
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 to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Guoen Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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This circular is for information purposes only and is being provided to you solely for the purposes of considering the resolutions to be voted upon at the EGM to be held on Wednesday, 24 April 2024. This circular does not constitute an offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for securities referred to in this circular.

Guoen Holdings Limited 國恩控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8121)

(I) PROPOSED CAPITAL REORGANISATION; (II) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) NEW ORDINARY SHARE HELD ON THE RECORD DATE ON A FULLY UNDERWRITTEN BASIS; AND (III) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser



Underwriter



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



Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 13 to 48 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-28 of this circular.

It should be noted that the New Ordinary Shares will be dealt in on an ex-rights basis from Tuesday, 20 August 2024. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 2 September 2024 to Monday, 9 September 2024 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Monday, 2 September 2024 to Monday, 9 September 2024 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the New Ordinary Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Unit 1201 & 16, 12/F, Two Harbour Square, No. 180 Wai Yip Street, Kwun Tong, Hong Kong on Wednesday, 24 April 2024 at 11:00 a.m. is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Stock Exchange (www.hkexnews.hk) and the Company (www.guruonline.com.hk). Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM if they so wish and, in such event, the form of proxy shall be deemed to be revoked.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

This circular will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its publication. This circular will also be published on the Company's website at www.guruonline.com.hk.

2 April 2024

CHARACTERISTICS OF GEM

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

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

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DEFINITIONS

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

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| “acting in concert” | has the same meaning ascribed to it under the Takeovers Code |
| “AdBeyond BVI” | AdBeyond Holdings Limited (超凡控股有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company |
| “AdBeyond GZ” | 廣州超帆信息科技有限公司 (AdBeyond (Group) Limited (Guangzhou)*), a company with limited liability incorporated in the PRC and an indirect wholly-owned subsidiary of the Company |
| “AdBeyond HK” | AdBeyond (Group) Limited (超凡(集團)有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company |
| “AFRC” | the Accounting and Financial Reporting Council of Hong Kong |
| “Announcement” | the announcement of the Company dated 21 February 2024 in relation to, among other things, the Capital Reorganisation, the Rights Issue, the closure of register of members, and the appointment of Independent Financial Adviser |
| “associate(s)” | has the same meaning ascribed to it under the GEM Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | means a day (other than a Saturday and a day on which “extreme conditions” is announced by the Government of Hong Kong or a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours |

DEFINITIONS

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| “Capital Reduction” | the proposed reduction of the issued share capital of the Company whereby (a) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation will be cancelled; and (b) the par value of each issued Consolidated Share will be reduced from HK\$2.00 to HK\$0.01 by cancelling the paid-up share capital to the extent of HK\$1.99 per issued Consolidated Share |
| “Capital Reorganisation” | collectively, the Share Consolidation, the Capital Reduction and the Sub-division |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “China” or “Mainland China” or “PRC” | the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “COMO BVI” | COMO Group Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company |
| “Companies Act” | the Companies Act, Cap. 22 (As Revised), of the Cayman Islands as consolidated and revised |
| “Company” | Guoen Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM (stock code: 8121) |
| “Consolidated Share(s)” | ordinary share(s) with par value of HK\$2.00 each in the share capital of the Company immediately upon the Share Consolidation becoming effective but prior to the Capital Reduction and the Sub-division becoming effective |
| “controlling shareholder(s)” | has the same meaning ascribed to it under the GEM Listing Rules |
| “Court” | the Grand Court of the Cayman Islands |
| “Director(s)” | the director(s) of the Company |
| “EAF(s)” | the form(s) of application for excess Rights Shares to be issued in connection with the Rights Issue |

DEFINITIONS

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| “EGM” | the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the proposed Capital Reorganisation and the proposed Rights Issue |
| “Existing Share(s)” | ordinary share(s) with par value of HK\$0.10 each in the share capital of the Company prior to the Capital Reorganisation becoming effective |
| “GEM” | GEM operated by the Stock Exchange |
| “GEM Listing Committee” | has the same meaning ascribed to it under the GEM Listing Rules |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “General Rules of HKSCC” | the terms and conditions regulating the use of HKSCC’s services, as may be amended, supplemented and/or otherwise modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures |
| “Glo Media HK” | Glo Media Limited (formerly known as COMO Group Limited), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Glo Media NJ” | 南京高訊文化傳媒有限公司 (Nanjing Glo Media Limited*) (formerly known as 南京看團信息科技有限公司 (Nanjing Travel Information Technology Limited*)), a company with limited liability incorporated in the PRC and an indirect wholly-owned subsidiary of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “HKSCC Operational Procedures” | the operational procedures of the HKSCC, containing the practices, procedures and administrative or other requirements relating to the operations and functions of CCASS, as from time to time in force |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

DEFINITIONS

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| “Independent Board Committee” | an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder |
| “Independent Financial Adviser” | Dakin Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue and the transactions contemplated thereunder, and as to voting |
| “Independent Shareholder(s)” | any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules |
| “Independent Third Party(ies)” | any persons or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquires, are third parties independent of and not connected with the Company and its connected persons (or any of their respective associate) |
| “Last Trading Day” | 21 February 2024, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of the Announcement |
| “Latest Practicable Date” | 27 March 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein |
| “Latest Time for Acceptance” | 4:00 p.m. on Thursday, 12 September 2024 or such later time or date as may be determined by the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents |
| “Latest Time for Termination” | 4:00 p.m. on Friday, 13 September 2024 or such later time or date for the termination of the Underwriting Agreement |
| “Mr. Liu” | Mr. Liu Liping, an executive Director of the Company |
| “Mr. Ng” | Mr. Ng Chi Fung, an executive Director of the Company |

DEFINITIONS

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| “Mr. Yin” | Mr. Yin Di, the chairman and chief executive officer of the Company and an executive Director of the Company |
| “Mr. Yip” | Mr. Yip Shek Lun, an executive Director of the Company |
| “Ms. Wan” | Ms. Wan Wai Ting, an executive Director of the Company |
| “New Ordinary Share(s)” | ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective |
| “Non-Qualifying Shareholder(s)” | the Overseas Shareholder(s) whom the Board considers necessary or expedient to exclude from the Rights Issue on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place |
| “Overseas Shareholder(s)” | Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong |
| “PAL(s)” | the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue |
| “Prospectus” | the prospectus to be despatched to the Shareholders containing details of the Rights Issue |
| “Prospectus Documents” | collectively, the Prospectus, PAL and EAF |
| “Prospectus Posting Date” | Thursday, 29 August 2024 or such other date as may be agreed by the Company, being the expected date the Prospectus Documents will be made available and/or sent (as the case may be) to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders |
| “Qualifying Shareholder(s)” | Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date |

DEFINITIONS

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| “Record Date” | Wednesday, 28 August 2024 or such other date as may be determined by the Company, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are to be determined |
| “Registrar” | Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company |
| “Rights Issue” | the proposed issue of the Rights Shares on the basis of two (2) Rights Shares for every one (1) New Ordinary Share held on the Record Date at the Subscription Price pursuant to the Prospectus Documents |
| “Rights Share(s)” | up to 16,672,000 New Ordinary Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders or subscription pursuant to the Rights Issue, assuming no change in the number of New Ordinary Shares in issue on or before the Record Date |
| “Settlement Date” | the date being the third Business Day following but excluding the Latest Time for Acceptance or such later date as the parties may agree in writing |
| “SFC” | Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | the Existing Share(s), the Consolidated Share(s) and/or the New Ordinary Share(s), as the case may be |
| “Share Consolidation” | the proposed consolidation of every twenty (20) issued and unissued Existing Shares with par value of HK\$0.10 each in the share capital of the Company into one (1) Consolidated Share with par value of HK\$2.00 each |
| “Shareholder(s)” | holder(s) of issued Share(s) |
| “Specified Event” | an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained under the Underwriting Agreement untrue or inaccurate in a material respect |

DEFINITIONS

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| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Sub-division” | the proposed sub-division of each authorised but unissued Consolidated Share with par value of HK\$2.00 each into 200 authorised but unissued New Ordinary Shares with par value of HK\$0.01 each |
| “Subscription Price” | HK\$1.04 per Rights Share |
| “substantial shareholder(s)” | has the meaning ascribed to it under the GEM Listing Rules |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “Underwriter” | RaffAello Securities (HK) Limited, a corporation licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO, and its ordinary course of business includes underwriting of securities |
| “Underwriting Agreement” | the Underwriting Agreement dated 21 February 2024 and entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue |
| “Underwritten Shares” | the Rights Shares that are conditionally underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement |
| “Unsubscribed Rights Shares” | the Rights Shares that are not subscribed by the Qualifying Shareholders or renouncee(s) or transferee(s) of the nil-paid Rights under PAL(s) |
| “%” | per cent. |

* *For identification purpose only*

EXPECTED TIMETABLE

The expected timetable for the proposed Capital Reorganisation and the Rights Issue is set out below. The expected timetable is subject to the results of the EGM and has been prepared on the assumption that all the conditions to the Share Consolidation, the Capital Reduction, the Sub-division and the Rights Issue, will be fulfilled or otherwise waived, and is therefore for indicative purpose only.

All times and dates in this circular refer to Hong Kong local times and dates unless otherwise specified. In the event that any special circumstances arise, such dates and deadlines may be adjusted, extended or varied by the Board if it considers appropriate. Any changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) on the website of the Stock Exchange and on the website of the Company as and when appropriate in accordance with the GEM Listing Rules.

| Event | Expected Date/Time |
|--|---|
| Despatch date of this Circular with the notice of the EGM and proxy form | Tuesday, 2 April 2024 |
| Latest time for lodging transfer documents of the Existing Shares to qualify for attending and voting at the EGM. | 4:30 p.m. on Wednesday, 17 April 2024 |
| Closure of the register of members of the Company to determine the entitlements of the Shareholders to attend and vote at the EGM. | Thursday, 18 April 2024 to Wednesday, 24 April 2024 (both days inclusive) |
| Latest date and time for lodging proxy forms for the EGM | 11:00 a.m. on Monday, 22 April 2024 |
| Record date for attending and voting at the EGM. | Wednesday, 24 April 2024 |
| Date and time of the EGM | 11:00 a.m. on Wednesday, 24 April 2024 |
| Announcement of poll results of the EGM | Wednesday, 24 April 2024 |
| Re-opening of the register of members of the Company | Thursday, 25 April 2024 |

EXPECTED TIMETABLE

The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation, which are included in this circular, and therefore the dates are tentative.

| Event | Expected Date/Time |
|--|---------------------------------------|
| Effective date of the Share Consolidation | Friday, 26 April 2024 |
| First day of free exchange of existing share certificates of the Existing Shares for new share certificates for the Consolidated Shares | Friday, 26 April 2024 |
| Commencement of dealings in the Consolidated Shares | 9:00 a.m. on Friday, 26 April 2024 |
| Original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes | 9:00 a.m. on Friday, 26 April 2024 |
| Temporary counter for trading in the Consolidated Shares in temporary board lot of 500 Consolidated Shares (in the form of existing share certificates) opens | 9:00 a.m. on Friday, 26 April 2024 |
| Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens | 9:00 a.m. on Monday, 13 May 2024 |
| Parallel trading in the Existing Shares and the Consolidated Shares (in the form of existing share certificates of the Existing Shares and new share certificates of the Consolidated Shares) commences | 9:00 a.m. on Monday, 13 May 2024 |
| Designated broker starts to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares | 9:00 a.m. on Monday, 13 May 2024 |

EXPECTED TIMETABLE

| Event | Expected Date/Time |
|--|-------------------------------------|
| Designated broker ceases to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares | 4:00 p.m. on Monday, 3 June 2024 |
| Temporary counter for trading in the Consolidated Shares in temporary board lot of 500 Consolidated Shares (in the form of existing share certificates) closes | 4:10 p.m. on Monday, 3 June 2024 |
| Parallel trading in the Existing Shares and the Consolidated Shares (in the form of existing share certificates of the Existing Shares and new share certificates of the Consolidated Shares) ends | 4:10 p.m. on Monday, 3 June 2024 |
| Last day for free exchange of existing share certificates of the Existing Shares for new share certificates for the Consolidated Shares | Wednesday, 5 June 2024 |

The following events are conditional on the fulfilment of the conditions for the implementation of the Capital Reduction and the Sub-division, which are included in this circular, and therefore the dates are tentative.

| Event | Expected Date/Time |
|---|---|
| Expected effective date and time of the Capital Reduction and the Sub-division. | Before 9:00 a.m. on Friday, 12 July 2024 |
| First day of free exchange of existing share certificates of the Consolidated Shares for new share certificates for the New Ordinary Shares. | Friday, 12 July 2024 |
| Last day for free exchange of existing share certificates of the Consolidated Shares for new share certificates for the New Ordinary Shares | Monday, 19 August 2024 |

EXPECTED TIMETABLE

The following events are conditional on the fulfilment of the conditions for the implementation of the Rights Issue, which are included in this circular, and therefore the dates are tentative.

| Event | Expected Date/Time |
|--|---|
| Last day of dealings in the New Ordinary Shares on a cum-rights basis of the Rights Issue | Monday, 19 August 2024 |
| First day of dealings in the New Ordinary Shares on a ex-rights basis of the Rights Issue | Tuesday, 20 August 2024 |
| Latest time for lodging transfer documents of the New Ordinary Shares to qualify for the Rights Issue | 4:30 p.m. on Wednesday, 21 August 2024 |
| Closure of the register of members of the Company to determine the entitlements to the Rights Issue | Thursday, 22 August 2024 to Wednesday, 28 August 2024 (both days inclusive) |
| Record Date for determining entitlements to the Rights Issue | Wednesday, 28 August 2024 |
| Re-opening of the register of members of the Company | Thursday, 29 August 2024 |
| Expected publication date of the Prospectus Documents (including the Prospectus, the PAL(s) and the EAF(s), and in the case of the Non-Qualifying Shareholders, the Prospectus only) | Thursday, 29 August 2024 |
| First day of dealings in nil-paid Rights Shares in the board lot size of 10,000 Rights Shares | Monday, 2 September 2024 |
| Latest time for splitting of the PAL(s) | 4:30 p.m. on Wednesday, 4 September 2024 |
| Last day of dealings in nil-paid Rights Shares in the board lot size of 10,000 Rights Shares | Monday, 9 September 2024 |
| Latest time for acceptance of, and payment for, the Rights Shares and application for and payment for the excess Rights Shares | 4:00 p.m. on Thursday, 12 September 2024 |

EXPECTED TIMETABLE

| Event | Expected Date/Time |
|---|--|
| Latest time for termination of the Underwriting Agreement and for the Rights Issue to become unconditional | 4:00 p.m. on Friday, 13 September 2024 |
| Announcement of results of the Rights Issue | Friday, 20 September 2024 |
| Despatch of share certificates for fully-paid Rights Shares | Monday, 23 September 2024 |
| Refund cheques in relation to unsuccessful applications for wholly or partially unsuccessful excess applications or if the Rights Issue is terminated or rescinded, if any, to be despatched | Monday, 23 September 2024 |
| Expected commencement of dealings in fully-paid Rights Shares in the board lot size of 10,000 Rights Shares | 9:00 a.m. on Tuesday, 24 September 2024 |

EFFECT OF BAD WEATHER OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for Rights Shares will not take place at the time indicated above if there is a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning or “extreme conditions” is announced by the Government of Hong Kong:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 12 September 2024. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 12 September 2024. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares does not take place on Thursday, 12 September 2024, the dates mentioned in this section may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD

Guoen Holdings Limited

國恩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8121)

Executive Directors:

Mr. Yin Di *(Chairman and Chief Executive Officer)*

Mr. Yip Shek Lun

Mr. Ng Chi Fung

Mr. Liu Liping

Ms. Wan Wai Ting

Registered Office:

Windward 3

Regatta Office Park, P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Principal Place of Business in

Hong Kong:

Unit 1201 & 16, 12/F

Two Harbour Square

No. 180 Wai Yip Street

Kwun Tong, Hong Kong

Independent non-executive Directors:

Ms. Fu Hongzhi

Mr. Bian Wencheng

Mr. Hong Ming Sang

2 April 2024

To the Shareholders

Dear Sirs,

**(I) PROPOSED CAPITAL REORGANISATION;
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) NEW
ORDINARY SHARE HELD ON THE RECORD DATE
ON A FULLY UNDERWRITTEN BASIS;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement of the Company dated 21 February 2024 in relation to, among other matters, the Capital Reorganisation, the Rights Issue, the closure of register of members and the appointment of Independent Financial Adviser.

The purpose of this circular is to provide Shareholders with, among other things, (i) further details of the Capital Reorganisation; (ii) further details of the Rights Issue and the Underwriting Agreement; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder; (iv) a letter of advice from the Independent Financial Adviser to the

LETTER FROM THE BOARD

Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder; and (v) a notice of the EGM.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every twenty (20) issued and unissued Existing Shares with par value of HK\$0.10 each be consolidated into one (1) Consolidated Share with par value of HK\$2.00 each.

Effect of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 1,000,000,000 Existing Shares with par value of HK\$0.10 each, of which 166,720,000 Existing Shares have been issued and are fully paid or credited as fully paid.

Immediately upon the Share Consolidation becoming effective but prior to the Capital Reduction becoming effective, and assuming there will be no change in the number of Existing Shares in issue from the Latest Practicable Date to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$100,000,000 divided into 50,000,000 Consolidated Shares with par value of HK\$2.00 each, of which 8,336,000 Consolidated Shares will be in issue and fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, all the Consolidated Shares will rank *pari passu* in all respects with each other.

The implementation of the Share Consolidation will not alter the underlying assets, business operation, management or financial position of the Group and the interests and rights of the Shareholders, save that any fractional Consolidated Shares will not be allocated to Shareholders who may otherwise be entitled thereto.

Conditions of the Share Consolidation

The Share Consolidation is conditional on the following conditions being fulfilled:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation;
- (ii) the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under the applicable laws of the Cayman Islands and the GEM Listing Rules to effect the Share Consolidation.

LETTER FROM THE BOARD

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Friday, 26 April 2024, being one clear Business Day immediately after the date of the EGM.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Listing and dealings

Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

The Consolidated Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

None of the Existing Shares or any debt securities of the Company are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becomes effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Fractional entitlement to the Consolidated Shares

Any fractional Consolidated Share arising from the Share Consolidation, if any, will be cancelled and will not be allocated to the Shareholders otherwise entitled thereto. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers and may wish to consider the possibility of buying or selling the Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

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Adjustments in relation to other securities of the Company

As at the Latest Practicable Date, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange into Shares. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Reasons for the Share Consolidation

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of its securities.

The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Stock Exchange on 28 November 2008 and updated on 1 October 2020 has stated that (i) market price of the shares at a level less than HK\$0.10 will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

As at the Latest Practicable Date, the closing price of an Existing Share of the Company was HK\$0.143, with the board lot size of 10,000 Existing Shares, the existing board lot value was only HK\$1,430, which was less than HK\$2,000.

The Board considers that after the Share Consolidation becomes effective, the estimated board lot value would be HK\$28,600. This will enable the Company to comply with the trading requirements under the GEM Listing Rules and reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade.

The Board considers that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

Arrangement on odd lot trading and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has agreed to appoint RaffAello Securities (HK) Limited, a designated broker, to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares, commencing from 9:00 a.m. on Monday, 13 May 2024 to 4:00 p.m. on Monday, 3 June 2024 (both days inclusive). Shareholders who wish to take advantage of this service may contact Mr. Elvis Lam (telephone number:

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(852) 2545 7722) of RaffAello Securities (HK) Limited at 1/F, E168, No. 166–168 Des Voeux Road Central, Sheung Wan, Hong Kong during office hours in the aforesaid period.

Shareholders should note that matching of the sale and purchase of odd lots of Consolidated Shares is not guaranteed. Shareholders, who are in any doubt about the odd lots matching arrangement, are recommended to consult their own professional advisers.

Exchange of share certificates for the Consolidated Shares

Should the Share Consolidation become effective, Shareholders may submit share certificates for the Existing Shares to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for exchange, at the expense of the Company, from Friday, 26 April 2024 to Wednesday, 5 June 2024, for new share certificates for the Consolidated Shares.

Thereafter, all existing certificates of the Existing Shares will continue to be good evidence of title to the Consolidated Shares on the basis of twenty (20) Existing Shares for every one (1) Consolidated Share, and may be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever is higher. The existing share certificates of the Existing Shares will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Monday, 3 June 2024, and thereafter will not be accepted for delivery, trading and settlement purposes. The new share certificates for the Consolidated Shares will be issued in green in order to distinguish them from the share certificates for the Existing Shares which are in yellow.

PROPOSED CAPITAL REDUCTION AND THE SUB-DIVISION

The Board further proposes that immediately following the Share Consolidation becoming effective, the Capital Reduction and the Sub-division be implemented in the following manner:

- (i) the Capital Reduction whereby (a) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation will be cancelled, and (b) the par value of each issued Consolidated Share will be reduced from HK\$2.00 to HK\$0.01 by cancelling the paid-up share capital to the extent of HK\$1.99 per issued Consolidated Share, so that following such reduction, each issued Consolidated Share shall become one New Ordinary Share with par value of HK\$0.01 each;

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- (ii) the credit arising from the Capital Reduction will be applied towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company. The balance of the credit (if any) will be transferred to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate;
- (iii) immediately following the Capital Reduction becoming effective, each authorised but unissued Consolidated Share will be subdivided into 200 authorised but unissued New Ordinary Shares with par value of HK\$0.01 each; and
- (iv) each of the New Ordinary Shares arising from the Capital Reduction and the Sub-division shall rank *pari passu* in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

Conditions of the Capital Reduction and the Sub-division

The Capital Reduction and the Sub-division are conditional on the following conditions being fulfilled:

- (i) the Share Consolidation being approved at the EGM and becoming effective;
- (ii) the passing of a special resolution by the Shareholders at the EGM to approve the Capital Reduction and the Sub-division;
- (iii) an order being made by the Court confirming the Capital Reduction (if applicable);
- (iv) compliance with any terms and conditions which the Court may impose in relation to the Capital Reduction (if applicable);
- (v) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction (if applicable) and the minute containing the particulars required under the Companies Act with respect to the Capital Reduction; and
- (vi) the GEM Listing Committee granting the listing of, and permission to deal in, the New Ordinary Shares in issue and to be issued upon the Capital Reduction and the Sub-division becoming effective.

The Capital Reduction and the Sub-division will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reduction and the Sub-division at the EGM, the legal advisers to the Company (as to the Cayman Islands law) will apply to the Court for hearing date(s) to confirm the Capital Reduction (if applicable)

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and a further announcement will be made by the Company as soon as practicable after the Court hearing date(s) is confirmed (if applicable).

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Reasons for the Capital Reduction and the Sub-division

The proposed Capital Reduction and the Sub-division (assuming the Share Consolidation becomes effective) will enable the par value of the Consolidated Shares to be reduced from HK\$2.00 to HK\$0.01 each. The credit arising from the Capital Reduction will be applied towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company. The balance of credit (if any) will be transferred to the distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate.

The Directors are of the opinion that the proposed Capital Reduction and the Sub-division will:

- (i) give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future; and
- (ii) enable the nominal or par value of the Consolidated Shares to be reduced from HK\$2.00 to a lower level of HK\$0.01 each (assuming the Share Consolidation becomes effective), thus giving greater flexibility to the Company to issue new Shares in the future given that the Company is not permitted, without order of the Court, to issue new Shares below their nominal or par value.

As such, the Directors are of the view that the Capital Reduction and the Sub-division are in the best interests of the Company and its Shareholders as a whole.

As at the Latest Practicable Date, save as disclosed in this circular, the Company has no intention to carry out other corporate actions or arrangement, including share consolidation, share subdivision and capital reduction, in the next 12 months which may have an effect of undermining or negating the intended purpose of the Capital Reorganisation, and save for the proposed Rights Issue, the Company does not have any concrete plan to conduct any equity fund raising activities in the next 12 months. The Company will make further announcement in this regard in accordance with the GEM Listing Rules as and when appropriate.

Listing of and dealings in the New Ordinary Shares

Application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the New Ordinary Shares arising from the Capital Reduction and the Sub-division.

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The New Ordinary Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the New Ordinary Shares on the Stock Exchange as well as compliance with the stock admission requirements of the HKSCC, the New Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Ordinary Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Ordinary Shares to be admitted into CCASS established and operated by HKSCC.

As the Court hearing date(s) has yet to be fixed, the effective date of the Capital Reduction and the Sub-division is not ascertainable at present.

No change in board lot size

As at the Latest Practicable Date, the Existing Shares are currently traded on the Stock Exchange in the board lot size of 10,000 Existing Shares. Upon the Capital Reorganisation becoming effective, the board lot size for trading in the New Ordinary Shares will remain unchanged at 10,000 New Ordinary Shares per board lot. The New Ordinary Shares will rank *pari passu* in all respects with each other.

Exchange of share certificates for the New Ordinary Shares

Should the Capital Reduction and the Sub-division become effective, Shareholders may submit share certificates for the Consolidated Shares to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for exchange, at the expense of the Company, from Friday, 12 July 2024 to Monday, 19 August 2024, for new share certificates for the New Ordinary Shares.

Details of such exchange of share certificates will be announced as soon as the Court hearing date(s) and the effective date of the Capital Reduction and the Sub-division are ascertained.

Thereafter, all existing certificates of the Existing Shares and/or the Consolidated Shares will continue to be good evidence of title to the New Ordinary Shares, and may be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares and/or the Consolidated Shares submitted for cancellation or each new share certificate issued for the New Ordinary Shares, whichever is higher. The existing share certificates of the Consolidated Shares will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Monday, 19 August 2024, and thereafter will not be accepted for delivery, trading and settlement purposes.

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The new share certificates for the New Ordinary Shares will be issued in purple in order to distinguish them from the existing share certificates of the Existing Shares in yellow and the existing share certificates of the Consolidated Shares in green.

Effect of the Capital Reorganisation

As at the Latest Practicable Date, 166,720,000 Existing Shares have been issued and are fully paid or credited as fully paid. Immediately upon the Share Consolidation, the Capital Reduction and the Sub-division becoming effective and assuming no further Existing Shares or (as the case may be) Consolidated Shares will be issued or repurchased from the Latest Practicable Date up to and including the date of which the Share Consolidation, the Capital Reduction and the Sub-division shall become effective, the authorised share capital of the Company shall be HK\$100,000,000 divided into 10,000,000,000 New Ordinary Shares with par value of HK\$0.01 each, of which 8,336,000 New Ordinary Shares will be in issue and fully paid or credited as fully paid.

Assuming that the par value of each of the 8,336,000 issued Consolidated Shares will be reduced from HK\$2.00 to HK\$0.01 per issued New Ordinary Share by cancelling the paid up share capital to the extent of HK\$1.99 per issued Consolidated Share by way of a reduction of capital, so as to form issued New Ordinary Shares with par value of HK\$0.01 each, the Company's existing issued share capital of HK\$16,672,000 will be reduced by HK\$16,588,640 to HK\$83,360.

Assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the effective date of the Capital Reorganisation, the share capital structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Share Consolidation; and (iii) immediately upon the Capital Reduction and the Sub-division becoming effective are summarised as follows:

| | As at the Latest Practicable Date | Immediately after the completion of the Share Consolidation but prior to the Capital Reduction and the Sub-division | Immediately upon the Capital Reduction and the Sub-division becoming effective |
|---------------------------------------|--|--|---|
| Par value | HK\$0.10 per Existing Share | HK\$2.00 per Consolidated Share | HK\$0.01 per New Ordinary Share |
| Amount of authorised share capital | HK\$100,000,000 | HK\$100,000,000 | HK\$100,000,000 |
| Number of authorised shares | 1,000,000,000 Existing Shares | 50,000,000 Consolidated Shares | 10,000,000,000 New Ordinary Shares |

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| | As at the Latest Practicable Date | Immediately after the completion of the Share Consolidation but prior to the Capital Reduction and the Sub-division | Immediately upon the Capital Reduction and the Sub-division becoming effective |
|---------------------------------------|--------------------------------------|--|---|
| Amount of the issued share capital | HK\$16,672,000 | HK\$16,672,000 | HK\$83,360 |
| Number of issued shares | 166,720,000 Existing Shares | 8,336,000 Consolidated Shares | 8,336,000 New Ordinary Shares |

Other than the expenses to be incurred in relation to the Share Consolidation, the Capital Reduction and the Sub-division, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares will not be allocated to the Shareholders who may otherwise be entitled. The Directors are of the view that the Capital Reduction and the Sub-division will not have any material adverse effect on the financial position of the Group and are in the interest of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

Upon the completion of the Capital Reorganisation, the Board proposes to raise gross proceeds of up to approximately HK\$17.3 million by way of the issue of up to 16,672,000 Rights Shares at the Subscription Price of HK\$1.04 per Rights Share on the basis of two (2) Rights Shares for every one (1) New Ordinary Share held at the close of business on the Record Date. Details of the Rights Issue are set out below:

| | |
|--|--|
| Basis of the Rights Issue: | Two (2) Rights Shares for every one (1) New Ordinary Share held by the Shareholders on the Record Date |
| Subscription Price: | HK\$1.04 per Rights Share |
| Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue): | approximately HK\$0.91 per Rights Share |
| Number of Existing Shares in issue as at the Latest Practicable Date: | 166,720,000 Existing Shares |

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| | |
|--|---|
| Number of New Ordinary Shares in issue upon the Capital Reorganisation becoming effective: | 8,336,000 New Ordinary Shares |
| Number of Rights Shares to be issued under the Rights Issue: | Up to 16,672,000 Rights Shares (assuming there is no change to the total number of New Ordinary Shares in issue on or before the Record Date) |
| | The aggregate nominal value of the Rights Shares will be HK\$166,720 |
| Total number of Shares in issue as enlarged by the allotment and issue of the Rights Shares: | Up to 25,008,000 New Ordinary Shares (assuming there is no change to the total number of New Ordinary Shares in issue on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders) |
| Maximum amount to be raised before expenses (assuming the Rights Issue is fully subscribed): | Up to approximately HK\$17.3 million before expenses (assuming there is no change to the total number of New Ordinary Shares in issue on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders) |
| Right of excess applications: | Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment |

As at the Latest Practicable Date, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange into Shares. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming there is no change in the total number of New Ordinary Shares in issue on or before the Record Date and that no New Ordinary Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 16,672,000 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) approximately 200.0% of the issued share capital of the Company immediately upon the Capital Reduction and the Sub-division becoming effective; and (ii) approximately 66.7% of the issued share capital of the Company upon the Capital Reorganisation becoming effective and as enlarged by the allotment and issue of the Rights Shares.

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Undertakings

As at the Latest Practicable Date, the Company has not received any information or irrevocable undertaking from any Shareholder of their intention as to whether such Shareholder will take up his/her entitlements under the Rights Issue (or otherwise).

Subscription Price

The Subscription Price of HK\$1.04 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of the nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 33.3% to the theoretical closing price of HK\$1.5600 per New Ordinary Share based on the closing price of HK\$0.0780 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 35.3% to the theoretical average closing price of approximately HK\$1.6080 per New Ordinary Share based on the average closing price of approximately HK\$0.0804 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 35.8% to the theoretical average closing price of approximately HK\$1.6200 per New Ordinary Share based on the average closing price of approximately HK\$0.0810 per Existing Share as quoted on the Stock Exchange for the last 10 consecutive trading days prior to the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 14.3% to the theoretical ex-rights price of approximately HK\$1.2133 per New Ordinary Share based on the closing price of HK\$0.0780 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and the number of New Ordinary Shares in issue upon the Capital Reorganisation becoming effective;
- (v) a discount of approximately 56.7% to the latest published audited consolidated net asset value per New Ordinary Share as at 31 March 2023 of approximately HK\$2.4015 based on the annual report of the Company published on 30 June 2023 for the year ended 31 March 2023 and the number of New Ordinary Shares in issue upon the Capital Reorganisation becoming effective. The Directors consider the discount

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represented by the Subscription Price to the audited consolidated net asset value per New Ordinary Share as at 31 March 2023 to be fair and reasonable with reasons set out below in this circular;

- (vi) a discount of approximately 60.9% to the latest published unaudited consolidated net asset value per New Ordinary Share as at 30 June 2023 of approximately HK\$2.6571 based on the interim report of the Company published on 10 November 2023 for the six months ended 30 September 2023 and the number of New Ordinary Shares in issue upon the Capital Reorganisation becoming effective. The Directors consider the discount represented by the Subscription Price to the unaudited consolidated net asset value per New Ordinary Share as at 30 September 2023 to be fair and reasonable with reasons set out below in this circular; and
- (vii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 23.5%, represented by the theoretical diluted price of approximately HK\$1.2293 per New Ordinary Share to the benchmarked price of approximately HK\$1.6080 per New Ordinary Share (as defined under 10.44A of the GEM Listing Rules, taking into account the higher of (i) the closing price on the Last Trading Day of HK\$0.0780 per Existing Share and (ii) the average of the closing prices of approximately HK\$0.0804 per Existing Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement and adjusted for the effect of the Capital Reorganisation).

The Subscription Price was negotiated on an arm's length basis between the Company and Underwriter after taking into account factors including the recent market price of the Existing Shares and the current market conditions, in particular,

- (i) the prevailing trading price of the Existing Shares over the period from 22 January 2024 to the Last Trading Day, being the month prior and up to the Last Trading Day which presented a fluctuation in the range of HK\$0.0680 to HK\$0.0840, as compared to the previous months and which the Directors were unaware of any reason for such volatility;
- (ii) the prevailing market conditions of the capital market in Hong Kong by referring to the prevailing quote of the Hang Seng Index over the period from 1 September 2023 to the Last Trading Day, being the latest quarter prior and up to the Last Trading Day which presented a fluctuation in the range of 14,961 to 18,844 which presented a downward trend;
- (iii) throughout the period from 22 January 2024 to the Last Trading Day, the price of the Existing Share ranged between HK\$0.0680 to HK\$0.0840, representing (a) a discount ranging from approximately 30.0% to 43.4% to the latest published audited net asset

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value per Existing Share of approximately HK\$0.1201 as at 31 March 2023; and (b) a discount ranging from approximately 36.8% to 48.8% to the latest published unaudited net asset value per Existing Share of approximately HK\$0.1329 as at 30 September 2023;

- (iv) the Directors' (excluding the members of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee of this circular) view that it would be reasonable for the Subscription Price to be set at a level considerably lower than that of the theoretical closing price of the New Ordinary Shares as at the Last Trading Day based on the closing price of the Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation, under the current situation where there is a relatively large fundraising size when compared with the market capitalisation of the Company as at the Last Trading Day, it will enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders to participate in the Rights Issue and subscribe for the Rights Shares in proportion to such Qualifying Shareholders' existing shareholding in the Company; and
- (v) whilst the Subscription Price represents a discount of approximately 56.7% to the latest published audited consolidated net asset value per New Ordinary Share as at 31 March 2023 and 60.9% to the latest published unaudited consolidated net asset value per New Ordinary Share as at 30 June 2023, the Board is of the view that the net asset value per Share is not a relevant factor to determine the Subscription Price due to the fact that (a) the price of the Existing Share ranged between HK\$0.0680 to HK\$0.2300 throughout the period from 21 August 2023 to the Last Trading Day which presented a downward trend; (b) the price of the Existing Share traded below the net asset value per Existing Share continuously since the beginning of the year 2024 (i.e. 2 January 2024) to the Last Trading Day with a ranged between HK\$0.0680 to HK\$0.1160. The Board considers that under the current market condition of the capital market in Hong Kong and with reference to the recent market performance of the Existing Shares, it would not be practical and make any commercial sense to set a subscription price which is significantly higher than the prevailing market price and net asset value per New Ordinary Share, which would defeat the whole purpose of attracting the Shareholders and/or investors for new funding.

In view of the above, and considering that the discount of the Subscription Price would encourage the Qualifying Shareholders to take up their entitlements to maintain their shareholdings in the Company and participate in the future growth of the Company, and that the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil-paid rights in the market, the Directors (excluding the members of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee of this circular) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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Conditions of the Rights Issue

The Rights Issue is conditional upon each of the following conditions being fulfilled:

- (i) the passing by the Shareholders or Independent Shareholders (as the case may be) at the EGM of the necessary resolution(s) to approve the Capital Reorganisation, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;
- (ii) the Capital Reorganisation having become effective by no later than the Prospectus Posting Date;
- (iii) the GEM Listing Committee granting and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms and such listing and permission to deal not having been withdrawn or revoked;
- (iv) the provision to the Stock Exchange for authorisation and the filing and registration with the Companies Registry in Hong Kong respectively one duly certified copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (v) following registration, the Prospectus Documents be made available and/or sent (as the case may be) to the Qualifying Shareholders (and, where applicable, to the Non-Qualifying Shareholder(s), if any, for information purpose only) and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Prospectus Posting Date;
- (vi) the Company having complied with the requirements under all applicable laws and regulations; and
- (vii) the Underwriting Agreement not being terminated pursuant to the terms thereof and remaining in full force and effect.

None of the above conditions can be waived. The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above and by the Latest Time for Termination or such other time as the Company and the Underwriter may agree in writing. If any of the conditions above are not fulfilled, the Rights Issue will not proceed.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

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As the proposed Rights Issue is subject to the fulfillment of the above conditions, it may or may not proceed.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue, including the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares in their fully-paid form.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and is not a Non-Qualifying Shareholder.

In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by not later than 4:30 p.m. on Wednesday, 21 August 2024. The register of members of the Company will be closed from Thursday, 22 August 2024 to Wednesday, 28 August 2024 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company.

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Rights of Overseas Shareholders (if any)

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders, if any, may not be eligible to take part in the Rights Issue.

Pursuant to Rule 17.41(1) of the GEM Listing Rules, the Directors will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s), if any, under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholder(s) from the Rights Issue, no Rights Shares (whether in nil-paid or fully-paid form) will be offered to such Overseas Shareholder(s).

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In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholder(s). The basis for excluding the Non-Qualifying Shareholders(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, despatch the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but the Company will not send the PAL(s) and EAF(s) to the Non-Qualifying Shareholders (if any).

As at the Latest Practicable Date, there was one Overseas Shareholder, namely Mr. Yin, with registered address located in the PRC, who beneficially owns 48,370,000 Existing Shares, representing approximately 29.01% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 17.41(1) of the GEM Listing Rules, the Company has made enquiries with legal adviser as to PRC laws regarding the feasibility of extending the offer of the Rights Shares to the Overseas Shareholder in the PRC. The legal advisers to the Company as to the PRC laws are of view that, given the Company is an offshore company, there are no prohibitions or restrictions under PRC laws which would prevent the Company from including the natural person Shareholder(s) whose registered address(es) are located in the PRC in the Rights Issue, and that there are no requirements for the Company to obtain or go through any approval, ratification, registration or filing procedures or to fulfill any other formalities in the PRC prior to the despatch of the Prospectus Documents to such shareholders.

Therefore, based upon such advice, the Board is of the view that the extension of the Rights Issue to Mr. Yin and the offering of the Rights Shares to him will not violate any applicable law or regulations in the PRC. Accordingly, Mr. Yin will not be excluded from the Rights Issue and Mr. Yin shall therefore be a Qualifying Shareholder.

The Company will continue to ascertain whether there are any other Overseas Shareholders (other than Mr. Yin) as at the Record Date and, if applicable, will make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholder (if any) as at the Record Date.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in their nil-paid form, to be sold in the market as soon as practicable after dealings in the nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, of not less than HK\$100 will be paid pro-rata (rounded down to the nearest cent) to the relevant Non-Qualifying Shareholder(s) in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for its own benefit.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

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Basis of provisional allotment

The Rights Shares will be allotted on the basis of two (2) Rights Shares for every one (1) New Ordinary Share held by the Qualifying Shareholders as at the close of business on the Record Date.

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein. Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by completing a PAL and lodging the same with a remittance for the Rights Shares being accepted with the Registrar by the Latest Time for Acceptance.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Share certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, (i) share certificates for the fully-paid Rights Shares; and (ii) refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares are expected to be sent on or before Monday, 23 September 2024 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

Fractional entitlements to the Rights Shares

On the basis of provisional allotment of two (2) Rights Shares for every one (1) New Ordinary Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:00 p.m. on Thursday, 12 September 2024.

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The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis on the following principles:

- (a) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro-rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (b) reference will only be made to the number of excess Rights Shares being applied but no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (c) if the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for; and
- (d) no preference will be given to applications for topping up odd lots to whole board lots.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any excess application may have been made with the intention to abuse the mechanism, such application(s) for the excess Rights Shares may be rejected at the sole discretion of the Board.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Non-Qualifying Shareholders (if any) as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation.

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It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

Application for listing of the Rights Shares

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests if they are in any doubt.

Stamp duty and other applicable fees and charges

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, AFRC transaction levy and any other applicable fees and charges in Hong Kong.

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THE UNDERWRITING AGREEMENT

On 21 February 2024 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement, pursuant to which the Rights Shares which have not been taken up will be fully underwritten by the Underwriter and/or subscribers procured by it subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions contained therein. The principal terms of the Underwriting Agreement are as follows:

| | |
|---|---|
| Date: | 21 February 2024 (after trading hours) |
| Issuer: | the Company |
| Underwriter: | RaffAello Securities (HK) Limited, a corporation licensed to carry on type 1 (dealing in securities) regulated activity under the SFO and its ordinary course of business includes underwriting of securities. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties. As such, the Underwriter complies with Rule 10.24A(1) of the GEM Listing Rules. |
| Number of Underwritten Shares and the underwriting arrangement: | Pursuant to the Underwriting Agreement, the Underwritten Shares to be underwritten by the Underwriter shall be equivalent to the number of the Rights Shares, i.e. 16,672,000 Rights Shares. The actual amount of Rights Shares to be underwritten by the Underwriter will depend on the level of subscriptions by the Qualifying Shareholders. |
| Commission and expenses: | 7.07% of the aggregate Subscription Price in respect of the actual number of Underwritten Shares underwritten, subscribed for or procured subscription for by the Underwriter pursuant to the Underwriting Agreement. |

The Underwriter is a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out type 1 (dealing in securities) regulated activities under the SFO, whose ordinary course of business includes underwriting of securities. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the

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Underwriter and its ultimate beneficial owners are independent of the Company and its connected persons. As at the Latest Practicable Date, the Underwriter was not interested in any Shares. The Underwriter confirmed that it has complied with Rule 10.24A(1) of the GEM Listing Rules.

The terms of the Underwriting Agreement (including the commission and expenses) were determined after arm's length negotiations between the Underwriter and the Company by reference to the financial position of the Group, the size of the Rights Issue and the prevailing market conditions.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter, taking into account the following:

- (i) the existing financial position of the Group, in particular, the loss-making track record for the recent financial years;
- (ii) the size of the Rights issue and the basis of the underwriting arrangement, which determines the Company's extent of certainty in raising the necessary funds;
- (iii) the current and expected market volatility across the globe, which makes it relatively more difficult to find a reputable and trustworthy underwriter;
- (iv) the Company had approached three underwriters (including the Underwriter) in respect of the Rights Issue. Having provided the proposed terms and structure, the Company received the following responses:
 - a. one of the underwriters approached did not express any interest in underwriting or placing of the Rights Shares;
 - b. one of the underwriters approached did not express any interest in underwriting the Rights Shares on a fully underwritten basis and only willing to acting as the placing agent in relation to the placing of the Unsubscribed Rights Shares to independent places on a best effort basis; and
 - c. the Underwriter was the sole candidate which agreed to proceed with the Rights Issue on the proposed terms and structure, and was willing to further negotiate the terms with the Company;
- (v) the Company has been advised that the Underwriter, who has been in the underwriting business for 10 years, is a reputable licensed corporation with a well-established network of credible investors; and

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- (vi) the commission rate charged by the Underwriter for the Rights Issue was analogous to that charged in some of the other recent rights issue exercises in which the Underwriter acted as an underwriter of other issuers the shares of which are listed on the Stock Exchange with similar terms and structure of the Rights Issue (the “**Comparables**”), which was 7.07% of the value of the underwritten rights shares.

The table below sets out the details of such Comparables with reference to the respective publications:

| Company name (stock code) | Date of underwriting agreement | Amounts raised from the rights issue before expenses | Basis of underwriting | Underwriting commission |
|--|---|---|----------------------------------|--|
| Wisdomcome Group Holdings Limited (stock code: 8079) | 15/8/2023 | Approximately HK\$70.0 million | Fully underwritten | 7.07% of the total subscription price of the rights shares |
| China Wantian Holdings Limited (stock code: 1854) | 11/4/2023 | Approximately HK\$111.4 million | Fully underwritten | 7.07% of the total subscription price of the rights shares |
| Palinda Group Holdings Limited (stock code: 8179) | 28/4/2022 | Approximately HK\$29.3 million | Fully underwritten | 7.07% of the total subscription price of the rights shares |

Accordingly, the Directors consider that the underwriting commission charged by the Underwriter is no less favourable to the Company as compared with other listed issuers in the market.

In view of the above, the Directors (excluding the members of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee of this circular) consider that the terms of the Underwriting Agreement, including the commission and expenses charged, are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Underwriter may enter into sub-underwriting arrangements with sub-underwriters or appoint any persons to be sub-agents on its behalf for the purpose of arranging for the subscription of the Underwritten Shares with selected subscribers with such authority and rights as the Underwriter have pursuant to its appointment under the Underwriting Agreement.

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The Underwriter has undertaken to the Company that, other than the transactions contemplated under the Underwriting Agreement and as disclosed (or will be disclosed) in the Announcement and/or the Prospectus Documents, save with the prior written consent of the Company, the Underwriter and its associates will not deal in the Shares or other securities of the Company from the date of the Underwriting Agreement up to the first day of dealings in the fully-paid Rights Shares, save that the Underwriter may, before the Settlement Date, enter into agreement with any other person in respect of: (a) sub-underwriting of the Rights Shares; and/or (b) subscription of any Underwritten Shares, so long as such transactions are in compliance with applicable laws and regulations.

Conditions of the Underwriting Agreement

The conditions of the Underwriting Agreement have been set out in the paragraph headed “Conditions of the Rights Issue” under the section headed “PROPOSED RIGHTS ISSUE” above.

Termination of the Underwriting Agreement

The Underwriter shall be entitled by giving written notice to the Company to terminate the Underwriting Agreement if any of the following occurs prior to the Latest Time for Termination:

- (a) any of the following which, in the reasonable opinion of the Underwriter, will or is likely to materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); and
 - (ii) the occurrence, happening, coming into effect or becoming public knowledge of:
 - (1) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of HK\$ is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; (2) a suspension or a material limitation in trading in securities generally on the Stock Exchange; (3) a suspension or a material limitation in trading in the Company’s securities on the Stock Exchange for more than ten (10) consecutive Business Days (other than pending publication of the Announcement or any document relating to the Rights Issue); (4) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authority or a material disruption in commercial banking

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or securities settlement or clearance services in Hong Kong; or (5) a change or development involving a prospective change in taxation affecting the Company, the Shares or the transfer thereof;

- (b) any change in the circumstances of the Company or any member of the Group occurs which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Company, including, without limitation, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material assets of the Group;
- (c) any event of force majeure occurs, including, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, pandemic outbreak, terrorism, armed conflict, strike or lock-out;
- (d) the commencement by any third party of any litigation or claim against any member of the Group which is material to the Group taken as a whole;
- (e) any other material adverse change in relation to the business or the financial or trading position of the Group as a whole;
- (f) the Company commits a material breach of the Underwriting Agreement where, in the reasonable opinion of the Underwriter, such breach will or is likely to have a material and adverse effect on the business or the financial or trading position of the Group taken as a whole or is otherwise likely to have a material prejudicial effect on the Rights Issue;
- (g) the Underwriter receives notification from the Company of, or otherwise becomes aware of, the fact that any representation or warranty of the Company as set out in the Underwriting Agreement was, when given, untrue, inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable discretion, determine that such untrue or inaccurate representation or warranty represents or is likely to present a material adverse change in the business or the financial or trading position of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue;
- (h) any condition to enable the Rights Issue (in nil-paid and fully-paid forms) to be admitted as eligible securities for deposit, clearance and settlement in CCASS is not satisfied or notification is received by the Company from HKSCC that such admission or facility for holding and settlement has been or is to be refused;
- (i) any statement contained in the Announcement or any Prospectus Document has been shown to be untrue, inaccurate, incomplete or misleading in a material respect with reference to the date on which such statement was made; or

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- (j) the Company shall, after any Specified Event has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents) in such manner and with such content as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company and in accordance with the GEM Listing Rules and/or the SFO.

Upon the giving of notice by the Underwriter pursuant to the Underwriting Agreement, all obligations of the parties to the Underwriting Agreement shall cease and determine and no party thereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, but without prejudice to any rights of any party thereto in respect of any antecedent breaches.

If the Underwriter exercises such right to terminate the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are investment holding, provision of digital media services and provision of marketing services.

As discussed in the announcement of the Company dated 15 December 2023, the Group has established a China regional headquarters in Tai'an, Shandong Province. The establishment of this platform marks a significant milestone in the growth strategy of the Company. Given that the existing cash reserves have already been allocated for the ongoing operations and existing business of the Company, the Company shall seek additional sources of financing to secure the necessary capital to support and facilitate the execution of the expansion initiative. In order to leverage this platform to strengthen the Group's business development in Mainland China in the future, the Directors perceive the Rights Issue as a favourable opportunity to raise additional funding to provide substantial support for this platform's development endeavors.

Intended use of proceeds

Assuming full subscription under the Rights Issue, the expected gross proceeds of the Rights Issue will be up to approximately HK\$17.3 million and the relevant expenses would be approximately HK\$2.1 million, which includes underwriting commission and professional fees payable to financial adviser, legal advisers and other parties involved in the Rights Issue. Accordingly, the estimated net proceeds of the Rights Issue, after deducting the related expenses, will be up to approximately HK\$15.2 million (the "**Net Proceeds**").

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The Company intends to apply the Net Proceeds from the Rights Issue for the following purposes:

- (i) approximately HK\$10.0 million will be used for the development of the Group's businesses in the PRC, among which the Company intends to apply (i) approximately HK\$6.0 million for the development of the on-line advertisement business based in the PRC, encompassing various expenses such as rental, renovation, fixtures for the headquarters, employee benefits, and other administrative costs; and (ii) approximately HK\$4.0 million for the development of the Group's digital social media management services and marketing services for the Group's potential customers, which are principally engaged in the sale of health products, based in the PRC, including but not limited to conducting market research in relevant segments, training local staff or engaging local partners to establish and manage networks and channels, and covering marketing and advertising expenses to promote the Group's business, enhance brand awareness, and attract customers in the new region; and
- (ii) approximately HK\$5.2 million will be used for general working capital of the Group.

Fund-raising alternatives

Apart from the Rights Issue, the Board has considered various fund-raising alternatives before resolving to the Rights Issue including, but not limited to, debt financing, placing of new shares and open offer. The Board notes that bank borrowings, if available, would result in additional interest burden of the Company and create pressure to the liquidity of the Company. Hence, the Board does not consider it to be beneficial to the Company. As for placing of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company and it is relatively smaller in scale as compared to fund raising through rights issue. As for open offer, while it is similar to a rights issue, offering Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. As opposed to open offer, Rights Issue would allow Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain their respective pro-rata shareholding interests in the Company and dealing with the Shares.

Having considered all the other fund-raising alternatives, the Board is of the view that the Rights Issue is in the best interests of the Company and the Shareholders as a whole, and that it is an appropriate fund-raising method to strengthen the capital base of the Company and support the Company's continuing business development and growth.

As at the Latest Practicable Date, save as disclosed in this circular, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities; and (ii) has no other plan or intention to carry out any future corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Rights Issue.

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EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company, assuming there is no further issue or repurchase of Existing Shares or Consolidated Shares or New Ordinary Shares (as the case may be) before completion of the Rights Issue other than the allotment and issue of the Rights Shares pursuant to the Rights Issue, (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Capital Reorganisation; (iii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders; and (iv) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares have been underwritten by the Underwriter:

| Shareholders | As at the Latest Practicable Date | | Immediately upon completion of the Capital Reorganisation | | Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders | | Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares have been underwritten by the Underwriter | |
|--|-----------------------------------|----------------|---|----------------|--|----------------|--|----------------|
| | <i>No. of Existing Shares</i> | | <i>No. of New Ordinary Shares</i> | | <i>No. of New Ordinary Shares</i> | | <i>No. of New Ordinary Shares</i> | |
| Mr. Yin (Note 1) | 48,370,000 | 29.01% | 2,418,500 | 29.01% | 7,255,500 | 29.01% | 2,418,500 | 9.67% |
| Mr. Liu (Note 2) | 8,330,000 | 5.00% | 416,500 | 5.00% | 1,249,500 | 5.00% | 416,500 | 1.67% |
| The Underwriter and/or its subscriber(s) procured by it (Note 3) | - | 0.00% | - | 0.00% | - | 0.00% | 16,672,000 | 66.67% |
| Other public Shareholders | 110,020,000 | 65.99% | 5,501,000 | 65.99% | 16,503,000 | 65.99% | 5,501,000 | 21.99% |
| Total | 166,720,000 | 100.00% | 8,336,000 | 100.00% | 25,008,000 | 100.00% | 25,008,000 | 100.00% |

Notes:

1. Mr. Yin is the chairman, the chief executive officer and an executive Director of the Company.
2. Mr. Liu is an executive Director of the Company.

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3. This scenario is for illustrative purpose only. Pursuant to the Underwriting Agreement, the Underwriter unconditionally and irrevocably undertakes to the Company that in the event the Underwriter or any of its sub-underwriters is called upon to subscribe or procure subscription of the Underwritten Shares:
 - (a) without affecting the Underwriter's obligation to underwrite all the Underwritten Shares under the Underwriting Agreement, whether to underwrite the same by itself or procure sub-underwriting of the same, the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to trigger a mandatory offer obligation under rule 26 of the Takeovers Code on the part of the Underwriter and parties acting in concert (within the meaning of the Takeovers Code) with it upon completion of the Rights Issue;
 - (b) the Underwriter shall and shall cause its sub-underwriters to use its best endeavours to ensure that (i) each of the sub-underwriters, subscribers or purchasers of the Underwritten Shares procured by it shall be an Independent Third Party, not acting in concert (within the meaning of the Takeovers Code) with, and not connected with the Company, any of the Directors, chief executives or substantial shareholders of the Company or their respective associates; and (ii) none of the persons to be procured by it and its sub-underwriters to subscribe for the Shares not taken up by the Qualifying Shareholders will be holding 9.9% or more of the total issued share capital of the Company immediately after completion of the Rights Issue; and
 - (c) the Underwriter shall and shall cause its sub-underwriters to use its best endeavours to ensure and procure that the minimum public float requirement under Rule 11.23 of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue.
4. Certain percentage figures included in the table above have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Shares. Further announcements will be made by the Company in accordance with the GEM Listing Rules following the completion of the Rights Issue upon which the Rights Shares are allotted and issued.

The public float requirements under the GEM Listing Rules shall be maintained by the Company at all times, and the Company will take all appropriate steps to ensure that sufficient public float shall be at all times in compliance with Rule 11.23 of the GEM Listing Rules.

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RISK FACTORS

The Directors are aware that the Group's business operations are exposed to a variety of risks and uncertainties. To their best of knowledge and belief, the Directors consider that the following are the key risks and uncertainties identified by the Group. These key risks are not exhaustive or comprehensive, and there may be additional risks not known by the Group or which may not appear significant now but could turn out to be so in the future.

Risks relating to the Group's business

Digital marketing industry

The Group is in the highly competitive digital marketing industry, and heavily relies on providing social media management services, digital advertisement placement services and creative and technology services in generating the Group's revenue. Therefore, the Group's revenue growth depends on the continuous growth of internet usage and infrastructure, and is subject to uncertainties of the growth of digital marketing industry.

Rapidly changing technologies

The Group's business operations and success depend on the ability to adapt rapidly changing technologies, to enhance quality of existing services and to develop and introduce a variety of new services or products to address our clients' changing demands. While the Group has been providing various products and services, such as Chatbot, Big Data, and video solutions to keep up with the latest consumer trends, any new service, product or enhancement developed by the Group would also need to meet the requirements of the clients and may not achieve significant market acceptance. If the Group fails to keep pace with the changing technologies and to introduce successful and well-accepted products or services, the Group may lose its clients, and revenues and growth may be affected.

Information and technological system

The Group's success also depends on the stable performance of information and technological system. Any system failure that interrupts the ability to provide services to the clients could significantly reduce the attractiveness of the services and reduce the Group's revenue. In addition, any steps to increase the reliability and to avoid the redundancy of our information and technological system may not be effective and may not be successful in preventing system failures.

Foreign exchange rates risk

As at the Latest Practicable Date, the Group had a portion of its bank deposits denominated in RMB. The Group does not have a foreign currency hedging policy but the management of the Group monitors the Group's exposure to foreign currency risk and would consider taking appropriate actions when necessary.

LETTER FROM THE BOARD

Geographical risk

The Group's business operations are located in Hong Kong, the PRC and Taiwan, and are therefore subject to risks relating to the social, political and economic conditions in Hong Kong, the PRC and Taiwan. In addition, the Group's business may also be affected by the uncertainties and changes in the regulation of internet-related businesses and censorship of information disseminated through the internet in the PRC.

Other principal risks and uncertainties

The Group is also subject to other risks and uncertainties including, without limitation, to the following:

- (i) the Group's ongoing operations and growth could be affected if it fails to attract, recruit or retain key personnel including the executive Directors, senior management and key employees;
- (ii) the Group's clients may delay in settlement of its bills, which may result in material adverse impact on the Group's business, financial conditions and results of operations;
- (iii) the Group's reputation, brand name and business could be adversely affected by misconducts of third parties, including the Group's partner websites, apps, mobile sites, service providers and advertising agencies, all of whom being independent entities, and hence the Group does not have direct control over those third parties in relation to the contents shown on their websites, app and mobile sites and/or their activities; and
- (iv) the Group's business and financial performance may be adversely affected and the business sustainability may also be affected if the Group is unable to secure engagements from clients through the tendering process.

EQUITY FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The Company had not carried out any equity fundraising activities in the 12 months immediately prior to the Latest Practicable Date.

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

The Capital Reorganisation

The Capital Reorganisation is conditional upon, among other things, (i) the passing of an ordinary resolution by the Shareholders at the EGM approving the proposed Share Consolidation; and (ii) the passing of a special resolution by the Shareholders at the EGM approving the proposed Capital Reduction and the Sub-division.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Capital Reorganisation, no Shareholder would be required to abstain from voting in favour of the resolutions relating to the Capital Reorganisation at the EGM.

The Rights Issue

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the total number of issued Shares or the market capitalisation of the Company by more than 50% within the 12-month period immediately prior to the Latest Practicable Date (after taking into account the effect of the Capital Reorganisation), the Rights Issue must be made conditional on approval by the Shareholders at the EGM, and any controlling shareholders of the Company and their respective associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue.

As at the Latest Practicable Date, the Company has no controlling Shareholder as defined under the GEM Listing Rules. Mr. Yin, the chairman and chief executive officer of the Company and an executive Director, beneficially owns 48,370,000 Existing Shares in aggregate, representing approximately 29.01% of the entire issued share capital of the Company as at the Latest Practicable Date. Mr. Liu, an executive Director, beneficially owns 8,330,000 Existing Shares in aggregate, representing approximately 5.00% of the entire issued share capital of the Company as at the Latest Practicable Date. In addition, Mr. Yip, Ms. Wan and Mr. Ng (the executive Directors of the Company) and Ms. Wang Lai Man, Liza ("**Ms. Liza Wang**") are parties acting in concert with each other, and are together interested in an aggregate of 10,000 Existing Shares, representing in aggregate approximately 0.006% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, Mr. Yin, Mr. Liu, Mr. Yip, Ms. Wan and Mr. Ng (and their associates) and Ms. Liza Wang are required to abstain from voting in favour of the proposed resolution(s) to approve the Rights Issue at the EGM in accordance with Rule 10.29(1) of the GEM Listing Rules. Save as disclosed above, no other Directors are interested in the Shares of the Company as at the Latest Practicable Date. Accordingly, no other Shareholder is required to abstain from voting in favour of the relevant resolution(s) of the proposed Rights Issue at the EGM.

LETTER FROM THE BOARD

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately prior to the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Existing Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

EGM

The EGM will be held for the Shareholders to consider and, if thought fit, approve the proposed Capital Reorganisation, the proposed Rights Issue and the transactions contemplated thereunder.

A notice convening the EGM to be held at Unit 1201 & 16, 12/F, Two Harbour Square, No. 180 Wai Yip Street, Kwun Tong, Hong Kong on Wednesday, 24 April 2024 at 11:00 a.m. is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.guruonline.com.hk).

Whether or not Shareholders are able to attend and vote at the EGM in person, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 11:00 a.m. on Monday, 22 April 2024) or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish and, in such event, the form of proxy shall be deemed to be revoked.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, the PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Thursday, 29 August 2024. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, despatch the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but the Company will not send the PAL(s) and EAF(s) to the Non-Qualifying Shareholders (if any).

LETTER FROM THE BOARD

VOTING BY WAY OF POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll, except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions proposed at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

In order to be eligible for attending and voting at the EGM, all transfers of Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by not later than 4:30 p.m. on Wednesday, 17 April 2024.

The register of members of the Company will be closed from Thursday, 18 April 2024 to Wednesday, 24 April 2024 (both days inclusive) for determining the entitlements of the Shareholders to attend and vote at the EGM, and will further be closed from Thursday, 22 August 2024 to Wednesday, 28 August 2024 (both days inclusive) for determining the entitlements to the Rights Issue, during which period no transfer of Shares will be registered.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES IN NIL-PAID FORM

Shareholders and potential investors of the Company should note that the Capital Reorganisation is conditional upon the satisfaction of the conditions as set out in the paragraphs headed “Conditions of the Share Consolidation” and “Conditions of the Capital Reduction and the Sub-division” in this circular, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

The Rights Issue is subject to the fulfilment of conditions including, among other things, the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this circular. It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the section headed “Termination of the Underwriting Agreement” of this circular. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

LETTER FROM THE BOARD

Any dealings in the Shares from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

It is expected that the last day of dealings in the New Ordinary Shares on a cum-rights basis is Monday, 19 August 2024, and the New Ordinary Shares will be dealt with on an ex-rights basis from Tuesday, 20 August 2024. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 2 September 2024 to Monday, 9 September 2024 (both days inclusive).

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the Rights Shares. Any Shareholders or other persons contemplating any dealings in the Shares and/or Rights Shares in nil-paid form are recommended to consult their professional advisers. The Company will make further announcement(s) with regard to the status of the abovementioned transactions as and when appropriate pursuant to the requirements under the GEM Listing Rules, as appropriate.

RECOMMENDATIONS

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Fu Hongzhi, Mr. Bian Wencheng and Mr. Hong Ming Sang, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. In this connection, Dakin Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue and the transactions contemplated thereunder, and as to voting.

Your attention is drawn to the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-28 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the members of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee of this circular) consider that the proposed Capital Reorganisation, the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee

LETTER FROM THE BOARD

whose opinion is set forth in the letter from the Independent Board Committee of this circular) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Guoen Holdings Limited
Yin Di
*Chief Executive Officer, Chairman of the Board and
Executive Director*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders as to its opinion and recommendations in respect of the Rights Issue and the transactions contemplated thereunder.

Guoen Holdings Limited

國恩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8121)

2 April 2024

To the Independent Shareholders

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) NEW
ORDINARY SHARE HELD ON THE RECORD DATE
ON A FULLY UNDERWRITTEN BASIS**

We refer to the circular of the Company dated 2 April 2024 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to voting at the EGM.

Dakin Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable. Details of its recommendation, together with the principal factors and reasons taken into consideration in arriving at such recommendation, are set out on pages IFA-1 to IFA-28 of the Circular.

We wish to draw your attention to the letter from the Board, the letter from the Independent Financial Adviser and the additional information as set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Rights Issue and the transactions contemplated thereunder, and having taken into account the advice from the Independent Financial Adviser, we are of the opinion that the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable insofar as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Ms. Fu Hongzhi
*Independent non-executive
Director*

Mr. Bian Wencheng
*Independent non-executive
Director*

Mr. Hong Ming Sang
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Dakin Capital Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder.



2 April 2024

*To: the Independent Board Committee and the Independent Shareholders
of Guoen Holdings Limited*

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARE FOR EVERY ONE (1) NEW ORDINARY SHARE HELD ON THE RECORD DATE ON A FULLY UNDERWRITTEN BASIS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 2 April 2024 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

On 21 February 2024, the Company announced, amongst others, the Rights Issue. The Company proposed, subject to, among other things, the Capital Reorganisation becoming effective, to raise gross proceeds of up to approximately HK\$17.3 million before expenses by issuing up to 16,672,000 Rights Shares (assuming no further issue or repurchase of the Shares or New Ordinary Shares on or before the Record Date) by way of rights issue at the Subscription Price of HK\$1.04 per Rights Share, on the basis of two Rights Shares for every one New Ordinary Share held on the Record Date and payable in full on acceptance.

As at the Latest Practicable Date, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange into Shares. As stated in the Letter from the Board, the Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assuming there is no change in the total number of New Ordinary Shares in issue on or before the Record Date and that no New Ordinary Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 16,672,000 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) approximately 200.0% of the issued share capital of the Company immediately upon the Capital Reorganisation becoming effective; and (ii) approximately 66.7% of the issued share capital of the Company upon the Capital Reorganisation becoming effective and as enlarged by the allotment and issue of the Rights Shares.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue is fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be fully underwritten by the Underwriter and/or subscribers procured by it subject to the terms and conditions under the Underwriting Agreement.

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any). Qualifying Shareholders must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholders in order to qualify for the Rights Issue.

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the total number of issued Shares or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding the date of this Circular (after taking into account the effect of the Capital Reorganisation), the Rights Issue must be made conditional on approval by the Shareholders at the EGM, and any controlling shareholders of the Company and their respective associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue. The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

The Company will seek approval from the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder by way of a poll at the EGM. As at the Latest Practicable Date, the Company has no controlling shareholder. As at the Latest Practicable Date, (i) Mr. Yin, the chairman, executive Director, and chief executive officer of the Company, beneficially owns 48,370,000 Existing Shares in aggregate, representing approximately 29.01% of the issued Shares; (ii) Mr. Liu, the executive Director, beneficially owns 8,330,000 Existing Shares in aggregate, representing approximately 5.00% of the issued Shares; and (iii) Mr. Yip, Ms. Wan and Mr. Ng, the executive Directors and Ms. Wang Lai Man, Liza are parties acting in concert with each other, and are together interested in an aggregate of 10,000 Existing Shares, representing in aggregate approximately 0.006% of the issued Shares. Accordingly, Mr. Yin, Mr. Liu, Mr. Yip, Ms. Wan and Mr. Ng (and their associates) and Ms. Wang Lai Man, Liza are required to abstain from voting in favour of the proposed resolution(s)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to approve the Rights Issue and the transactions contemplated thereunder at the EGM in accordance with Rule 10.29(1) of the GEM Listing Rules. Save as Mr. Yin, Mr. Liu, Mr. Yip, Ms. Wan and Mr. Ng (and their associates) and Ms. Wang Lai Man, Liza, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Rights Issue and will be required to abstain from voting on the resolution(s) to approve the Rights Issue and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Ms. Fu Hongzhi, Mr. Bian Wencheng and Mr. Hong Ming Sang, has been formed to advise the Independent Shareholders on whether the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser.

OUR INDEPENDENCE

We, Dakin Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. During the past two years immediately preceding the Latest Practicable Date, we did not act as the financial adviser or the independent financial adviser of the Company. Apart from normal professional fees for our services to the Company in connection with this engagement described above, no other arrangements exist whereby we will receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, or its substantial Shareholders, Directors, chief executive, or any of their respective associates. We are independent under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular, the information and representations provided to us by the Company, the Directors and the management of the Company and our review of the relevant public information. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date. Lastly, where information in this

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

letter has been extracted from published or otherwise publicly available sources, it is the responsibility of us to ensure that such information are true, accurate and complete in all material respects and not misleading or deceptive and has been correctly extracted from the relevant sources.

The Directors collectively and individually accept full responsibility, including 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 the Circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue and the transactions contemplated thereunder. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the fairness and reasonableness of the Rights Issue and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background and financial information of the Group

As stated in the Letter from the Board, the Company is principally engaged in investment holding. The principal activities of its subsidiaries are investment holding, provision of digital media services and provision of marketing services. According to the Company's annual report for the year ended 31 March 2023 (the "Annual Report"), the Group offers a range of integrated digital marketing services, including social media management services, digital advertisement placement services and creative and technology services.

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The table below summarises the general financial information of the Group (i) for the financial years ended 31 March 2022 and 2023 which are extracted from the Annual Report; and (ii) for the six months ended 30 September 2022 and 2023 which are extracted from the Company’s interim report for the six months ended 30 September 2023 (the “**Interim Report**”):

| | For the year ended 31 March 2022 (audited) HK\$'000 | For the year ended 31 March 2023 (audited) HK\$'000 | For the six months ended 30 September 2022 (unaudited) HK\$'000 | For the six months ended 30 September 2023 (unaudited) HK\$'000 |
|--|--|--|---|---|
| Financial performance | | | | |
| Revenue | | | | |
| Social media management services | 39,221 | 33,002 | 17,858 | 15,324 |
| Digital advertisement placement services | 9,175 | 9,405 | 5,066 | 3,196 |
| Creative and technology services | 107,381 | 77,373 | 36,558 | 40,174 |
| Total revenue | 155,777 | 119,780 | 59,482 | 58,694 |
| Gross profit | 33,717 | 25,493 | 11,719 | 12,928 |
| (Loss)/ Profit for the year/ period | (31) | (5,897) | (4,460) | 1,764 |
| | As at 31 March 2022 (audited) HK\$'000 | As at 31 March 2023 (audited) HK\$'000 | As at 30 September 2023 (unaudited) HK\$'000 | |

Financial position

| | | | |
|------------------------|--------|--------|--------|
| Bank balances and cash | 12,239 | 18,491 | 18,327 |
| Total assets | 64,475 | 61,198 | 70,250 |
| Total liabilities | 41,182 | 41,179 | 48,100 |
| Net assets | 23,293 | 20,019 | 22,150 |

Annual results of the Group for the year ended 31 March 2023

The Group’s revenue generated from (i) social media management services amounted to approximately HK\$39.2 million and HK\$33.0 million for the year ended 31 March 2022 (“**FY2022**”) and 31 March 2023 (“**FY2023**”), representing approximately 25.2% and 27.5% of the total revenue respectively; (ii) digital advertisement placement services amounted to approximately HK\$9.2 million and HK\$9.4 million for FY2022 and FY2023, representing approximately 5.9% and 7.9%

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of the total revenue respectively; and (iii) creative and technology services amounted to approximately HK\$107.4 million and HK\$77.4 million for FY2022 and FY2023, representing approximately 68.9% and 64.6% of the total revenue respectively.

The Group's total revenue decreased from approximately HK\$155.8 million for FY2022 to approximately HK\$119.8 million for FY2023, representing a decrease of approximately 23.1%. As stated in the Annual Report, such decrease was mainly due to (i) the decrease in revenue of social media management services segment from approximately HK\$39.2 million for FY2022 to approximately HK\$33.0 million for FY2023; and (ii) the decrease in revenue of creative and technology services segment from approximately HK\$107.4 million for FY2022 to approximately HK\$77.4 million for FY2023.

The Group's gross profit decreased from approximately HK\$33.7 million for FY2022 to 25.5 million for FY2023, representing a decrease of approximately 24.4%. As advised by the management of the Company, such decrease in gross profit was mainly due to the decrease in the Group's revenue as discussed above. As a result, the Group's gross profit margin remained stable at approximately 21.6% and 21.3% for FY2022 and FY2023 respectively.

The Group recorded a widen in loss for the year from approximately HK\$31,000 for FY2022 to approximately HK\$5.9 million for FY2023. According to the Annual Report and the management of the Company, such widen in loss for the year was mainly due to (i) the decrease in gross profit from approximately HK\$33.7 million for FY2022 to approximately HK\$25.5 million for FY2023; (ii) an one-off gain on disposal of Beijing AdBeyond Culture Media Development Limited* (北京超帆文化傳播發展有限公司) of approximately HK\$12.9 million for FY2022 (the "**AdBeyond Beijing Disposal**") (FY2023: nil); (iii) an one-off gain on change in fair value of financial assets at fair value through profit and loss of approximately HK\$0.5 million for FY2022 (FY2023: nil); and partially offset by (iv) the continuing implementation of the expenses control policy on selling expenses and administrative expenses during FY2023. For details of the AdBeyond Beijing Disposal, please refer to the Company's announcement dated 9 November 2021.

Interim results of the Group for the six months ended 30 September 2023

The Group's revenue generated from (i) social media management services amounted to approximately HK\$17.9 million and HK\$15.3 million for the six months ended 30 September 2022 ("**IR2022**") and 30 September 2023 ("**IR2023**"), representing approximately 30.0% and 26.1% of the total revenue respectively; (ii) digital advertisement placement services amounted to approximately HK\$5.0 million and HK\$3.2 million for IR2022 and IR2023, representing approximately 8.5% and 5.5% of the total revenue respectively; and (iii) creative and technology services amounted to approximately HK\$36.6 million and HK\$40.2 million for IR2022 and

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IR2023, representing approximately 61.5% and 68.4% of the total revenue respectively.

The Group's total revenue decreased from approximately HK\$59.5 million for IR2022 to approximately HK\$58.7 million for IR2023, representing a slight decrease of approximately 1.3%. As stated in the Interim Report, such decrease was mainly due to (i) the decrease in revenue of social media management services segment from approximately HK\$17.9 million for IR2022 to approximately HK\$15.3 million for IR2023; (ii) the decrease in revenue of digital advertisement placement services segment from approximately HK\$5.0 million for IR2022 to HK\$3.2 million for IR2023; and partially offset by (iii) the increase in revenue of creative and technology services segment from approximately HK\$36.6 million for IR2022 to approximately HK\$40.2 million for IR2023.

The Group's gross profit increased from approximately HK\$11.7 million for IR2022 to 12.9 million for IR2023, representing an increase of approximately 10.3%. As stated in the Interim Report, such increase in gross profit was mainly attributable to the decrease in operation costs incurred in cost of services. As a result, the Group's gross profit margin increased from approximately 19.7% for IR2022 to approximately 22.0% for FY2023.

The Group had a turnaround performance from loss for the period of approximately HK\$4.5 million for IR2022 to profit for the period of approximately HK\$1.8 million for IR2023. Pursuant to the Interim Report, such turnaround performance was mainly attributable to (i) the continuing implementation of the expenses control policy on selling expenses and administrative expenses during IR2023; and partially offset by (ii) the decrease in subsidy income received from Hong Kong government under the Employment Support Scheme.

Financial position of the Group

The bank balances and cash of the Group amounted to approximately HK\$12.2 million, HK\$18.5 million and HK\$18.3 million as at 31 March 2022, 31 March 2023 and 30 September 2023 respectively.

The bank balances and cash of the Group increased from approximately HK\$12.2 million as at 31 March 2022 to approximately HK\$18.5 million as at 31 March 2023, representing an increase of approximately 51.1%. As advised by the management of the Company, such increase in the bank balances and cash of the Group was mainly attributable to (i) the net cash flows from operating activities of approximately HK\$0.7 million for FY2023; (ii) the net cash flows from investing activities of approximately HK\$5.4 million for FY2023, which mainly came from the proceeds from disposal of an investment property of approximately HK\$5.6 million; and partially offset by (iii) the net cash flows used in financing activities of approximately HK\$0.1 million for FY2023. The bank balance and cash of the Group remained stable

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at approximately HK\$18.5 million and HK\$18.3 million as at 31 March 2023 and 30 September 2023 respectively.

Total assets of the Group as at 30 September 2023 amounted to approximately HK\$70.2 million whereas total liabilities of the Group amounted to approximately HK\$48.1 million, resulting in a net assets position of approximately HK\$22.1 million.

2. Reasons for and benefits of the Rights Issue

According to the Letter from the Board, assuming full subscription under the Rights Issue, the expected gross proceeds of the Rights Issue will be up to approximately HK\$17.3 million and the relevant expenses would be approximately HK\$2.1 million, which includes underwriting commission and professional fees payable to financial adviser, legal advisers and other parties involved in the Rights Issue. Accordingly, the estimated net proceeds of the Rights Issue, after deducting the related expense, will be up to approximately HK\$15.2 million. The Directors intends to use the net proceeds from the Rights Issue as to:

- (i) approximately HK\$10.0 million will be used for the development of the Group's businesses in the PRC, among which the Directors intends to apply (a) approximately HK\$6.0 million for the development of the on-line advertisement business based in the PRC, encompassing various expenses such as rental, renovation, fixtures for the headquarters, employee benefits, and other administrative costs; and (b) approximately HK\$4.0 million for the development of the Group's digital social media management services and marketing services for the Group's potential customers, which are principally engaged in the sale of health products, based in the PRC, including but not limited to conducting market research in relevant segments, training local staff or engaging local partners to establish and manage networks and channels, and covering marketing and advertising expenses to promote the Group's business, enhance brand awareness, and attract customers in the new region; and
- (ii) approximately HK\$5.2 million will be used for general working capital of the Group.

As disclosed in the Company's announcements dated 15 December 2023 and 28 December 2023, the Group has established the PRC regional headquarters in Tai'an, Shandong Province, namely 國恩控股(山東)有限公司* (Guoen Holdings (Shandong) Limited) ("**Guoen Shandong**"). The Directors consider that the establishment of this platform marks a significant milestone in the growth strategy of the Company. Pursuant to the Company's announcement dated 15 December 2023, the establishment of headquarters in Tai'an, Shandong Province reflects the Company's strategic business planning and future development approach of actively seeking out business opportunities in different regions in the PRC. As stated in the Letter from the Board, the existing cash reserves of the Group have already been allocated for the ongoing operations and existing business of the Company. The Directors consider that the Company shall seek additional sources of

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financing to secure the necessary capital to support and facilitate the execution of the expansion initiative. In order to leverage this platform to strengthen the Group's business development in the PRC in the future, the Directors perceive the Rights Issue as a favourable opportunity to raise additional funding to provide substantial support for this platform's development endeavors.

In light of this, we have discussed with the management of the Company, reviewed the Company's prospectus dated 22 May 2015 and the Annual Report and summarized our findings regarding the Group's PRC business:

- (i) As at the Latest Practicable Date, the Group has three companies incorporated in the PRC with limited liability, namely 廣州超帆信息科技有限公司* (AdBeyond (Group) Limited (Guangzhou) ("**AdBeyond GZ**")), 南京高訊文化傳媒有限公司* (Nanjing Glo Media Limited) ("**Glo Media NJ**") and Guoen Shandong;
- (ii) AdBeyond GZ and Glo Media NJ were incorporated in the PRC as limited liabilities companies since 2012 and 2016 respectively;
- (iii) The principal business of AdBeyond GZ and Glo Media NJ are provision of marketing services; and
- (iv) Mr. Yip and Ms. Wan are the Directors and the supervisors of AdBeyond GZ and Glo Media NJ.

Based on the above information, (i) the business operations of AdBeyond GZ and Glo Media NJ demonstrate that the Group has relevant knowledge and experience in provision of digital media services and provision of marketing services in the PRC; and (ii) Mr. Yip and Ms. Wan, as the executive Directors also provide their continuous senior management in AdBeyond GZ and Glo Media NJ. Therefore, we concur with the Directors' view that the expansion of the Group's PRC business is justifiable.

Pursuant to the Annual Report, despite the challenges posed by the pandemic of COVID-19 during FY2023, the Group was able to withstand some of the adverse effects due to its balanced portfolio and diversified revenue streams. The digital advertisement placement services benefited from the increasing online spending habits of consumers, leading to an increase in client budgets for digital advertising. The Group was able to secure new customers during FY2023, including a large-scale Shenzhen and Hong Kong listed enterprise focusing on home appliance manufacturing, which helped mitigate some of the negative effects of the pandemic of COVID-19. Meanwhile, the Group has been providing various products and services, such as Chatbot, Big Data, and video solutions, to keep up with the latest consumer trends. The Group has also been improving related technologies to assist customers in launching augmented reality online promotion projects on social media platforms. These efforts have allowed consumers to experience and understand product information in a more practical way, leading to an increase in online sales.

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To assess the online and network development in the PRC, we have reviewed the statistics published by China Internet Network Information Center* (中國互聯網絡信息中心) which is a direct unit of Ministry of Industry and Information Technology of the PRC* (中華人民共和國工業和信息化部) with findings set out as follows:

Statistics of online and network development in the PRC

| | 2020 | 2021 | 2022 | 2023 | Compound annual growth rate |
|-------------------------|---------------|---------------|---------------|---------------|--|
| | <i>Number</i> | <i>Number</i> | <i>Number</i> | <i>Number</i> | |
| | ('000) | ('000) | ('000) | ('000) | (%) |
| Netizens | 989,000 | 1,032,000 | 1,067,000 | 1,092,000 | 3.36 |
| Mobile internet users | 986,000 | 1,029,000 | 1,065,000 | 1,091,000 | 3.43 |
| Instant messaging users | 981,000 | 1,007,000 | 1,038,000 | 1,060,000 | 2.62 |
| Online payment users | 854,000 | 904,000 | 911,000 | 954,000 | 3.76 |
| Online shopping users | 782,000 | 842,000 | 845,000 | 915,000 | 5.38 |

Source: Website of China Internet Network Information Center (中國互聯網絡信息中心) (<https://www.cnnic.cn/index.html>)*

As shown in the above table, (i) the number of netizens in the PRC increased from approximately 989 million for the year of 2020 to approximately 1,092 million for the year of 2023, representing a compound annual growth rate of approximately 3.36%; and (ii) the number of mobile internet users increased from approximately 986 million for the year of 2020 to approximately 1,091 million for the year of 2023, representing a compound annual growth rate of approximately 3.43%.

The use of instant messaging which is relevant to the Group's social media management services segment also recorded an increasing trend of number of users. The number of instant message users increased from approximately 981 million for the year of 2020 to approximately 1,060 million for the year of 2023, representing a compound annual growth rate of approximately 2.62%.

The online payment and online shopping which are relevant to the Group's digital advertisement placement services and creative and technology services also demonstrate an increasing trend of number of users. As shown in the above table, (i) the number of online payment users in the PRC increased from approximately 854 million for the year of 2020 to approximately 954 million for the year of 2023, representing a compound annual growth rate of approximately 3.76%; and (ii) the number of online shopping users increased from

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approximately 782 million for the year of 2020 to approximately 915 million for the year of 2023, representing a compound annual growth rate of approximately 5.38%.

Taking into consideration of the increasing trends of the online and network development in the PRC, we consider that the demand for social media management, digital advertisement and marketing and other creative and technology services will remain positive.

Having considered (i) the Group has relevant knowledge and past experience in the provision of digital media services and provision of marketing services in the PRC; (ii) the additional funding need to support and facilitate the execution of the future business expansion in the PRC; and (iii) the prospect of the social media management, digital advertisement and marketing and other creative and technology services will be positive as discussed above, we are of the view and concur with the Directors' view that the Rights Issue is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3. Other financing alternatives

As stated in the Letter from the Board, other financing alternatives, including debt financing, and other forms of equity financing such as placing of new shares and open offer, have been considered.

Pursuant to the Letter from the Board, the Directors notes that bank borrowings, if available, would result in additional interest burden of the Company and create pressure to the liquidity of the Company. Hence, the Directors does not consider it to be beneficial to the Company. According to the Directors, debt financing may require lengthy due-diligence and negotiation process. In addition to debt financing, we understand that the Directors had considered to conduct equity financing such as placing of new shares and open offer. According to the Directors, (i) placing of new shares would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company and it is relatively smaller in scale as compared to fund raising through rights issue; and (ii) open offer while it is similar to a rights issue, offering Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market.

In view of the above, the Directors considered that the Rights Issue is the most suitable equity financing method available to the Group as:

- (i) the Qualifying Shareholders have the option to subscribe for the Rights Shares at their sole discretion;
- (ii) the Qualifying Shareholders who do not take up their entitlements can sell the nil-paid Rights Shares in the market; and

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(iii) the Rights Issue offers all the Qualifying Shareholders equal opportunities to participate in the enlargement of the Group's capital base and enables the Shareholders to maintain their proportionate interests in the Company and continue to participate in development of the Company in the future should they wish to do so.

After considering that (i) debt financing would increase the Group's interest burden and create pressure to the liquidity of the Group; (ii) placing of new shares without first offering the existing Shareholders the opportunity to participate in the Company's equity fund raising exercise would result in direct dilution of shareholding of the existing Shareholders; (iii) open offer does not offer the Qualifying Shareholders the option to sell the nil-paid Rights Shares in the market; and (iv) the Rights Issue will enable the Shareholders to maintain their proportionate interests in the Company should they so wish, we concur with the Directors' view that the Rights Issue is fair and reasonable and in the interest of Company and Shareholders as a whole.

4. Principal terms of the Rights Issue

The Company proposed, subject to, among other things, the Capital Reorganisation becoming effective, to raise gross proceeds of up to approximately HK\$17.3 million before expenses by issuing up to 16,672,000 Rights Shares (assuming no further issue or repurchase of the Shares or New Ordinary Shares on or before the Record Date) by way of rights issue at the Subscription Price of HK\$1.04 per Rights Share, on the basis of two Rights Shares for every one New Ordinary Share held on the Record Date and payable in full on acceptance.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue is fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be fully underwritten by the Underwriter and/or subscribers procured by it subject to the terms and conditions under the Underwriting Agreement. For details of the Rights Issue, please refer to the paragraph headed "Proposed Rights Issue" in the Letter from the Board.

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(a) The Subscription Price

The Subscription Price is HK\$1.04 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 33.3% to the theoretical closing price of HK\$1.5600 per New Ordinary Share based on the closing price of HK\$0.0780 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 35.3% to the theoretical average closing price of approximately HK\$1.6080 per New Ordinary Share based on the average closing price of approximately HK\$0.0804 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 35.8% to the theoretical average closing price of approximately HK\$1.6200 per New Ordinary Share based on the average closing price of approximately HK\$0.0810 per Existing Share as quoted on the Stock Exchange for the last 10 consecutive trading days prior to the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 14.3% to the theoretical ex-rights price of approximately HK\$1.2133 per New Ordinary Share based on the closing price of HK\$0.0780 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and the number of New Ordinary Shares in issue upon the Capital Reorganisation becoming effective;
- (v) a discount of approximately 56.7% to the latest published audited consolidated net asset value per New Ordinary Share as at 31 March 2023 of approximately HK\$2.4015 based on the annual report of the Company published on 30 June 2023 for the year ended 31 March 2023 and the number of New Ordinary Shares in issue upon the Capital Reorganisation becoming effective. The Directors consider the discount represented by the Subscription Price to the audited consolidated net asset value per New Ordinary Share as at 31 March 2023 to be fair and reasonable with reasons set out in below in this paragraph;
- (vi) a discount of approximately 60.9% to the latest published unaudited consolidated net asset value per New Ordinary Share as at 30 June 2023 of approximately HK\$2.6571 based on the interim report of the Company published on 10 November 2023 for the six months ended 30 September 2023 and the number of New Ordinary Shares in issue upon the Capital

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Reorganisation becoming effective. The Directors consider the discount represented by the Subscription Price to the unaudited consolidated net asset value per New Ordinary Share as at 30 September 2023 to be fair and reasonable with reasons set out below in this paragraph; and

- (vii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 23.5%, represented by the theoretical diluted price of approximately HK\$1.2293 per New Ordinary Share to the benchmarked price of approximately HK\$1.6080 per New Ordinary Share (as defined under 10.44A of the GEM Listing Rules, taking into account the higher of (i) the closing price on the Last Trading Day of HK\$0.0780 per Existing Share and (ii) the average of the closing prices of approximately HK\$0.0804 per Existing Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement and adjusted for the effect of the Capital Reorganisation).

As stated in the Letter from the Board, the Subscription Price was negotiated on an arm's length basis between the Company and Underwriter after taking into account factors including the recent market price of the Existing Shares and the current market conditions, in particular,

- (i) the prevailing trading price of the Existing Shares over the period from 22 January 2024 to the Last Trading Day, being the month prior and up to the Last Trading Day which presented a fluctuation in the range of HK\$0.0680 to HK\$0.0840, as compared to the previous months and which the Directors were unaware of any reason for such volatility;
- (ii) the prevailing market conditions of the capital market in Hong Kong by referring to the prevailing quote of the Hang Seng Index over the period from 1 September 2023 to the Last Trading Day, being the latest quarter prior and up to the Last Trading Day which presented a fluctuation in the range of 14,961 to 18,844 which presented a downward trend;
- (iii) throughout the period from 22 January 2024 to the Last Trading Day, the price of the Existing Share ranged between HK\$0.0680 to HK\$0.0840, representing (a) a discount ranging from approximately 30.0% to 43.4% to the latest published audited net asset value per Existing Share of approximately HK\$0.1201 as at 31 March 2023; and (b) a discount ranging from approximately 36.8% to 48.8% to the latest published unaudited net asset value per Existing Share of approximately HK\$0.1329 as at 30 September 2023;
- (iv) the Directors' (excluding the members of the Independent Board Committee) view that it would be reasonable for the Subscription Price to be set at a level considerably lower than that of the theoretical closing price of the

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New Ordinary Shares as at the Last Trading Day based on the closing price of the Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation, under the current situation where there is a relatively large fundraising size when compared with the market capitalisation of the Company as at the Last Trading Day, it will enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders to participate in the Rights Issue and subscribe for the Rights Shares in proportion to such Qualifying Shareholders' existing shareholding in the Company; and

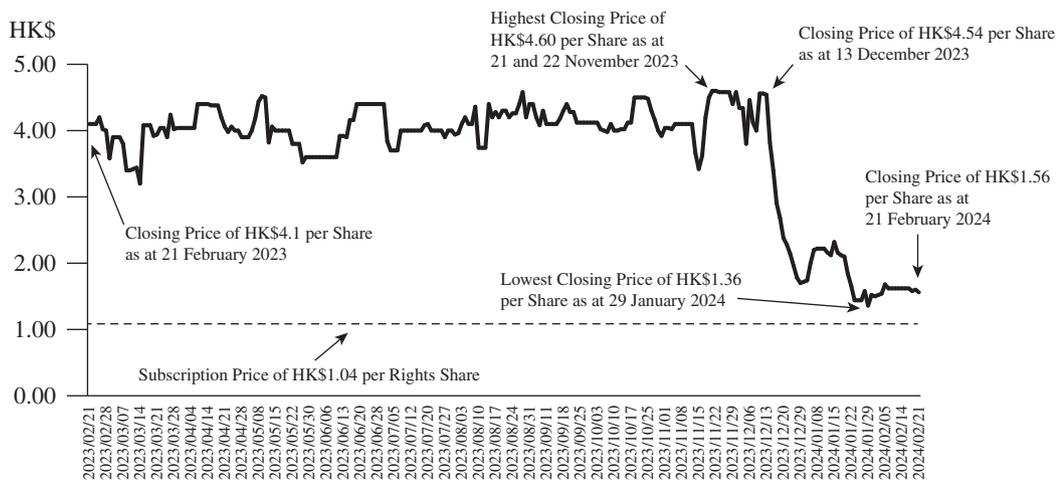
- (v) whilst the Subscription Price represents a discount of approximately 56.7% to the latest published audited consolidated net asset value per New Ordinary Share as at 31 March 2023 and 60.9% to the latest published unaudited consolidated net asset value per New Ordinary Share as at 30 June 2023, the Board is of the view that the net asset value per Share is not a relevant factor to determine the Subscription Price due to the fact that (a) the price of the Existing Share ranged between HK\$0.0680 to HK\$0.2300 throughout the period from 21 August 2023 to the Last Trading Day which presented a downward trend; (b) the price of the Existing Share traded below the net asset value per Existing Share continuously since the beginning of the year 2024 (i.e. 2 January 2024) to the Last Trading Day with a range between HK\$0.0680 to HK\$0.1160. The Board considers that under the current market condition of the capital market in Hong Kong and with reference to the recent market performance of the Existing Shares, it would not be practical and make any commercial sense to set a subscription price which is significantly higher than the prevailing market price and net asset value per New Ordinary Share, which would defeat the whole purpose of attracting the Shareholders and/or investors for new funding.

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(b) *Historical performance of Share price*

In order to assess the fairness and reasonableness of the Subscription Price, we performed a review on the historical adjusted closing price of the Shares (the “**Closing Prices**”) during the period from 21 February 2023, being 12 months immediately preceding the Last Trading Day, and up to the Last Trading Day (the “**Review Period**”). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares which reflect prevailing market sentiments and the comparison between the Closing Prices and the Subscription Price. The chart below illustrates the historical Closing Prices during the Review Period:

Historical adjusted closing price of the Shares



Source: *The Stock Exchange* (<http://www.hkex.com.hk>)

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During the period between 21 February 2023 and 13 December 2023, we noted that the Closing Prices are on a generally sideways trend and the highest Closing Price and the lowest Closing Price are HK\$4.60 on 21 November 2023 and 22 November 2023 and HK\$3.20 on 14 March 2023 respectively, with an average Closing Price of approximately HK\$4.09. Then, the Closing Prices are on a generally downward trend from 13 December 2023 to the Last Trading Day, with the highest Closing Price of HK\$4.54 on 13 December 2023, the lowest Closing Price of HK\$1.36 on 29 January 2024 and average Closing Price of approximately HK\$1.99. After our discussions with the Directors and our review of the Company's announcements, nothing has come to our attention for any events or information that led to such a generally decreasing trend from 13 December 2023 to the Last Trading Day.

We noted that the Subscription Price of HK\$1.04 per Rights Share is below the Closing Prices during the Review Period. The Subscription Price represents (i) a discount of approximately 77.4% to the highest Closing Price of HK\$4.60 on 21 November 2023 and 22 November 2023; (ii) a discount of approximately 23.53% to the lowest Closing Price of HK\$1.36 on 29 January 2024; and (iii) a discount of approximately 71.8% to the average Closing Price of approximately HK\$3.69 during the Review Period.

With reference to the sub-paragraph headed "(d) Comparison with recent rights issue exercises" below in this paragraph, we note that it is a common market practice that the subscription price of a rights issue is set at a discount to the prevailing market prices of the relevant shares to encourage the existing shareholders to participate in a rights issue as to meet the need of equity fund raising. We concur with the Directors' view that the Subscription Price, which is set at a discount to the prevailing market prices of the Shares is in line with the general market practice and is acceptable.

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(c) Historical liquidity of the Shares

The table below sets out information of the trading liquidity of the Shares during the Review Period:

| Month/Period | Total trading volume <i>Number of Shares</i> | Number of trading days | Average daily trading volume <i>Number of Shares</i> | Percentage of average daily trading volume to the total number of issued Shares <i>(Note) %</i> |
|--|--|---------------------------|---|--|
| 2023 | | | | |
| From 21 February 2023 to 28 February 2023 | 309,000 | 6 | 51,500 | 0.031 |
| March | 4,305,000 | 23 | 187,174 | 0.112 |
| April | 4,405,000 | 17 | 259,118 | 0.155 |
| May | 6,030,000 | 21 | 287,143 | 0.172 |
| June | 3,025,000 | 21 | 144,048 | 0.086 |
| July | 1,658,000 | 20 | 82,900 | 0.050 |
| August | 16,246,920 | 23 | 706,388 | 0.424 |
| September | 15,475,000 | 19 | 814,474 | 0.489 |
| October | 5,898,000 | 20 | 294,900 | 0.177 |
| November | 3,598,000 | 22 | 163,545 | 0.098 |
| December | 15,307,000 | 19 | 805,632 | 0.483 |
| 2024 | | | | |
| January | 81,781,000 | 22 | 3,717,318 | 2.230 |
| From 1 February 2024 to 21 February 2024 | 5,985,000 | 13 | 460,385 | 0.276 |

Source: The Stock Exchange (<http://www.hkex.com.hk>)

Note: It is calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue at the end of each month/period.

As shown in the above table, the average daily trading volume of the Shares in each month/period ranged from 51,500 Shares in February 2023 to 3,717,318 Shares in January 2024 during the Review Period, representing approximately 0.031% to 2.230% of the total number of issued shares as at the end of the month/period respectively. We noted from the above table that the liquidity of the Shares was generally thin during the Review Period. Save for January 2024, the average trading volume to the total number of issued Shares during the Review Period was below 1%.

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Furthermore, we have reviewed the performance of Hang Seng Index during the Review Period and noted that Hang Seng Index dropped from approximately 20,529 points as at 21 February 2023 to approximately 16,503 points as at 21 February 2024, representing a decrease of approximately 19.6%. As aforementioned, the Subscription Price of HK\$1.04 is below the Closing Prices during the Review Period. Given that (i) the generally thin liquidity of the Shares during the Review Period; (ii) the general downward trend of the Closing Prices from 13 December 2023 to the Last Trading Day; and (iii) Hang Seng Index was on a decreasing trend during the Review Period, we consider that it is reasonable to set at a discount for the Subscription Price to encourage the Qualifying Shareholders to subscribe for the Rights Shares; or underwritten by the Underwriter pursuant to the Underwriting Agreement.

(d) Comparison with recent rights issue exercises

In order to assess the fairness and reasonableness of the terms of the Rights Issue, we also conducted market research on the recent proposed rights issue exercise which were announced in the twelve-month period preceding the Last Trading Day (i.e. from 21 February 2023 to 21 February 2024). We identified an exhaustive list of 17 comparables (the “**Rights Issue Comparable(s)**”) based on the selection criteria that (i) the shares of the company are listed on the Stock Exchange; and (ii) the proposed rights issue is conducted on a fully underwritten basis. We consider that the aforementioned selection criteria of the Rights Issue Comparables during the twelve months prior to and including 21 February 2024 allows us to (i) capture the Rights Issue Comparables, which could provide a general reference for the recent market practice in relation to the principal terms of rights issue; and (ii) generate a sufficient sample size for the purpose of our comparable analysis. Shall the Rights Issue Comparables be different in their principal activities, business nature, market capitalisations, financial performance and financial positions as compared to the Company, having considered that our analysis is mainly concerned of the principal terms of the rights issues under the prevailing market condition and sentiment, we consider that the Rights Issue Comparables can provide a general reference in relation to the terms of rights issue under recent market condition and sentiment. In view of the above, we are of the view that the Rights Issue Comparables are fair and representative.

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Details of the Rights Issue Comparables are set out below:

| No. | Name of company (stock code) | Date of initial announcement | Basis of entitlement | Premium/ (Discount) of the subscription price over/(to) the average closing price for the last five consecutive trading days (Discount) of the subscription price over/(to) the respective last trading day | Premium/ (Discount) of the subscription price over/(to) the theoretical ex-right price based on the closing price on the respective last trading day | Excess trading day application % Y/N | Underwriting commission % | Maximum dilution effect of shareholding (Note 1) % | Theoretical dilution effect % |
|-----|---|---------------------------------|-------------------------|---|---|--|---------------------------------|--|-------------------------------------|
| 1 | Golden Power Group Holdings Limited (3919) | 16 March 2023 | 1 for 2 | (19.7) | (24.20) | (6.60) Y | 4.00 | 33.33 | 9.00 |
| 2 | Sandmartin International Holdings Limited (482) | 27 March 2023 | 3 for 2 | (16.67) | (16.67) | (7.41) N | 1.00 (Note 2) | 60.00 | 10.00 |
| 3 | Luk Hing Entertainment Group Holdings Limited (8052) | 6 April 2023 | 1 for 1 | (5.88) | (4.76) | (3.03) N | 3.00 | 50.00 | 2.94 |
| 4 | China Wantian Holdings Limited (1854) | 11 April 2023 | 1 for 5 | (41.94) | (40.00) | (37.61) Y | 7.07 | 16.67 | 6.99 |
| 5 | Finet Group Limited (8317) | 13 April 2023 | 1 for 2 | (52.40) | (52.40) | (42.20) N | 0.00 (Note 2) | 33.33 | 17.97 |
| 6 | PT International Development Corporation Limited (372) | 28 April 2023 | 1 for 2 | (69.20) | (67.90) | (60.00) N | 0.50 (Note 2) | 33.33 | 23.10 |
| 7 | China Medical & HealthCare Group Limited (383) | 5 May 2023 | 1 for 2 | (15.40) | (16.20) | (11.10) Y | 2.50 | 33.33 | 5.70 |
| 8 | Jimu Group Limited (8187) | 25 May 2023 | 2 for 1 | 15.60 | 12.90 | 4.70 Y | HK\$100,000 (Note 3) | 66.67 | N/A (Note 4) |
| 9 | Future World Holdings Limited (572) | 16 June 2023 | 1 for 1 | (27.71) | (23.27) | (16.08) Y | 2.50 | 50.00 | 13.86 |
| 10 | E-House (China) Enterprise Holdings Limited (2048) | 19 June 2023 | 12 for 10 | (20.69) | (20.14) | (10.56) N | 0.00 (Note 2) | 54.55 | 11.00 |

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| No. | Name of company (stock code) | Date of initial announcement | Basis of entitlement | Premium/ (Discount) of the subscription price over/(to) the average closing price for the last five consecutive trading days immediately prior to and including the respective last trading day % | Premium/ (Discount) of the subscription price over/(to) the theoretical ex-right price based on the closing price on the respective last trading day application % Y/N | Underwriting commission % | Maximum dilution effect of shareholding (Note 1) % | Theoretical dilution effect % |
|-----|---|---------------------------------|-------------------------|---|---|---------------------------------|--|-------------------------------------|
| 11 | Classified Group (Holdings) Limited (8232) | 6 July 2023 | 3 for 2 | (15.00) | (6.60) N | 0.00 (Note 2) | 60.00 | 8.80 |
| 12 | Wisdomcome Group Holdings Limited (8079) | 15 August 2023 | 3 for 1 | (22.40) | (6.30) Y | 7.07 | 75.00 | 16.80 |
| 13 | Rare Earth Magnesium Technology Group Holdings Limited (601) | 3 September 2023 | 1 for 2 | (39.85) | (23.81) Y | 7.07 | 33.33 | 13.53 |
| 14 | Universe Printshop Holdings Limited (8448) | 3 October 2023 | 3 for 2 | (14.81) | (8.00) N | 0.00 (Note 2) | 60.00 | 11.06 |
| 15 | Gameone Holdings Limited (8282) | 21 November 2023 | 1 for 2 | 6.80 | 4.50 Y | 3.00 | 33.33 | N/A (Note 5) |
| 16 | China Financial Leasing Group Limited (2312) | 1 December 2023 | 1 for 1 | (32.60) | (19.50) Y | 1.00 | 50.00 | 16.30 |
| 17 | Major Holdings Limited (1389) | 14 December 2023 | 2 for 3 | (53.10) | (40.35) N | 0.00 (Note 2) | 40.00 | 21.24 |
| | | | Average | (25.00) | (17.06) | 2.42 | 46.05 | 12.55 |
| | | | Maximum | 15.60 | 4.70 | 7.07 | 75.00 | 23.10 |
| | | | Minimum | (69.20) | (60.00) | 0.00 | 16.67 | 2.94 |
| | The Company | 21 February 2024 | 2 for 1 | (33.30) | (14.30) Y | 7.07 | 66.67 | 23.50 |

Source: The Stock Exchange (<http://www.hkex.com.hk>)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Calculation formula of maximum dilution effect of shareholding: (number of new shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the new shares under the basis of entitlement + number of new shares to be issued under the basis of entitlement) x 100%.
2. The rights issue is fully underwritten by connected persons such as executive director, substantial shareholder or controlling shareholder of the company.
3. Such Rights Issue Comparable is different from usual market practice of underwriting commission charging on a percentage, the underwriting commission of such Rights Issue Comparable is determined on a fixed amount. As such, it is excluded from the analysis.
4. Such Rights Issue Comparable has no theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) given that the theoretical diluted price of approximately HK\$0.186 per share is higher than the benchmarked price of HK\$0.158 per share (as defined under Rule 10.44A of the GEM Listing Rules, which is the higher of the closing price on the last trading day of HK\$0.154 per share and the average closing prices of the shares as quoted on the Stock Exchange in the five consecutive trading days immediately prior to the last trading day of approximately HK\$0.158 per Share).
5. Such Rights Issue Comparable has no theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) given that the theoretical diluted price of approximately HK\$1.053 per consolidated share (after taking into account the effect of the share consolidation) is higher than the benchmarked price of approximately HK\$1.03 per consolidated share (after taking into account the effect of the share consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the last trading day of HK\$0.103 per existing share and the average closing prices of approximately HK\$0.1016 per existing share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of its announcement).

As shown in the above table, we noted that 15 out of 17 Rights Issue Comparables set the subscription price at a discount to their prevailing market price. It demonstrates that it is not uncommon to set the subscription price of a rights issue at a discount to its prevailing market price in order to encourage the existing shareholders to participate the rights issue.

Based on the above Rights Issue Comparables, we can also summarize our findings:

- (i) the subscription price to the closing price on the respective last trading day of the Rights Issue Comparables ranged from a discount of approximately 69.20% to a premium of approximately 15.60%, with an average discount of approximately 25.00%. The Subscription Price represents a discount of approximately 33.30% to the theoretical closing price per New Ordinary Share on the Last Trading Day, which is within the range of that of the Rights Issue Comparables;
- (ii) the subscription price to the average closing price for the last five consecutive trading days immediately prior to and including the respective last trading day of the Rights Issue Comparables ranged from a discount of approximately 67.90% to a premium of approximately 12.90%, with an average discount of approximately 24.22%. The Subscription Price

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represents a discount of approximately 35.30% to the theoretical average closing price per New Ordinary Share for the last five consecutive trading days immediately prior to and including the Last Trading Day, which is also within the range of that of the Rights Issue Comparables;

- (iii) the subscription price to the theoretical ex-right price on the respective last trading day of the Rights Issue Comparables ranged from a discount of approximately 60.00% to a premium of approximately 4.70%, with an average discount of approximately 17.06%. The Subscription Price represents a discount of approximately 14.30% to the theoretical ex-rights price per New Ordinary Share on the Last Trading Day, which is also within the range of that of the Rights Issue Comparables; and
- (iv) the theoretical dilution effect of the Rights Issue Comparables ranged from approximately 2.94% to 23.10%, with an average of approximately 12.55%. The theoretical dilution effect of the Rights Issue of approximately 23.50% is slightly above the range of that of the Rights Issue Comparables.

Despite the theoretical dilution effect of the Rights Issue is slightly above the range of that of the Rights Issue Comparables, having considered that

- (i) it is a common market practice for the companies listed on the Stock Exchange to set the subscription price of a rights issue at a discount to the market price in order to encourage the existing shareholders to participate the rights issue;
- (ii) the discounts represented by the Subscription Price to the theoretical closing price on the Last Trading Day, the average theoretical closing price for the last five consecutive trading days immediately prior to and including the Last Trading Day and the theoretical ex-rights price per New Ordinary Share fall within the respective range of that of the Rights Issue Comparables;
- (iii) the closing price of the Shares was on a downward trend from 13 December 2023 to the Last Trading Day;
- (iv) the trading volume of the Shares was generally thin during the Review Period;
- (v) Hang Seng Index was on a decreasing trend during the Review Period;
- (vi) the additional funding need to support and facilitate the execution of the future business expansion in the PRC;
- (vii) the Rights Issue would strengthen the capital base of the Group;

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- (viii) other alternative fund raising methods may not be feasible as discussed in the paragraph headed “3. Other financing alternatives” above in this letter; and
- (ix) the interest of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered an equal opportunity to participate in the Rights Issue and to take up their entitlements in full at the same price to maintain their respective shareholdings in the Company,

nothing has come to our attention that the Subscription Price is not fair and reasonable and not in the interest of the Company and the Shareholders as a whole.

(e) Application for excess Rights Shares

As stated in the Letter from the Board, Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro-rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (ii) reference will only be made to the number of excess Rights Shares being applied but no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) if the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for; and
- (iv) no preference will be given to applications for topping up odd lots to whole board lots.

We noted that 9 out of 17 Rights Issue Comparables also arrange the excess application of rights shares. Also, the excess application of Rights Share is given first right for the Qualifying Shareholders to subscribe for any Rights Shares not taken up before the Underwriter and/or subscribers procured by it, we are of the view that the arrangement of excess application is on normal commercial terms, fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(f) Underwriting commission

On 21 February 2024 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement, pursuant to which the Rights Shares which have not been taken up will be fully underwritten by the Underwriter and/or subscribers procured by it subject to the terms and conditions set out in the Underwriting Agreement. For further details of the principal terms of the Underwriting Agreement, please refer to paragraph headed “The Underwriting Agreement” in the Letter from the Board.

Pursuant to the Underwriting Agreement, the Company shall pay the Underwriter an underwriting commission, being 7.07% of the aggregate Subscription Price in respect of the actual number of Underwritten Shares underwritten, subscribed for or procured subscription for by the Underwriter pursuant to the Underwriting Agreement. As stated in the Letter from the Board, the terms of the Underwriting Agreement (including the commission rate) were determined after arm’s length negotiation between the Company and the Underwriter, taking into account the followings:

- (i) the existing financial position of the Group, in particular, the loss-making track record for the recent financial years;
- (ii) the size of the Rights Issue and the basis of the underwriting arrangement, which determines the Company’s extent of certainty in raising the necessary funds;
- (iii) the current and expected market volatility across the globe, which makes it relatively more difficult to find a reputable and trustworthy underwriter;
- (iv) the Company had approached three underwriters (including the Underwriter) in respect of the Rights Issue. Having provided the proposed terms and structure, the Company received the following responses:
 - (a) one of the underwriters approached did not express any interest in underwriting or placing of Rights Shares;
 - (b) one of the underwriters approached did not express any interest in underwriting the Rights Shares on a fully underwritten basis and only willing to acting as the placing agent in relation to the placing of the Unsubscribed Rights Shares to independent placees on a best effort basis; and
 - (c) the Underwriter was the sole candidate which agreed to proceed with the Rights Issue on the proposed terms and structure, and was willing to further negotiate the terms with the Company;

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- (v) the Company has been advised that the Underwriter, who has been in the underwriting business for 10 years, is a reputable licensed corporation with a well-established network of credible investors; and
- (vi) the commission rate charged by the Underwriter for the Rights Issue was analogous to that charged in some of the other recent rights issue exercises in which the Underwriter acted as an underwriter of other issuers the shares of which are listed on the Stock Exchange (the “**Comparables**”) with similar terms and structure of the Rights Issue, which was 7.07% of the value of the underwritten rights shares. For details of the Comparables, please refer to the paragraph headed “The Underwriting Agreement” in the Letter from the Board.

In light of this, we have reviewed the Comparables provided by the Company and noted that (i) the rights issue of the Comparables were fully underwritten by the Underwriter; and (ii) the underwriting commissions of the Comparables were also 7.07% which are similar to the Rights Issue. As such, we concur with the Directors’ view that the underwriting commission of the Rights Issue is no less favourable to the Company as compared with other listed issuers in the market. Furthermore, based on the above table of the Rights Issue Comparables, we noted that the underwriting commission of the Rights Issue Comparables ranged from nil to 7.07%, with an average of approximately 2.42%. The underwriting commission under the Underwriting Agreement is within the range of the Rights Issue Comparables.

Despite the underwriting commission under the Underwriting Agreement appears to be at the high end of the Rights Issue Comparables, we have also taken into account the following factors: (i) the additional funding need to support and facilitate the execution of the future business expansion in the PRC; (ii) the underwriting commission under the Underwriting Agreement was a commercial decision arrived at an arm’s length negotiation between the Company and the Underwriter; (iii) the Underwriter was the sole candidate which agreed to fully underwritten the Rights Issue on the proposed terms and structure; (iv) the underwriting commission under the Underwriting Agreement is no less favourable to the Company as compared with the Comparables; (v) the underwriting commission under the Underwriting Agreement is within the range of the Rights Issue Comparables; and (vi) the Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue through their votes at the EGM. Based on the above, nothing has come to our attention that the underwriting commission is not fair and reasonable and not in the interests of the Company and the Shareholders as a whole.

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5. Potential dilution effects of the Rights Issue on the shareholding structure of the Group

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. According to the paragraph headed “Effects on the shareholding structure of the Company” in the Letter from the Board, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 66.67%. It should be noted that the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to several factors such as the actual results of acceptance of the Rights Issue.

We are aware of the potential dilution effects of the Rights Issue. Nonetheless, we consider that the foregoing should be balanced by the following factors:

- (i) the additional funding need to support and facilitate the execution of the future business expansion in the PRC;
- (ii) Qualifying Shareholders have their choices of whether to accept the Rights Issue or not;
- (iii) Qualifying Shareholders are provided an equal opportunity to subscribe for their assured entitlements under the Rights Issue for the purpose of maintaining their respective existing shareholding interests in the Company;
- (iv) Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market if they do not wish to take up the Rights Issue entitlements;
- (v) Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may, subject to availability, acquire additional nil-paid Rights Shares in the market or apply excess Rights Shares;
- (vi) the dilutive nature in shareholdings is inherent for all cases of rights issues; and
- (vii) the Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue through their votes at the EGM.

Having considered the above, we are of the view that the potential dilution effect on the shareholding is acceptable.

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6. Possible financial effects of the Rights Issue

Regarding the financial effects of the Rights Issue, Shareholders should consider the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as stated in the section headed “Appendix II Unaudited pro forma financial information of the Group” (the “**Pro Forma Information**”) in this Circular for details.

As stated in the Pro Forma Information, as at 30 September 2023, the Group had net tangible assets of approximately HK\$22.1 million. According to the Pro Forma Information, assuming completion of the Rights Issue took place on 30 September 2023, the net tangible assets would increase from approximately HK\$22.1 million to approximately HK\$37.3 million.

It should be noted that the aforementioned analyse is for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

RECOMMENDATION

Having taken into consideration of the above factors and reasons, we are of the view and concur with the Directors’ view that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Dakin Capital Limited
Tam Kin Fong
Managing Director

Note: Mr. Tam Kin Fong is a responsible officer of Dakin Capital Limited, which is licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.

* *For identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

The consolidated financial information of the Group for the three years ended 31 March 2023 and the six months ended 30 September 2023, together with the notes thereto, are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.guruonline.com.hk), respectively:

- (i) the annual report of the Company for the year ended 31 March 2021 published on 28 June 2021, from pages 73 to 155:
(<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0628/2021062800355.pdf>)
- (ii) the annual report of the Company for the year ended 31 March 2022 published on 27 June 2022, from pages 75 to 159:
(<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0627/2022062700537.pdf>)
- (iii) the annual report of the Company for the year ended 31 March 2023 published on 30 June 2023, from pages 77 to 155:
(<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0630/2023063000857.pdf>)
- (iv) the interim report of the Company for the six months ended 30 September 2023 published on 10 November 2023, from pages 2 to 24:
(<https://www1.hkexnews.hk/listedco/listconews/gem/2023/1110/2023111001279.pdf>)

2. STATEMENT OF INDEBTEDNESS

As at 29 February 2024, being the most recent practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

| | As at 29 February 2024 HK\$'000 |
|--|--|
| Amounts due to a shareholder (<i>Note i</i>) | 561 |
| Lease liabilities (<i>Note ii</i>) | 3,207 |
| | <hr/> |
| | 3,768 |
| | <hr/> <hr/> |

Notes:

- (i) At the close of business on 29 February 2024, the Group entered into two unsecured and unguaranteed interest-free loans with a principal amount of HK\$2,500,000 and HK\$2,550,000, respectively, from its substantial shareholder, namely Mr. Yin Di which will mature and be repayable after 15 years. Imputed interest of amounts due to a shareholder calculated at the effective interest rate of 16.48%.

- (ii) The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates. At the close of business on 29 February 2024, the Group had lease liabilities in respect of office premises in Hong Kong, the People's Republic of China and Taiwan of approximately of HK\$3,207,000.

Save as aforesaid and apart from normal account and other payables in the ordinary course of business, as at the close of business on 29 February 2024, the Group did not have any significant debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, contingent liabilities or guarantees outstanding.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the present financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this circular. The Company has obtained the relevant confirmation as required under Rule 19.66(13) of the GEM Listing Rules.

4. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2023 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the year ended 31 March 2023, the Group's revenue was generated from the integrated digital marketing business which is divided into provision of (i) social media management services; (ii) digital advertisement placement services; and (iii) creative and technology services. For the year ended 31 March 2023, the Group's total revenue amounted to approximately HK\$119.78 million (2022: approximately HK\$155.78 million).

For the year ended 31 March 2023, the Group's revenue generated from (i) social media management services amounted to approximately HK\$33.00 million (2022: approximately HK\$39.22 million), representing approximately 27.55% of our total revenue (2022: approximately 25.18%); (ii) digital advertisement placement services amounted to approximately HK\$9.41 million (2022: approximately HK\$9.18 million), representing approximately 7.85% of our total revenue (2022: approximately 5.89%); and (iii) creative and technology services amounted to approximately HK\$77.37 million (2022: approximately HK\$107.38 million), representing approximately 64.60% of our total revenue (2022: approximately 68.93%).

Overall, the Group's total revenue decreased by approximately 23.11% from approximately HK\$155.78 million for the year ended 31 March 2022 to approximately HK\$119.78 million for the year ended 31 March 2023. Such decrease was driven by the decrease in revenue generated from social media management services of approximately HK\$6.22 million and creative and technology services of approximately HK\$30.00 million for the year ended 31 March 2023. The Group's gross profit margin remained relatively stable at from approximately 21.64% and 21.28% for the year ended 31 March 2022 and 2023, respectively. As a result, the Group's gross profit decreased by approximately 24.39% from approximately HK\$33.72 million for the year ended 31 March 2022 to approximately HK\$25.49 million for the year ended 31 March 2023.

For the year ended 31 March 2023, loss attributable to owners of the Company amounted approximately HK\$5.90 million, as compared to approximately HK\$0.03 million for the year ended 31 March 2022. The increase in loss attributable to owners of the Company was mainly due to the decrease in the gain on disposal of a subsidiary, which was offset by the continuing implementation of the expense control policy, via which there was a decrease in staff costs incurred in administrative expenses; and a decrease in marketing-related expenses incurred in selling expenses during the year ended 31 March 2023.

For the six months ended 30 September 2023, revenue generated from the provision of (i) social media management services amounted to approximately HK\$15.32 million (six months ended 30 September 2022: approximately HK\$17.86 million), accounting for approximately 26.11% of our total revenue (six months ended 30 September 2022: approximately 30.02%); (ii) digital advertisement placement services amounted to approximately HK\$3.20 million (six months ended 30 September 2022: approximately HK\$5.07 million), accounting for approximately 5.45% of our total revenue (six months ended 30 September 2022: approximately 8.52%); (iii) creative and technology services amounted to approximately HK\$40.17 million (six months ended 30 September 2022: approximately HK\$36.55 million), accounting for approximately 68.45% of our total revenue (six months ended 30 September 2022: approximately 61.46%).

The Group's total revenue decreased slightly by approximately 1.32% from approximately HK\$59.48 million for the six months ended 30 September 2022 to approximately HK\$58.69 million for the six months ended 30 September 2023. The slight decrease in total revenue was mainly attributable to the decrease in revenue from social media management services and digital advertisement placement services, partially offset by the increase in revenue from creative and technology services. The Group's gross profit margin increased from approximately 19.70% for the six months ended 30 September 2022 to approximately 22.03% for the six months ended 30 September 2023. The increase in gross profit margin was mainly attributable to decrease in operation costs incurred in cost of services. As a result, the Group's gross profit increased by approximately 10.32% from approximately HK\$11.72 million for the six months ended 30 September 2022 to approximately HK\$12.93 million for the six months ended 30 September 2023.

For the six months ended 30 September 2023, profit attributable to owners of the Company amounted to approximately HK\$1.76 million (six months ended 30 September 2022: loss

attributable to owners of the Company amounted to approximately HK\$4.46 million). The decrease in loss attributable to owners of the Company was mainly due to (i) the continuing implementation of the expense control policy, via which there was a decrease in depreciation of right-of-use assets and staff costs incurred in administrative expenses; and (ii) a decrease in marketing-related expenses incurred in selling expenses, and partially offset by a decrease in subsidy income received from Hong Kong Government under the Employment Support Scheme.

Despite the challenges posed by the pandemic, the Group was able to withstand some of the adverse effects due to its balanced portfolio and diversified revenue streams. The digital advertisement placement services benefited from the increasing online spending habits of consumers, leading to an increase in client budgets for digital advertising. The Group was able to secure new customers, including a large-scale Shenzhen and Hong Kong listed enterprise focusing on home appliance manufacturing, which helped mitigate some of the negative effects of the pandemic.

The performance of social media management services was relatively stable during the pandemic. This was mainly because branded customers wished to maintain interaction with their consumers during the pandemic. Additionally, consumers were spending more time at home, which led to an increase in social media usage and, in turn, created stable demand for social media management services.

The Group has been providing various products and services, such as Chatbot, Big Data, and video solutions, to keep up with the latest consumer trends. The Group has also been improving related technologies to assist customers in launching AR online promotion projects on social media platforms. These efforts have allowed consumers to experience and understand product information in a more practical way, leading to an increase in online sales.

The pandemic has brought irreversible changes to consumption patterns. Effective digital marketing services allow companies to better interact with their target audiences and gain marketing benefits. The Group anticipates that its clients will have an adequate marketing budget and allocate more resources to the segment, which will satisfy the rising demand for its services. The Group foresees a gradual recovery of revenues for its creative and technology services to pre-pandemic levels.

In conclusion, the Group has persevered through the pandemic by leveraging its balanced portfolio and diversified revenue streams. With the lifting of anti-pandemic measures by the government, the Group anticipates a gradual recovery of the economy to pre-pandemic levels. Despite future competition, the Group will continue to develop a variety of products and services to strengthen its position in the market. Effective digital marketing services are crucial for companies to better interact with their target audiences and achieve marketing benefits.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out to illustrate the effect of the Rights Issue on the adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had been taken place on 30 September 2023.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2023 is prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2023 is prepared based on the condensed consolidated statement of financial position of the Group as at 30 September 2023, as extracted from the published interim report of the Company for the six months ended 30 September 2023, with adjustments described below.

| Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2023 <i>HK\$'000</i> <i>(Note ii)</i> | Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note iii)</i> | Unaudited proforma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2023 immediately after the completion of the Rights Issue <i>HK\$'000</i> | Unaudited consolidated net tangible assets of the Group per share attributable to the owners of the Company as at 30 September 2023 <i>HK\$</i> <i>(Note iv)</i> | Unaudited pro forma adjusted consolidated net tangible assets per share attributable to the owners of the Company immediately after completion of the Rights Issue <i>HK\$</i> <i>(Note v)</i> | |
|--|--|---|--|--|------|
| Rights Issue of 16,672,000 Rights Shares at subscription price of HK\$1.04 per Rights Share <i>(Note i)</i> | 22,150 | 15,200 | 37,350 | 0.13 | 1.49 |

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

- (i) Immediately upon the Share Consolidation, the Capital Reduction and the Sub-division becoming effective, 8,336,000 Shares (“New Ordinary Share”) are held and in issue by the Company. Right Issue of 16,672,000 Rights Shares to be issued at the Subscription Price of HK\$1.04 per Rights Share pursuant to the Rights Issue on the basis of two Rights Shares for every one New Ordinary share of the Company held.
- (ii) The unaudited adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2023 of approximately HK\$22,150,000 is based on the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 September 2023, as extracted from the published interim report of the Company for the six-month ended 30 September 2023.
- (iii) The estimated net proceeds from the Rights Issue of approximately HK\$15,200,000 is calculated based on 16,672,000 Rights Shares to be issued (in the proportion of two Rights Shares for every one New Ordinary Share held by the Shareholders on the Record Date) at the subscription price of HK\$1.04 per Rights Share, after deduction of the estimated related expenses of approximately HK\$2,100,000, including among others, underwriting commission and professional fees, which are directly attributable to the Rights Issue.
- (iv) The unaudited adjusted consolidated net tangible assets of the Group per share attributable to the owners of the Company as at 30 September 2023 is HK\$0.13, which is calculated based on the unaudited adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2023 of HK\$22,150,000 as set out in Note (ii) above divided by 166,720,000 shares in issue as at 30 September 2023.
- (v) The unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the owners of the Company immediately after completion of the Share Consolidation and Rights Issue of HK\$1.49 is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Share Consolidation and Rights Issue of HK\$37,350,000 divided by 25,008,000 New Ordinary Shares, which comprising 8,336,000 New Ordinary Shares in issue as at 30 September 2023 and 16,720,000 Rights Shares to be issued, pursuant to the Rights Issue (in the proportion of two Rights Share for one New Ordinary Share held by the Shareholders on the Record Date), that are in issue assuming that the Rights Issue had been completed on 30 September 2023.
- (vi) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2023.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT

The following is the text of the independent reporting accountants' assurance report received from CWK CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of Company, in respect of the unaudited pro forma financial information prepared for the purpose of incorporation in this circular.



2 April 2024
The Board of Directors
Guoen Holdings Limited
Unit 1201 & 16, 12/F
Two Harbour Square
No. 180 Wai Yip Street
Kwun Tong
Hong Kong

Dear Sirs,

GUOEN HOLDINGS LIMITED

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Guoen Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2023 and related notes (the "Unaudited Pro Forma Financial Information") as set out in Appendix II to the circular dated 2 April 2024 (the "Circular") issued by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue of 16,672,000 rights shares at subscription price of HK\$1.04 per rights share on the basis of two Rights Share for every share of the Company immediately upon the Share Consolidation, the Capital Reduction and the Sub-division becoming effective ("Rights Issue") on the Group's unaudited consolidated net tangible assets attributable to the owners of the Company as at 30 September 2023 as if the Rights Issue had taken place on 30 September 2023. As part of this process, information about

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

the Group's financial position has been extracted by the directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2023, on which no audit or review report has been published.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circular" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

REPORTING ACCOUNTANT'S INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by Rule 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with Rule 7.31(7) of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of Rights Issue on unadjusted financial information of the Group as if the Rights Issue had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 September 2023 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

OPINION

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 7.31(7) of the GEM Listing Rules.

CWK CPA Limited

Certified Public Accountants

Hong Kong

2 April 2024

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 Group. 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. SHARE CAPITAL

Set out below is the authorised and issued share capital of the Company, assuming there is no other change in the number of Existing Shares or Consolidated Shares or New Ordinary Shares (as the case may be) from the Latest Practicable Date up to the completion of the Rights Issue, (a) as at the Latest Practicable Date; (b) immediately upon completion of the Share Consolidation; (c) immediately upon completion of the Capital Reduction and Sub-division; and (d) immediately upon completion of the Rights Issue:

(a) As at the Latest Practicable Date

| | | |
|----------------------------------|----------------------------------|--------------------|
| <i>Authorised:</i> | | <i>HK\$</i> |
| <u>1,000,000,000</u> | Existing Shares of HK\$0.01 each | <u>100,000,000</u> |
| <i>Issued and fully paid up:</i> | | |
| <u>166,720,000</u> | Existing Shares of HK\$0.01 each | <u>16,672,000</u> |

(b) Immediately upon completion of the Share Consolidation

| | | |
|----------------------------------|--------------------------------------|--------------------|
| <i>Authorised:</i> | | <i>HK\$</i> |
| <u>50,000,000</u> | Consolidated Shares of HK\$2.00 each | <u>100,000,000</u> |
| <i>Issued and fully paid up:</i> | | |
| <u>8,336,000</u> | Consolidated Shares of HK\$2.00 each | <u>16,672,000</u> |

(c) Immediately upon completion of the Capital Reduction and Sub-division

| | | |
|----------------------------------|--------------------------------------|--------------------|
| <i>Authorised:</i> | | <i>HK\$</i> |
| <u>10,000,000,000</u> | New Ordinary Shares of HK\$0.01 each | <u>100,000,000</u> |
| <i>Issued and fully paid up:</i> | | |
| <u>8,336,000</u> | New Ordinary Shares of HK\$0.01 each | <u>83,360</u> |

(d) Immediately upon completion of the Rights Issue

| | | |
|----------------------------------|--|--------------------|
| <i>Authorised:</i> | | <i>HK\$</i> |
| <u>10,000,000,000</u> | New Ordinary Shares of HK\$0.01 each | <u>100,000,000</u> |
| <i>Issued and fully paid up:</i> | | |
| 8,336,000 | New Ordinary Shares of HK\$0.01 each | 83,360 |
| <u>16,672,000</u> | Rights Shares to be allotted and issued under the Rights Issue | <u>166,720</u> |
| <u>25,008,000</u> | Total enlarged number of New Ordinary Shares upon completion of the Rights Issue | <u>250,080</u> |

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue, including the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares in their fully-paid form.

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

As at the Latest Practicable Date, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange into Shares, and there was no capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS IN THE SHARES

(a) Directors and chief executive's interests in the Company

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares of the Company

| Name | Nature of interest | Total number of Shares held | Percentage of shareholding |
|-------------|--|------------------------------------|-----------------------------------|
| Mr. Yin | Beneficial owner | 48,370,000 | 29.01% |
| Mr. Liu | Beneficial owner | 8,330,000 | 5.00% |
| Mr. Yip | Interests held jointly with another person (<i>Note 1</i>) | 8,000 | 0.005% |
| | Interest in controlled corporation (<i>Note 2</i>) | 2,000 | 0.001% |
| | Interest of spouse (<i>Note 3</i>) | | |
| Ms. Wan | Interests held jointly with another person (<i>Note 1</i>) | 8,000 | 0.005% |
| | Interest in controlled corporation (<i>Note 2</i>) | 2,000 | 0.001% |
| | Interest of spouse (<i>Note 3</i>) | | |
| Mr. Ng | Interests held jointly with another person (<i>Note 1</i>) | 8,000 | 0.005% |
| | Beneficial owner | 2,000 | 0.001% |

Notes:

1. Mr. Yip, Ms. Wan, Mr. Ng and Ms. Liza Wang are persons acting in concert and accordingly each of them is deemed to be interested in the Shares held by the others. By a deed of confirmation and undertaking entered into among Mr. Yip, Mr. Ng, Ms. Wan and Ms. Liza Wang dated 2 January 2014 (the “**Acting in Concert Confirmation and Undertaking**”), each of Mr. Yip, Ms. Wan, Mr. Ng and Ms. Liza Wang confirmed that, *inter alia*, they had exercised their voting rights at the meetings of the shareholders and/or directors of members of the Group in unanimity since 1 April 2011 and had undertaken to continue to do so upon the execution of the Acting in Concert Confirmation and Undertaking and during the period they (by themselves or together with their associates) remain in control of the Group until the Acting in Concert Confirmation and Undertaking is terminated by them in writing.
2. These Shares are held by Cooper Global Capital Limited (“**Cooper Global**”), which is owned as to 50.00% by Mr. Yip and 50.00% by Ms. Wan. By virtue of the SFO, Mr. Yip and Ms. Wan are deemed to be interested in the Shares held by Cooper Global.
3. Mr. Yip is the spouse of Ms. Wan. Under the SFO, Mr. Yip is deemed to be interested in all the Shares in which Ms. Wan is interested. Ms. Wan is the spouse of Mr. Yip. Under the SFO, Ms. Wan is deemed to be interested in all the Shares in which Mr. Yip is interested.

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

(b) Substantial shareholders’ interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, no persons (other than the Directors or chief executive of the Company) had or deemed or taken to have any interests or short positions in the Shares, underlying Shares or debentures 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 were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. DIRECTORS’ INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENT OF THE GROUP

As at the Latest Practicable Date, (i) none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2023 (being the date to which the latest published audited financial

statements of the Company were made up); and (ii) there was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors, the controlling shareholders or their respective associates had any business or interest which competes or may compete, either directly or indirectly, with the businesses of the Group, or have or may have any other conflicts of interest with the Group.

6. DIRECTORS' SERVICE CONTRACTS

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

7. CLAIMS AND LITIGATION

As at the Latest Practicable Date, no member of the Group was 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 against any member of the Group.

8. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the tenancy agreement dated 6 April 2023 entered into between Glo Media HK and Sun Hung Kai Real Estate (Sales and Leasing) Agency Limited in relation to the lease of premises for approximately HK\$3.9 million in aggregate for a term of three (3) years; and
- (b) the Underwriting Agreement.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts which have given advice which is contained in this Scheme Document:

| Name | Qualification |
|-----------------------|---|
| Dakin Capital Limited | a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO |
| CWK CPA Limited | Certified Public Accountants under Professional Accountant Ordinance (Cap. 50 of Laws of Hong Kong) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588 of Laws of Hong Kong) |

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors

Executive Directors:

Mr. Yin Di

(Chairman and Chief Executive Officer)

Mr. Yip Shek Lun

Mr. Ng Chi Fung

Mr. Liu Liping

Ms. Wan Wai Ting

Independent non-executive Directors:

Ms. Fu Hongzhi

Mr. Bian Wencheng

Mr. Hong Ming Sang

| | |
|--|---|
| Registered office | Windward 3 Regatta Office Park, P.O. Box 1350 Grand Cayman, KY1-1108 Cayman Islands |
| Head office and principal place of business in Hong Kong | Unit 1201 & 16, 12/F Two Harbour Square No. 180 Wai Yip Street Kwun Tong Hong Kong |
| Authorised representatives | Mr. Yip Shek Lun Ms. Kwok Wai Chun |
| Business address of all Directors, senior management and authorised representatives | Unit 1201 & 16, 12/F Two Harbour Square No. 180 Wai Yip Street Kwun Tong Hong Kong |
| Company secretary | Ms. Kwok Wai Chun |
| Principal share registrar and transfer office in the Cayman Islands | Ocorian Trust (Cayman) Limited Windward 3 Regatta Office Park, P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands |
| Hong Kong branch share registrar and transfer office | Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong |
| Principal banker | Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong |
| Auditor | SHINEWING (HK) CPA Limited 17/F, Chubb Tower, Windsor House 311 Gloucester Road, Causeway Bay Hong Kong |

| | |
|--|---|
| Reporting accountant of the Rights Issue | CWK CPA Limited Unit 2110–2111 21/F, Cosco Tower 183 Queen’s Road Central Central, Hong Kong |
| Legal adviser to the Company as to Hong Kong laws | Khoo & Co. 15th & 16th Floor Tern Centre Tower 2 251 Queen’s Road Central Hong Kong |
| Financial adviser to the Company | Draco Capital Limited 4/F, Connaught Harbour Front House 35–36 Connaught Road West Sheung Wan Hong Kong |
| Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders | Dakin Capital Limited Suite 3111A, 31/F Tower 2, Lippo Centre 89 Queensway Hong Kong |
| Underwriter | RaffAello Securities (HK) Limited 1/F, E168 No. 166–168 Des Voeux Road Central Sheung Wan, Hong Kong |

11. EXPENSES

The expenses in connection with the proposed Rights Issue and the transactions contemplated respectively thereunder, including underwriting commission, printing, registration, translation, legal, financial advisory, accounting and other professional fees, charges and related expenses are estimated to be approximately HK\$2.1 million, which are payable by the Company.

12. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Yin Di (尹迪) (“**Mr. Yin**”), aged 38, is the chairman, chief executive officer and an executive Director of the Company. Mr. Yin was appointed as an executive Director on 10 February 2023. From 2010 to 2016, Mr. Yin worked in the personnel section of Beijing Haiwei Industry and Trading Co., Ltd.* (北京海威工貿有限公司), primarily responsible for the employment management, business and performance evaluation of the company, as well

as the external liaison and operation of the company. Since 2017, Mr. Yin founded Zhongmin Guoen Industrial Group Co., Ltd. (“**Zhongmin Guoen**”), a comprehensive industry group which puts the concept of “One Health” at its core, while integrating different businesses, including agricultural technology refining, research and development of food and medicine, and the promotion of new energy resources and new materials. Mr. Yin is currently the managing director of Zhongmin Guoen, responsible for leading the future business development of Zhongmin Guoen. He is also primarily responsible for the nationwide expansion and operation of Zhongmin Guoen’s “One Health” core business. Mr. Yin has served as an executive director of APAC Chenghua (Beijing) Investment Fund Management Co., Ltd.* (亞太誠華(北京)投資基金管理有限公司) (“**APAC Chenghua**”) since 2020. APAC Chenghua specializes in private equity investments in the field of medical care and “One Health”. Mr. Yin is primarily responsible for the operational planning of the company, leading the negotiation and review of its project investments. Mr. Yin studied in the Beijing Institute of Economics and Management from March 2008 to July 2010 with an associate degree in finance and securities. He then continued his studies in the Communication University of China from March 2011 to July 2013 and graduated with a bachelor’s degree in journalism in July 2013.

Mr. Yip Shek Lun (葉碩麟) (“**Mr. Yip**”), aged 42, was appointed as an executive Director on 6 February 2014 and has been holding this position since then. He is a member of the remuneration committee and the nomination committee of the Board. Mr. Yip was one of the founders of the Group. He is primarily responsible for the day-to-day management of our Group, formulating overall business development strategies and overseeing the PRC operations of our Group. He is a member of the remuneration committee and nomination committee. Mr. Yip is the spouse of Ms. Wan (as defined below). Mr. Yip graduated from The Chinese University of Hong Kong in Hong Kong, with a degree of bachelor of business administration in December 2004. From July 2004 to April 2006, Mr. Yip was the assistant account manager of Procter & Gamble Hong Kong Ltd, a consumer goods company. From May 2006 to April 2007, he worked as the marketing manager of La Souhait Cosmetic Limited, the principal business of which is the trading of cosmetic products, and was later appointed as its marketing director serving the Greater China region. Mr. Yip is a director of AdBeyond BVI, AdBeyond HK, COMO BVI and Glo Media HK, and also a supervisor of AdBeyond GZ, and Glo Media NJ, respectively, all of which are wholly-owned subsidiaries of the Company. Mr. Yip is also a director of Cooper Global.

Mr. Ng Chi Fung (伍致豐) (“**Mr. Ng**”), aged 42, was appointed as a Director on 10 January 2014 and was re-designated as an executive Director on 6 February 2014. He has been an executive Director since then. Mr. Ng was one of the founders of the Group. He is primarily responsible for the overall business administration, sales and marketing and management of our Group. Mr. Ng graduated from The Wharton School of Finance and Commerce at the University of Pennsylvania in the United States, with a degree of bachelor of science in economics majoring in finance and accounting in May 2004. Mr. Ng has successfully completed all three levels of the CFA Program organised by the CFA Institute in June 2006. From August 2004 to December 2005, Mr. Ng worked in McKinsey &

Company, a management consulting firm, as a business analyst. In June 2005, Mr. Ng founded a health care company, Home of the Elderly Consultancy Limited, which specialises in providing elderly home referral services to the elderly and their families and has been acting as its chairman and non-executive director since then. Since May 2012, Mr. Ng has been a non-executive director of AMOS Enterprises Limited, a technology company which focuses on providing and developing innovative solutions on electrical, electronic and information technology. Mr. Ng is the 2014 president of Junior Chamber International Peninsula (Hong Kong), an international organisation for young professionals and entrepreneurs which aims to foster youngsters' leadership skills, social responsibility, enhance international friendship and the building of business network. Mr. Ng is a screening committee member of Hong Kong Business Angel Network, a non-profit organisation with the mission to foster angel investment in Hong Kong. Mr. Ng is also a director of AdBeyond BVI, AdBeyond HK, COMO BVI, Glo Media HK, iMinds Interactive Holdings Limited and iMinds Interactive Limited, respectively, all of which are wholly-owned subsidiaries of the Company.

Mr. Liu Liping (劉立平) (“**Mr. Liu**”), aged 52, was appointed as an executive Director on 20 October 2023. Mr. Liu possesses extensive experiences in back-office coordination. From 1996 to 1998, Mr. Liu worked as a staff member of Shandong Shifeng Group Company Limited* (山東時風(集團)有限責任公司) with duties mainly in respect of the back-office, for which he was responsible for marketing. He worked as a supervisor of Shandong Gaotang Lanshan Group Company* (山東省高唐藍山集團總公司) from 1999 to 2002, primarily responsible for marketing. He also worked as a supervisor of Shandong Liaocheng Province Dongchangfu District Grain and Oil Town Supply Company* (山東省聊城市東昌府區糧油供應總公司) from 2002 to 2017, for which he was responsible for personnel matters of the back-office. Since 2018 to date, Mr. Liu has been working as an office director of Shandong Zhi Guang Steel Structure Co., Ltd.* (山東致廣鋼結構有限公司), primarily responsible for marketing. His expertise is marketing-related work in back-office business.

Ms. Wan Wai Ting (尹瑋婷) (“**Ms. Wan**”), aged 42, was appointed as an executive Director on 6 February 2014 and has been holding this position since then. Ms. Wan was one of the founders of the Group. She is responsible for supervising our PRC business development and projects. Ms. Wan is the spouse of Mr. Yip. Ms. Wan obtained her degree of bachelor of business administration from The Chinese University of Hong Kong in Hong Kong, in December 2004. From December 2004 to October 2006, she worked as the marketing executive of AOM Sun Ltd, the sole agent of CITIZEN electronic products, where she was responsible for liaising with advertising agencies, organising promotional activities and analysing marketing strategies. Ms. Wan led the Group in winning several awards throughout the markets in Asia-Pacific and Hong Kong, such as the Marketing Magazine's Marketing Events Award 2016 and the ROI Festival 2016. Ms. Wan is a director of AdBeyond BVI, AdBeyond HK, COMO BVI and Glo Media HK, and the supervisor of AdBeyond GZ and Glo Media NJ, respectively, all of which are wholly-owned subsidiaries of the Company. Ms. Wan is also a director of Cooper Global.

For the executive Directors' interests in the Shares of the Company within the meaning of Part XV of the SFO, please refer to the paragraph headed "3. DISCLOSURE OF INTERESTS IN THE SHARES" above in this appendix.

Independent non-executive Directors

Ms. Fu Hongzhi (付宏志) ("**Ms. Fu**"), aged 57, was appointed as an independent non-executive Director on 8 August 2023. She is a member of the remuneration committee and the chairman of the audit committee and nomination committee of the Board. Ms. Fu graduated from Zhongnan University of Economics and Law (中南財經政法大學), majoring in finance and accounting. She has more than 20 years of experience in financial management. She is a member of the Chinese Institute of Certified Public Accountants since 2020. Ms. Fu worked in Beijing Broadcasting Equipment Factory from 1989 to 1998 as the leader of the analysis team. She served as the deputy director of the Finance Department of BOCO Group Holding Limited* (億陽集團股份有限公司) and its group from 1998 to 2017, responsible for financial planning, accounting processing, and financial budgeting. From 2017 to 2019, Ms. Fu Hongzhi served as the financial director of Beijing Huiyan Zhixing Technology Company Limited (北京慧眼智行科技有限公司), and was fully responsible for formulating the company's financial goals and policies, establishing and improving the company's financial system and internal financial management, and reviewing financial statements.

Mr. Bian Wencheng (邊文成) ("**Mr. Bian**"), aged 71, was appointed as an independent non-executive Director on 23 May 2023. He is a member of the audit committee and nomination committee of the Board. Mr. Bian has over 20 years of experiences in factory management, commercial insurance team management and the sales of insurance products. From 1980 to 2002, he had served as the factory director or legal representative of different enterprises respectively, where he was primarily responsible for administrative and management works. He passed the National Unified Examination for Enterprise Managers and Factory (Mine) Directors* (企業經理、廠(礦)長國家統一考試) in 1986. Mr. Bian was the manager of China Taiping Life Insurance Company's sales department at Dalian Development Area from 2002 to 2012, where he was primarily responsible for the works of departmental administrative management and the sales of insurance products. During his tenure of office, he was accredited as the "Energetic Taiping Star"* (活力太平之星) in 2005, awarded the title of "Elite of Organizational Development"* (組織發展精英) in 2007, as well as awarded the title of "Dedicated Model"* (敬業標兵) in 2008 and he won the first place for standard premiums in the marketing department at Dalian Development Area* (大連開發區營業部標保第一名) in the same year. Mr. Bian has retired since 2012.

Mr. Hong Ming Sang (項明生) ("**Mr. Hong**"), aged 55, was appointed as an independent non-executive Director on 28 May 2014 and has been holding this position since then. He is a member of the audit committee and the chairman of the remuneration committee of the Board. Mr. Hong graduated from The University of Hong Kong in Hong Kong, with a degree of bachelor of arts in December 1992. He obtained a diploma in marketing and international business from The Chinese University of Hong Kong in Hong

Kong, in October 1997. In June 2007, Mr. Hong co-founded Asia HD Association Limited, a non-profit making organisation on the promotion of high-definition technology development in Hong Kong, and has been one of its directors since then. From September 2011 to November 2013, Mr. Hong was one of the directors of Sony Computer Entertainment Hong Kong Limited, a video game company. From November 2013 to November 2015, Mr. Hong was the chief executive officer of Gameone Group Limited. Mr. Hong was a non-executive director of Gameone Holdings Limited (a company listed on the Stock Exchange, stock code: 8282) from 2 October 2015 to 1 March 2017.

Senior management

Mr. Tsang Wai Kit, Keith (曾瑋傑) (“**Mr. Tsang**”), aged 43, joined the Group in June 2012 as the assistant business development manager of AdBeyond HK and he is currently the business development director of the Group. He is primarily responsible for the overall integrated strategic marketing planning to clients and overseeing and directing the business operation internally and ensuring that the Group achieves sustainable business’s growth. He developed and implemented integrated marketing strategies to clients who targeted to grow business in China market.

Mr. Tsang graduated from Hong Kong Baptist University in 2006 and worked as a sales and marketing manager in electronic industry for 4 years.

Company secretary

Ms. Kwok Wai Chun (郭惠珍) (“**Ms. Kwok**”), aged 35, holds a bachelor degree of business administration and is an associate member of The Hong Kong Chartered Governance Institute. Ms. Kwok has over 10 years of experience in the corporate secretarial field.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised all of the independent non-executive Directors, namely Ms. Fu Hongzhi, Mr. Bian Wencheng and Mr. Hong Ming Sang. Ms. Fu, who has appropriate professional qualifications and experience in accounting matters, has been the chairman of the Audit Committee since 8 August 2023. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the paragraph headed “12. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT” above in this appendix.

The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of external auditor, review the financial information, oversee the Group’s financial reporting process, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by the Board.

14. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) As at the Latest Practicable Date, the Company has no significant exposure to foreign exchange liabilities.
- (c) As at the Latest Practicable Date, save as disclosed elsewhere in this circular, there was no material contract for the hire or hire purchase of plant to or by any member of the Group for a period of over a year which is substantial in relation to the Group's business.
- (d) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

15. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.guruonline.com.hk) from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 March 2021, 2022 and 2023 and the interim report of the Company for the six months ended 30 September 2023;
- (c) the letter from the Board (the text of which is set out on pages 13 to 46 of this circular);
- (d) the letter from the Independent Board Committee to the Independent Shareholders (the text of which is set out on pages IBC-1 to IBC-2 of this circular);
- (e) the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders (the text of which is set out on pages IFA-1 to IFA-28 of this circular);
- (f) the accountants' report on the unaudited pro forma financial information of the Group set out in Appendix II to this circular;
- (g) the material contract(s) referred to in the paragraph headed "8. MATERIAL CONTRACTS" in this appendix pertaining to the Rights Issue, namely the Underwriting Agreement;

- (h) the written consents of the experts referred to in the paragraph headed “9. EXPERTS AND CONSENTS” in this appendix; and
- (i) this circular.

* *For identification purpose only*

NOTICE OF EGM

Guoen Holdings Limited

國恩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8121)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholder(s)**”) of Guoen Holdings Limited (the “**Company**”) will be held at Unit 1201 & 16, 12/F, Two Harbour Square, No. 180 Wai Yip Street, Kwun Tong, Hong Kong on Wednesday, 24 April 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company. The capitalised terms defined in the circular of the Company dated 2 April 2024 (the “**Circular**”) of which this notice forms part shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTION

1. “**THAT**, subject to and conditional upon the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Share Consolidation” in the circular of the Company dated 2 April 2024 (the “**Circular**”), with effect from the second business day after the date on which this resolution is passed by the Shareholders, being a day on which the Shares of the Company are traded on the Stock Exchange:
 - (a) every twenty (20) issued and unissued Existing Shares with par value of HK\$0.10 each in the share capital in the Company be consolidated into one (1) Consolidated Share with par value of HK\$2.00 each, and such Consolidated Shares shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to restrictions in respect of ordinary shares contained in the memorandum and articles of association of the Company;
 - (b) immediately following the Share Consolidation becoming effective, the authorised share capital of the Company will be changed from HK\$100,000,000 divided into 1,000,000,000 Existing Shares with par value of HK\$0.10 each to HK\$100,000,000 divided into 50,000,000 Consolidated Shares with par value of HK\$2.00 each; and
 - (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute and deliver all such documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or give effect to any or all of the foregoing arrangements in respect of the Share Consolidation.”

NOTICE OF EGM

SPECIAL RESOLUTION

2. “**THAT**, subject to and conditional upon the passing of the resolution numbered 1 as set out above, and the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Capital Reduction and the Sub-division” in the Circular:
- (a) (i) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation will be cancelled; and (ii) the par value of each issued Consolidated Share will be reduced from HK\$2.00 to HK\$0.01 by cancelling the paid-up share capital to the extent of HK\$1.99 per issued Consolidated Share, so that following such reduction, each issued Consolidated Share shall become one New Ordinary Share with par value of HK\$0.01 each;
 - (b) Following the Capital Reduction, the credit arising from the Capital Reduction will be applied towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company. The balance of the credit (if any) will be transferred to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate;
 - (c) immediately following the Capital Reduction becoming effective, each authorised but unissued Consolidated Share will be subdivided into 200 authorised but unissued New Ordinary Shares with par value of HK\$0.01 each;
 - (d) each of the New Ordinary Shares arising from the Capital Reduction and the Sub-division shall rank *pari passu* in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company;
 - (e) immediately following the Capital Reduction and Sub-division becoming effective, the authorised share capital of the Company will be changed from HK\$100,000,000 divided into 50,000,000 Consolidated Shares with par value of HK\$2.00 each to HK\$100,000,000 divided into 10,000,000,000 New Ordinary Shares with par value of HK\$0.01 each; and
 - (f) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents, which are ancillary to the Capital Reduction and the Sub-division, on behalf of the Company, including under seal where applicable, as he/she/they may consider necessary or expedient to give effect to, implement and complete the Capital Reduction and the Sub-division.”

NOTICE OF EGM

ORDINARY RESOLUTION

3. **“THAT**, subject to and conditional upon the passing of the resolutions numbered 1 and 2 as set out above, and the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Rights Issue” in the Circular:
- (a) the allotment and issue by way of rights issue of up to 16,672,000 Rights Shares at the Subscription Price of HK\$1.04 per Rights Share on the basis of two (2) Rights Shares for every one (1) New Ordinary Share (the **“Rights Issue”**) held by the Shareholders (the **“Qualifying Shareholders”**) whose names appear on the register of members of the Company at the close of business on Wednesday, 28 August 2024 for determining the entitlements to the Rights Issue (the **“Record Date”**), other than the Shareholder(s) whose registered address(es) as shown on such register at that time are outside of Hong Kong (if any) to whom the Directors, based on legal opinions to be provided by the legal advisers of the Company, consider it necessary or expedient to exclude from the Rights Issue on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the **“Non-Qualifying Shareholders”**), on and subject to the terms and conditions as set out in the Circular, be and is hereby approved;
 - (b) the underwriting agreement dated 21 February 2024 (the **“Underwriting Agreement”**) entered into between the Company and RaffAello Securities (HK) Limited in relation to the underwriting arrangement in respect of the Rights Issue (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (c) any one or more Directors be and is/are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Directors may (i) make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as he/she/they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (ii) offer for application under forms of excess application for any Rights Shares provisionally allotted but not accepted, and to do all such acts and things as he/she/they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and

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- (d) any one or more Directors be and is/are hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

Yours faithfully,
By Order of the Board
Guoen Holdings Limited
Yin Di

*Chief Executive Officer, Chairman of the Board and
Executive Director*

Hong Kong, 2 April 2024

Notes:

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in Circular shall have the same meanings when used in this notice.
2. Voting at the EGM will be taken by poll as required under the GEM Listing Rules.
3. The register of members of the Company will be closed from Thursday, 18 April 2024 to Wednesday, 24 April 2024 (both days inclusive) for determining the entitlements of the Shareholders to attend and vote at the EGM. In order to be eligible for attending and voting at the EGM, all transfers of Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by not later than 4:30 p.m. on Wednesday, 17 April 2024.
4. Any Shareholder of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and to vote on his/her behalf. A Shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and to vote on his/her behalf. A proxy need not be a Shareholder of the Company.
5. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
6. A form of proxy for the EGM is enclosed. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
7. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the EGM, and in such event the instrument appointing a proxy shall be deemed to be revoked.
8. The English text of this notice of extraordinary general meeting shall prevail over the Chinese text in case of inconsistency.

NOTICE OF EGM

9. If a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above or “extreme conditions” caused by super typhoons is in force at or at any time after 7:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will publish an announcement on the Company’s website at www.guruonline.com.hk and the website of the Stock Exchange at www.hkexnews.hk to notify members of the date, time and place of the rescheduled EGM.
10. If member has any particular access requirements or needs special arrangements for participating at the meeting, please contact the Hong Kong branch share registrar and transfer office of the Company.
11. As at the date hereof, the executive Directors are Mr. Yin Di, Mr. Yip Shek Lun, Mr. Ng Chi Fung, Mr. Liu Liping and Ms. Wan Wai Ting; and the independent non-executive Directors are Ms. Fu Hongzhi, Mr. Bian Wencheng and Mr. Hong Ming Sang.