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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)

PROPOSED OFF-MARKET SHARE BUY-BACK UNDER THE SHARE BUY-BACKS CODE AND CONNECTED TRANSACTION; AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Financial Adviser to the Company



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



INTRODUCTION

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 unaudited NAV of approximately HK\$523.6 million as at 30 September 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 unaudited NAV per Share from approximately HK\$0.476 per Share as at 30 September 2023 to HK\$0.537 per Share upon Completion.

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 will make 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

As at the date of this announcement, 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.

The GEM Listing Rules

As at the date of this announcement, 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.

EGM

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.

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.

CIRCULAR

The Circular containing, among others, (i) details of the Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Disinterested Shareholders in respect of the Share Buy-back; (iii) a letter of advice from Red Sun Capital to the Independent Board Committee and the Disinterested Shareholders in respect of the Share Buy-back; (iv) a notice of the EGM; and (v) other information as required under the GEM Listing Rules, the Takeovers Code and the Share Buy-backs Code, will be despatched to the Shareholders within 21 days of the date of this announcement (i.e. on or before 12 March 2024) or such later date as the Executive may approve.

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.

INTRODUCTION

The Board is pleased to announce that, 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 unaudited NAV of approximately HK\$523.6 million as at 30 September 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 unaudited NAV per Share from approximately HK\$0.476 per Share as at 30 September 2023 to HK\$0.537 per Share upon Completion.

Set out below is the details of the Agreement.

THE AGREEMENT

Date

20 February 2024

Parties

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

As at the date of this announcement, 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 in the section headed “Information of the Vendor” below.

The Buy-back Shares

The Buy-back 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 date of this announcement.

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 24.7% to the closing price of HK\$0.219 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) 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;
- (iii) 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;
- (iv) 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;

- (v) 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;
- (vi) 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;
- (vii) 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;
- (viii) 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
- (ix) 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 as set out in the section headed "Information on the Vendor" below and the prevailing market conditions.

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.

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 hereto 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.

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 two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2022 and 2023, extracted from the respective annual report and third quarterly report of the Company:

	For the nine months ended 30 September		For the year ended 31 December	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Audited)	2021 <i>HK\$'000</i> (Audited)
Revenue	689,036	523,918	684,947	815,143
Profit before taxation	147,132	65,354	89,498	129,790
Profit after taxation attributable to owners of the Company	120,327	53,095	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.

For the nine months ended 30 September 2023, the revenue increased as a result of the increase in sales of scented candles of approximately HK\$120.7 million. The gross profit margin also 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, 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 nine months ended 30 September 2023. Overall, the net profit for the nine months ended 30 September 2023 increased by approximately HK\$67.2 million or 126.6% as compared with that for the same period in 2022.

As at 30 September 2023, the unaudited NAV of the Group was approximately HK\$523.6 million. The total assets of the Group amounted to approximately HK\$679.8 million, which comprised (i) trade and other receivables of approximately HK\$196.7 million; (ii) inventories of approximately HK\$93.8 million; (iii) bank balances and cash of approximately HK\$231.4 million; and (iv) other assets of approximately HK\$157.9 million in aggregate. The total liabilities of the Group amounted to approximately HK\$179.8 million, which comprised trade and other payables of approximately HK\$105.8 million and other liabilities of approximately HK\$74.0 million in aggregate.

As at the date of this announcement, there are 1,100,000,000 Shares in issue. There are no outstanding options, derivatives, warrants or securities which are convertible or exchangeable into the Shares as at the date of this announcement.

The Board's objective is to achieve sustainable returns to the Shareholders while retaining sufficient reserves for the Group's future development. While the Company had not paid out dividend to the Shareholders for the two years ended 31 December 2021 and 2022, under 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.

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.

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.

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 this 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 30 September 2023, the unaudited NAV per Share would be increased from approximately HK\$0.476 to HK\$0.537, which is considered to be beneficial to all the remaining Shareholders;
- (iii) the Buy-back Price represents a substantial discount of approximately 65.3% to the unaudited NAV per Share of approximately HK\$0.476 per Share as at 30 September 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;
- (iv) the total Buy-back Price amounts to HK\$30,000,000. As at 30 September 2023, the Group had bank and cash balances of approximately HK\$231.4 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 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, who will give their recommendation in the letter from the Independent Board Committee after having considered the advice of 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.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

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

	As at the date of this announcement		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>
Total	<u>1,100,000,000</u>	<u>100.0</u>	<u>918,500,000</u>	<u>100.0</u>

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 1 above, no other Directors are interested in any Shares as at the date of this announcement.

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.

HIGHEST AND LOWEST SHARE PRICES

During the six-month period immediately preceding and including the date of this announcement, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.240 on 7 November 2023 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.166 on 20 December 2023.

ADDITIONAL DISCLOSURES

As at the date of this announcement:

- (i) save for the Buy-back Shares, neither the Vendor nor any party acting in concert with it holds, owns, controls or directs any Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) there is 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 holds outstanding warrants, options or securities convertible into the Shares or derivatives in respect of the Shares;
- (iv) there is 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 is 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 has 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 has acquired or disposed of any voting rights of the Company or has dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company in the six-month period prior to and including 20 February 2024, being the date of this announcement.

Save as the Agreement and the transactions contemplated thereunder, (i) there is 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 is 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 is 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 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 will make 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 date of this announcement, 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.

The GEM Listing Rules

As at the date of this announcement, 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.

EGM

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.

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.

CIRCULAR

A circular (the “**Circular**”) containing, among others, (i) details of the Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Disinterested Shareholders in respect of the Share Buy-back; (iii) a letter of advice from Red Sun Capital to the Independent Board Committee and the Disinterested Shareholders in respect of the Share Buy-back; (iv) a notice of the EGM; and (v) other information as required under the GEM Listing Rules, the Takeovers Code and the Share Buy-backs Code, will be despatched to the Shareholders within 21 days of the date of this announcement (i.e. on or before 12 March 2024) or such later date as the Executive may approve.

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.

DEFINITIONS

In this announcement, save as the context otherwise requires, the defined terms 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
“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 is the controlling Shareholder interested in 58.5% of the total issued share capital of the Company
“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
“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
“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 as at the date of this announcement
“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 this announcement
“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” or “Independent Financial Adviser”	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
“SFC”	the Securities and Futures Commission 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.

By order of the Board
Hyfusin Group Holdings Limited
WONG Wai Chit
Chairman

Hong Kong, 20 February 2024

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

EXECUTIVE DIRECTORS

Mr. Wong Wai Chit
Mr. Wong Man Chit

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

This announcement, 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 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.

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