

# 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)

### THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

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

The unaudited condensed consolidated results of the Group for the nine months ended 30 September 2023, together with the comparative unaudited figures for the corresponding period in 2022 are as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2023

	Notes	Three months ended		Nine months ended	
		30.9.2023 HK\$'000 (unaudited)	30.9.2022 HK\$'000 (unaudited)	30.9.2023 HK\$'000 (unaudited)	30.9.2022 HK\$'000 (unaudited)
<b>Revenue</b>	3	<b>317,692</b>	184,613	<b>689,036</b>	523,918
Cost of sales		<u>(193,968)</u>	<u>(132,893)</u>	<u>(428,478)</u>	<u>(374,881)</u>
<b>Gross profit</b>		<b>123,724</b>	51,720	<b>260,558</b>	149,037
Other income	4	<b>1,617</b>	1,643	<b>4,365</b>	2,550
Other gains and (losses)	5	<b>474</b>	(1,068)	<b>922</b>	(322)
Selling and distribution expenses		<b>(16,155)</b>	(6,050)	<b>(28,658)</b>	(19,705)
Administrative expenses		<b>(29,718)</b>	(24,392)	<b>(80,435)</b>	(60,984)
Finance costs	6	<b>(5,376)</b>	(2,283)	<b>(9,620)</b>	(5,222)
Profit before income tax expenses	8	<b>74,566</b>	19,570	<b>147,132</b>	65,354
Income tax expenses	7	<b>(13,762)</b>	(3,931)	<b>(26,805)</b>	(12,259)
<b>Profit for the period attributable to the owners of the Company</b>		<b><u>60,804</u></b>	<u>15,639</u>	<b><u>120,327</u></b>	<u>53,095</u>
<b>Other comprehensive income (expense) for the period</b>					
Items that may be classified subsequently to profit or loss:					
Fair value gain (loss) on debt instruments measured at fair value through other comprehensive income		<u>(7)</u>	<u>27</u>	<u>15</u>	<u>(151)</u>
		<u>(7)</u>	<u>27</u>	<u>15</u>	<u>(151)</u>
<b>Total comprehensive income for the period attributable to the owners of the Company</b>		<b><u>60,797</u></b>	<u>15,666</u>	<b><u>120,342</u></b>	<u>52,944</u>
Earnings per share					
Basic and diluted (HK cents)	11	<b><u>5.53</u></b>	1.42	<b><u>10.94</u></b>	4.83

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the nine months ended 30 September 2023*

	Attributable to owners of the Company					Total <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Fair value through other comprehensive income ("FVTOCI") reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	
At 1 January 2022 (audited)	11,000	54,954	30	20,605	243,868	330,457
Profit for the period	-	-	-	-	53,095	53,095
Other comprehensive income:						
Fair value loss on debt instruments through other comprehensive income	-	-	(151)	-	-	(151)
Total comprehensive (expense) income for the period	-	-	(151)	-	53,095	52,944
As at 30 September 2022 (unaudited)	11,000	54,954	(121)	20,605	296,963	383,401
At 1 January 2023 (audited)	11,000	54,954	(222)	20,605	316,926	403,263
Profit for the period	-	-	-	-	120,327	120,327
Other comprehensive income:						
Fair value gain on debt instruments through other comprehensive income	-	-	15	-	-	15
Total comprehensive income for the period	-	-	15	-	120,327	120,342
As at 30 September 2023 (unaudited)	11,000	54,954	(207)	20,605	437,253	523,605

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 30 September 2023*

## 1. GENERAL AND BASIS OF PREPARATION

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

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

The functional currency of the Company and its subsidiaries is United States Dollar (“**US\$**”) while the presentation currency of the consolidated financial statements is Hong Kong dollars (“**HK\$**”) as the directors of the Company (the “**Directors**”) consider that HK\$ is preferable in presenting the operating results and financial position of the Group, which is more beneficial to the users of the consolidated financial statements.

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

### Application of new and amendments to HKFRSs

The principal accounting policies used in the condensed consolidated financial statements for the nine months ended 30 September 2023 are the same as those followed in the preparation of the Group's annual report for the year ended 31 December 2022, except for the following new and amendments to HKFRSs issued by the HKICPA that are adopted for the first time for the current accounting period of the Group:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of the above new and amendments to HKFRSs has no material impact on the Group's results and financial position for the current or prior years. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “ <b>2020 Amendments</b> ”) <sup>2,3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “ <b>2022 Amendments</b> ”) <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion.

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

### 3. REVENUE AND SEGMENT INFORMATION

#### (i) Disaggregation of revenue from contracts with customers

	Three months ended		Nine months ended	
	30.9.2023 HK\$'000 (unaudited)	30.9.2022 HK\$'000 (unaudited)	30.9.2023 HK\$'000 (unaudited)	30.9.2022 HK\$'000 (unaudited)
<b>Sale of candle products</b>				
Daily-use candles	45,151	42,479	92,160	83,996
Scented candles	218,776	118,093	488,985	368,268
Decorative candles	16,727	4,761	22,177	9,310
Others (including diffusers)	37,038	19,280	85,714	62,344
<b>Total</b>	<b>317,692</b>	<b>184,613</b>	<b>689,036</b>	<b>523,918</b>
<b>Timing of revenue recognition</b>				
At a point in time	317,692	184,613	689,036	523,918

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

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

#### (ii) Performance obligations for contracts with customers

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

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

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

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

### 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### *Segment information*

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

#### *Geographical information*

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

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

#### *Revenue from external customers*

	Three months ended		Nine months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
United States of America	286,572	156,843	639,473	455,415
United Kingdom	28,777	26,928	46,203	64,096
Others	2,343	842	3,360	4,407
<b>Total</b>	<b>317,692</b>	<b>184,613</b>	<b>689,036</b>	<b>523,918</b>

#### 4. OTHER INCOME

	Three months ended		Nine months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank Interest income	804	98	2,855	141
Interest income on debt instruments at FVTOCI	–	–	29	29
Sample income	66	16	74	16
Sundry income	747	1,529	1,407	2,364
	<u>1,617</u>	<u>1,643</u>	<u>4,365</u>	<u>2,550</u>

#### 5. OTHER GAINS AND (LOSSES)

	Three months ended		Nine months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net foreign exchange gain	2,079	641	1,704	1,089
Impairment loss on trade receivables	(1,605)	(1,709)	(782)	(1,411)
	<u>474</u>	<u>(1,068)</u>	<u>922</u>	<u>(322)</u>

#### 6. FINANCE COSTS

	Three months ended		Nine months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on bank borrowings	5,302	2,262	9,388	5,132
Interest on lease liabilities	74	21	232	90
	<u>5,376</u>	<u>2,283</u>	<u>9,620</u>	<u>5,222</u>

## 7. INCOME TAX EXPENSES

	Three months ended		Nine months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Current tax:</b>				
– Hong Kong Profits Tax	<b>12,116</b>	2,166	<b>21,286</b>	8,566
– Vietnam Corporate Income Tax	<b>1,506</b>	1,780	<b>5,238</b>	3,443
– Singapore Corporate Income Tax	<b>133</b>	–	<b>347</b>	–
	<u><b>13,755</b></u>	<u>3,946</u>	<u><b>26,871</b></u>	<u>12,009</u>
<b>Deferred taxation:</b>				
Current period	<u><b>7</b></u>	<u>(15)</u>	<u><b>(66)</b></u>	<u>250</u>
	<u><b>13,762</b></u>	<u>3,931</u>	<u><b>26,805</b></u>	<u>12,259</u>

Under the two-tier profits tax regime, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for Fleming International Limited, the subsidiary of the Company incorporated in Hong Kong, for the nine months ended 30 September 2023 and 2022.

For Fleming International Vietnam Limited, the subsidiary of the Company incorporated in Vietnam, the statutory corporate tax rates are 20% for the nine months ended 30 September 2023 and 2022.

For Fleming International (Singapore) Pte. Limited, the subsidiary of the Company incorporated in Singapore, the statutory corporate tax rate is 17% for the nine months ended 30 September 2023 (2022: no estimated chargeable income).

## 8. PROFIT BEFORE INCOME TAX EXPENSES

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

	Three months ended		Nine months ended	
	30.9.2023 HK\$'000 (unaudited)	30.9.2022 HK\$'000 (unaudited)	30.9.2023 HK\$'000 (unaudited)	30.9.2022 HK\$'000 (unaudited)
Auditor's remuneration	250	250	750	750
Cost of inventories recognised as an expense	193,968	132,893	428,478	374,881
Allowance of inventories (included in cost of sales)	2,021	499	3,741	654
Donations	–	68	86	96
Depreciation of right-of-use assets	887	905	2,688	2,713
Less: capitalised in inventories	(187)	(187)	(560)	(560)
	<u>700</u>	<u>718</u>	<u>2,128</u>	<u>2,153</u>
Depreciation of property, plant and equipment	2,222	2,127	6,640	5,568
Less: capitalised in inventories	(1,784)	(1,745)	(5,320)	(4,341)
	<u>438</u>	<u>382</u>	<u>1,320</u>	<u>1,227</u>
Employee benefit expenses (excluding directors' remuneration):				
– Salaries and allowances	19,896	11,366	46,667	38,651
– Discretionary bonus	(3,710)	1,530	5,086	3,825
– Retirement benefit scheme contribution	3,014	1,918	8,226	6,961
Total staff costs	19,200	14,814	59,979	49,437
Less: capitalised in inventories	(17,827)	(10,356)	(39,384)	(32,293)
	<u>1,373</u>	<u>4,458</u>	<u>20,595</u>	<u>17,144</u>

## 9. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the nine months ended 30 September 2023 and 2022, disclosed pursuant to the applicable GEM Listing Rules and Hong Kong Companies Ordinance (Cap. 622), is as follows:

	Three months ended		Nine months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Fees	114	114	342	342
Salaries and other allowances	1,800	1,800	5,400	5,400
Retirement benefits scheme contributions	9	9	27	27
Other benefits	521	327	1,512	1,326
Discretionary bonus	16,000	12,000	40,000	22,000
<b>Total</b>	<b>18,444</b>	<b>14,250</b>	<b>47,281</b>	<b>29,095</b>

## 10. DIVIDENDS

No dividends were paid, declared or proposed for the nine months ended 30 September 2023 and 2022.

## 11. EARNINGS PER SHARE

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

	Three months ended		Nine months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Earnings</b>				
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	60,804	15,639	120,327	53,095
	<b>1,100,000,000</b>	<b>1,100,000,000</b>	<b>1,100,000,000</b>	<b>1,100,000,000</b>

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

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

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

The analysis of product segment of the Group for the nine months ended 30 September 2023 is set out in Note 3 to the condensed consolidated financial statements. The scented candles remained the best selling product of the Group during the nine months ended 30 September 2023, which the sale of scented candles increased by approximately HK\$120.7 million or 32.8% as compared with the same period in 2022. It reflects the trend of preference for candle products with scent and coloured additives remains the same in the U.S. market.

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

In the past two consecutive years, the Group has been continuously awarded as one of the winners of “Business Partner Award Winner for Differentiate Owned Brands”. In 2022, the Group was firstly awarded as one of the winners of “Business Partner Award Winner for Invest in Talent and Culture” from our major customer, as we helped our customer to evolve their category of candle products and increase their sales in candle products. The Group consistently offers compelling designs 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 the customers and with support from our experienced management team of the Group in the industry, the Group has confidence in capturing business opportunities and growth in future.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the nine months ended 30 September 2023 amounted to approximately HK\$689.0 million, representing an increase of approximately HK\$165.1 million or 31.5% as compared with that of approximately HK\$523.9 million for the same period in 2022.

The increase in revenue was mainly due to the increase in sale of scented candles for approximately HK\$120.7 million for the nine months ended 30 September 2023.

### **Gross profit and gross profit margin**

Gross profit for the nine months ended 30 September 2023 amounted to approximately HK\$260.6 million, representing an increase of approximately HK\$111.6 million or 74.9% as compared with that of approximately HK\$149.0 million for the same period in 2022.

The gross profit margin increased to approximately 37.8% for the nine months ended 30 September 2023 as compared with that of 28.4% for the same period in 2022. The increase in the gross profit margin was mainly due to the decrease in unit price of raw materials and the decrease in the cost of production overhead for the nine months ended 30 September 2023.

### **Other income**

Other income for the nine months ended 30 September 2023 was approximately HK\$4.4 million, representing an increase of approximately HK\$1.8 million or 71.1% as compared to that of approximately HK\$2.5 million for the same period in 2022. The increase in other income was mainly due to the increase in bank interest income of approximately HK\$2.7 million.

### **Other gains and losses**

Other gains for the nine months ended 30 September 2023 amounted to approximately HK\$0.9 million, representing an increase of approximately HK\$1.2 million or 400% as compared with other losses of approximately HK\$0.3 million for the same period in 2022. The increase was mainly due to the decrease in allowance for trade receivables of approximately HK\$0.6 million and the increase in exchange gain from the trade of approximately HK\$0.6 million for the nine months ended 30 September 2023.

### **Selling and distribution expenses**

Selling and distribution expenses for the nine months ended 30 September 2023 amounted to approximately HK\$28.7 million, representing an increase of approximately HK\$9.0 million or 45.7% as compared with that of approximately HK\$19.7 million for the same period in 2022.

The increase was mainly due to (i) increase in marketing and promotion expenses of approximately HK\$3.6 million; and (ii) increase in compensation expenses of approximately HK\$4.5 million.

### **Administrative expenses**

Administrative expenses for the nine months ended 30 September 2023 amounted to approximately HK\$80.4 million, representing an increase of approximately HK\$19.4 million or 31.8% as compared with that of approximately HK\$61.0 million for the same period in 2022. The increase in administrative expenses was mainly due to the increase in salary, bonus and allowance of approximately HK\$19.4 million.

### **Finance costs**

Finance costs for the nine months ended 30 September 2023 amounted to approximately HK\$9.6 million, representing an increase of approximately HK\$4.4 million or 84.6% as compared to that of approximately HK\$5.2 million for the same period in 2022.

The increase was mainly due to the increase in interest rate of bank borrowings for business operation.

### **Profit for the period**

The Group incurred net profit of approximately HK\$120.3 million for the nine months ended 30 September 2023, representing an increase of approximately HK\$67.2 million or 126.6% as compared with net profit of approximately HK\$53.1 million for the same period in 2022.

Such increase was mainly due to increase in gross profit of approximately HK\$111.6 million and offset by (a) increase in selling and distribution expenses of approximately HK\$9.0 million; (b) increase in administrative expenses of approximately HK\$19.4 million; and (c) increase in income tax expenses of approximately HK\$14.5 million.

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

As disclosed in the announcement of the Company dated 6 July 2023 and the circular of the Company dated 26 July 2023, Fleming International Vietnam Limited, an indirect wholly-owned subsidiary of the Company, entered into (i) the construction contract at the contract price of VND135,000,000,000 (equivalent to approximately HK\$44.9 million) with the independent contractor in relation to the construction of a new factory on the land located at plot no. 56 map sheet No. 10, Amata Road, Amata Industrial Park, Long Binh Park, Bien Hoa City, Dong Nai Province, Vietnam which acquired in 2022 (the “**Land**”); and (ii) the service agreement with the 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 on the Land at the service fee of VND3,550,500,000 (equivalent to approximately HK\$1.2 million).

The building construction work of the new factory commenced in July 2023 with the completion of approximately 15.6% of total construction work as at 30 September 2023. The building construction work of the new factory is expected to complete by 22 March 2024 subject to any extension of time for completion.

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

The Board has reconsidered the Group’s initial plan to utilise the Land solely for storage facilities. After careful evaluation, the Board believes it would be more advantageous for the Group to build a new factory on the Land, which would encompass both production facilities and warehouses.

For further details, please refer to the announcements of the Company dated 9 March 2022 and 6 July 2023, and the circular of the Company dated 26 July 2023.

Save as disclosed above and other than disclosed as elsewhere in this announcement, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the period ended 30 September 2023.

## **EVENT AFTER THE END OF REPORTING PERIOD**

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

## **DIVIDEND**

The Board does not declare the payment of an interim dividend for the nine months ended 30 September 2023.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the required standard of dealings (the “**Required Standard of Dealings**”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings for the nine months ended 30 September 2023. No incident of non-compliance was noted by the Company for the nine months ended 30 September 2023.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of reporting period the Company’s listed securities during the reporting period and up to the date of this announcement.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to achieve high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the “**CG Code**”). During the nine months ended 30 September 2023, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

## **AUDIT COMMITTEE**

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

The Audit Committee had reviewed the third quarterly report and the unaudited consolidated results of the Group for the nine months ended 30 September 2023 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

**EXECUTIVE DIRECTORS**

Mr. Wong Wai Chit (*Chairman*)

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

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

Mr. Chan Cheong Tat

Mr. Ho Chi Wai

Mr. Chu Kin Wang, Peleus

Hong Kong, 7 November 2023

*This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the date of its posting and will also be published on the Company’s website at [www.hyfusingroup.com](http://www.hyfusingroup.com).*