximately HK\$2.6 million for the year ended 31 December 2024.

Other gains and losses, net

Other gains for the year ended 31 December 2024 amounted to approximately HK\$32.3 million, representing an increase of approximately HK\$30.5 million or 1,694.4% as compared with other gains of approximately HK\$1.8 million for the same period in 2023. The increase was mainly due to the gain on reverse of provision for approximately HK\$29.7 million for the year ended 31 December 2024.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2024 amounted to approximately HK\$42.4 million, representing a decrease of approximately HK\$43.8 million or 50.8% as compared with that of approximately HK\$86.2 million for the same period in 2023.

The decrease was mainly due to the decrease in the provision of claim for the recall for approximately HK\$54.2 million and offset by (a) increase in marketing and promotion expenses for approximately HK\$6.6 million; and (b) increase in transportation and declarations expenses for approximately HK\$4.7 million for the year ended 31 December 2024.

Administrative expenses

Administrative expenses for the year ended 31 December 2024 amounted to approximately HK\$145.0 million, representing an increase of approximately HK\$34.3 million or 31.0% as compared with that of approximately HK\$110.7 million for the same period in 2023. The increase in administrative expenses was mainly due to (i) increase in salary, bonus and allowance for approximately HK\$28.3 million; (ii) increase in legal and professional fee for approximately HK\$2.3 million; and (iii) increase in office expenses for approximately HK\$2.5 million for the year ended 31 December 2024.

Finance costs

Finance costs for the year ended 31 December 2024 amounted to approximately HK\$11.8 million, representing a decrease of approximately HK\$2.8 million or 19.2% as compared to that of approximately HK\$14.6 million for the same period in 2023.

The decrease was mainly due to decrease in bank borrowings for business operation.

Income tax expenses

Income tax expenses for the year ended 31 December 2024 amounted to approximately HK\$31.4 million, representing a decrease of approximately HK\$1.3 million or 4% as compared with that of approximately HK\$32.7 million for the same period in 2023. The decrease in income tax expenses was mainly due to the off-setting of the gain on the reverse of provision for approximately HK\$29.7 million in the increase in assessable profits for the year.

Profit for the year

Excluding the impact of the gain on reverse of provision, the Group generated net profit of approximately HK\$141.7 million for the year ended 31 December 2024 representing an increase of approximately HK\$39.4 million or 38.5% as compared with net profit of approximately HK\$102.3 million for the same period in 2023.

Including the impact of the gain on reverse of provision, the Group generated net profit of approximately HK\$171.4 million for the year ended 31 December 2024 representing an increase of approximately HK\$69.1 million or 67.5% as compared with net profit of approximately HK\$102.3 million for the same period in 2023.

Such increase was mainly due to (i) increase in gross profit of approximately HK\$16.4 million; (ii) increase in other income of approximately HK\$8.6 million; (iii) increase in other gains of approximately HK\$30.5 million; and (iv) decrease in selling expenses of approximately HK\$43.8 million and offset by increase in administrative expenses of approximately HK\$34.3 million.

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2024. The detail is disclosed in Note 9 of the consolidated financial statements.

Liquidity and Financial Resources

As at 31 December 2024, the Group had total assets of approximately HK\$796.8 million (2023: approximately HK\$686.9 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$149.8 million (2023: approximately HK\$181.3 million) and approximately HK\$647.0 million (2023: approximately HK\$505.6 million) respectively.

The total interest-bearing borrowings of the Group as at 31 December 2024 were approximately HK\$12.7 million (31 December 2023: approximately HK\$15.0 million), and the current ratio of the Group as at 31 December 2024 was approximately 4.1 times (31 December 2023: approximately 3.0 times) mainly due to the increase in the trade and other receivables and the decrease in the provision of claim for the recall.

The Group's gearing ratio, which is calculated by dividing total debt by total equity as at the end of each of the financial year, decreased from approximately 3.6% as at 31 December 2023 to approximately 2.5% as at 31 December 2024, primarily due to the decrease in bank borrowings.

As at 31 December 2024 and 2023, the Group has unutilised banking facilities of approximately HK\$115.9 million and HK\$103.6 million respectively.

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

Treasury Policy

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

Capital Structure

The Shares were successfully listed on GEM on 19 July 2018. During the reporting period, other than the disclosure under the section headed "Off-market Share Buy-back" in this announcement, there has no material change in the capital structure of the Group.

As at 31 December 2024, the Company's issued share capital was HK\$9,185,000 (31 December 2023: HK\$11,000,000) and the number of its issued ordinary shares was 918,500,000 (2023: 1,100,000,000) of HK\$0.01 each.

Pledge of Assets

As at 31 December 2024 and 2023, the Group had pledged certain assets including property, plant and equipment, right-of-use assets, debt instruments at fair value through other comprehensive income, financial asset at fair value through profit or loss, pledged bank deposits with carrying amounts of approximately HK\$109.4 million and HK\$110.1 million respectively to secure the Group's bank borrowings.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the prospectus of the Company dated 29 June 2018 (the "Prospectus") and this announcement, the Group did not have any other plans for material investment and capital assets as at 31 December 2024.

Foreign Currency Exposure

The majority transactions of expenditure and bank borrowings of the Group are denominated in foreign currencies which are different from the functional currency of the Group, i.e. US dollar. The Group is mainly exposed to foreign exchange risk arising from transactions that are denominated in Hong Kong dollar and Vietnamese dong. During the year ended 31 December 2024, the Group did not have any hedging arrangements. The Group currently does not have a foreign currency hedging policy. However, the management of the Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should the need arises. The management of the Group considers the exposure to the foreign exchange risk fluctuation for the Group is not material.

Capital Commitments

As at 31 December 2024, the Group had capital commitments of approximately HK\$20.0 million in respect of property, plant and equipment and construction in Vietnam (2023: approximately HK\$30.2 million).

Contingent Liabilities

As at 31 December 2024, the Group did not have any contingent liabilities (2023: Nil).

Employees and Remuneration Policies

As at 31 December 2024, the Group employed approximately 1,500 (2023: approximately 1,270) staff (including executive Directors). The total amount of employee remuneration of the Group (including Directors' remuneration) for the year was approximately HK\$173.1 million (2023: approximately HK\$141.2 million).

The Company adopted the share option scheme on 7 June 2024 for the purpose to provide the Company with a flexible means of giving incentive and reward to employee of the Group for incentive or reward for their contribution to the Group. 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 year ended 31 December 2024.

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks and uncertainties involved in the Group's current operations, some of which are beyond the Group's control. The most significant risks relating to the business such as (i) fluctuations in prices of raw materials or unstable supply of raw materials could negatively impact the operations and may affect our profitability; (ii) our business is concentrated in the U.S. and the U.K. and is highly susceptible to any adverse economic or social conditions in these markets which would materially and adversely affect the demand for the products; (iii) our business relies on key management personnel; (iv) operational risk; and (v) the credit risk of trade receivables that the cash flow position may be affected. A detailed discussion of the risk factors is set out in the section headed "Risk Factors" in the Prospectus.

OUTLOOK

Looking forward, the business and operation environments of the Group will remain challenging. Nevertheless, we will embrace these challenges by implementing proactive marketing strategies, investing more resources for product development and reinforcing on cost control measures.

Based on our success, we remain optimistic about the Group's future development. We intend to execute our development plan as set forth in the Prospectus carefully and prudently for the purpose of bringing a desirable return to the shareholders of the Company (the "**Shareholders**") and facilitating the long-term growth of the business of the Group.

USE OF PROCEEDS

The net proceeds received by the Group from the Listing after deducting the relevant one-off and non-recurring listing expenses amounted to approximately HK\$44.5 million (based on the public offering price of HK\$0.295 per share), which was below the estimated net proceeds of approximately HK\$50.5 million (estimated on the assumption that the public offering price would be HK\$1.1 per share), the midpoint of the range stated in the Prospectus.

The following sets forth a summary of the allocation of the net proceeds and its utilisation as at 31 December 2024, as compared to that envisaged in the Prospectus.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the period from the Listing Date (i.e. 19 July 2018) to 31 December 2024 is set out below:

	Approximate amount of net proceeds <i>HK\$ million</i>	Approximate % of net proceeds %	Unused amount of net proceeds as at 1 January 2024 <i>HK\$ million</i>	Approximate actual utilised during the reporting period <i>HK\$ million</i>	Approximate actual utilised as at 31 December 2024 <i>HK\$ million</i>	Unused amount of net proceeds as at 31 December 2024 <i>HK\$ million</i>
Upgrade existing production facilities	6.2	13.9	6.2	3.0	3.0	3.2
Acquisition of new production facilities	18.1	40.7	-	-	18.1	-
Purchase of new machinery	9.2	20.7	-	-	9.2	-
Installation of Enterprise Resource Planning ("ERP") systems	2.0	4.5	-	-	2.0	-
Partial repayment of bank loans	6.9	15.5	-	-	6.9	-
General working capital	2.1	4.7	-	-	2.1	-
	<u>44.5</u>	<u>100.0</u>	<u>6.2</u>	<u>3.0</u>	<u>41.3</u>	<u>3.2</u>

Upgrade existing production facilities

Fleming International Vietnam Limited, an indirect wholly-owned subsidiary of the Company, entered into the construction contract in October 2024 at the contract price of VND32,680,000,000 (equivalent to approximately HK\$10.1 million) with the independent contractor in relation to the construction of renovation of existing production facilities.

The renovation of existing production facilities commenced in October 2024 with the completion of approximately 58% of total construction work as at 31 December 2024 and now is expected to complete by first half of 2025.

As at 31 December 2024, the total amount of approximately VND9,804,000,000 (equivalent to approximately HK\$3.0 million) was paid in accordance with the construction contract. Part of the contract price paid by the net proceeds from Listing of approximately HK\$6.2 million in aggregate.

The Board considered that the terms of the construction contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Acquisition of new production facility

In 2019, the Group completed the acquisition of the new land for new production facility. In 2021, the Group's building construction of new production facility was completed and fully utilised approximately HK\$18.1 million from part of net proceeds allocated for the new production facility.

Acquisition of new machinery

The Group paid approximately HK\$9.2 million for the acquisition of machineries for the expected increasing purchase orders from its customers.

Installation of ERP systems

The Group paid approximately HK\$2.0 million for the related expenses of the ERP systems for production, warehouse management and customer relationship management.

Partial repayment of bank loans

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

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

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

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

EVENT AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE PRACTICES

The Board acknowledges the importance of good corporate governance practices and believes that maintaining a high standard of corporate governance practices is crucial to the development of the Company. The Board will continue to review its corporate governance practices in order to enhance its corporate governance standards, comply with the increasingly complicated regulatory requirements, and meet with the rising expectations of the Shareholders and respective investors. The Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the GEM Listing Rules has been applicable to the Company from the Listing Date. The Board is of the view that during the year ended 31 December 2024 (the "Relevant Period"), the Company has complied with all applicable code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the “**Required Standard of Dealings**”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. The Company has also established written guidelines on no less exacting terms than the Required Standard of Dealings for relevant employees in respect of their dealings in the Company’s securities. 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 Relevant Period. No incident of non-compliance was noted by the Company for the Relevant Period either.

OFF-MARKET SHARE BUY-BACK

Considering the total number of Shares held by the Vibes Enterprises Company Limited (the “**Vendor**”) represents 16.5% of all the issued Shares, and the thin trading volume of the Shares on the market, the disposal of the Shares by the Vendor on the open market would exert substantial downward pressure on the market price of the Shares and hence may adversely affect the interest of the public investors, the Company negotiated with the Vendor and both parties agreed to conduct the Share Buy-back by the Company. On 20 February 2024, the Company entered into the Share Buy-back Agreement (the “**Agreement**”) with the Vendor, a substantial shareholder of the Company prior to the completion of Share Buy-back, pursuant to which, the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell all the 181,500,000 Shares held by the Vendor (the “**Buy-back Shares**”) as the date of the Agreement, at the Buy-back Price of HK\$30,000,000, equivalent to approximately HK\$0.165 per Buy-back Share. For further details, please refer to the circular of the Company dated 5 April 2024.

After the completion of the Share Buy-back in accordance with the terms and conditions of the Agreement on 24 April 2024, the Buy-back Shares had cancelled and all rights attaching thereto had ceased with immediate effect. The total number of issued Shares reduced from 1,100,000,000 Shares to 918,500,000 Shares.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

As at 31 December 2024, there is no treasury shares held by the Company.

Other than the disclosure under the section headed “Off-market Share Buy-back” in this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares) during the Relevant Period and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2024 including critical accounting policies, estimation uncertainty and significant judgement adopted by the Group.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BDO Limited on the preliminary announcement.

ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT

The annual general meeting ("AGM") for the financial year 2024 of the Company will be held on Friday, 6 June 2025. A notice of the AGM together with the annual report for the year ended 31 December 2024 will be published on the Company's website at www.hyfusingroup.com and the Stock Exchange's website at www.hkexnews.hk and despatched to the shareholders of the Company upon their request.

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

EXECUTIVE DIRECTORS

Mr. Wong Wai Chit (*Chairman*)
Mr. Wong Man Chit (*Chief Executive Officer*)
Ms. Wong Wan Yan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Cheong Tat
Mr. Ho Chi Wai
Mr. Chu Kin Wang, Peleus

Hong Kong, 21 March 2025

This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk for at least 7 days from the date of its posting and will also be published on the Company's website at www.hyfusingroup.com.