

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

**If you have sold** your shares in Hyfusin Group Holdings Limited, you should at once hand this circular to the purchaser or the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---

## **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)**

### **PROPOSED OFF-MARKET SHARE BUY-BACK UNDER THE SHARE BUY-BACKS CODE AND CONNECTED TRANSACTION; AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser to the Company**



**Independent Financial Adviser to the Independent Board Committee and  
the Disinterested Shareholders**



---

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 4 to 17 of this circular. A letter of recommendation from the Independent Board Committee to the Disinterested Shareholders is set out on page 18 of this circular. A letter of advice from Red Sun Capital to the Independent Board Committee and the Disinterested Shareholders is set out on pages 19 to 45 of this circular.

A notice convening the EGM to be held on Tuesday, 23 April 2024 at 3:00 p.m. at Suite 3318, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong is set out on pages 65 to 66 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Ltd., located at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

5 April 2024

---

## CHARACTERISTICS OF GEM

---

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

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

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Letter from the Independent Board Committee</b> .....	18
<b>Letter from Red Sun Capital</b> .....	19
<b>Appendix I — Financial information of the Group</b> .....	46
<b>Appendix II — Report from BDO Limited on the Expected Gain on Reversal of Provision for the Claim</b> .....	50
<b>Appendix III — Report from Optima Capital Limited on the Expected Gain on Reversal of Provision for the Claim</b> .....	53
<b>Appendix IV — General information</b> .....	55
<b>Notice of EGM</b> .....	65

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Agreement”	the sale and purchase agreement dated 20 February 2024 entered into by the Company and the Vendor in respect of the Share Buy-back
“Announcement”	the announcement of the Company dated 20 February 2024 in respect of, among others, the Share Buy-back
“AVW”	AVW International Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 50% by each of Mr. Andrew Wong and Mr. Vincent Wong, and was the controlling Shareholder interested in 58.5% of the total issued share capital of the Company as at the Latest Practicable Date
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Buy-back Price”	the proposed buy-back price of HK\$30,000,000 for all the Buy-back Shares, equivalent to approximately HK\$0.165 per Buy-back Share
“Buy-back Shares”	181,500,000 Shares held by the Vendor, representing approximately 16.5% of the total issued share capital of the Company as at the Latest Practicable Date
“Company”	Hyfusin Group Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (stock code: 8512)
“Completion”	completion of the Share Buy-back in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disinterested Shareholder(s)”	Shareholder(s) other than (i) the Vendor and parties acting in concert with it; and (ii) Shareholders who have material interests in the Share Buy-back which is different from the interests of all other Shareholders

---

## DEFINITIONS

---

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Disinterested Shareholders to consider, and if thought fit, approve the Agreement, the Share Buy-Back and the transactions contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the SFC, or any of its delegate
“Fleming HK”	Fleming International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“GEM”	the GEM maintained and operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Disinterested Shareholders in respect of the Share Buy-back
“Last Trading Day”	19 February 2024, being the last trading day of the Shares on the Stock Exchange prior to the date of the Announcement
“Latest Practicable Date”	2 April 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Mr. Andrew Wong”	Mr. Wong Man Chit, an executive Director and the Chief Executive Officer of the Company, and the brother of Mr. Vincent Wong
“Mr. Vincent Wong”	Mr. Wong Wai Chit, an executive Director and the Chairman of the Company, and the brother of Mr. Andrew Wong
“NAV”	consolidated net asset value
“Red Sun Capital”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Disinterested Shareholders in respect of the Share Buy-back

---

## DEFINITIONS

---

“Relevant Period”	the period commencing from the date falling six months prior to the date of the Announcement (i.e. 20 August 2023) and up to the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Share Buy-back”	the proposed buy-back of the Buy-back Shares by the Company from the Vendor for cancellation pursuant to the terms and conditions of the Agreement
“Share Buy-backs Code”	the Hong Kong Code on Share Buy-backs
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Vibes Enterprises Company Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Vibes HK
“Vibes HK”	Vibes Management Company Limited, a company incorporated in Hong Kong with limited liability and is ultimately beneficially owned as to 50% by Ms. Li Yin Ping and 50% by Ms. Zheng Xiaochun
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

*For illustration purposes, amounts in US\$ and VND in this circular have been translated into HK\$ based on the exchange rate of US\$1 = HK\$7.8 and VND3,006.51 = HK\$1.00 respectively. Such conversion shall not be construed as representations that amounts in US\$ and VND were or may have been converted into HK\$ at such rate or any other exchange rate.*

---

## LETTER FROM THE BOARD

---

# 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)**

*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

*Registered office:*

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Headquarters and principal place of  
business in Hong Kong:*

Unit Nos. 4-8, 2/F

Aberdeen Marina Tower

8 Shum Wan Road

Aberdeen

Hong Kong

5 April 2024

*To the Shareholders*

Dear Sir or Madam,

### **PROPOSED OFF-MARKET SHARE BUY-BACK UNDER THE SHARE BUY-BACKS CODE AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the Share Buy-back.

This circular aims to provide you with, among other things, (i) details of the Agreement and the Share Buy-back; (ii) a letter of recommendations from the Independent Board Committee to the Disinterested Shareholders; (iii) a letter of advice from Red Sun Capital to the Independent Board Committee and the Disinterested Shareholders; (iv) other information as required under the GEM Listing Rules, the Takeovers Code and the Share Buy-backs Code; and (v) a notice of the EGM.

---

## LETTER FROM THE BOARD

---

### THE AGREEMENT

#### Date

20 February 2024

#### Parties

- (i) The Company, as purchaser; and
- (ii) the Vendor, as seller.

As at the Latest Practicable Date, the Vendor was interested in 181,500,000 Shares, representing approximately 16.5% of the total issued share capital of the Company, and was a substantial Shareholder and a connected person of the Company. Further information of the Vendor is disclosed in the section headed “Information on the Vendor” below.

#### The Buy-back Shares

The Buy-back Shares, being 181,500,000 Shares, are the entire shareholding of the Vendor in the Company, which represent approximately 16.5% of the total issued share capital of the Company as at the Latest Practicable Date.

#### The Buy-back Price

The total Buy-back Price is HK\$30,000,000, which is equivalent to approximately HK\$0.165 per Buy-back Share, and represents:

- (i) a discount of approximately 32.7% to the closing price of HK\$0.245 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 24.7% to the closing price of HK\$0.219 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 26.0% to the average closing price of approximately HK\$0.223 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 24.3% to the average closing price of approximately HK\$0.218 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 20.7% to the average closing price of approximately HK\$0.208 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;



---

## LETTER FROM THE BOARD

---

- (vi) a discount of approximately 17.9% to the average closing price of approximately HK\$0.201 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a discount of approximately 11.8% to the average closing price of approximately HK\$0.187 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (viii) a discount of approximately 64.1% to the audited NAV per Share of approximately HK\$0.460 as at 31 December 2023, calculated based on the Company's audited NAV of approximately HK\$505.6 million as at 31 December 2023 and 1,100,000,000 Shares then in issue;
- (ix) a discount of approximately 65.3% to the unaudited NAV per Share of approximately HK\$0.476 as at 30 September 2023, calculated based on the Company's unaudited NAV of approximately HK\$523.6 million as at 30 September 2023 and 1,100,000,000 Shares then in issue;
- (x) a discount of approximately 60.8% to the unaudited NAV per Share of approximately HK\$0.421 as at 30 June 2023, calculated based on the Company's unaudited NAV of approximately HK\$462.8 million as at 30 June 2023 and 1,100,000,000 Shares then in issue; and
- (xi) a discount of approximately 55.0% to the audited NAV per Share of approximately HK\$0.367 as at 31 December 2022, calculated based on the Company's audited NAV of approximately HK\$403.3 million as at 31 December 2022 and 1,100,000,000 Shares then in issue.

The Buy-back Price was determined after arm's length commercial negotiations between the Company and the Vendor taking into account the recent market prices of the Shares, the NAV of the Group, the cost of Vibes HK for the pre-IPO investment of approximately HK\$0.12 per Share as set out in the section headed "Information on the Vendor" below and the prevailing market conditions. The Buy-back Price is about the mid-price between the recent market prices of the Shares during the half year period up to and including the Last Trading Day, and the cost of Vibes HK for the pre-IPO investment. Considering that (i) the Buy-back Price represents discounts to the recent market prices ranging from approximately 11.8% to 26.0%, and discount to the NAV of the Group per Share of more than 60%, as illustrated in the price comparison above; (ii) the aggregate Buy-back Price of HK\$30 million represents not more than 6% of the NAV of the Group and would not result in any material adverse impact to the financial position of the Group; and (iii) that the prevailing market sentiment was low and the impact of the Vendor selling its shareholding in the public market as further elaborated in the section headed "Reasons for and benefits of the Share Buy-back" below, the Directors (including members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee) are of the view that the Buy-back Price is fair and reasonable and the interest of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

The Buy-back Price will be paid by the Company to the Vendor in cash at Completion by utilising the Group's internal resources.

### **Conditions precedent**

Completion is conditional upon the fulfillment of the following conditions:

- (i) the passing of the resolution(s) at the EGM by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders approving the Agreement and the transactions contemplated thereunder;
- (ii) the approval by the Executive for the Share Buy-back having been granted pursuant to Rule 2 of the Share Buy-backs Code and remaining in full force and effect and any condition(s) to which such approval is/are subject to having been satisfied in all respects; and
- (iii) all necessary consents and approvals required to be obtained on the part of the Company and the Vendor in respect of the Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

All of the above conditions are not waivable. As at the Latest Practicable Date, none of the above condition precedents had been fulfilled.

In respect of condition (iii), as at the Latest Practicable Date, other than the compliance requirements under the GEM Listing Rules, the Takeovers Code and the Share Buy-backs Code which are set out as conditions (i) and (ii) above, the Agreement and the transactions contemplated thereunder did not require other consent and approval.

The Company shall use all reasonable endeavours to procure the satisfaction of the conditions set out above as soon as reasonable practicable and in any event on or before 31 May 2024 (or such other date as the parties may agree in writing).

If the above conditions have not been fulfilled on or before 4:00 p.m. on 31 May 2024, or such other date as the Company and the Vendor may agree in writing, the Agreement shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other save for any antecedent breaches of the terms of the Agreement.

### **Completion**

Completion shall take place at 4:00 p.m. on the 4th Business Day after fulfillment of all of the conditions precedent under the Agreement, or such other date as the Company and the Vendor may agree in writing.

Immediately after Completion, the Buy-back Shares will be cancelled and all rights attaching thereto will cease with immediate effect.

---

## LETTER FROM THE BOARD

---

### INFORMATION ON THE COMPANY

The Company is an investment holding company. The Group is principally engaged in 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 Group targets in mid-to-high end candle products in overseas markets and major customers 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. In 2020 and 2021, the Group had been awarded as one of the winners of “Business Partner Award Winner for Differentiate Owned Brands” and in 2022, the Group was awarded as one of the winners of “Business Partner Award Winner for Invest in Talent and Culture”, by its major customers.

The Group consistently offers compelling designs and competitive price while ensuring product quality, responsible sourcing, sustainability, and a commitment to business partners. Based on the well established long-term relationships with customers and with support from the experienced management team of the Group in the industry, the Group has confidence in capturing business opportunities and growth in future.

The following table sets out the key financial information for the three years ended 31 December 2021, 2022 and 2023, extracted from the respective annual report and annual results announcement of the Company:

	<b>For the year ended 31 December</b>		
	2023	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Revenue	866,251	684,947	815,143
Profit before taxation	134,960	89,498	129,790
Profit after taxation attributable to owners of the Company	102,286	73,058	106,211

The decrease in revenue for the year ended 31 December 2022 was mainly due to the decrease in sales of scented candles and daily-use candles for approximately HK\$92.7 million and HK\$35.7 million respectively. The gross profit margin slightly dropped to approximately 30.3% for the year ended 31 December 2022 as compared with that of 33.1% for the same period in 2021, which was mainly due to the increase in the unit price of raw materials and the increase of the cost of production overhead. While the selling expenses, administrative expenses and income tax expenses also decreased, the net profit for the year ended 31 December 2022 decreased by approximately HK\$33.1 million or 31.2% as compared with that for the same period in 2021, mainly due to the decrease in gross profit.

---

## LETTER FROM THE BOARD

---

For the year ended 31 December 2023, the revenue increased as a result of the increase in sales of scented candles and other candle products of approximately HK\$134.9 million and HK\$28.3 million, respectively. The gross profit margin also increased to approximately 38.7% for the year ended 31 December 2023 as compared with that of the previous year, which was attributable to the decrease in the unit price of the raw materials and the decrease in the cost of production overhead for the year ended 31 December 2023. Overall, the net profit for the year ended 31 December 2023 increased by approximately HK\$29.2 million or 40.0% as compared with that for the year ended 31 December 2022.

As at 31 December 2023, the audited NAV of the Group was approximately HK\$505.6 million. The total assets of the Group amounted to approximately HK\$686.9 million, which comprised (i) bank balances and cash of approximately HK\$336.8 million; (ii) inventories of approximately HK\$102.5 million; (iii) property, plant and equipment of approximately HK\$90.9 million; and (iv) other assets of approximately HK\$156.7 million in aggregate. The total liabilities of the Group amounted to approximately HK\$181.3 million, which comprised (i) trade and other payables of approximately HK\$92.3 million; (ii) provision for the claim by a customer of approximately HK\$53.0 million; and (iii) other liabilities of approximately HK\$36.0 million in aggregate.

### INFORMATION ON THE VENDOR

The Vendor was incorporated in the British Virgin Islands with limited liability on 4 July 2017. It is an investment holding company, and is wholly-owned by Vibes HK, which is wholly-owned by Pioneer Unicorn Limited, which in turn, is owned as to 50% by Ms. Li Yin Ping and 50% by Ms. Zheng Xiaochun. Both Ms. Li Yin Ping and Ms. Zheng Xiaochun have experience in finance and capital investments and have served as director and/or senior management in private companies in Hong Kong and/or the People's Republic of China.

Among others, Ms. Li Yin Ping is a director of: (i) Cage Investment Company Limited, an investment holding company principally engaging in promotion and advertising services through its subsidiary; (ii) Mega Marketing & Media Company Limited, a company principally engaging in marketing and promotion services; (iii) Sino Merit Enterprises Limited, a company which has yet to commence business since incorporation; (iv) Top Sing International Company Limited, a company principally engaging in trading business; and (v) Winz Strategy Company Limited, a company for holding a lease, in Hong Kong.

---

## LETTER FROM THE BOARD

---

As for Ms. Zheng Xiaochun, among others, she is (i) the managing director and general manager of Shenzhen Qianhai Huichen Trade Limited\* (深圳市前海匯琴貿易有限公司), a company principally engaging in general trading and consultancy services in matters relating to, among others, corporate and property in the PRC; (ii) the director of Shenzhen Fuyuan Li Investment Assets Management Limited\* (深圳市富遠利投資資產管理有限公司), a company principally engaging in investment and trusted assets management services, in the PRC; and (iii) the director of Golden Flourish Trading Co., Limited, a company principally engaging in trading of tobacco and liquor products, in Hong Kong.

On 7 November 2016, Mr. Andrew Wong and Mr. Vincent Wong, both are executive Directors, and Vibes HK, entered into the pre-IPO investment agreement, pursuant to which, each of Mr. Andrew Wong and Mr. Vincent Wong sold part of their shares in Fleming HK and procured the issuance of new shares by Fleming HK to Vibes HK, following which Mr. Andrew Wong, Mr. Vincent Wong and Vibes HK became interested in 39%, 39% and 22% in Fleming HK, respectively. The aggregate consideration paid by Vibes HK for the pre-IPO investment was HK\$22 million. For the purpose of listing the Shares on GEM of the Stock Exchange, the Company was incorporated and a series of reorganisation steps were conducted, resulting in AVW, a company owned as to 50% by each of Mr. Andrew Wong and Mr. Vincent Wong, holding 78% shareholding in the Company, and the other 22% shareholding in the Company being held by the Vendor, which is in turn wholly-owned by Vibes HK. Following completion of the share offer for the listing, the Company was listed on GEM and has since then owned as to approximately 58.5% by AVW, 16.5% by the Vendor and 25% by public Shareholders. This shareholding structure of the Company has not been changed since the listing date of the Company. Based on 181,500,000 Shares held by the Vendor upon completion of the listing of the Company, the cost per Share paid by Vibes HK was approximately HK\$0.12. Further details of the pre-IPO investment and the reorganisation of the Company before its listing were disclosed in the prospectus of the Company dated 29 June 2018.

### REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK

The Company was approached by the Vendor who expressed its intention to dispose of its shareholding in the Company and realise its pre-IPO investment. Considering the total number of Shares held by 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 at the Buy-back Price of approximately HK\$0.165 per Share. The Buy-back Price is at a discount to the prevailing market prices of the Shares but at a premium over the cost paid by Vibes HK for the pre-IPO investment.

\* For identification purpose only

---

## LETTER FROM THE BOARD

---

In arriving at the proposal of the Share Buy-back, the Directors have taken into consideration the following factors:

- (i) the average daily trading volume of the Shares for the 12 months up to and including the Last Trading Day was approximately 270,526 Shares, which represents only approximately 0.02% of the total issued Shares as at the date of the Announcement and approximately 0.10% of 275,000,000 Shares held by the public Shareholders. If the Vendor were to sell its shareholding (being 181,500,000 Shares) in the open market, it would create a market overhang which would exert enormous pressure on the market price of the Shares for what may be a considerable long period of time, and adversely impact on the normal trading in the Shares by the public Shareholders. As such, the proposal of the Share Buy-back aims to avoid any market disorderliness in trading of the Shares in the open market;
- (ii) based on the number of the Buy-back Shares and the Buy-back Price, the Share Buy-back is expected to have an accretive effect on NAV. Assuming Completion has taken place on 31 December 2023, the unaudited NAV per Share would be increased from approximately HK\$0.460 to HK\$0.518, which is considered to be beneficial to all the remaining Shareholders;
- (iii) the Buy-back Price represents a substantial discount of approximately 64.1% to the audited NAV per Share of approximately HK\$0.460 per Share as at 31 December 2023. It also represents discounts ranging from approximately 11% to 26% to the average closing prices of the Shares for up to 180 consecutive trading days immediately prior to and including the Last Trading Day. Given the discounts, the value of the Shares could be enhanced at a relatively low price;
- (iv) the total Buy-back Price amounts to HK\$30,000,000. As at 31 December 2023, the Group had bank and cash balances of approximately HK\$336.8 million. Taking into account the resources of the Group, the total Buy-back Price, as well as the future working capital requirements and capital expenditure of the Group, the Group will remain to be in a healthy financial position with cash level sufficient to fund its operation following Completion; and
- (v) if the Buy-back Shares, which represent approximately 16.5% of the total issued share capital of the Company, were to be sold by the Vendor to other third party who might not share the same vision as the Company's management, it might have a negative impact on the Group's future development. Although AVW had considered purchasing the Buy-back Shares by itself, given that the Share Buy-back is expected to have an accretive effect on NAV and will increase the proportionate shareholding of all the remaining Shareholders including AVW, and that the Group has sufficient cash resources to conduct the Share Buy-back, it was considered that the Share Buy-back is more preferred.

In view of the above, the Directors (including members of the Independent Board Committee after having considered the advice from Red Sun Capital) consider that, although not in the ordinary and usual course of business of the Group, the terms of the Share Buy-back are fair and reasonable and on normal commercial terms, and the Share Buy-back is in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to Completion):

	As at the Latest Practicable Date		Immediately upon Completion	
	<i>Number of Shares</i>	<i>Approx.%</i>	<i>Number of Shares</i>	<i>Approx.%</i>
AVW ( <i>Note 1</i> )	643,500,000	58.50	643,500,000	70.06
The Vendor ( <i>Note 2</i> )	181,500,000	16.50	–	–
Public Shareholders	275,000,000	25.00	275,000,000	29.94
Total	<b>1,100,000,000</b>	<b>100.0</b>	<b>918,500,000</b>	<b>100.0</b>

*Notes:*

1. AVW is beneficially owned as to 50% by Mr. Andrew Wong and 50% by Mr. Vincent Wong, both are executive Directors, and brothers of each other.
2. The Vendor is wholly-owned by Vibes HK, which is ultimately beneficially owned as to 50% by Ms. Li Yin Ping and 50% by Ms. Zheng Xiaochun.
3. Save as mentioned in note 1 above, no other Directors were interested in any Shares as at the Latest Practicable Date.

As illustrated above, following Completion, the Company will continue to maintain the public float requirements under Rule 11.23(7) of the GEM Listing Rules.

### FINANCIAL EFFECTS OF THE SHARE BUY-BACK

#### NAV per Share

Assuming that Completion had taken place on 31 December 2023 and the Buy-back Shares have been bought back in full and cancelled, the Group's audited NAV per Share attributable to owners of the Company as at 31 December 2023 would have increased by approximately 12.6% from approximately HK\$0.460 per Share to HK\$0.518 per Share.

#### Earnings per Share

Assuming that Completion had taken place on 1 January 2023 and the Buy-back Shares have been bought back in full and cancelled, the Group's earnings per Share for the year ended 31 December 2023 would have increased by approximately 19.8% from approximately HK\$0.0930 per Share to HK\$0.1114 per Share.

---

## LETTER FROM THE BOARD

---

### Total liabilities

The total Buy-back Price will be settled in cash and therefore the Share Buy-back is not expected to have any impact on the liabilities of the Group.

### Working capital

As at 31 December 2023, the Group had bank balances and cash of approximately HK\$336.8 million and net current assets of approximately HK\$341.4 million. The bank borrowings repayable within one year amounted to approximately HK\$6.3 million.

As disclosed in the announcement of the Company dated 18 December 2023, the Company received a claim of about US\$6.8 million (the “**Claim**”, equivalent to approximately HK\$53.0 million) from a customer in the United States (the “**Customer**”) for compensating its commercial losses and related direct expenses due to the recall of the affected products in respect of about 7.1 million units of glass jar candles supplied by the Group. While the Group was in the process of negotiating with the Customer for the Claim, due to the uncertainty of the timing and amount of the final settlement, the full amount of the Claim had been provided for the year ended 31 December 2023.

On 28 March 2024, the Company has 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), payable by the Group to the Customer in four instalments, and that the Company shall be discharged from any further liability to the Customer in respect of the Claim (the “**Settlement**”). In accordance with the Group’s accounting policies, the directors of the Company have calculated the Gain On Reversal Of Provision based on the current best estimate of the provision. When it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed. The difference between the full amount of the Claim of US\$6.8 million (equivalent to approximately HK\$53.0 million) which was provided for the year ended 31 December 2023 and the compensation amount for the Settlement of US\$3.0 million (equivalent to approximately HK\$23.3 million), is recognised as a gain on reversal of provision for the Claim. Following the agreement for the Settlement, it is expected that the Group will record a gain on reversal of provision for the Claim of US\$3.8 million (equivalent to approximately HK\$29.7 million) (the “**Expected Gain on Reversal of Provision for the Claim**”) for the year ending 31 December 2024. Shareholders and potential investors of the Company should note that the aforesaid financial impact of the Settlement is for illustrative purpose only, which will have to be ascertained at the time of preparation of the Company’s consolidated financial statements, and is subject to audit. Details of which were disclosed in the announcement of the Company dated 2 April 2024.

Besides, as disclosed in the circular of the Company dated 26 July 2023, the Group had entered into (i) a construction contract with an independent contractor for the construction of a new factory in Vietnam, with total contract price of VND135,000,000,000 (equivalent to approximately HK\$44.9 million); and (ii) a service agreement with an independent service provider for the provision of project management and construction management services in respect of the works to be carried out by the aforesaid independent contractor, with a total service fee of VND3,550,500,000 (equivalent to approximately HK\$1.2 million) (together, the “**Capex**”). As at 31 December 2023, approximately 55.9% of the construction work had been completed, and approximately VND75,410,000,000 (equivalent to approximately HK\$25.1 million) and approximately VND2,929,162,500 (equivalent to approximately HK\$0.9 million) had been paid in accordance to the construction contract and the service agreement respectively. Save for the aforesaid, there is no other material capital expenditure expected to be borne by the Group for the coming 12 months.

Taking into consideration the cash level and the financial position of the Group, as well as the Settlement and the Capex, the cash payment for the Buy-back Price is not expected to have any material adverse effect on the working capital of the Group, and the Group will continue to have sufficient resources to fund its operation following Completion.



---

## LETTER FROM THE BOARD

---

### SHAREHOLDING OF AND DEALING IN SECURITIES BY DIRECTORS

Save as disclosed in the paragraph headed “4. Disclosure of Interests” in Appendix IV to this circular, the Directors and any person acting in concert with any of them did not have any shares, convertible securities, warrants, options or other derivatives of the Company as at the Latest Practicable Date.

None of the Directors or any persons acting in concert with any of them had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

During the Relevant Period, there had been no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any Director or any person acting in concert with any of them had borrowed or lent.

### ADDITIONAL DISCLOSURES

As at the Latest Practicable Date:

- (i) save for the Buy-back Shares, neither the Vendor nor any party acting in concert with it held, owned, controlled or directed any Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) there was no irrevocable commitment to vote in favour of or against the Agreement and the transactions contemplated thereunder;
- (iii) neither the Vendor nor any party acting in concert with it held outstanding warrants, options or securities convertible into the Shares or derivatives in respect of the Shares;
- (iv) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Vendor which might be material to the Share Buy-back;
- (v) there was no agreement or arrangement to which the Company, the Vendor and any party acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Buy-back;
- (vi) neither the Vendor nor any party acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; or
- (vii) neither the Vendor nor any party acting in concert with it had acquired or disposed of any voting rights of the Company or had dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company during the Relevant Period.

---

## LETTER FROM THE BOARD

---

Save as the Agreement and the transactions contemplated thereunder, as at the Latest Practicable Date (i) there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Group to the Vendor or any party acting in concert with it in connection with the Share Buy-back; (ii) there was no other understanding, arrangement, agreement or special deal between the Group on the one hand, and the Vendor and any party acting in concert with it on the other hand; and (iii) there was no other understanding, arrangement or agreement or special deal between (a) any Shareholder; and (b) the Company, its subsidiaries or associated companies.

None of (i) AVW, Mr. Andrew Wong, Mr. Vincent Wong and their concert parties on one hand; and (ii) the Vendor, Ms. Li Yin Ping, Ms. Zheng Xiaochun and their concert parties on the other hand, are parties acting in concert under the Takeovers Code.

### **IMPLICATIONS OF THE SHARE BUY-BACKS CODE, THE TAKEOVERS CODE AND THE GEM LISTING RULES**

#### **The Share Buy-backs Code**

The Share Buy-back constitutes an off-market share buy-back by the Company under the Share Buy-backs Code, which is subject to the approval by the Executive. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at the EGM.

#### **The Takeovers Code**

Pursuant to Rule 32.1 of the Takeovers Code, if as a result of a share buy-back a shareholder's proportionate interest in the voting rights of the repurchasing company increases, such increase will be treated as an acquisition of voting rights for purposes of the Takeovers Code. As a result, a shareholder, or group of shareholders acting in concert, could obtain or consolidate control of the repurchasing company and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, AVW was interested in 643,500,000 Shares, representing approximately 58.5% of the total issued share capital of the Company. Immediately upon Completion, AVW's shareholding in the Company will increase to approximately 70.1%. Given that AVW has continuously held more than 50% of the voting rights of the Company for at least 12 months, the increase in its shareholding in the Company upon Completion will not result in any obligation on the part of AVW to make a general offer under Rule 26 of the Takeovers Code.

The Share Buy-back will not result in any change of control as defined under the Takeovers Code.

---

## LETTER FROM THE BOARD

---

### **The GEM Listing Rules**

As at the Latest Practicable Date, the Vendor held 181,500,000 Shares, representing approximately 16.5% of the total issued share capital of the Company, and was a substantial Shareholder. Thus, the Vendor is a connected person of the Company pursuant to the GEM Listing Rules. Accordingly, the Share Buy-back constitutes a connected transaction for the Company and is subject to reporting, announcement and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

None of the Directors has a material interest in the Share Buy-back and hence no Director had abstained from voting on the meeting of the Board approving the Share Buy-back.

### **EGM**

The register of members of the Company will be closed from Thursday, 18 April 2024 to Tuesday, 23 April 2024 (both dates inclusive) for determining the entitlements to attend the EGM. No transfer of Shares will be registered during this period.

The EGM will be held for the Disinterested Shareholders to consider and, if thought fit, approve the resolution(s) in respect of the Agreement and the transactions contemplated thereunder. Only the Disinterested Shareholders will be entitled to vote at the EGM. As the Vendor has a material interest in the Share Buy-back, the Vendor and parties acting in concert with it are required to abstain from voting on the resolution(s) to be proposed at the EGM for approving the Agreement and the transactions contemplated thereunder.

Save as aforesaid, no other Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM for approving the Agreement and the transactions contemplated thereunder.

All votes at the EGM will be taken by poll pursuant to Rule 2 of the Share Buy-backs Code.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Ltd., located at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

---

## LETTER FROM THE BOARD

---

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors who have no direct or indirect interest in the Share Buy-back, namely, Mr. Chan Cheong Tat, Mr. Ho Chi Wai and Mr. Chu Kin Wang, Peleus, has been established to advise the Disinterested Shareholders in respect of the Share Buy-back.

Red Sun Capital has been appointed as the independent financial adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Disinterested Shareholders in this regard.

### RECOMMENDATIONS

The Directors (including the Independent Board Committee after having considered the advice from Red Sun Capital) are of the opinion that the terms of the Agreement and the Share Buy-back are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the Independent Board Committee after having considered the advice from Red Sun Capital) recommend the Disinterested Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

### WARNING

**Shareholders and potential investors of the Company should be aware that Completion is subject to the fulfillment of all of the conditions under the Agreement. As such, Completion may or may not take place. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.**

### FURTHER INFORMATION

Your attention is drawn to the letter of recommendations from the Independent Board Committee to the Disinterested Shareholders as set out on page 18 of this circular and the letter of advice from Red Sun Capital to the Independent Board Committee and the Disinterested Shareholders as set out on pages 19 to 45 of this circular which contain their recommendations to the Disinterested Shareholders regarding the Share Buy-back. The Disinterested Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the relevant resolution to be proposed at the EGM.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully  
For and on behalf of the Board  
**Hyfusin Group Holdings Limited**  
**Wong Man Chit**  
*Director*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

*The following is the text of the letter of recommendations from the Independent Board Committee to the Disinterested Shareholders in relation to the Share Buy-back.*

### **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)**

5 April 2024

*To the Disinterested Shareholders*

Dear Sir or Madam,

#### **PROPOSED OFF-MARKET SHARE BUY-BACK UNDER THE SHARE BUY-BACKS CODE AND CONNECTED TRANSACTION**

We refer to the circular of the Company to the Shareholders dated 5 April 2024 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Agreement, the Share Buy-back and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Disinterested Shareholders are concerned, and whether the Agreement, the Share Buy-back and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Red Sun Capital has been appointed as the independent financial adviser to advise us in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 19 to 45 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 17 of the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the advice of Red Sun Capital, we consider that although not in the ordinary and usual course of business of the Group, the terms of the Share Buy-back are fair and reasonable and on normal commercial terms, and the Share Buy-back is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Disinterested Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement, the Share Buy-back and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Chan Cheong Tat**

**Mr. Ho Chi Wai**

**Mr. Chu Kin Wang, Peleus**

*Independent non-executive Directors*

---

## LETTER FROM RED SUN CAPITAL

---

*The following is the full text of the letter from the Independent Financial Adviser, which sets out its advice to the Independent Board Committee and Disinterested Shareholders regarding the Share Buy-back for the purpose of inclusion in this circular.*



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

Room 310, 3/F.  
China Insurance Group Building  
141 Des Voeux Road Central  
Central, Hong Kong

Tel: (852) 2857 9208  
Fax: (852) 2857 9100

5 April 2024

*To: The Independent Board Committee and the Disinterested Shareholders of Hyfusin Group Holdings Limited*

Dear Sir/Madam,

### **PROPOSED OFF-MARKET SHARE BUY-BACK UNDER THE SHARE BUY-BACKS CODE AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Disinterested Shareholders in relation to the proposed off-market share buy-back under the Share Buy-Backs Code and connected transaction, details of which are contained in the Letter from the Board (the “**Letter from the Board**”) as set out in the circular to the Shareholders dated 5 April 2024 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

After trading hours on 20 February 2024, the Company (as purchaser) and the Vendor (as seller) entered into the Agreement, pursuant to which, the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Buy-back Shares, being all the 181,500,000 Shares held by the Vendor 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.

Upon Completion, the Buy-back Shares will be cancelled and all rights attaching thereto will cease with immediate effect. The total number of issued Shares will then be reduced from 1,100,000,000 Shares to 918,500,000 Shares. Based on the audited NAV of approximately HK\$505.6 million as at 31 December 2023, and taking into account the Buy-back Price and the changes in the number of issued Shares, the Share Buy-back is expected to have an accretive effect on NAV, increasing the audited NAV per Share from approximately HK\$0.460 per Share as at 31 December 2023 to HK\$0.518 per Share upon Completion.

---

## LETTER FROM RED SUN CAPITAL

---

### SHARE BUY-BACKS CODE IMPLICATION

The Share Buy-back constitutes an off-market share buy-back by the Company under the Share Buy-backs Code, which is subject to the approval by the Executive. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at the EGM.

### TAKEOVERS CODE IMPLICATION

As at the Latest Practicable Date, AVW is interested in 643,500,000 Shares, representing approximately 58.5% of the total issued share capital of the Company. Immediately upon Completion, AVW's shareholding in the Company will increase to approximately 70.1%. Given that AVW has continuously held more than 50% of the voting rights of the Company for at least 12 months, the increase in its shareholding in the Company upon Completion will not result in any obligation on the part of AVW to make a general offer under Rule 26 of the Takeovers Code.

The Share Buy-back will not result in any change of control as defined under the Takeovers Code.

### GEM LISTING RULES IMPLICATION

As at the Latest Practicable Date, the Vendor holds 181,500,000 Shares, representing approximately 16.5% of the total issued share capital of the Company, and is a substantial Shareholder. Thus, the Vendor is a connected person of the Company pursuant to the GEM Listing Rules. Accordingly, the Share Buy-back constitutes a connected transaction for the Company and is subject to reporting, announcement and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

None of the Directors has a material interest in the Share Buy-back and hence no Director has abstained from voting on the meeting of the Board approving the Share Buy-back.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chan Cheong Tat, Mr. Ho Chi Wai and Mr. Chu Kin Wang, Peleus, has been established to advise the Disinterested Shareholders in respect of the Share Buy-back.

We, Red Sun Capital Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Disinterested Shareholders whether the terms of the Share Buy-back are fair and reasonable and the Share Buy-back, as far as the Disinterested Shareholders are concerned, is in the interests of the Company and the Shareholders as a whole; and to give independent advice to Independent Board Committee and Disinterested Shareholders as to whether the Disinterested Shareholder should vote in favour of the Agreement.

---

## LETTER FROM RED SUN CAPITAL

---

### OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Vendor, the Company and their respective shareholders, directors or chief executives, any of their respective associates or connected persons or any party acting, or presumed to be acting, in concert with any of them and accordingly, are qualified to give independent advice to the Independent Board Committee and the Disinterested Shareholders regarding the connected transaction.

In the last two years, save for this appointment as the Independent Financial Adviser, we have not acted as an independent financial adviser to the Company, the Vendor or their respective associates or connected persons for any other transaction.

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Vendor, the Company and their respective shareholders, directors or chief executives, any of their respective associates or connected persons, any party acting, or presumed to be acting, in concert with any of them or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to the Share Buy-backs Codes and Rule 17.96 of the GEM Listing Rules.

### BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group, the Directors and the management of the Group (the “**Management**”). We have reviewed (i) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); (ii) the announcement of the Company in relation to the results for the year ended 31 December 2023 published on 26 March 2024 (the “**2023 Results Announcement**”); and (iii) the announcement of the Company in relation to the proposed off-market share buy-back under the Share Buy-Backs Code and connected transaction dated 20 February 2024 (the “**Announcement**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at date of the Circular. The Company will notify the Shareholders of any subsequent material changes to the information contained or referred to in the Circular as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, as soon as possible.

We have no reason to believe that any statements, information, opinions, or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts that the omission of which would render the statements, information, opinions or representation provided to us to be untrue, inaccurate or misleading.



---

## LETTER FROM RED SUN CAPITAL

---

We have assumed that all the statements, information, opinions, and representations for matters relating to the Company contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions, and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Company.

We have not considered the tax and regulatory implications as regards the Share Buy-back since these depend on individual circumstances. In particular, the Disinterested Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information of the Independent Board Committee and the Disinterested Shareholders solely in connection with their consideration of the Share Buy-back, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating at our opinion and recommendation to the Independent Board Committee and the Disinterested Shareholders in respect of the Share Buy-back, we have taken into consideration the following principal factors and reasons:

#### **1. Background information of the Group**

As set out in the Letter from the Board, the Group is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of candle products with headquarters in Hong Kong and operations in Vietnam. The Group mainly manufacturers and sells daily-use candles, scented candles, decorative candles and other products such as diffusers.

Set out below is a summary of (i) the audited consolidated financial performance and financial position of the Group for each of the years ended 31 December 2022 and 2021 as extracted from the 2022 Annual Report; and (ii) the audited consolidated financial performance and financial position of the Group for the year ended 31 December 2023 as extracted from the 2023 Results Announcement.

---

## LETTER FROM RED SUN CAPITAL

---

*Summary of consolidated statement of profit and loss and other comprehensive income*

	<b>For the year ended</b>		
	<b>31 December</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
<b>Revenue</b>	<b>866,251</b>	<b>684,947</b>	<b>815,143</b>
– Daily-use candles	111,594	110,682	146,375
– Scented candles	612,177	477,277	569,965
– Decorative candles	27,308	10,154	18,686
– Others (including diffusers)	115,172	86,834	80,117
Cost of sales	(530,710)	(477,255)	(545,223)
Gross profit	335,541	207,692	269,920
Profit before income tax expense	134,960	89,498	129,790
<b>Profit for the year/period attributable to owners of the Company</b>	<b>102,286</b>	<b>73,058</b>	<b>106,211</b>

*Financial performance for the year ended 31 December 2022*

As set out in the 2022 Annual Report, for the year ended 31 December 2022, the Group recorded revenue of approximately HK\$684.9 million, representing a decrease of approximately 16.0% as compared to approximately HK\$815.1 million recorded for the year ended 31 December 2021. Such decrease was mainly due to the decrease in sales of scented candles and daily-use candles for approximately HK\$92.7 million and HK\$35.7 million, respectively, for the year ended 31 December 2022, which, to the best knowledge of the Management, may be attributable to the destocking cycle underwent by the Company's customers during the year ended 31 December 2022.

The Group recorded a profit for the year attributable to owners of the Company of approximately HK\$73.1 million, representing a decrease of approximately 31.2% as compared to approximately HK\$106.2 million for the year ended 31 December 2021. Such decrease was mainly attributable to the decrease in gross profit of approximately HK\$62.2 million and offset by (i) the decrease in selling and distribution expenses of approximately HK\$10.2 million; (ii) the decrease in administrative expenses of approximately HK\$9.6 million; and (iii) the decrease in income tax expenses of approximately HK\$7.1 million.

---

## LETTER FROM RED SUN CAPITAL

---

### *Financial performance for the year ended 31 December 2023*

As set out in the 2023 Results Announcement, for the year ended 31 December 2023, the Group recorded revenue of approximately HK\$866.3 million representing an increase of approximately 26.5% as compared to approximately HK\$684.9 million recorded for the year ended 31 December 2022, mainly attributable to the increase in sales of scented candles, due to the increasing demand for scented candle products with respect to the increasing trend of preference for candle products with scent and coloured additives in the US market.

The Group recorded a profit for the year attributable to owners of the Company of approximately HK\$102.3 million for the year ended 31 December 2023, which represents an increase of approximately 40.0% as compared to approximately HK\$73.1 million for the year ended 31 December 2022. Such increase was mainly attributable to the increase in gross profit of approximately HK\$127.8 million and offset by (i) the increase in selling and distribution expenses of approximately HK\$59.2 million, mainly due to a provision of claim for the recall for approximately HK\$53.0 million; (ii) the increase in administrative expenses of approximately HK\$23.8 million; and (iii) the increase in income tax expenses of approximately HK\$16.2 million. The increase in the gross profit margin from approximately 30.3% for the year ended 31 December 2022 to approximately 38.7% for the year ended 31 December 2023 was mainly due to the decrease in unit price of raw materials and the decrease in the cost of production overhead due to synergy of high automation of the new factory for the year ended 31 December 2023.

### *Summary of the Group's consolidated statement of financial position*

	<b>As at 30 June 2023</b>	<b>As at 31 December</b>	
	(audited)	<b>2022</b>	<b>2021</b>
	HK\$'000	(audited)	(audited)
		HK\$'000	HK\$'000
<b><u>Non-current assets</u></b>	<b>173,505</b>	<b>148,080</b>	<b>116,185</b>
– Property, plant and equipment	90,944	68,907	60,721
– Right-of-use assets	50,420	52,169	21,527
– Pledged bank deposits	19,346	22,135	19,904
<b><u>Current assets</u></b>	<b>513,413</b>	<b>353,240</b>	<b>366,798</b>
– Inventories	102,503	101,360	138,978
– Trade and other receivables	74,138	74,643	89,473
– Bank balances and cash	336,772	171,354	138,347
<b><u>Current liabilities</u></b>	<b>172,003</b>	<b>69,254</b>	<b>136,186</b>
– Trade and other payables	92,285	43,882	82,673
– Provision	52,994	–	–
– Bank borrowings	6,338	23,252	46,912
– Lease liabilities	2,873	2,106	2,890
<b><u>Non-current liabilities</u></b>	<b>9,345</b>	<b>28,803</b>	<b>16,340</b>
– Bank borrowings	8,669	26,458	15,669
– Lease liabilities	483	2,142	469
<b>Total equity attributable to owners of the Company</b>	<b>505,570</b>	<b>403,263</b>	<b>330,457</b>

*Note: For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above.*

---

## LETTER FROM RED SUN CAPITAL

---

### *Financial position as at 31 December 2022*

As at 31 December 2022, the Group's total assets amounted to approximately HK\$501.3 million, representing a slight increase of approximately 3.8% as compared to approximately HK\$483.0 million as at 31 December 2021, which mainly comprised (i) bank balances and cash of approximately HK\$171.4 million as compared to approximately HK\$138.3 million as at 31 December 2021; (ii) inventories of approximately HK\$101.4 million as compared to approximately HK\$139.0 million as at 31 December 2021; (iii) trade and other receivable of approximately HK\$74.6 million as compared to HK\$89.5 million as at 31 December 2021; (iv) property, plant and equipment of approximately HK\$68.9 million as compared to approximately HK\$60.7 million as at 31 December 2021; (v) right-of-use assets of approximately HK\$52.2 million as compared to approximately HK\$21.5 million as at 31 December 2021; and (vi) pledged bank deposits of approximately HK\$22.1 million as compared to approximately HK\$19.9 million as at 31 December 2021.

As at 31 December 2022, the Group's total liabilities amounted to approximately HK\$98.1 million, representing a decrease of approximately 35.7% as compared to approximately HK\$152.5 million as at 31 December 2021, which comprised (i) trade and other payables of approximately HK\$43.9 million, representing a decrease of approximately 46.9% as compared to approximately HK\$82.7 million for the year ended 31 December 2021; (ii) total bank borrowings of approximately HK\$49.7 million, representing a decrease of 20.6% as compared to approximately HK\$62.6 million as at 31 December 2021 and (iii) total lease liabilities of approximately HK\$4.2 million, representing an increase of approximately 26.5% as compared to approximately HK\$3.4 million as at 31 December 2021.

As at 31 December 2022, total equity attributable to owners of the Company amounted to approximately HK\$403.3 million, representing an increase of 22.0% as compared to approximately HK\$330.5 million as at 31 December 2021.

### *Financial position as at 31 December 2023*

As at 31 December 2023, the Group's total assets amounted to approximately HK\$686.9 million, representing an increase of approximately 37.0% as compared to approximately HK\$501.3 million as at 31 December 2022, which mainly comprised (i) bank balances and cash of approximately HK\$336.8 million as compared to approximately HK\$171.4 million as at 31 December 2022, which was mainly attributable to the net effects of (a) net cash generated from operating activities of approximately HK\$248.6 million; (b) net cash used in investing activities of approximately HK\$31.1 million; and (c) net cash used in financing activities of approximately HK\$52.0 million as advised by the Management; (ii) inventories of approximately HK\$102.5 million as compared to approximately HK\$101.4 million as at 31 December 2022; (iii) trade and other receivable of approximately HK\$74.1 million as compared to HK\$74.6 million as at 31 December 2022; (iv) property, plant and equipment of approximately HK\$90.9 million as compared to approximately HK\$68.9 million as at 31 December 2022, which was mainly attributable to the amount of construction in progress in relation to construction of a new factory in Vietnam of approximately HK\$25.9 million; (v) right-of-use assets of approximately HK\$50.4 million as compared to approximately HK\$52.2 million as at 31 December 2022; and (vi) pledged bank deposits of approximately HK\$19.3 million as compared to approximately HK\$22.1 million as at 31 December 2022.

---

## LETTER FROM RED SUN CAPITAL

---

As at 31 December 2023, the Group's total liabilities amounted to approximately HK\$181.3 million, representing an increase of approximately 84.9% as compared to approximately HK\$98.1 million as at 31 December 2022, which comprised (i) trade and other payables of approximately HK\$92.3 million, representing an increase of approximately 110.3% as compared to approximately HK\$43.9 million for the year ended 31 December 2022, mainly attributable to the increase in trade payable due to the increase in raw materials consumed and production overhead, and the amount of payables in relation to the construction of a new factory in Vietnam of approximately HK\$12.6 million; (ii) provision of approximately HK\$53.0 million in relation to the Claim; (iii) total bank borrowings of approximately HK\$15.0 million, representing a decrease of 69.9% as compared to approximately HK\$49.7 million as at 31 December 2022; and (iv) total lease liabilities of approximately HK\$3.4 million, representing a decrease of approximately 21.0% as compared to approximately HK\$4.2 million as at 31 December 2022.

As at 31 December 2023, total equity attributable to owners of the Company amounted to approximately HK\$505.6 million, representing an increase of 25.4% as compared to approximately HK\$403.3 million as at 31 December 2022.

### *Summary of published information of the Group subsequent to 31 December 2023 up to the Latest Practicable Date*

We noted from the announcements of Company dated 2 April 2024 in relation to the Claim that, on 28 March 2024, the Company has finalised an agreement with the respective customer for a settlement with a compensation amount of US\$3.0 million (equivalent to approximately HK\$23.3million), payable by the Group to the respective customer, and that the Company shall be discharged from any further liability to the Customer in respect of the Claim, which is expected to be recorded as a gain on reversal of provision for the Claim of for the year ending 31 December 2024. Please refer the Settlement of Claim Announcement for further details.

## **2. Prospect and outlook of the Group**

As set out in the Letter from the Board, the Company is an investment holding company and the Group is principally engaged in manufacturing and sale of candle products with headquarters in Hong Kong and operations in Vietnam, which the Group mainly manufactures and sells daily-use candles, scented candles, decorative candles and other products such as diffusers. With reference to the 2022 Annual Report and the 2023 Annual Results Announcement, approximately 88.3% and 92.5% of the revenue from the external customers are from the United States of America (the "US") for the year ended 31 December 2022 and for the nine months ended 30 September 2023, respectively. As such, we focus on the prospect and outlook of the imported value of the candle industry in the US.

## LETTER FROM RED SUN CAPITAL

We have extracted the data below from the Trade Map ([www.trademap.org](http://www.trademap.org)), an online database on international trade statistics, providing an array of useful indicators on export performance, international demand, alternative markets and the role of competitors from both the product and country perspectives run by the International Trade Centre, a multilateral agency with a joint mandate with the World Trade Organization and the United Nations through the United Nations Conference on Trade and Development. As stated in the website of the Trade Map, the yearly data in Trade Map are mainly based on UN Comtrade, the world's largest database of trade statistics, maintained by the United Nations Statistics Division and this data is complemented by national sources when the information is not available in UN Comtrade.

Set out below is the yearly imported value by the US for the product in relation to candles, tapers and the like (the “**Candle Products**”) for a period of ten years from 2013 to 2022 as extracted from the Trade Map:

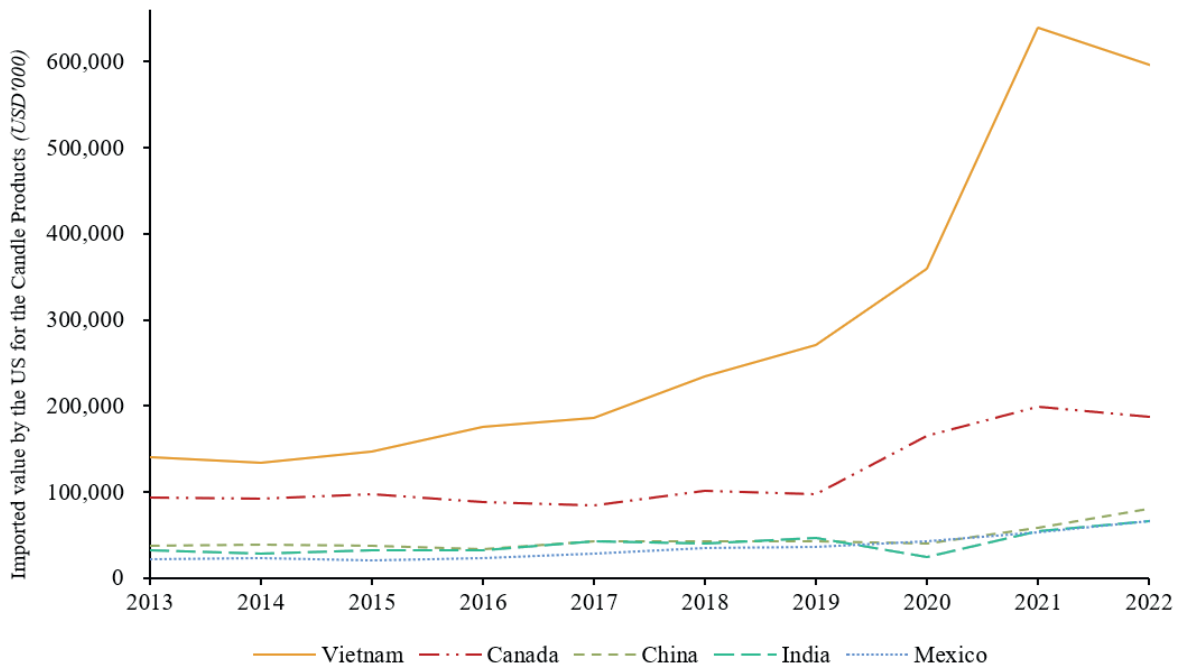
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
USD'000	420,372	413,073	413,188	422,986	474,730	539,805	578,779	746,429	1,180,485	1,185,771

Data source:

[https://www.trademap.org/Country\\_SelProductCountry\\_TS.aspx?nvpm=1%7c842%7c%7c%7c%7c3406%7c%7c%7c4%7c1%7c1%7c1%7c2%7c1%7c2%7c1%7c1%7c1](https://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1%7c842%7c%7c%7c%7c3406%7c%7c%7c4%7c1%7c1%7c1%7c2%7c1%7c2%7c1%7c1%7c1)

As shown in the table above, the imported value by the US for the Candle Products was in a general upward trend from 2013 to 2022.

Set out below is the chart generating by the yearly data extracted from the Trade Map indicating the top five supplying markets (by country) of the yearly imported value by the US of for the Candle Products from 2013 to 2022:



Data source:

[https://www.trademap.org/Country\\_SelProductCountry\\_TS.aspx?nvpm=1%7c842%7c%7c%7c%7c3406%7c%7c%7c4%7c1%7c1%7c1%7c2%7c1%7c2%7c1%7c1%7c1](https://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1%7c842%7c%7c%7c%7c3406%7c%7c%7c4%7c1%7c1%7c1%7c2%7c1%7c2%7c1%7c1%7c1)

---

## LETTER FROM RED SUN CAPITAL

---

As shown in the chart above, Vietnam participated as one of the major players of candle industry in the US and contributed the largest portion of the imported value of the Candle Products in the US during the ten-year period from 2013 to 2022.

In the view of the upward trend of the imported value by the US for the Candle Products and Vietnam remained as the top supplying country in terms of imported value of the Candle Products in the US during 2013 to 2022, we are of the opinion that the business prospect of the Group is positive.

### **3. Information on the Vendor**

As set out in the Letter from the Board, the Vendor was incorporated in the British Virgin Islands with limited liability on 4 July 2017. It is an investment holding company, and is wholly-owned by Vibes HK, which is wholly-owned by Pioneer Unicorn Limited, which in turn, is owned as to 50% by Ms. Li Yin Ping and 50% by Ms. Zheng Xiaochun. Both Ms. Li Yin Ping and Ms. Zheng Xiaochun have experience in finance and capital investments and have served as director and/or senior management in private companies in Hong Kong and/or the People's Republic of China (the "PRC"). Please refer to the section headed "Information on the Vendor" in the Letter from the Board in relation to the background of Ms. Li Yin Ping and Ms. Zheng Xiaochun.

As set out in the Letter from the Board, on 7 November 2016, Mr. Andrew Wong and Mr. Vincent Wong, both are executive Directors, and Vibes HK, entered into the pre-IPO investment agreement, pursuant to which, each of Mr. Andrew Wong and Mr. Vincent Wong sold part of their shares in Fleming HK and procured the issuance of new shares by Fleming HK to Vibes HK, following which Mr. Andrew Wong, Mr. Vincent Wong and Vibes HK became interested in 39%, 39% and 22% in Fleming HK, respectively. The aggregate consideration paid by Vibes HK for the pre-IPO investment was HK\$22 million. For the purpose of listing the Shares on GEM of the Stock Exchange, the Company was incorporated and a series of reorganisation steps were conducted, resulting in AVW, a company owned as to 50% by each of Mr. Andrew Wong and Mr. Vincent Wong, holding 78% shareholding in the Company, and the other 22% shareholding in the Company being held by the Vendor, which is in turn wholly-owned by Vibes HK. Following completion of the share offer for the listing, the Company was listed on GEM and has since then owned as to approximately 58.5% by AVW, 16.5% by the Vendor and 25% by public Shareholders. This shareholding structure of the Company has not been changed since the listing date of the Company. Based on 181,500,000 Shares held by the Vendor upon completion of the listing of the Company, the cost per Share paid by Vibes HK was approximately HK\$0.12. Further details of the pre-IPO investment and the reorganisation of the Company before its listing were disclosed in the prospectus of the Company dated 29 June 2018.

---

## LETTER FROM RED SUN CAPITAL

---

#### 4. Principal terms of the Agreement

Set out below is the details of the Agreement as extracted from the Letter from the Board.

##### **Date**

20 February 2024

##### **Parties**

- (i) The Company, as purchaser; and
- (ii) the Vendor, as seller.

As at the Latest Practicable Date, the Vendor is interested in 181,500,000 Shares, representing approximately 16.5% of the total issued share capital of the Company, and is a substantial Shareholder and a connected person of the Company. Further information of the Vendor is disclosed under the section headed “Information on the Vendor” in the Letter from the Board.

##### **The Buy-back Shares**

The Buy-back Shares, being 181,500,000 Shares, are the entire shareholding of the Vendor in the Company, which represent approximately 16.5% of the total issued share capital of the Company as at the Latest Practicable Date.

##### **The Buy-back Price**

The total Buy-back Price is HK\$30,000,000, which is equivalent to approximately HK\$0.165 per Buy-back Share.

The Buy-back Price was determined after arm’s length commercial negotiations between the Company and the Vendor taking into account the recent market prices of the Shares, the NAV of the Group, the cost of Vibes HK for the pre-IPO Investment of approximately HK\$0.12 per Share as set out under the section headed “Information on the Vendor” in the Letter from the Board and the prevailing market conditions. The Buy-back Price is about the mid-price between the recent market prices of the Shares during the half year period up to and including the Last Trading Day, and the cost of Vibes HK for the pre-IPO Investment. Considering that (i) the Buy-back Price represents discounts to the recent market prices ranging from approximately 11.8% to 26.0%, and discount to the NAV of the Group per Share of more than 60%, as illustrated in the price comparison above; (ii) the aggregate Buy-back Price of HK\$30 million represents not more than 6% of the NAV of the Group and would not result in any material adverse impact to the financial position of the Group; and (iii) that the prevailing market sentiment was low and the impact of the Vendor selling its shareholding in the public market as further elaborated in the section headed “Reasons for and benefits of the Share Buy-back” in the Letter from the Board, the Directors are of the view that the Buy-back Price is fair and reasonable and the interest of the Company and the Shareholders as a whole.



---

## LETTER FROM RED SUN CAPITAL

---

The Buy-back Price will be paid by the Company to the Vendor in cash at Completion by utilising the Group's internal resources.

Please refer to the section headed "THE AGREEMENT" of the Letter from the Board for further details in relation to the Buy-back Price.

### **Conditions precedent**

Completion is conditional upon the fulfillment of the following conditions:

- (i) the passing of the resolution(s) at the EGM by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders approving the Agreement and the transactions contemplated thereunder;
- (ii) the approval by the Executive for the Share Buy-back having been granted pursuant to Rule 2 of the Share Buy-backs Code and remaining in full force and effect and any condition(s) to which such approval is/are subject to having been satisfied in all respects; and
- (iii) all necessary consents and approvals required to be obtained on the part of the Company and the Vendor in respect of the Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

All of the above conditions are not waivable. As at Latest Practicable Date, none of the above condition precedent had been fulfilled.

In respect of condition (iii), other than the compliance requirements under the GEM Listing Rules, the Takeovers Code and the Share Buy-backs Code, which are set out as conditions (i) and (ii) above, the Agreement and the transactions contemplated thereunder shall not require other consent and approval.

The Company shall use all reasonable endeavours to procure the satisfaction of the conditions set out above as soon as reasonable practicable and in any event on or before 31 May 2024 (or such other date as the parties may agree in writing).

If the above conditions have not been fulfilled on or before 4:00 p.m. on 31 May 2024, or such other date as the Company and the Vendor may agree in writing, the Agreement shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other save for any antecedent breaches of the terms of the Agreement.

### **Completion**

Completion shall take place at 4:00 p.m. on the 4th Business Day after fulfillment of all of the conditions precedent under the Agreement, or such other date as the Company and the Vendor may agree in writing.

Immediately after Completion, the Buy-back Shares will be cancelled and all rights attaching thereto will cease with immediate effect.

---

## LETTER FROM RED SUN CAPITAL

---

### 5. Reasons for and benefits of the Share Buy-back

As set out in the Letter from the Board, the Company was approached by the Vendor who expressed its intention to dispose of its shareholding in the Company and realise its pre-IPO investment. Considering the total number of Shares held by 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 at the Buy-back Price of approximately HK\$0.165 per Share. The Buy-back Price is at a discount to the prevailing market prices of the Shares but at a premium over the cost paid by Vibes HK for the pre-IPO investment.

In arriving at the proposal of the Share Buy-back, the Directors have taken into consideration the following factors:

- (i) the average daily trading volume of the Shares for the 12 months up to and including the Last Trading Day was approximately 270,526 Shares, which represents only approximately 0.02% of the total issued Shares as at the date of the Announcement and approximately 0.10% of 275,000,000 Shares held by the public Shareholders. If the Vendor were to sell its shareholding (being 181,500,000 Shares) in the open market, it would create a market overhang, which would exert enormous pressure on the market price of the Shares for what may be a considerable long period of time, and adversely impact on the normal trading in the Shares by the public Shareholders. As such, the proposal of the Share Buy-back aims to avoid any market disorderness in trading of the Shares in the open market;
- (ii) based on the number of the Buy-back Shares and the Buy-back Price, the Share Buy-back is expected to have an accretive effect on NAV. Assuming Completion has taken place on 31 December 2023, the audited NAV per Share would be increased from approximately HK\$0.460 to HK\$0.518, which is considered to be beneficial to all the remaining Shareholders;
- (iii) the Buy-back Price represents a substantial discount of approximately 64.1% to the audited NAV per Share of approximately HK\$0.460 per Share as at 31 December 2023. It also represents discounts ranging from approximately 11% to 26% to the average closing prices of the Shares for up to 180 consecutive trading days immediately prior to and including the Last Trading Day. Given the discounts, the value of the Shares could be enhanced at a relatively low price;
- (iv) the total Buy-back Price amounts to HK\$30,000,000. As at 31 December 2023, the Group had bank and cash balances of approximately HK\$336.8 million. Taking into account the resources of the Group, the total Buy-back Price, as well as the future working capital requirements and capital expenditure of the Group, the Group will remain to be in a healthy financial position with cash level sufficient to fund its operation following Completion; and

---

## LETTER FROM RED SUN CAPITAL

---

- (v) if the Buy-back Shares, which represent approximately 16.5% of the total issued share capital of the Company, were to be sold by the Vendor to other third party who might not share the same vision as the Company's management, it might have a negative impact on the Group's future development. Although AVW has considered purchasing the Buy-back Shares by itself, given that the Share Buy-back is expected to have an accretive effect on NAV and will increase the proportionate shareholding of all the remaining Shareholders including AVW, and that the Group has sufficient cash resources to conduct the Share Buy-back, it is considered that the Share Buy-back is more preferred.

In view of the above, the Directors (excluding members of the Independent Board Committee) consider that, although not in the ordinary and usual course of business of the Group, the terms of the Share Buy-back are fair and reasonable and on normal commercial terms, and the Share Buy-back is in the interests of the Company and the Shareholders as a whole.

Having considered that (i) the Vendor's intention to realise its pre-IPO investment; (ii) although AVW International Limited, the parent and ultimate holding company of the Company, has considered to procure the Buy-back Shares; it is of the view that the Share Buy-back will enhance the earning per Share and NAV per Share after the Completion as the number of issued shares of the Company will be reduced through the cancellation of the Buy-back Shares upon Completion (iii) disposal of the Buy-back Shares in the open market may initiate downward pressure on the market price of the Shares and a lower market price may rise the degree of difficulty or interest rate on debt financing of the Company, which in turn may harm the equity value of the Disinterested Shareholders, in particular considering the total number of Shares held by the Vendor represents 16.5% of all the issued Shares, and the thin trading volume of the Shares on the open market; (iv) since the Buy-back Price represents a discount to the closing price per Share on the Last Trading Date, the Company could use a lower price to buy back the Buy-back Shares when compared to the market price of the Share; (v) given the total consideration for the Share Buy-back of HK\$30,000,000, the Group's bank and cash balances of approximately HK\$336.8 million and net current assets of approximately HK\$341.4 million as at 31 December 2023 and assuming that the Share Buy-back had taken place on 31 December 2023, (a) the Group's bank and cash balances will remain approximately HK\$306.8 million; (b) the Group's net current asset approximately HK\$311.4 million; (c) the Group would be able to remain to be in a healthy financial position with cash level sufficient to fund its operation following Completion, taking into account and with reference to Letter from the Board that (aa) no material adverse impact to the working capital of the Group with the provision on the Claim and the Settlement; (bb) 55.9% of the construction of a new factory in Vietnam had been completed, and correspondingly, approximately VND75,410,000,000 (equivalent to approximately HK\$25.1 million) and approximately VND2,929,162,500 (equivalent to approximately HK\$0.9 million) had been paid in accordance to the relevant construction contract and service agreement, respectively. Save for the aforesaid, there is no other material capital expenditure expected to be borne by the Group for the coming 12 months as set out in the Letter from the Board; and (cc) we noted that, in the absence of unforeseen material circumstances, there is no material fluctuation in working capital requirements of the Company in the foreseeable future based on the discussion with the Management, we concur with the Directors' view that the Share Buy-back is in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM RED SUN CAPITAL

---

### 6. Analysis of the Buy-back Price

#### (a) *Analysis of the historical market price of the Shares*

The total Buy-back Price is HK\$30,000,000, which is equivalent to approximately HK\$0.165 per Buy-back Share, represents:

- (i) a discount of approximately 32.7% to the closing price of HK\$0.245 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 24.7% to the closing price of HK\$0.219 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 26.0% to the average closing price of approximately HK\$0.223 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 24.3% to the average closing price of approximately HK\$0.218 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 20.7% to the average closing price of approximately HK\$0.208 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 17.9% to the average closing price of approximately HK\$0.201 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a discount of approximately 11.8% to the average closing price of approximately HK\$0.187 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (viii) a discount of approximately 64.1% to the audited NAV per Share of approximately HK\$0.460 as at 31 December 2023, calculated based on the Company's audited NAV of approximately HK\$505.6 million as at 31 December 2023 and 1,100,000,000 Shares then in issue;
- (ix) a discount of approximately 65.3% to the unaudited NAV per Share of approximately HK\$0.476 as at 30 September 2023, calculated based on the Company's unaudited NAV of approximately HK\$523.6 million as at 30 September 2023 and 1,100,000,000 Shares then in issue;

---

## LETTER FROM RED SUN CAPITAL

---

- (x) a discount of approximately 60.8% to the unaudited NAV per Share of approximately HK\$0.421 as at 30 June 2023, calculated based on the Company's unaudited NAV of approximately HK\$462.8 million as at 30 June 2023 and 1,100,000,000 Shares then in issue; and
- (xi) a discount of approximately 55.0% to the audited NAV per Share of approximately HK\$0.367 as at 31 December 2022, calculated based on the Company's audited NAV of approximately HK\$403.3 million as at 31 December 2022 and 1,100,000,000 Shares then in issue.

During the period immediately commencing from the six months period immediately prior to the date of the Announcement and ending on the Latest Practicable Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.250 on 7 March 2024 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.166 on 20 December 2023.

We note that in general the Buy-back Price represents discount to the historical price of the Shares and NAV per Share set out above, indicating that the Company could use a lower price, which in turn means less money when compared to purchase the same amount of Shares in the open market, to buy back the Buy-back Shares, and therefore we consider in the interests of the Company and its Shareholders.

**(b) *Historical market price performance***

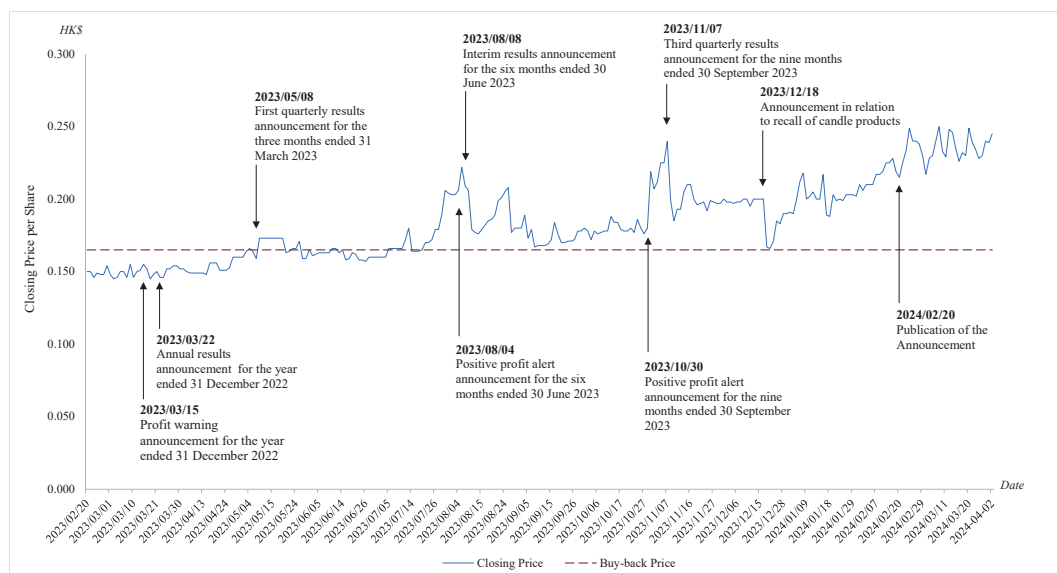
With a view to assess the reasonableness of the Share Buy-back, from the point of view of recent market price trend, we have conducted an analysis on the market prices per Share and the Share Buy-back price. The chart below sets out the closing share prices of Shares for a 12-month period, from 20 February 2023, being 12 months immediately preceding the Last Trading Day, up to the Latest Practicable Date (the "**Review Period**"), which is commonly adopted timeframe for share price analysis in the market to illustrate the price movement of the Shares and make comparison between the historical closing prices of the Shares and the Buy-back Price. We consider that the Review Period is fair, adequate, representative, sufficient and long enough to illustrate the general trend, the level of movement of recent closing price of the Shares and covered the seasonal factors of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Buy-back Price.

---

# LETTER FROM RED SUN CAPITAL

---

## Daily closing price of Shares during the Review Period



Source: [www.hkex.com.hk](http://www.hkex.com.hk)

The closing price per Share was in a general upward trend during the Review Period, which may be attributable to the market reactions of the then development or published information or announcements of the Company at the relevant time, including, the positive profit alert announcement for the six months ended 30 June 2023 dated 4 August 2023, and the positive profit alert announcement for the nine months ended 30 September 2023 dated 30 October 2023. During the Review Period, the closing price per Share ranged from HK\$0.145 to HK\$0.250 with an average closing price of approximately HK\$0.184. The closing price per Share was HK\$0.219 and HK\$0.245 as at the Last Trading Day and Latest Practicable Date, respectively. The Buy-back Price of HK\$0.165 per Share was in (i) general higher than the Share closing price during the first six months of the Review Period; (ii) in general lower than the closing price of the Share during the six months period immediately prior to the Last Trading Day up to and including the Latest Practicable Date; and (iii) lower than the average closing price per Share of approximately HK\$0.184 during the Review Period.

---

## LETTER FROM RED SUN CAPITAL

---

(c) *Analysis of the historical liquidity of the Shares*

We have conducted analysis on the historical trading volume and liquidity of the Shares as well as setting out a summary of number of days with trading in the month/period, average daily trading volume of Shares in the month/period and the percentages of average daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Review Period in the table below.

Month/period	Number of days with trading of Shares in the month/period	Average daily number of Shares traded per trading days in the month/period	% of average daily number of Shares traded to the total number of Shares in issue <sup>(Note 1)</sup>	% of average daily number of Shares traded to the total number of Shares held by public Shareholders <sup>(Note 2)</sup>
<b>2023</b>				
February (from 20 February 2023)	5	147,143	0.01%	0.05%
March	16	84,348	0.01%	0.03%
April	10	182,941	0.02%	0.07%
May	11	279,048	0.03%	0.10%
June	13	66,190	0.01%	0.02%
July	11	142,000	0.01%	0.05%
August	17	376,522	0.03%	0.14%
September	12	133,158	0.01%	0.05%
October	12	258,000	0.02%	0.09%
November	19	603,182	0.05%	0.22%
December	17	305,789	0.03%	0.11%
<b>2024</b>				
January	22	485,909	0.04%	0.18%
February	18	517,368	0.05%	0.19%
March	19	417,500	0.04%	0.15%
April (up to and including the Latest Practicable Date)	1	720,000	0.07%	0.26%
<b>Minimum</b>			0.01%	0.02%
<b>Maximum</b>			0.07%	0.26%
<b>Average</b>			0.03%	0.11%

Source: [www.hkex.com.hk](http://www.hkex.com.hk)

Notes:

1. Calculated based on the total number of the Shares in issue at the end of month/period, where applicable.
2. Calculated based on the total number of the Shares held by public Shareholders as at the respective month/period.

---

## LETTER FROM RED SUN CAPITAL

---

As set out in the table above, during the Review Period, the percentage of average daily trading volume of the Shares by month/period were in the range of (i) approximately 0.01% to approximately 0.07% with an average of approximately 0.03% as to the total number of issued Shares; and (ii) approximately 0.02% to approximately 0.26% with an average of approximately 0.11% as to the total number of Shares held by public Shareholders.

We also note that no trading activity of the Shares was recorded in 73 out of 274 trading days during the Review Period. By considering the thin trading volume of the Shares during the Review Period, in the event that the Vendor disposes of its Shares, being approximately 16.5% of the total issued share capital of the Company, in the open market, it will potentially create downward pressure to the Share price, which would not be in the interests of the Company and its Shareholders.

*(d) Comparison analysis*

We are of the view that trading multiples, namely price-to-earning ratio (the “**P/E Ratio**”), price-to-sales ratio (the “**P/S Ratio**”) and the price-to-book ratio (the “**P/B Ratio**”) are the most common comparison methods to analyse the fairness and reasonableness of the Buy-back Price.

We have conducted market research with a view to identifying comparable companies based on the criteria that (i) the shares of the company are listed on the Stock Exchange; and (ii) the company have a major proportion, over 50%, of their total revenue from business in relation to manufacture and sale of candle for its latest completed financial year (the “**Initial Criteria**”). Based on the Initial Criteria, we have identified one comparable company, namely, Kwung’s Holdings Limited (stock code: 1925) (“**Kwung’s**”), which is principally engaged in design and manufacturing of candles products, home fragrance products home accessories in the PRC, distributing the products overseas and in the PRC.

Given the business of the Group is niche in nature in the market, only one comparable company can be identified based on the Initial Criteria. With a view to ensure the identified comparable companies are representative and of a larger sample size to minimise any undue distortions to our analysis, which will be more sensitive for smaller sample sizes, we have revisited the Initial Criteria and extended the criteria to be the shares of the company listed on the Stock Exchange have a major proportion, over 50%, of their total revenue from business with respect to product in relation to home accessories or decoration for its latest completed financial year while keeping the Initial Criteria the same (the “**Final Criteria**”). We have identified an exhaustive list of four comparable companies (the “**Comparables Company(ies)**”) that fall into the Final Criteria. Although we have also considered to further adjust the Final Criteria by lowering the proportion of revenue generated from similar businesses in which the Group engages, given the fact that the Company derived its revenue from manufacture and sale of candle the lowering of the revenue threshold of 50% would make any comparison against the Comparable Companies less relevant and there may be undue distortions as the lowering of threshold may include listed companies which derived majority of their revenue from businesses and/or activities which are not similar to that of the Group’s. Therefore, we considered that the Comparables Companies identified based on the Final Criteria are more representative of the market as a whole and thus providing the Independent Shareholders with a better suited analysis.



## LETTER FROM RED SUN CAPITAL

Stock code	Company name	Principal business	Latest net asset value attributable to owners of the company		Market capitalisation as at Last Trading Day	P/E Ratio	P/S Ratio	P/B Ratio
			Revenue HK\$	HK\$	HK\$	(Note 1)	(Note 1)	(Note 1)
1925	Kwung's Holdings Limited	The Group are principally engaged in design and manufacturing of candles products, home fragrance products and home accessories in the PRC, distributing the products to overseas and in the PRC with three revenue segments, namely, (i) candles; (ii) home fragrance; and (iii) home accessories.	790,542,500	476,306,600	510,352,920	8.82	0.65	1.07
8392	Satu Holdings Limited	The Group are principally engaged in the trading, designing, development, production management of homeware products with operations in the PRC and Hong Kong with the single revenue segment, namely, sales of homeware products.	61,225,000	25,500,000	35,000,000	N/A (Note 2)	0.57	1.37
8395	Qi-House Holdings Limited ("Qi-House")	The Group are principally engaged in the sale, distribution and rental of furniture and home accessories, distribution and licencing of intellectual property rights, the provision of styling, consulting and furniture agency services and the operation of a café (Note 3)	78,194,000	38,916,000	1,409,760,000	N/A (Note 2)	18.03 (Note 4, 5, 6)	36.23 (Note 4, 5, 6)
8547	Pacific Legend Group Limited ("Pacific Legend")	The Group is principally engaged in the sale of home furniture and accessories, the leasing of home furniture and accessories and the provision of design consultancy services for fitting out interiors with furnishings (Note 8)	204,038,000	52,067,000	46,980,180	N/A (Note 2)	0.23	0.90
					<b>Minimum</b>	8.82	0.23	0.90
					<b>Maximum</b>	8.82	0.65	1.37
					<b>Average</b>	8.82	0.48	1.12
					<b>Median</b>	8.82	0.57	1.07
						<b>Implied P/E Ratio</b> (Note 8)	<b>Implied P/S Ratio</b> (Note 8)	<b>Implied P/B Ratio</b> (Note 8)
8512	Hyfusin Group Holdings Limited	The Group are principally engaged in manufacturing and sale of candle products with four revenue segments, namely, (i) daily-use candles; (ii) scented candles; (iii) decorative candles; and (iv) others (included diffusers).				2.48	0.26	0.39

---

## LETTER FROM RED SUN CAPITAL

---

*Note:*

1. For illustration purpose, the P/E Ratio, the P/S Ratio and the P/B Ratio are calculated based on the closing price of the share of the respective Comparable Companies on the Last Trading Day, the total number of issued shares based on the then latest monthly return of the subject listed company published on the website of the Stock Exchange, their respective profit attributable to the owner of the company/revenue for the latest completed financial year (for P/E Ratio and P/S Ratio) as at the Last Trading Day, and their respective latest published net asset value attributable to the owners of the company (for P/B Ratio) as at the Last Trading Day.
2. “N/A” denoted that the respective Comparable Companies recorded loss for the year attributable to the company for its latest completed financial year.
3. With reference to the annual report of Qi-House for the year ended 31 March 2023, Qi-House has four segments generating revenue for the year ended 31 March 2023, namely, (i) sale of furniture and home accessories; (ii) food and beverage income; (iii) commission income; and (iv) rental income generating approximately 88.8%, 4.3%, 6.8% and 0.1% of the total revenue of Qi-House for the year ended 31 March 2023, respectively.
4. Qi-House has the highest market capitalisation of approximately HK\$1,410 million among the four Comparables Companies, however, the revenue of approximately HK\$78.2 million and the latest net asset value attributable to owners of the company of approximately HK\$38.2 million of Qi-House ranks the second lowest among the Comparables Companies which may cause the exceptionally high P/S Ratio and P/E Ratio of Qi-House compared with other Comparables Companies.
5. Given the P/S Ratio of Qi-House of approximately 18.03, is notably higher than other Comparables Companies, with the next closest comparable being approximately 0.65, thus such was considered to be an outlier and excluded from the analysis on the P/S Ratio.
6. Given the P/E Ratio of Qi-House of approximately 36.23, is notably higher than other Comparables Companies, with the next closest comparable being approximately 1.37, thus such was considered to be an outlier and excluded from the analysis on the P/E Ratio.
7. With reference to the annual report of Pacific Legend for the year ended 31 December 2022, Pacific Legend has three segments generating revenue for the year ended 31 December 2022, namely, (i) sale of home furniture and accessories; (ii) rental of home furniture and accessories; and (iii) project and hospitality services generating approximately 72.6%, 10.1% and 17.2% of the total revenue of Pacific Legend for the year ended 31 December 2022, respectively.
8. For illustration purpose, the Implied P/E Ratio, the Implied P/S Ratio and the Implied P/B Ratio are calculated based on the Buy-back Price of HK\$0.165 per Buy-back Share, the total number of issued shares of the Company as set out in the Announcement, the profit attributable to the owner of the Company/revenue for the latest completed financial year (for P/E Ratio and P/S Ratio) as at the Last Trading Day, and the latest published net asset value attributable to the owners of the Company (for P/B Ratio) as at the Last Trading Day.
9. For illustration purpose, the exchange rate of RMB1.00 = HK\$1.10 has been used for currency translation.

As set out in the table above, we noted that:

- (i) three of the Comparable Companies recorded loss in the respective latest financial year and therefore are excluded in the P/E Ratio analysis;
- (ii) the Implied P/E Ratio of the Company of approximately 2.48 times is lower than the P/E Ratio of the remaining Comparables Company, namely, Kwung’s, of approximately 8.82 times;
- (iii) the P/S Ratio of the Comparable Companies ranges from approximately 0.23 times to approximately 0.65 times (the “**P/S Ratio Range**”) with an average of approximately 0.48 times and a median of approximately 0.57 times;

---

## LETTER FROM RED SUN CAPITAL

---

- (iv) the Implied P/S Ratio of the Company is 0.26 times, which is within the P/S Ratio Range, lower than the average and the median of the P/S Ratio of the Comparable Companies;
- (v) the P/B Ratio of the Comparable Companies ranges from approximately 0.90 times to approximately 1.37 times (the “**P/B Ratio Range**”) with an average of approximately 1.11 times and a median of approximately 1.07 times; and
- (vi) the Implied P/B Ratio of the Company is 0.39 times, which is lower the P/B Ratio Range, the average and the median of the P/B Ratio of the Comparable Companies.

Given the above, we are of the view that the Buy-back Price was determined at a favorable level to the Company and therefore is fair and reasonable and as far as the Disinterested Shareholders are concerned, in the interests of the Company and its Shareholders as a whole.

**(e) Analysis on the Comparable Transactions**

We have also reviewed and conducted analysis on transactions which (i) were announced by companies listed on the Stock Exchange during the Review Period; and (ii) constituted off-market share buy-back transactions pursuant to Rule 2 of the Share Buy-backs Code (together the “**Criteria**”). Based on the Criteria, on a best-effort and exhaustive basis, we have identified one comparable transaction, namely, Dongyue Group Limited (the “**Comparable Transaction**”). Details of the Comparable Transaction are summarised below.

Company Name	Stock Code	Date of initial transaction announcement	Share buy-back price HK\$	Share price as at the last trading date HK\$	Premium/(discount)	Summary of the reasons for the share buy-back as stated in the relevant announcement
					of the share buy-back price over/to the closing price as at the respective last trading day %	
Dongyue Group Limited	189	24 October 2023	7.10	5.34	32.93	As the regarding the substantial shareholder of the company is under bankruptcy restructuring, the share buy-back will be in the interest of the stability of the company's shareholding structure.

The Company

(24.7)

Having considered (i) the Comparable Transaction is caused by the judicial restructuring of its substantial shareholder; and (ii) the limited sample size of the Comparable Transaction, we consider that the comparison on the recent share buy-back transaction is not representative and hence, should not be used for evaluation of the Buy-back Price.

---

## LETTER FROM RED SUN CAPITAL

---

### 7. Effects on the shareholding structure of the Group

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to Completion):

	As at the Latest Practicable Date		Immediately upon Completion	
	<i>Number of Shares</i>	<i>Approx.%</i>	<i>Number of Shares</i>	<i>Approx.%</i>
AVW <i>(Note 1)</i>	643,500,000	58.50	643,500,000	70.06
The Vendor <i>(Note 2)</i>	181,500,000	16.50	–	–
Public Shareholders	<u>275,000,000</u>	<u>25.00</u>	<u>275,000,000</u>	<u>29.94</u>
<b>Total</b>	<b><u>1,100,000,000</u></b>	<b><u>100.0</u></b>	<b><u>918,500,000</u></b>	<b><u>100.0</u></b>

Notes:

1. AVW is beneficially owned as to 50% by Mr. Andrew Wong and 50% by Mr. Vincent Wong, both are executive Directors, and brothers of each other.
2. The Vendor is wholly-owned by Vibes HK, which is ultimately beneficially owned as to 50% by Ms. Li Yin Ping and 50% by Ms. Zheng Xiaochun.
3. Save as mentioned in Note 1 above, no other Directors are interested in any Shares as at the Latest Practicable Date.

We note that percentage of the public Shareholders will increase from approximately 25.0% as at the Latest Practicable Date to approximately 29.9% immediately after Completion. Taking into account of the enhancement of shareholding interests of the public Shareholders after Completion and the Buy-back Price in discount to the market price and NAV per Share, we are of the opinion that the Share Buy-back is fair and reasonable so far as the Company and its Shareholders are concerned.

---

## LETTER FROM RED SUN CAPITAL

---

### 8. Financial effects of the Share Buy-back

#### *Basic earnings per Share*

The Share Buy-back will result in an enhancement in the basic earnings per Share upon Completion as illustrated below:

	Before the Share Buy-back <i>HK cents</i>	Immediately upon Completion and cancellation of the Buy-back Shares <i>HK cents</i>	Percentage increase %
<b>For the year ended 31 December 2023</b>			
Basic earnings per Share	9.30	11.14	19.8

As shown in the above table and for illustration purpose only, assuming the Share Buy-back had taken place on 31 December 2023 and the Buy-back Shares had been bought back in full and cancelled upon Completion, the Share Buy-back would not have caused any financial impact on the results of the Group and the profit for the year of the Company attributable to owners of the Company for the year ended 31 December 2023 would have remained unchanged at approximately HK\$102.3 million. As a result of the Share Buy-back, the weighted average number of issued Shares for the year ended 31 December 2023 would have decreased from 1,100,000,000 Shares to 918,500,000 Shares. Accordingly, the basic earnings per Share for the year ended 31 December 2023 would have increased from approximately HK9.30 cents as disclosed in the 2023 Results Announcement to approximately HK11.14 cents, representing an increase of approximately 19.8%. From this perspective, we note that the Share Buy-back is in the interests of the Company and the Shareholders as a whole.

#### *Audited NAV per Share*

The Share Buy-back will result in an enhancement in the audited consolidated NAV per Share attributable to Shareholders upon Completion, which is illustrated below:

	Before the Share Buy-back <i>HK\$</i>	Immediately upon Completion and cancellation of the Buy-back Shares <i>HK\$</i>	Percentage increase %
<b>As at 31 December 2023</b>			
Audited NAV per Share	0.4596	0.5178	12.7

---

## LETTER FROM RED SUN CAPITAL

---

As shown in the above table and for illustration purpose only, based on the audited NAV of approximately HK\$505.6 million as at 31 December 2023 as disclosed in the 2023 Annual Results Announcement, and assuming that the Share Buy-back had taken place on 31 December 2023 and the Buy-back Shares had been bought back in full and cancelled upon Completion, the audited NAV per Share would have increased from approximately HK\$0.4596 to approximately HK\$0.5178.

Thus, the Share Buy-back would result in an approximately 12.7% enhancement to the audited NAV per Share, due to the fact that the Buy-back Price is below the Company's audited NAV per Share. We note that the enhancement in audited NAV per Share would enable Shareholders to entitle to a greater value per Share upon Completion and therefore is in the interest of the Company and the Shareholders as a whole.

### *Total liabilities*

As stated in the Letter from the Board, the consideration of the Share Buy-back will be settled in cash and funded by the Group's internal resources. Assuming that the Share Buy-back had taken place on 31 December 2023 and the Buy-Back Shares have been bought back in full and cancelled upon Completion, the total liabilities would remain unchanged.

### *Working capital and gearing ratio*

Based on the audited consolidated financial information of the Group as set out in Letter from the Board and assuming that the Share Buy-back had taken place on 31 December 2023, the net working capital (expressed as net current asset) would decrease by approximately 8.8% from approximately HK\$341.4 million to approximately HK\$311.4 million. The gearing ratio (calculated as total debt divided by total equity) as at 31 December 2023 would have increased from approximately 3.6% to approximately 3.9%. as at 30 June 2023. The Company is of the view that it continues to maintain sufficient and adequate working capital for its operations, including (i) no material adverse impact to the working capital of the Group with the provision on the Claim and the Settlement; (ii) approximately 55.9% of the construction of a new factory in Vietnam had been completed, and correspondingly, approximately VND75,410,000,000 (equivalent to approximately HK\$25.1 million) and approximately VND2,929,162,500 (equivalent to approximately HK\$0.9 million) had been paid in accordance to the relevant construction contract and service agreement, respectively. Save for the aforesaid, there is no other material capital expenditure expected to be borne by the Group for the coming 12 months as set out in the Letter from the Board; and (iii) we noted that, in the absence of unforeseen material circumstances, there is no material fluctuation in working capital requirements of the Company in the foreseeable future based on the discussion with the Management. Taking into account the amount of cash resources held by the Company as at the 31 December 2023, the Directors are of the view that the Company has adequate financial resources to finance the Share Buy-back, which allowed the Company to take advantage of the opportunity to enhance the Shareholders' value through the Share Buy-back, and we are of the view that the Share Buy-back will have no material adverse effect on the working capital and gearing position of the Company.

---

## LETTER FROM RED SUN CAPITAL

---

In light of the above, we are of the view that the terms of the Share Buy-back is in the interests of the Company and Shareholders as a whole as far as the Disinterested Shareholders are concerned.

### RECOMMENDATION

Having considered the below principal factors and reasons:

- (i) the latest financial position of the Group as well as the amount of cash resources held by the Company, which are considered to be adequate to finance the consideration of Buy-back Shares;
- (ii) the enhancement on the basic earnings per Share and NAV per Share, which shall create a greater Shareholders' value and that the slight increase in the gearing ratio shall not create material adverse impact on the financial position of the Company;
- (iii) the Buy-back Price represents a discount of approximately 24.7% to the closing prices of HK\$0.219 per Share as at the Last Trading Day;
- (iv) the Buy-back Price represents a discount to the audited NAV per Share as at 31 December 2023;
- (v) the Buy-back Price was determined following arm's length commercial negotiations between the Vendor and the Company, taking into account (a) the recent market price of the Shares; (b) the NAV of the Group; and (c) the effective cost of Vibes HK for the pre-IPO Investment; and
- (vi) our analysis in relation to the Buy-back Price as set out under the section headed "6. Analysis of the Buy-back Price" in this letter, including (a) the performance of historical closing Share price; (b) the analysis on the trading liquidity of the Shares during the Review Period; and (c) the analysis on the P/S Ratio, P/E Ratio and P/B Ratio of the Comparable Companies, respectively,

we are of the view that, although the entering into of the Agreement is not in the ordinary and usual course of business of the Group, the terms of the Share Buy-back Agreement (including the Buy-back Price) are on normal commercial terms and fair and reasonable and as far as the Disinterested Shareholders are concerned, the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM RED SUN CAPITAL

---

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Disinterested Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Buy-back Agreement and the Share Buy-back contemplated thereunder.

Yours faithfully  
For and on behalf of  
**Red Sun Capital Limited**  
**Robert Siu**                      **Ben Leung**  
*Managing Director*                      *Director*

*Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in corporate finance industry.*

*Mr. Ben Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 8 years of experience in corporate finance industry.*



## 1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023, as extracted from the respective annual reports or annual results announcement of the Company:

	For the year ended 31 December		
	2023	2022	2021
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)
<b>Revenue</b>	<b>866,251</b>	<b>684,947</b>	<b>815,143</b>
Cost of sales	(530,710)	(477,255)	(545,223)
<b>Gross profit</b>	<b>335,541</b>	<b>207,692</b>	<b>269,920</b>
Other income	9,111	3,525	1,812
Other gains and losses	1,764	1,025	(3,303)
Selling and distribution expenses	(86,173)	(26,980)	(37,137)
Administrative expenses	(110,712)	(86,953)	(96,589)
Finance costs	(14,571)	(8,811)	(4,913)
<b>Profit before income tax expense</b>	<b>134,960</b>	<b>89,498</b>	<b>129,790</b>
Income tax expense	(32,674)	(16,440)	(23,579)
<b>Profit for the year attributable</b>			
<b>to owners of the Company</b> <sup>(Note)</sup>	<b>102,286</b>	<b>73,058</b>	<b>106,211</b>
<b>Total comprehensive income for the year</b>			
<b>attributable to owners of the Company</b> <sup>(Note)</sup>	<b>102,307</b>	<b>72,806</b>	<b>106,197</b>
Earnings per share – Basic and diluted (HK cents)	9.30	6.64	9.66

*Note:* The Company did not have any minority interest during the three years ended 31 December 2021, 2022 and 2023 respectively.

The consolidated financial statements of the Group for each of the three years ended 31 December 2021, 2022 and 2023 were audited by BDO Limited and did not contain any qualifications.

For each of the three years ended 31 December 2021, 2022 and 2023, no dividend was declared or paid. The Group had no item of income or expense which are material and no exceptional items because of size, nature or incidence for each of the three years ended 31 December 2021, 2022 and 2023.

The Board's objective is to achieve sustainable returns to the Shareholders while retaining sufficient reserves for the Group's future development. Based on the dividends policy adopted by the Company, dividends may be recommended, declared and paid to the Shareholders from time to time. The declaration of dividends and the dividend amount shall be determined at the sole and absolute discretion of the Board taking into account a number of factors including the Group's financial results, liquidity position, capital requirements, market conditions and other factors that the Board considers appropriate. The Board does not have any plan or intention to alter the dividend policy of the Company.

## **2. AUDITED FINANCIAL STATEMENTS**

The Group's audited consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for each of the three years ended 31 December 2021, 2022 and 2023 can be found below:

- pages 2 to 18 of the annual results announcement of the Company for the year ended 31 December 2023, a copy of which is available at <https://www1.hkexnews.hk/listedco/listconews/gem/2024/0326/2024032601910.pdf>;
- pages 20 to 121 of the annual report of the Company for the year ended 31 December 2022, a copy which is available at <https://www1.hkexnews.hk/listedco/listconews/gem/2023/0330/2023033000747.pdf>; and
- pages 49 to 121 of the annual report of the Company for the year ended 31 December 2021, a copy which is available at <https://www1.hkexnews.hk/listedco/listconews/gem/2022/0325/2022032501196.pdf>.

## **3. STATEMENT OF INDEBTEDNESS**

### **Borrowings**

As at 29 February 2024, being the latest practicable date for the purpose of preparing indebtedness statement prior to printing of this circular, the Group had total bank borrowings of approximately HK\$12,537,000 as follows:

	<i>HK\$'000</i>
Bank loans	12,537
	<u>12,537</u>

All of the Group's bank borrowings are guaranteed and secured and carried variable rate and fixed rate of interest. The maturity of bank borrowings based on scheduled repayment terms are as follows:

	<i>HK\$'000</i>
Carrying amounts repayable (based on scheduled repayable terms):	
Within one year	4,503
More than one year, but not more than two years	3,571
More than two years, but not more than five years	4,463
	12,537
	12,537

As at 29 February 2024, the Group's bank borrowings were guaranteed by the corporate guarantees by the Company or the Company and Fleming Group International Limited, a wholly-owned subsidiary of the Company; and secured by (i) debt instruments at fair value through other comprehensive income of approximately HK\$898,000; (ii) pledged bank deposits of approximately HK\$19,361,000; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of approximately HK\$39,177,000; (iv) the Group's leasehold land under right-of-use assets of approximately HK\$47,030,000 and (v) financial asset at fair value through profit or loss of approximately HK\$3,165,000.

As at 29 February 2024, the Group had unutilised banking facilities of approximately HK\$106,107,000.

#### **Lease liabilities**

As at 29 February 2024, being the latest practicable date for the purpose of preparing indebtedness statement prior to printing of this circular, the Group had total lease liabilities, primarily the rental payable for the Group's office premise, directors' quarters and office equipment of approximately HK\$2,893,000.

	<i>HK\$'000</i>
Current	2,624
Non-current	269
	2,893
	2,893

**Disclaimer**

Save as disclosed above, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or other material contingent liabilities or guarantees as at 29 February 2024.

As at the Latest Practicable Date, the Directors were not aware of any material changes in the Group's indebtedness and contingent liabilities since the close of business on 29 February 2024.

**4. MATERIAL CHANGE**

The Directors confirm that there were no material changes in the financial or trading position or outlook of the Group since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date, save for:

- (i) the entering into of the Agreement in respect of the Share Buy-back on 20 February 2024 as disclosed in the section headed "Event after the reporting period" in the annual results announcement of the Company for the year ended 31 December 2023 dated 26 March 2024; and
- (ii) the Settlement as disclosed in the section headed "FINANCIAL EFFECTS OF THE SHARE BUY-BACK – Working capital" in the letter from the Board in this circular and in the announcement of the Company dated 2 April 2024.

**5. FINANCIAL AND TRADING PROSPECT**

The Group's production capacity for candle products was enhanced by highly automation of the new factory that went into mass production in 2022. The Group expects the third factory under construction during the year ended 31 December 2023, will be completed in first half of 2024 and will further enhance the Group's production capacity and efficiency in foreseeable future. The expansion of production capacity will contribute to the Group's rapid development to catch up with the rapid growth of candle markets in the U.S. market.

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

Based on the Group's success, the Group remains optimistic about the Group's future development. The Group intends to execute their development plan as set forth in the prospectus dated 29 June 2018 carefully and prudently for the purpose of bringing a desirable return to the Shareholders and facilitating the long-term growth of the business of the Group.

*The following is the text of a report received from BDO Limited, Certified Public Accountants, Hong Kong, for the sole purpose of inclusion in this circular.*



Tel : +852 2218 8288  
Fax: +852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
www.bdo.com.hk

香港干諾道中111號  
永安中心25樓

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE EXPECTED GAIN ON REVERSAL OF PROVISION FOR THE CLAIM

TO THE BOARD OF DIRECTORS OF HYFUSIN GROUP HOLDINGS LIMITED (THE  
"COMPANY")

We have completed our assurance engagement to report on the expected gain on reversal of provision for the claim of US\$3.8 million for the year ending 31 December 2024 (the "**Expected Gain on Reversal of Provision**"). The Expected Gain on Reversal of Provision is set out in the announcement of the Company dated 2 April 2024 and the circular of the Company dated 5 April 2024 in connection with the proposed buy-back of 181,500,000 ordinary share of the Company, which represent approximately 16.5% of the total issued share capital of the Company, from Vibes Enterprises Company Limited (the "**Circular**") as extracted below:

*"...Following the agreement for the Settlement, it is expected that the Group will record a gain on reversal of provision for the Claim of US\$3.8 million (equivalent to approximately HK\$29.7 million) for the year ending 31 December 2024."*

The Expected Gain On Reversal Of Provision, which constitutes a profit forecast under Rule 10 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"), is required to be reported on by us in accordance with the Takeovers Code.

### Directors' responsibilities

The directors of the Company are solely responsible for the Expected Gain on Reversal of Provision, including the bases set out in the section headed "Working Capital" included in the Letter from the Board of Directors and preparing the Expected Gain on Reversal of Provision on a basis consistent with the accounting policies normally adopted by the Company and its subsidiaries (the "**Group**") as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2023. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Expected Gain on Reversal of Provision and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant’s Responsibilities**

It is our responsibility, pursuant to Rule 10 of the Hong Kong Code on Takeovers and Mergers, to form an opinion as to whether the Expected Gain On Reversal Of Provision, so far as the accounting policies and calculations are concerned, has been properly compiled, in all material respects, in accordance with bases set out in the section headed “Working Capital” of the Letter from the Board of Directors and on a basis consistent with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2023, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conduct our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, has been properly compiled, in all material respects, in accordance with bases set out in the section headed “Working Capital” of the Letter from the Board of Directors and on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2023. The extent of procedures selected depends on the reporting accountant’s judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the accounting policies and the arithmetical calculations in the compilation of the Expected Gain on Reversal Of Provision in accordance with the bases set out in the section headed “Working Capital” of the Letter from the Board of Directors.

Our work does not constitute an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit opinion or a review opinion on the Expected Gain On Reversal Of Provision.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Expected Gain On Reversal Of Provision has been properly compiled, in all material respects, in accordance with bases adopted by the directors of the Company as set out in the section headed “Working Capital” of the Letter from the Board of Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2023.

**BDO Limited***Certified Public Accountants*

Hong Kong, 5 April 2024

*The following is the text of a report from Optima Capital Limited on the expected gain on reversal of provision for the Claim, which has been prepared for the purpose of incorporation in this circular.*



Suite 1501, 15th Floor  
Jardine House  
1 Connaught Place  
Central, Hong Kong

5 April 2024

The Board of Directors  
Hyfusin Group Holdings Limited  
Suite 4-8, 2/F  
Aberdeen Marina Tower  
8 Shum Wan Road  
Aberdeen, Hong Kong

Dear Sirs,

**Re: Hyfusin Group Holdings Limited  
Expected gain on reversal of provision for the Claim a claim relating to recall of candle products**

We refer to the announcement dated 2 April 2024 (the “**Update Announcement**”) issued by Hyfusin Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) in respect of an update on recall of candle products. Capitalised terms used in this letter shall have the same meanings as defined in the Update Announcement unless otherwise specified.

We also refer to the statement (the “**Statement**”) made by the directors of the Company (the “**Directors**”) regarding the expected gain on reversal of provision for the Claim in the Update Announcement as extracted below:

*“Following the agreement for the Settlement, it is expected that the Group will record a gain on reversal of provision for the Claim of US\$3.8 million (equivalent to approximately HK\$29.7 million) for the year ending 31 December 2024.”*

The Statement is regarded as a profit forecast under the Takeovers Code and therefore, is required to be reported on pursuant to Rule 10 of the Takeovers Code.

The Statement is prepared by the Directors based on the difference between (i) the full amount of the Claim of US\$6.8 million (equivalent to approximately HK\$53.0 million) provided for in the year ended 31 December 2023; and (ii) the compensation amount of US\$3.0 million (equivalent to approximately HK\$23.3 million) as agreed by the Company with the Customer for the Settlement.



We have discussed with the Board the bases upon which the Statement was prepared. We have also considered the report dated 5 April 2024 issued by BDO Limited, the reporting accountant of the Company, to the Company, the text of which is set out in the Appendix II to the Circular, which stated that, so far as the accounting policies and calculations are concerned, the expected gain on reversal of provision for the Claim has been properly compiled, in all material respects, in accordance with bases adopted by the directors of the Company as set out in the section headed “Working Capital” of the letter from the board of directors of the Company and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2023.

Based on our review, we are satisfied that the Statement, for which the Directors are solely responsible, has been prepared by the Directors after due care and consideration.

Yours faithfully,  
for and on behalf of  
**OPTIMA CAPITAL LIMITED**  
**Benny Ng**  
*Managing Director, Corporate Finance*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

## 2. SHARE CAPITAL

### Authorised and issued capital

The issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) upon Completion assuming that no further Shares will be issued or bought back by the Company other than the Buy-back Shares to be bought back, is illustrated below:

(a) *As at the Latest Practicable Date:*

<i>Authorised</i>	<i>HK\$</i>
5,000,000,000 Shares	50,000,000
	<hr/> <hr/>
<i>Issued and fully paid</i>	<i>HK\$</i>
1,100,000,000 Shares	11,000,000
	<hr/> <hr/>

(b) Upon Completion assuming that no further Shares will be issued or bought back by the Company other than the Buy-back Shares to be bought back:

<i>Authorised</i>	<i>HK\$</i>
<u>5,000,000,000 Shares</u>	<u>50,000,000</u>
<i>Issued and fully paid</i>	
<i>HK\$</i>	
1,100,000,000 Shares as at the Latest Practicable Date	11,000,000
(181,500,000) Shares number of Shares to be bought back	(1,815,000)
<u>918,500,000 Shares upon Completion</u>	<u>9,185,000</u>

As at the Latest Practicable Date, save for the 1,100,000,000 Shares in issue, the Company did not have any outstanding options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares.

All of the issued Shares rank *pari passu* with each other in all respects including the rights as to voting rights, dividends and return of capital.

No Shares had been bought-back by the Company during the period of 12 months immediately preceding the date of this circular, or since 31 December 2023, being the date on which the latest audited financial statements of the Group were made up, and up to the Latest Practicable Date.

There was no other issuance of new Shares or re-organisation of capital of the Company during the two financial years preceding the date of the Announcement or since the date on which the latest audited financial statements of the Group were made up.

### 3. MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange (i) at the end of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share</b> <i>HK\$</i>
31 August 2023	0.180
29 September 2023	0.180
31 October 2023	0.219
30 November 2023	0.200
29 December 2023	0.190
31 January 2024	0.210
Last Trading Day (i.e. 19 February 2024)	0.219
29 February 2024	0.230
28 March 2024	0.239
Latest Practicable Date (i.e. 2 April 2024)	0.245

#### HIGHEST AND LOWEST SHARE PRICES

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.250 on 7 March 2024 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.166 on 20 December 2023.

## 4. DISCLOSURE OF INTERESTS

## (a) Directors' and chief executives' interests and short positions in the Shares, underlying shares or debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

*Long positions in ordinary Shares*

Name of Director	Nature of interest	Total number of Shares held	Approximate % of the total number of Shares in issue
Wong Wai Chit	Interest in controlled corporation	643,500,000 <sup>(Note)</sup>	58.5%
Wong Man Chit	Interest in controlled corporation	643,500,000 <sup>(Note)</sup>	58.5%

*Long position in ordinary shares of associated corporation*

Name of Director	Name of associated corporation	Capacity	Approximate % of the issued share capital of the associated corporation
Wong Wai Chit	AVW	Directly and beneficially owned <sup>(Note)</sup>	50%
Wong Man Chit	AVW	Directly and beneficially owned <sup>(Note)</sup>	50%

*Note:* These 643,500,000 Shares are held by 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. Mr. Wong Wai Chit and Mr. Wong Man Chit are the directors of AVW.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders**

As at the Latest Practicable Date, so far as the Directors are aware, other than the Directors and chief executives of the Company as disclosed above, the following persons would have or was deemed or taken to have an interest and/or short position in the Shares or the underlying shares of the Company 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 would be, directly or indirectly, 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:

*Long positions in ordinary Shares*

Name of Shareholder	Nature of interest	Total number of Shares held	Approximate % of the total number of Shares in issue
AVW <sup>(Note 1)</sup>	Beneficial owner	643,500,000	58.5%
Ms. Iong Man Lai <sup>(Notes 1 and 4)</sup>	Interest of spouse	643,500,000	58.5%
Ms. Tse Sheung <sup>(Notes 1 and 5)</sup>	Interest of spouse	643,500,000	58.5%
Vibes Enterprises Company Limited (“ <b>Vibes Enterprises</b> ”) <sup>(Note 2)</sup>	Beneficial owner	181,500,000	16.5%
Vibes Management Company Limited (“ <b>Vibes Management</b> ”) <sup>(Note 2)</sup>	Interest in controlled corporation	181,500,000	16.5%
Pioneer Unicorn Limited (“ <b>Pioneer</b> ”) <sup>(Note 2)</sup>	Interest in controlled corporation	181,500,000	16.5%
Ms. Li Yin Ping <sup>(Note 2)</sup>	Interest in controlled corporation	181,500,000	16.5%
Ms. Zheng Xiaochun <sup>(Note 2)</sup>	Interest in controlled corporation	181,500,000	16.5%
Mr. Guan Le <sup>(Notes 2 and 3)</sup>	Interest of spouse	181,500,000	16.5%
Mr. Chan Sheung Chi <sup>(Notes 2 and 6)</sup>	Interest of spouse	181,500,000	16.5%

*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 is wholly owned by Vibes Management. Vibes Management is wholly owned by Pioneer, 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, 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. Iong Man Lai is the spouse of Mr. Wong Wai Chit. Ms. Iong 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.

Save as disclosed above, as at the Latest Practicable Date, 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 chief executives of the Company as disclosed above) who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## **5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, controlling Shareholders nor their respective associates was interested in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## **6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any other member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

## 7. DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENT AND CONTRACTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

## 8. MATERIAL CONTRACTS

Save for the following, the Group has not entered into any contracts that are or may be material (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date.

- (i) the Agreement;
- (ii) the transfer agreement dated 9 March 2022 entered into between Fleming International Vietnam Limited (“**Fleming Vietnam**”), an indirect wholly-owned subsidiary of the Company, as transferee and Pacific Investment and Production Joint Stock Company, a joint stock company incorporated under Vietnamese laws, as transferor in relation to the acquisition of land use rights 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 square metre (the “**Land**”) for a lease term commencing from the date of entering into the new sublease contract until 8 August 2061 at the consideration of VND93,186,000,000 (equivalent to approximately HK\$31.0 million) (excluding value-added tax);
- (iii) the agreement dated 6 July 2023 entered into between Fleming Vietnam and Solutions Construction Company Limited in respect of the works, services and performances in relation to the construction of the new factory on the Land (the “**Works**”) with total contract price of VND135,000,000,000 (equivalent to approximately HK\$44.9 million) payable by Fleming Vietnam to Solutions Construction Company Limited;
- (iv) the agreement dated 6 July 2023 entered into between Fleming Vietnam and IntES Vietnam Company Limited in respect of the provision of project management and construction management services in respect of the Works as referred to in (iii) above with total service fee of VND3,550,500,000 (equivalent to approximately HK\$1.2 million) payable by Fleming Vietnam to IntES Vietnam Company Limited; and
- (v) the confirmation email dated 28 March 2024 sent from the Customer to the Group for the Settlement.



## 9. LITIGATION

Save as the Claim as mentioned in the letter from of the Board under the paragraph headed “FINANCIAL EFFECTS OF THE SHARE BUY-BACK – Working Capital” in this circular, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 10. EXPERTS AND CONSENTS

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Red Sun Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Optima Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified Public Accountants

The above experts have given and has not withdrawn their written consent to the issue of this circular with the inclusion herein of their reports or letters or their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts did not have any direct or indirect interests in any assets which have been, since 31 December 2023 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

**11. GENERAL**

- (a) The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The headquarters and principal place of business in Hong Kong of the Company is situated at Unit Nos. 4-8, 2/F, Aberdeen Marina Tower, 8 Shum Wan Road, Aberdeen, Hong Kong.
- (c) The Cayman Islands principal share registrar and transfer office of the Company is Ocorian Trust (Cayman) Limited at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (d) The branch share registrar of the Company in Hong Kong is Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (e) The business office of Optima Capital Limited, the financial adviser to the Company in respect of the Share Buy-back, is situated at Suite 1501, 15/F, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (f) The business office of Red Sun Capital is situated at Room 310, 3/F, China Insurance Group Building 141 Des Voeux Road Central, Hong Kong.
- (g) The company secretary of the Company is Ms. Leung Shui Bing, who is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (h) The compliance officer of the Company is Mr. Wong Wai Chit, who is also an executive Director and the chairman of the Board.
- (i) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are published on the website of the Stock Exchange at ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company at (<https://www.hyfusingroup.com/>) during the period commencing from the date of this circular up to the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the two years ended 31 December 2021 and 2022;
- (iii) the annual results announcement of the Company for the year ended 31 December 2023;
- (iv) the material contracts as referred to in the paragraph headed “Material Contract” in this appendix;
- (v) the written consents referred to in the paragraph headed “Experts and Consents” in this appendix;
- (vi) the letter from the Board, the text of which is set out from pages 4 to 17 of this circular;
- (vii) the letter from the Independent Board Committee, the text of which is set out on page 18 of this circular;
- (viii) the letter from Red Sun Capital, the text of which is set out on pages 19 to 45 of this circular;
- (ix) the report from BDO Limited on the Expected Gain On Reversal of Provision For the Claim, the text of which is set out on Appendix II to this Circular;
- (x) the report from Optima Capital Limited on the Expected Gain On Reversal of Provision For the Claim, the text of which is set out on Appendix III to this Circular; and
- (xi) this circular.

---

## NOTICE OF EGM

---

# 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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**EGM**”) of Hyfusin Group Holdings Limited (the “**Company**”) will be held on Tuesday, 23 April 2024 at 3:00 p.m. at Suite 3318, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong to consider and, if thought fit, passing, with or without modifications, the following resolution as special resolution of the Company:

#### SPECIAL RESOLUTION

“**THAT:**

- (a) the sale and repurchase agreement dated 20 February 2024 (the “**Share Buy-back Agreement**”) entered into between Vibes Enterprises Company Limited (the “**Vendor**”) and the Company in relation to the proposed buy-back (the “**Share Buy-back**”) of 181,500,000 ordinary shares of par value HK\$0.01 each (the “**Buy-back Shares**”) in the issued share capital of the Company by the Company from the Vendor at the proposed total consideration of HK\$30,000,000 (a copy of which is marked “A” and produced to the meeting and signed by the chairman of the meeting for identification purpose) be and is hereby approved;
- (b) the Share Buy-back and the transactions contemplated under the Share Buy-back Agreement be and are hereby approved; and
- (c) the directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and giving effect to the Share Buy-back Agreement and the transactions contemplated thereunder (including but not limited to the cancellation of the Buy-back Shares).”

Yours faithfully

For and on behalf of the Board

**Hyfusin Group Holdings Limited**

**Wong Wai Chit**

*Chairman*

Hong Kong, 5 April 2024

---

## NOTICE OF EGM

---

1. A member of the Company (a “**Shareholder**”) entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or, if such Shareholder is a holder of more than one share, more proxies to attend and vote in his stead. A proxy need not be a Shareholder.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company’s Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the EGM (i.e. before 3:00 p.m. on Sunday, 21 April 2024) or any adjournment thereof and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.
3. The register of members of the Company will be closed from Thursday, 18 April 2024 to Tuesday, 23 April 2024, both days inclusive, in order to determine the eligibility of shareholders to attend and vote at the EGM, during which period no share transfers will be registered. To be eligible to attend the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on 17 April 2024.
4. Delivery of an instrument appointing a proxy will not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof, in such event, the instrument appointing a proxy shall be deemed to be revoked.