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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)**

## **DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF LAND USE RIGHT IN VIETNAM**

### **ACQUISITION OF LAND USE RIGHT IN VIETNAM**

The Board is pleased to announce that on 9 March 2022 (after trading hours), the Transferee, an indirect wholly-owned subsidiary of the Company, entered into the Transfer Agreement with the Transferor to acquire the land use right of the Land for the Lease Term at the Consideration of VND93,186,000,000 (excluding value-added tax) (equivalent to approximately HK\$31.90 million).

### **GEM LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Chapter 19 of the GEM Listing Rules) in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

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**THE TRANSFER AGREEMENT**

- Date : 9 March 2022
  
- Parties : (1) the Transferee; and  
(2) the Transferor.
  
- Subject matter : land use right of a parcel of land situated at Long Binh (Amata) Industrial Park, Dong Nai Province, Vietnam (land plot No. 56 map sheet No. 10), with a gross floor area of 19,999.7 sq.m..
  
- Consideration : VND93,186,000,000 (excluding value-added tax) (equivalent to approximately HK\$31.90 million).
  
- Land rental : land rental (being VND593,991,000 per annum) (equivalent to approximately HK\$0.2 million) in relation to the Land for the period up to the date prior to the signing date of the New Sublease Contract to be borne by the Transferor, whereas the annual land rental for the period beginning on the date of the New Sublease Contract and until the end of the Lease Term to be borne by the Transferee.
  
- Manner of payment : (i) an initial deposit in the sum of VND4,616,300,000 (equivalent to approximately HK\$1.60 million), which has been paid to the Transferor on 27 January 2022 pursuant to the non-legally binding memorandum of understanding dated 27 January 2022 entered into between the Transferor and the Transferee in relation to the proposed Acquisition;  
  
(ii) the first instalment in the sum of VND37,274,400,000 (equivalent to approximately HK\$12.70 million), equivalent to 40% of the Consideration (inclusive of the above initial deposit), is payable within 5 business days as from the date on which, among others, (a) the Transfer Agreement is executed; and (b) the original of the written consent from the Lessor relating to the Acquisition is received by the Transferee;

- (iii) the second instalment in the sum of VND37,274,400,000 (equivalent to approximately HK\$12.70 million), equivalent to 40% of the Consideration, is payable within 5 business days as from the date on which, among others, a tripartite agreement between the Transferor, the Transferee and the Lessor is executed;
- (iv) the third instalment in the sum of VND9,318,600,000 (equivalent to approximately HK\$3.20 million), equivalent to 10% of the Consideration, is payable within 5 business days as from the date on which, among others, (a) the New Sublease Contract is executed; (b) the original of a liquidation agreement in respect of the termination of the existing sublease contract made between the Transferor and the Lessor duly executed by them is provided by the Transferor to the Transferee; and (c) a short-form Transfer Agreement between the Transferor and the Transferee for the purpose of providing to the Lessor is executed; and
- (v) the fourth instalment being the remaining balance of the Consideration in the sum of VND9,318,600,000 (equivalent to approximately HK\$3.20 million), equivalent to 10% of the Consideration, is payable within 5 business days as from the date on which, among others, the certificate of land use rights, ownership of houses and other assets attached to the Land recording the Transferee as the land user of the Land is obtained by the Transferee.

In the event that the New Sublease Contract is not duly executed by the Transferee and the Lessor and/or the liquidation agreement is not duly executed by the Transferor and the Lessor on or before the Long Stop Date without any cause and/or fault attributable to the Transferee, unless otherwise extended by the Transferee and the Transferor, the Transfer Agreement and all rights and obligations thereunder will cease and terminate whereupon the Transferor shall forthwith return to the Transferee all payment(s) paid by the Transferee under the Transfer Agreement, and neither of the parties will then have any claim against the other for costs, damages, compensation or otherwise except for antecedent breach of provisions of the Transfer Agreement.

- Termination : The Transfer Agreement may be terminated before the Long Stop Date, among others, in the following circumstances:
- (i) by mutual written agreement of the Transferor and the Transferee;
  - (ii) by written notice of the Transferee to the Transferor (without prejudice to any rights or remedies available to the Transferee), in the event:
    - (a) the Transferor fails to obtain the written consent of the Lessor in accordance with the Transfer Agreement or such consent has been revoked by the Lessor; or
    - (b) the New Sublease Contract is not duly executed by the Transferee and the Lessor on or before the Long Stop Date without any cause and/or fault attributable to the Transferee, unless otherwise extended by the Transferee and the Transferor; or
  - (iii) by a written notice of either party, if there has been a breach by the other party of any of its representations, warranties, agreements, obligations or covenants set forth in the Transfer Agreement and the breaching party has failed to remedy such breach within thirty (30) business days from the receipt of written notice from the non-breaching party requesting the remedy of such breach.

For avoidance of doubt, upon (i) the due execution of the New Sublease Contract by the Lessor and the Transferee; and (ii) the third installment has been completely made in full by the Transferee to the Transferor, there will be no circumstance for any termination except for the case where each party shall have completed its all obligations as given hereunder and by Vietnamese laws towards the other party.

Effect of termination : In the case where the Transfer Agreement is terminated, and without prejudice to the non-defaulting party's rights and legal remedies:

- (i) by the Transferee where the Transferor is in default, any amount paid by the Transferee to the Transferor shall be returned to the Transferee without interest together with an amount equal to the initial deposit; and
- (ii) by the Transferor where the Transferee is in default, the initial deposit shall be forfeited by the Transferor, but any amount other than the initial deposit received by the Transferor from the Transferee shall be refunded to the Transferee without interest.

In addition, the defaulting party shall pay a penalty amount equal to 5% of the Consideration to the non-defaulting party.

### **Basis of Consideration**

The Consideration was determined after arm's length negotiations between the Transferor and the Transferee on normal commercial terms with reference to the value of the Land at VND94,809,000,000 (equivalent to approximately HK\$32.40 million) as at 23 February 2022 as appraised by Dong Tien Valuation Joint Stock Corporation, an independent property valuer appointed by the Transferee, in a valuation report of the Land of even date. The Directors (including the independent non-executive Directors) believe that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is expected that the Consideration will be financed as to (i) approximately VND45,680,000,000 (equivalent to approximately HK\$15.60 million) by a secured loan from a bank in Vietnam, the terms of which are under negotiation; and (ii) approximately VND47,506,000,000 (equivalent to approximately HK\$16.30 million) from internal resources of the Group.

## **INFORMATION OF THE LAND**

Pursuant to the terms and conditions of the Transfer Agreement, the Transferor agrees to transfer and assign to the Transferee and the Transferee agrees to take over from the Transferor the land use right of the Land by virtue of the New Sublease Contract. The Land is located at Long Binh (Amata) Industrial Park, Dong Nai Province, Vietnam. The Land has a gross floor area of 19,999.7 sq.m. and is subleased from the Lessor, until 8 August 2061 pursuant to the certificate of land use rights, ownership of houses and other assets attached to land number DC 548492, the registration record number is CT 68463 issued by the Dong Nai Department of Natural Resources and Environment on 27 December 2021. The Land is designated for industrial usage.

## **INFORMATION OF THE TRANSFEROR**

The Transferor is a joint stock company incorporated under Vietnamese laws, which is principally engaged in warehousing and manufacturing of plastic and electronic products. The capital of the Transferor is owned as to 45% by Ms. Nguyen Thi Cam Van, 45% by Ms. Doan Ngoc Phuong, and 10% by Mr. Kim Thanh Bao. The controlling shareholders of the Transferor, Ms. Nguyen Thi Cam Van and Ms. Doan Ngoc Phuong, is each a Vietnamese resident and a merchant.

The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, the Transferor and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company.

## **INFORMATION OF THE TRANSFEE AND THE COMPANY**

The Transferee is an indirect wholly-owned subsidiary of the Company and principally engaged in design and manufacturing of candle products in Vietnam.

The Group is principally engaged in the manufacturing and sale of candle products with headquarters in Hong Kong and operations in Vietnam.

## **REASONS FOR THE ACQUISITION**

Reference is made to the announcements of the Company dated 15 October 2018 and 2 November 2020, respectively, and the circular of the Company dated 8 December 2020 in relation to the acquisition of land use right and the construction of a new factory on the land situated in Amata Industrial Park, Vietnam (the “**New Factory**”). As at the date of this announcement, the construction of the New Factory has been completed, and the warehouse at the New Factory and other external warehouses are at their near full occupancy storing the Group’s raw materials and finished goods. As discussed in the third quarterly report of the Company for the nine months ended 30 September 2021, the Directors expect rapid growth of candle products especially in the U.S. market. With the Group’s increased production capacity, there is also a greater demand for larger storage space to cater for such expansion.

In the course of the Group's production, finished products are packaged and stored at the storage space of the Group's production facility and its warehouses before delivery. Currently, the Group is leasing storage space at four external warehouses (with a total area of approximately 17,840 sq.m. serving approximately 10,900 pallets capacity) located at another industrial zone in Vietnam (the "**Existing External Warehouses**") for additional storage space, and the cost of such storage amounts to approximately VND10,622,000,000 (equivalent to approximately HK\$3.60 million) for the year ended 31 December 2021 (unaudited). The current lease term(s) of the Existing External Warehouses range from 6 months to 1 year and all of the leases will expire by the end of 2022. The management of the Group has explored the feasibility of seeking lease renewal of the Existing External Warehouses, however, only short leases would be offered. Moreover, among the lease offers received by the Group recently, the monthly rent range from approximately VND106,600 to VND125,000 per sq.m., representing a substantial increase of approximately 130% as compared to the monthly rent ranging from approximately VND46,440 to VND55,000 per sq.m. under the current leases of the Existing External Warehouses.

Further, the Group is experiencing operational inconvenience when using the third parties' warehouses, as it needs to inform the lessors of the warehouses and go through the registration procedures with the lessors when delivering or removing its goods to and from the third parties' warehouses.

The management of the Group has also considered the respective storage capacity between the Existing External Warehouses and the Land, it is estimated that there will be approximately 65% more pallets capacity and approximately 67% more container capacity at the storage facility that could be built on the Land than at the existing storage capacity of the Existing External Warehouses.

Accordingly, the Board believes that it is in the interest of the Group to acquire the Land for building its own storage space, and in particular, for the following reasons:

- (i) expenses incurred from leasing storage spaces will be saved, while the increased storage capacity at the Land will cater for the Group's continuous expansion;
- (ii) the Group will be able to avoid the operational inconvenience experienced in using the third parties' warehouses;
- (iii) the Group will be able to optimise the use of its own warehouse by installing and constructing racks and other structures to increase storage space and to provide for other operational uses, whereas it may not do so at the Existing External Warehouses; and
- (iv) the Land is located at the Long Binh (Amata) Industrial Park, which is in close proximity to the Group's existing production facilities and the New Factory; this would ease the Company's management over its production.

Overall, the Board considers that the Land will cater and is suitable for the Group's expansion plan and production scale and the Acquisition is a commercially viable decision. The Directors are of the view that the terms of the Transfer Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

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## **DEFINITIONS**

The following terms shall have the following meanings ascribed to them respectively in this announcement unless the context otherwise requires:

“Acquisition”	the acquisition by the Transferee from the Transferor of the land use right of the Land
“Board”	the board of Directors
“Director(s)”	the directors of the Company
“Company”	Hyfusin Group Holdings Limited (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 of Hong Kong Limited
“Consideration”	the total consideration of VND93,186,000,000 (excluding value-added tax) (equivalent to approximately HK\$31.90 million) payable by the Transferee for the Acquisition
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Land”	a parcel of land situated at Long Binh (Amata) Industrial Park, Dong Nai Province, Vietnam (land plot No. 56 map sheet No. 10), with a gross floor area of 19,999.7 sq.m.

“Lease Term”	from the date of signing of the New Sublease Contract until 8 August 2061
“Lessor”	Amata City Bienhoa Joint Stock Company, a joint venture company incorporated under the Vietnamese laws, and is the lessor of the Land
“Long Stop Date”	180 calendar days from the date of the Transfer Agreement (or such other time and date as the Transferor and the Transferee shall agree in writing)
“New Sublease Contract”	the new property lease agreement to be executed by the Transferee and the Lessor relating to the Land
“Transfer Agreement”	the transfer agreement dated 9 March 2022 entered into between the Transferee and the Transferor relating to the Acquisition
“Transferee”	Fleming International Vietnam Limited, a company incorporated under Vietnamese laws with limited liability and an indirectly wholly-owned subsidiary of the Company
“Transferor”	Pacific Investment and Production Joint Stock Company, a joint stock company incorporated under Vietnamese laws
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“sq.m.”	square metre(s)
“Vietnam”	the Socialist Republic of Vietnam
“VND”	Vietnamese Dong, the lawful currency of Vietnam
“%”	per cent.

*Unless otherwise stated, the exchange rate adopted in this announcement is based on the exchange rate of HK\$1.00 = VND2,925.20 and is provided for illustration purpose only.*

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

Hong Kong, 9 March 2022

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

*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 Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) 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).*