
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 your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hyfusin Group Holdings Limited, you should at once hand this circular to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

MAJOR TRANSACTION IN RELATION TO THE CONSTRUCTION CONTRACT FOR NEW FACTORY

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 12 of this circular.

The Company has obtained written Shareholders' approval for the Construction Contract and the transactions contemplated thereunder pursuant to Rule 19.44 of the GEM Listing Rules from AVW, Mr. Wong Wai Chit and Mr. Wong Man Chit, being the controlling shareholders holding more than 50% of the voting rights at a general meeting to approve the Construction Contract. Accordingly, no general meeting will be held to approve the Construction Contract pursuant to Rule 19.44 of the GEM Listing Rules. This circular is being despatched to the Shareholders for information only.

8 December 2020

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.

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DEFINITIONS

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

“AVW”	AVW International Limited, a company incorporated under the laws of British Virgin Islands with limited liability, which is beneficially owned by Mr. Wong Wai Chit and Mr. Wong Man Chit in equal shares, a controlling shareholder of the Company
“Board”	board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Commencement Date”	8 December 2020, being the expected commencement date of the Works
“Company”	Hyfusin Group Holdings Limited (凱富善集團控股有限公司) (stock code: 8512), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Construction Contract”	the agreement dated 2 November 2020 entered into between Fleming International and the Contractor in respect of the Works of the new factory on the Land
“Contract Price”	the consideration of the Construction Contract being VND83,279,000,000 (equivalent to approximately HK\$28,000,000), subject to adjustments to cater for variation orders to be approved by Fleming International in accordance with the terms of the Construction Contract
“Contractor”	Solutions Construction Company Limited, a company incorporated in Vietnam, an Independent Third Party
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Engineer”	a company to be appointed by Fleming International to act as the engineer in due course for the purpose of the Construction Contract
“Fleming International”	Fleming International Vietnam Limited, a company established under Vietnamese laws with limited liability and an indirect wholly-owned subsidiary of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected with the Company and its connected persons (as defined in the GEM Listing Rules)
“Land”	the parcel of land located at plot no. 236 (formerly known as plot no. 51), Amata Road, Amata Industrial Park, Long Binh Park, Bien Hoa City, Dong Nai Province, Vietnam
“Latest Practicable Date”	3 December 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Loan Facility”	the loan facility granted by Public Bank Vietnam Limited to Fleming International pursuant to an offer letter dated 4 September 2020
“Prospectus”	the prospectus of the Company dated 29 June 2018
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m”	square metre(s)
“Vendor”	Binh Tien Dong Nai Company Limited, a company incorporated in Vietnam, was the vendor of the Land pursuant to an agreement dated 7 December 2018 entered into with Fleming International as purchaser for the sale and purchase of the Land and an Independent Third Party
“VND”	Vietnamese Dong, the lawful currency of Vietnam

DEFINITIONS

“Work” or “Works”	all the works, services, performances that the Construction Contract requires the Contractor to perform, provide and deliver including but not limited to construction of the new factory, access road, drain, boundary wall, etc., insurance and other similar and incidental obligations of the Contractor under the Construction Contract
“%”	per cent

For illustration purposes, amounts in VND in this circular have been translated into HK\$ based on the exchange rate of VND2,974.25 = HK\$1.00. Such conversion shall not be construed as representations that amounts in 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*)

Non-executive Director:

Ms. Wong Fong

Independent non-executive Directors:

Mr. Chan Cheong Tat

Mr. Yu Pui Hang

Mr. Ho Chi Wai

Registered office:

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

Principal place of business in Hong Kong:

Unit Nos. 4–8, 2/F

Aberdeen Marina Tower

8 Shum Wan Road

Aberdeen

Hong Kong

8 December 2020

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE CONSTRUCTION CONTRACT FOR NEW FACTORY

INTRODUCTION

References are made to the announcements of the Company dated 15 October 2018, 2 November 2020 and 20 November 2020 respectively. As disclosed in the announcement of the Company dated 15 October 2018, Fleming International, an indirect wholly-owned subsidiary of the Company, acquired the land use right of the Land for a new factory to be constructed. On 2 November 2020 (after trading hours of the Stock Exchange), Fleming International entered into the Construction Contract with the Contractor, pursuant to which the Contractor is appointed for the construction of the new factory on the Land at the Contract Price.

In respect of the Construction Contract, as one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) calculated is 25% or more but less than 100%, the Construction Contract and the transactions contemplated thereunder constitute a major transaction on the part of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

LETTER FROM THE BOARD

For the reasons set out in the section headed “GEM Listing Rules Implications” in this circular, the general meeting requirement to approve the Construction Contract is to be dispensed with. This circular is therefore sent to the Shareholders for their information only.

The purposes of this circular are to provide you with, among others, (i) details of the Construction Contract and the transactions contemplated thereunder; and (ii) further information as required by the GEM Listing Rules.

THE CONSTRUCTION CONTRACT

Date: 2 November 2020 (after trading hours of the Stock Exchange)

Parties: (1) Fleming International (as principal); and
(2) the Contractor (as contractor).

Fleming International is a company incorporated in Vietnam with limited liability and is principally engaged in design, manufacture and trading of candle products in Vietnam. Fleming International is an indirect wholly-owned subsidiary of the Company.

The Contractor is a company incorporated in Vietnam and principally engaged in contractor works, design and building works. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are Independent Third Parties.

Subject matter

Pursuant to the Construction Contract, the Contractor shall be responsible for the Works in relation to the construction of the new factory, including but not limited to:

- (a) the design, manufacturing, engineering, construction, installation, testing and commissioning, completion of and, rectification of defects in maintenance and warranty of the Works; and
- (b) the supply of all personnel, materials, and plants for the execution of all other work and ancillary services contingently required, whether expressly stated or not, for the completion of the Works.

Contract Price and payment terms

The total Contract Price is principally a lump sum in the amount of VND83,279,000,000 (equivalent to approximately HK\$28,000,000), comprising the following payments from Fleming International to the Contractor:

- (a) 15% of the Contract Price as advance payment payable to the Contractor within 14 days from the receipt of Fleming International of the original payment certificate attached with the original performance security and the original advance payment security. On 13 November 2020, Fleming International has paid VND12,491,850,000 (equivalent to approximately HK\$4,200,000) to the Contractor, equivalent to 15% of the Contract Price as the advance payment;

LETTER FROM THE BOARD

Notes:

- (1) The advance payment security is the security issued by Vietnam Technological and Commercial Joint Stock Bank (“**Techcom Bank**”) to Fleming International in the amount equivalent to 15% of the Contract Price for the purpose of securing the advance payment paid to the Contractor. On 13 November 2020, the advance payment security has been issued by Techcom Bank.
 - (2) The performance security is the security issued by Techcom Bank to Fleming International in the amount equal to 15% of the Contract Price, please refer to the paragraph headed “Performance security” in the letter from the Board in this circular.
- (b) 75% of the Contract Price payable by way of interim payments, each payable within 28 days after Fleming International receives the relevant original of the relevant interim payment certificate. The interim payment certificate will be issued within 26 days after the Engineer has received a statement from the Contractor for application of an interim payment certificate according to the progress of the Works. The interim payments will be paid to the Contractor monthly according to the progress of the Works; and
- (c) the remaining balance of 10% of the Contract Price as certified by the Engineer in the final payment certificate shall be payable within 28 days after the issuance of the taking-over certificate. It is expected that the taking-over certificate will be issued by the Contractor around the fourth quarter of 2021. To guarantee the post-completion obligations on the Contractor to remedy or rectify on any defects or damages of the Works, the Contractor must provide a warranty guarantee equivalent to 5% of the Contract Price issued by a commercial bank licensed in Vietnam for a period of two years to Fleming International before the issuance of the taking-over certificate.

The Contract Price is subject to adjustments to cater for variation orders (if any) approved by Fleming International in accordance with the terms of the Construction Contract. Please refer to the paragraph headed “Adjustments and variation orders” in the letter from the Board in this circular.

The Contract Price was arrived at arm’s length basis through a tendering process and was determined with reference to the size and project design of the Works which comprised the construction of the new factory, including access road, drain, boundary wall, insurance and other similar and incidental obligations of the Contractor under the Construction Contract.

The Contractor has been selected after the tendering process in which three potential contractors submitted their tenders for the Works. In the selection process, the Group considered the fee quotation, quality and technicality of work and previous experience on similar projects. Given that the Contract Price was the lowest among the fee quoted by the potential contractors and considering the technical aspect of the construction work on the Land, the Directors consider that the Contract Price is fair and reasonable.

It is intended that the Contract Price will be financed by (i) approximately HK\$7,852,000 from part of the net proceeds actually raised from the Share Offer (as defined in the Prospectus) and which was allocated for acquisition and works of new premises; (ii) a loan facility in the amount of VND35,000,000,000 (equivalent to approximately HK\$11,764,000) from the Loan Facility; and (iii) approximately HK\$8,384,000 from general working capital of the Company.

LETTER FROM THE BOARD

Adjustments and variation orders

Pursuant to the Construction Contract, variation orders can be initiated by (i) the Engineer at any time prior to issuing the taking-over certificate for the Works either by its instruction or by a request to the Contractor to submit a proposal for the variation of the Works; or (ii) by the Contractor.

If the Engineer requests a proposal, prior to instructing a variation order, the Contractor shall respond in writing either by giving reasons of the Contractor's non-compliance of the variation order(s) or by submitting (a) a description of the proposed design and/or work to be performed and a programme for its execution, (b) the Contractor's proposal for any necessary modifications to the programme and to the time for completion, and (c) the Contractor's proposal for adjustment to the Contract Price.

The Engineer shall, after receiving such proposal, respond with approval order, disapproval or comments. Each instruction to execute a variation order, with any requirements for the recording of costs, shall be issued by the Engineer to the Contractor. Upon instructing or approving a variation order, the Engineer shall proceed to determine adjustments to the Contract Price and the schedule of payments.

The Contractor may initiate the variation work by submitting a notice for variation within 21 days of the commencement of the variation of the Works. Any submission by the Contractor requesting additional costs for variation works for more than 21 days after commencing such works shall be considered null and void.

The Contractor must complete variation work immediately following instruction to proceed and the variation valuation will be determined by the regime that the Contractor shall submit all information regarding variation order(s) including quotations, invoices, vouchers reflecting the costs of plant, labour, services and materials directly associated with the work. The Engineer shall also include reasonable rate for profit and overheads stated in the appropriate schedule in determining the value of any variation work.

There is no limit on the adjustments to the Contract Price for the reasons of variation of the Works. There is no fixed obligation on Fleming International under the Construction Contract to execute any variation order(s). Any of the variation order(s), including the valuation of the variation order(s), will be examined by the Engineer and approved by Fleming International. As i) the Works have been comprehensively contained in the Construction Contract and the Directors do not expect there will be substantial changes to the Works; ii) the highest applicable percentage ratio of the Construction Contract and the transactions contemplated thereunder is only slightly higher than 25%; and iii) Fleming International has the discretion to execute any variation order(s), the Directors do not consider that the adjustments to the Contract Price would render the Construction Contract to be re-classified as a very substantial acquisition under Chapter 19 of the GEM Listing Rules. The Directors will keep reviewing the progress of the Works and if there is possibility that the adjustments to the Contract Price would render the Construction Contract and the transactions contemplated thereunder to be re-classified as a very substantial acquisition under Chapter 19 of the GEM Listing Rules, Fleming International has the discretion whether to proceed with the variation order(s) before seeking approval from the Shareholders. As set out above, the Directors consider that adjustment(s) mechanism to the Contract Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Loan Facility

A loan facility in the principal amount of up to VND50,000,000,000 (equivalent to approximately HK\$16,808,000) was granted by Public Bank Vietnam Limited to Fleming International on 4 September 2020 for the purpose of the Works in which VND35,000,000,000 (equivalent to approximately HK\$11,764,000) of the Loan Facility could be utilised for the purpose of financing the Works under the Construction Contract and the remaining VND15,000,000,000 (equivalent to approximately HK\$5,044,000) could be utilised upon completion of the construction of the new factory.

The facility period is 15 years from the first date of the release of the Loan Facility. The interest rate of the Loan Facility is 2.5% per annum plus 18-month fixed deposit rate for VND. The Loan Facility is repayable in 180 equal monthly instalments.

Performance security

The Contractor shall deliver the performance security in the amount of VND12,491,850,000 (equivalent to approximately HK\$4,200,000), equal to 15% of the Contract Price issued by a commercial bank licensed in Vietnam to Fleming International within 14 days from the execution date of the Construction Contract but in any event not later than the Commencement Date to guarantee the Contractor's due performance and observance of the Construction Contract.

On 13 November 2020, the performance security in the amount of VND12,491,850,000 (equivalent to approximately HK\$4,200,000) has been granted by Techcom Bank to Fleming International for the guarantee of the due performance of the Contractor under the Construction Contract.

Conditions precedent

The Construction Contract is conditional upon (a) the compliance with all necessary approval and other requirements of the Stock Exchange, and (b) the compliance of the Company with the GEM Listing Rules (including without limitation the Company obtaining the shareholders' approval of the Construction Contract and the transactions contemplated thereunder).

In the event that any of the conditions set out above shall not be fulfilled within 60 days after the execution of the Construction Contract (or such other date may be mutually agreed in writing between Fleming International and the Contractor):

- (a) the Contractor shall forthwith refund all deposits and prepayments to Fleming International upon request, except for any reasonable expenses in relation to the execution of the Construction Contract paid by the Contractor provided that such expenses must be evidenced by valid invoices and must be reviewed and agreed in writing by Fleming International and the Contractor;
- (b) Fleming International will return the performance security to the Contractor, if it has been provided to Fleming International by the Contractor; and
- (c) the Construction Contract shall whereupon cease to have any effect save in respect of claims arising out of any antecedent breach of the Construction Contract.

As at the Latest Practicable Date, the above conditions have been fulfilled.

LETTER FROM THE BOARD

Commencement Date

The Works are expected to commence on 8 December 2020.

Engineer

As at the Latest Practicable Date, the Engineer has not been appointed by Fleming International. It is expected that Fleming International will commence shortlisting qualified candidates for the post of the Engineer on or around mid-December 2020 and the Engineer is expected to be appointed on or around mid-January 2021. The Company intends to appoint Independent Third Party(ies) to act as the Engineer. The expected expenses for engaging the Engineer will be ranging from VND1,280,000,000 (equivalent to approximately HK\$430,000) to VND2,000,000,000 (equivalent to approximately HK\$672,000) depending on the qualifications of the Engineer. The Company will publish a supplemental announcement to update the Shareholders the appointment of the Engineer, including its identity and its relationship with the Contractor, the Company, its connected persons and their respective associates in due course.

Completion

The Contractor is expected to complete the Works by 10 August 2021 subject to any extension of time for completion with the prior approval of Fleming International and in compliance with the terms and conditions of the Construction Contract.

Prior to completion of the Works as per specifications and terms and conditions of the Construction Contract, the Engineer and the Contractor shall carry a joint inspection of the Works. The Engineer may issue a taking-over certificate within 28 days after the valid application of the Contractor stating the date of practical completion of the Works or a section thereof in accordance with the Construction Contract provided that the Engineer shall have received the written undertaking from the Contractor to complete the minor outstanding within such time or times as may be stipulated by the Engineer.

Defects and rectification

Any item of works, plants and/or materials which does not comply with the Construction Contract shall be made good, remedied, or reconstructed before the application of the taking-over certificate.

The Contractor shall complete any work which is outstanding on the date stated in the taking-over certificate as set out in the schedule to the taking-over certificate; and execute all work required to remedy defects or damages, as may be notified by Fleming International on or before the expiry date of the relevant defects notification period.

INFORMATION OF THE CONTRACTOR

The Contractor is a company incorporated in Vietnam and principally engaged in contractor works, design and building works. The Contractor was selected through a tendering process. As at the Latest Practicable Date, the capital of the Contractor was owned as to 52.5% by Mr. Le Anh Tuan, 20% by Mr. Nguyen Van Truong, 15% by Mr. Hoang Trong Tam Long, 10% by Mr. Tran Ngoc Thang and 2.5% by Mr. Tang Duy Hung. The controlling shareholder of the Contractor, Mr. Le Anh Tuan, is a Vietnamese and a merchant. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

INFORMATION OF THE VENDOR OF THE LAND

The Vendor is a company incorporated in Vietnam with limited liability, which is principally engaged in wholesale of household goods. As at the Latest Practicable Date, the capital of the Vendor was owned as to 65% by Binh Tien Consumption Goods Production Company Ltd., a company incorporated in Vietnam with limited liability, 13.5% by Ms. Lai Khiem, 13% by Mr. Vuu Khai Thanh, 3% by Ms. Vuu Le Quyen, 3% by Ms. Vuu Le Minh, 1% by Mr. Duong Hung, 1% by Mr. Huynh Tieu Hue and 0.5% by Mr. Lam Chan Quoc.

As at the Latest Practicable Date, the capital of Binh Tien Consumption Goods Production Company Ltd., was owned as to 7.3% by Mr. Duong Hung, 3% by Mr. Huynh Tieu Hue, 27.25% by Ms. Lai Khiem, 0.5% by Mr. Nguyen Duy Thanh, 0.3% by Mr. Tran Phuong Tran, 1% by Mr. Tran Que Dung, 1% by Mr. Tran Thi Tuan, 29.65% by Mr. Vuu Khai Thanh, 10% by Ms. Vuu Le Minh, 10% by Ms. Vuu Le Quyen and 10% by Mr. Vuu Tuan Kiet.

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are independent from the Contractor and the ultimate beneficial owners of the Contractor.

INFORMATION OF FLEMING INTERNATIONAL, THE COMPANY AND THE GROUP

The Company is an investment holding company and Fleming International is an indirect wholly-owned subsidiary of the Company and principally engages in design, manufacture and trading of candle products in Vietnam.

The Group principally engages in the manufacturing and sale of candle products with the headquarters in Hong Kong and operations in Vietnam. As disclosed in the Prospectus, the Group is actively seeking to upgrade and expand its production facilities in order to meet the expected increase in demand for its candle products, reduce its reliance on subcontracting arrangement and enhance its productivity and its overall competitiveness.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT

As disclosed in the Prospectus, the Company intended to use part of the net proceeds actually raised from the Share Offer (as defined in the Prospectus) of approximately HK\$7,852,000 for acquisitions and works in relation to new premises including installation of necessary fittings and leasehold improvements to set up additional production facilities and warehouse.

As disclosed in the announcement of the Company dated 15 October 2018, Fleming International entered into a contract with the Vendor and acquired the land use right of the Land. The Land is of a larger gross floor area than the Board's planned use of the net proceeds actually raised from the Share Offer (as defined in the Prospectus). The Contract Price is higher than the planned allocation of the net proceeds for the works due to larger construction area and larger scale of works to be carried out on the Land. Following the completion of the construction of the new factory on the Land, it is expected that there would be an increase of new production lines for the scented candles and it is expected that there would be approximately 59% increase in the production capacity for scented candles as compared to the current production capacity of the Group. The scented candles is the best selling product of the Group. The sales of scented candles of the Group increased by approximately HK\$89.7 million or 90.2% for the

LETTER FROM THE BOARD

nine months ended 30 September 2020 as compared to same period in 2019. The Directors believe that it reflects the trend of preference for candle products with scent and coloured additives is increasing recently in the U.S. market, and the increasing sales and demands of scented candles require the Group to materialise the expansion plan and increase its production capacity. In addition, upon completion of the construction of the new factory, it is expected that around 5,000 sq.m of the Land would be mainly used as warehouses for the raw materials and finished goods. The additional warehouses in the new factory would decrease the lease expenses of the Group on leasing third party warehouses in the long-term and would alleviate the burden of insufficient storage space for the raw materials and finished goods during the peak seasons and operational inconvenience when using the third party warehouses. To meet the increasing demands for candle products, increasing the production capacity and accelerating the progress and development by adding manufacturing facilities and warehouses would lay a solid foundation for the rapid growth of the Company.

The Directors consider that the terms of the Construction Contract (including the Contract Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is expected that the Contract Price will be financed as to (i) approximately HK\$7,852,000 from part of the net proceeds actually raised from the Share Offer (as defined in the Prospectus) and which was allocated for the works of new premises; (ii) approximately HK\$11,764,000 by the Loan Facility; and (iii) approximately HK\$8,384,000 from general working capital of the Company.

In view of the above, the Board confirms that the financing arrangement of the Construction Contract is consistent with the use of the net proceeds as stated in the Prospectus.

FINANCIAL EFFECT OF ENTERING INTO THE CONSTRUCTION CONTRACT

As mentioned above, the Contract Price in the amount of VND83,279,000,000 (equivalent to approximately HK\$28,000,000) subject to adjustments to cater for the variation orders (if any) will be financed by part of the net proceeds actually raised from the Share Offer (as defined in the Prospectus), the Loan Facility and general working capital of the Company. Accordingly, the Construction Contract will increase the Group's total assets and liabilities. The Company does not expect the Construction Contract to have any material negative impact on its business operation or cash flow position. The Company believes that the Construction Contract and the Works would have a positive impact on the Group's production and revenue in the long run. The progress interim payments will be recognised as construction in progress and other payables in the Group's consolidated financial statements respectively according to the construction progress. The applicable borrowing costs to be incurred during the construction process will also be recorded as the costs of construction in progress. No depreciation is expected to be made on construction in progress until such time as the relevant assets are completed and ready for the intended use.

GEM LISTING RULES IMPLICATIONS

In respect of the Construction Contract, as one or more of the applicable percentage ratios calculated pursuant to the GEM Listing Rules is 25% or more but less than 100%, the Construction Contract and the transactions contemplated thereunder constitute a major transaction on the part of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Construction Contract and the transactions contemplated thereunder.

LETTER FROM THE BOARD

As at the Latest Practicable Date, AVW, a company controlled by Mr. Wong Wai Chit and Mr. Wong Man Chit, was interested in 643,500,000 Shares, representing 58.5% of the issued Shares of the Company. Mr. Wong Wai Chit is the chairman and an executive Director of the Company, and Mr. Wong Man Chit is the chief executive officer and an executive Director of the Company. AVW is beneficially owned by Mr. Wong Wai Chit and Mr. Wong Man Chit in equal shares. They are the controlling shareholders of the Company.

The Company has obtained a written approval from the controlling shareholders, in respect of the Construction Contract and the transactions contemplated thereunder, in lieu of holding a general meeting pursuant to Rule 19.44 of the GEM Listing Rules.

This circular is despatched to the Shareholders for their information only.

FURTHER INFORMATION

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 Wai Chit
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019, six months ended 30 June 2020 and nine months ended 30 September 2020 are disclosed in the following documents respectively which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.fleming-int.com/>):

Annual report of the Company for the years ended 31 December 2017 and 2018:

<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0328/gln20190328253.pdf>

Annual report of the Company for the year ended 31 December 2019:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0327/2020032700774.pdf>

Interim report of the Company for the six months ended 30 June 2020:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0813/2020081300528.pdf>

Third quarterly report of the Company for the nine months ended 30 September 2020

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/1110/2020111000440.pdf>

2. STATEMENT OF INDEBTEDNESS

Borrowings

As of 31 October 2020, 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 HK\$184,374,000, which are guaranteed and secured as follows:

	<i>HK\$'000</i>
Bank loans	22,297
Import and export loans	<u>162,077</u>
	<u>184,374</u>
	<i>HK\$'000</i>
Current	178,550
Non-current	<u>5,824</u>
	<u>184,374</u>

At 31 October 2020, the Group's bank borrowings were guaranteed by the corporate guarantees by the Company and/or the Company and Fleming Group International Limited; and secured by (i) debt instruments at fair value through other comprehensive income of HK\$1,183,000; (ii) pledged bank deposits of HK\$13,753,000; (iii) certain Group's property, plant and equipment located in Vietnam with aggregate carrying amount of HK\$6,083,000; and (iv) the Group's leasehold land under right-of-use assets of HK\$19,156,000.

At 31 October 2020, the Group had unutilised banking facilities of approximately HK\$57,765,000 in which banking facilities of HK\$23,536,000 would be released subject to certain conditions, including but not limited to bank's satisfactory site inspection for work done regarding to the construction of new factory.

Lease liabilities

As of 31 October 2020, 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, office equipment and motor vehicles of HK\$806,000.

	<i>HK\$'000</i>
Current	791
Non-current	<u>15</u>
	<u><u>806</u></u>

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), borrowings and debts, any mortgages or charges, or other material contingent liabilities or guarantees at 31 October 2020.

The Directors are not aware of any material changes in the Group's indebtedness and contingent liabilities on 31 October 2020.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Group's internal resources, cash flow from operations, banking facilities available to the Group, the Group will have sufficient working capital to satisfy its present requirements that is, for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

4. FINANCIAL EFFECTS OF THE CONSTRUCTION CONTRACT ON THE GROUP

The Contract Price will be financed by (i) part of the net proceeds actually raised from the Share Offer (as defined in the Prospectus); (ii) part of the Loan Facility; and (iii) general working capital of the Company. As at the Latest Practicable Date, a sum of VND12,491,850,000 (equivalent to approximately HK\$4,200,000) had been paid as part payment of the Contract Price. As at 31 October 2020, the Group had cash and cash equivalent of approximately HK\$85,634,000. The Directors consider that the Construction Contract will not have any immediate material effect on the total assets, earnings and liabilities of the Group.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group principally engages in the manufacturing and sale of candle products with the headquarters in Hong Kong and operations in Vietnam. It has always been the Group's intention to meet its demands for increasing production capacity and accelerate the progress and development by adding manufacturing facilities and warehouses. In light of this, the construction of the new factory in Bien Hoa City, Dong Nai Province, Vietnam will be beneficial for the Group to expand its facilities including plants, warehouse used for the development and the manufacturing of candle products, as well as serving the customers on site, thus laying a solid foundation for the Group's rapid development.

As disclosed in the Prospectus, the Company intended to use part of the net proceeds actually raised from the Share Offer (as defined in the Prospectus) of approximately HK\$7,852,000 for acquisitions and works in relation to new premises. The Directors believe that the Works is in the interests of the Company and the Shareholders as a whole and will, amongst other things, (i) cater for the Group's future business growth; and (ii) increase the production capacity.

The Company will focus on core businesses, i.e., manufacturing and sale of candle products, and actively expand its product offering and strengthen its established market position. The benefits of the Works are mentioned in the paragraph headed "Reasons for and benefits of entering into the Construction Contract" in the letter from the Board in this circular.

6. MATERIAL ADVERSE CHANGES

The Directors have confirmed that they were not aware of any material change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.

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.

2. 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 executive 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 were 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) or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long positions in ordinary Shares

Name of Director	Nature of interest	Total number of Shares held	Approximate % of issued Shares
Wong Wai Chit	Interest held jointly with another person; interest in controlled corporation	643,500,000 ^(Note)	58.5%
Wong Man Chit	Interest held jointly with another person; interest in controlled corporation	643,500,000 ^(Note)	58.5%

Long position in 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 <i>(Note)</i>	50%
Wong Man Chit	AVW	Directly and beneficially owned <i>(Note)</i>	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.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor the chief executive 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 were 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, the following persons will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying shares 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 will be, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long positions in ordinary Shares

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

Notes:

- 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.
- 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) 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 or Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, (i) none of the Directors, the substantial Shareholders or controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules); and (ii) none of the Group's compliance adviser, TC Capital International Limited nor each of its directors, employees and close associates (as referred to in Rule 6A.32 of the GEM Listing Rules) was interested in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Group's compliance adviser, TC Capital International Limited, save as i) its participation as the sponsor in relation to the Company's listing on GEM; and ii) the compliance adviser agreement entered into between the Company and TC Capital International Limited dated 25 September 2017, none of TC Capital International Limited or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group as at the Latest Practicable Date, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

5. 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.

6. 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 any 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 since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) 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.

7. MATERIAL CONTRACTS

The Construction Contract, pursuant to which the Contractor has agreed to undertake the Works for Fleming International at the Contract Price, not being contracts entered into in the ordinary course of business, have been entered into by the member of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material.

Saved as disclosed above, 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 date of this circular.

8. LITIGATION

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.

9. GENERAL

- (a) The registered office of the Company is situated at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.
- (b) The 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 is Ocorian Trust (Cayman) Limited at PO Box 1350, Clifton House, 75 Fort Street, 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 company secretary of the Company is Mr. Leung Chi Kit, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.
- (f) The compliance officer of the Company is Mr. Wong Wai Chit, who is an executive Director of the Company.
- (g) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

10. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee comprises three members Mr. Chan Cheong Tat, Mr. Yu Pui Hang and Mr. Ho Chi Wai, being all the independent non-executive Directors. The primary duties of the audit committee are to make recommendations to the Board on the appointment and dismissal of the external auditor(s), review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of the Group.

Mr. Chan Cheong Tat (陳昌達), aged 70, was appointed as an independent non-executive Director on 23 June 2018 and is the chairman of the Audit Committee and a member of Remuneration Committee and Nomination Committee.

Mr. Chan is the founding shareholder and sole director of C T Tax Consultants Limited since August 2006. Prior to that, Mr. Chan had worked in the Inland Revenue Department for over 32 years. He joined the Hong Kong government as assistant assessor in November 1972, and was promoted to assessor in January 1976, to senior assessor in May 1985, to chief assessor in June 1994, to assistant commissioner of Inland Revenue in September 2003 and commenced the pre-retirement leave in April 2005.

Mr. Chan held/is holding directorship in the following public companies:

Position	Name of the company (stock code)	Duration
Independent non-executive director	Medicskin Holdings Limited (Stock code: 8307)	December 2014 – present
Independent non-executive director	Chong Fai Jewellery Group Holdings Company Limited (formerly known as Dominate Group Holdings Company Limited) (Stock code: 8537)	September 2018 – present
Independent non-executive director	Accel Group Holdings Limited (Stock code: 1283)	September 2019 – present

Position	Name of the company (stock code)	Duration
Independent non-executive director	Ye Xing Group Holdings Limited (Stock code: 1941)	February 2020 – present
Independent non-executive director	Wasions Group Holdings Limited (Stock code: 3393)	May 2014 to May 2015 and June 2020 – present
Independent non-executive director	Nobel Jewelry Holdings Limited (now known as Central Development Holdings Limited) (Stock code: 475)	October 2006 to December 2011
Independent non-executive director	Man Sang International Limited (Stock code: 938)	January 2015 to December 2016
Independent non-executive director	Guangdong Tannery Limited (Stock code: 1058)	March 2006 to June 2020

Mr. Yu Pui Hang (余沛恒), aged 41, was appointed as an independent non-executive Director on 23 June 2018 and is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

Mr. Yu was admitted to practise law as a solicitor in Hong Kong in August 2004 and in England and Wales in April 2005. Mr. Yu was appointed as the honorary legal advisor to the Hong Kong Federation of Invention and Innovation in July 2017, the honorary legal advisor to the Institute of Financial Technologies of Asia in January 2018 and the honorary legal advisor to The GHM-Greater Bay Area TECHFIN Association in May 2018. Mr. Yu has also qualified as a Certified Financial Technologist in 2020.

Mr. Yu worked as assistant solicitor at Kennedys from July 2004 to August 2005. From November 2005 to October 2006, he worked as an associate at a Hong Kong office of Norton Rose (Services) Limited. He worked as an associate at Freshfields Bruckhaus Deringer from November 2006 to July 2010. Mr. Yu worked at ICBC International Holdings Limited from July 2010 to December 2015 with his last position as executive director, associate general counsel of legal department. Mr. Yu has been the principal partner of the law firm, L & Y Law Office since January 2016, which is in association with China Commercial (Hong Kong) Law Firm . He has also been the sole proprietor of the law firm. Henry Yu & Associates since March 2018.

Mr. Yu is holding directorship in the following public company:

Position	Name of the company (stock code)	Duration
Independent non-executive director	Amuse Group Holding Limited (Stock code: 8545)	May 2018 – present

Mr. Ho Chi Wai (何志威), aged 46, was appointed as an independent non-executive Director on 23 June 2018 and is the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee.

Mr. Ho has over 23 years of experience in audit assurance and business consulting. He is currently a partner of SRF Partners & Co., Certified Public Accountants. Prior to starting his own practice in 2012, Mr. Ho had been appointed, among others, from May 2010 to November 2011, the principal, from May 2005 to May 2010, the audit manager and from May 2000 to May 2005, the audit senior of an accounting firm, from June 1997 to April 1999, the audit staff, and from May 1999 to May 2000, the audit senior of a local accounting firm. He is currently a practicing certified public accountant of the Hong Kong Institute of Certified Public Accountants, an associate of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants), a certified tax adviser at the Taxation Institute of Hong Kong and a fellow member of the Taxation Institute of Hong Kong, a fellow member of the Association of International Accountants.

Mr. Ho held/is holding directorship in the following public companies:

Position	Name of the company (stock code)	Duration
Independent non-executive director	Wai Chi Holdings Company Limited (Stock code: 1305)	March 2014 – present
Independent non-executive director	Affluent Foundation Holdings Limited (Stock code: 1757)	May 2018 – present
Independent non-executive director	Ming Kei Holdings Limited (now known as Capital Finance Holdings Limited) (Stock code: 8239)	June 2012 to October 2013

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on Business Days at the office of the Company at Unit Nos. 4–8, 2/F, Aberdeen Marina Tower, 8 Shum Wan Road, Aberdeen, Hong Kong for a period of 14 days from the date of this circular:

- (a) the amended and restated memorandum and articles of association of the Company;
- (b) the Construction Contract;
- (c) the annual reports of the Company for the two financial years ended 31 December 2018 and 31 December 2019; and
- (d) this circular.