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If you have sold or transferred all your shares in Gaoyu Finance Group Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or the transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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高裕金融集團有限公司
Gaoyu Finance Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8221)

MAJOR TRANSACTION

SUPPLY CHAIN FINANCING TRANSACTIONS

Capitalized terms used in 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 6 to 17 of this circular.

(1) The Historical Supply Chain Financing Transactions (MT); and (2) the Master Supply Chain Financing Agreements, have been approved by written shareholders’ approvals obtained from the Controlling Shareholder, pursuant to Rule 19.44 of the GEM Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

This circular will remain on the “Latest Listed Company Information” page of the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk for at least 7 days from the date of its posting and be posted on the website of the Company at www.gyf.com.hk.

25 September 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:

“3C Products”	computers, communications and consumer electronics products
“Advances”	collectively, the advances granted by Chance Wise to the Customers, details of which are set out in the section headed “Letter from the Board – IV. The Master Supply Chain Financing Agreements – (d) Advances and monthly interest rates” in this circular
“Announcement”	the announcement of the Company dated 14 August 2024 in respect of, among others, the Historical Supply Chain Financing Transactions (MT) and the Master Supply Chain Financing Agreements
“Board”	the board of Directors
“Chance Wise”	Chance Wise Holdings Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company
“Company”	Gaoyu Finance Group Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability, the Shares of which are listed on GEM (Stock Code: 8221)
“Controlling Shareholder”	Chance Wise Investments Limited, a company owned by Mr. Fok Yuk Tong and Ms. Hsieh Ching Chun as to 30% and 70%, respectively
“Customer A”	Caison Digital Science Technology Limited (彩星數碼科技有限公司), a 3C wholesaler, being a company incorporated in Hong Kong and an Independent Third Party. The ultimate beneficial owner of Customer A is Chen Dexuan (陳德宣)
“Customer B”	Summit Worldwide Trading Company Limited (逸峰國際貿易有限公司), a 3C wholesaler, being a company incorporated in Hong Kong and an Independent Third Party. The ultimate beneficial owner of Customer B is Cheung Ka Shing Benson (張家勝)

DEFINITIONS

“Customer C”	Supertoy Trading Company Limited, a 3C wholesaler, being a company incorporated in Hong Kong and an Independent Third Party. The ultimate beneficial owner of Customer C is Ng Wai Ka (吳尉嘉)
“Customer D”	Yue Yang Shi Ji Limited (越洋世紀有限公司), a 3C wholesaler, being a company incorporated in Hong Kong and an Independent Third Party. The ultimate beneficial owner of Customer D is Zheng Qiuyue (鄭秋岳)
“Customer E”	HK Jierun Technology Limited (香港捷潤科技有限公司), a 3C wholesaler, being a company incorporated in Hong Kong and an Independent Third Party. The ultimate beneficial owner of Customer E is Lan Gehuan (藍格歡)
“Customer F”	Hong Kong Board Trading Limited (香港博大貿易有限公司), a 3C wholesaler, being a company incorporated in Hong Kong and an Independent Third Party. The ultimate beneficial owners of Customer F are Li Zishuai (李子帥), Chen Feng (陳鋒) and Zhong Chulong (鐘楚龍)
“Customer G”	Huihong Technology Co., Limited (輝宏科技有限公司), a 3C wholesaler, being a company incorporated in Hong Kong and an Independent Third Party. The ultimate beneficial owners of Customer G are Liu Ying (劉穎), Geng Lulu (耿璐璐) and Zhang Hui (張輝)
“Customers”	collectively, Customer A, Customer B, Customer C, Customer D, Customer E, Customer F and Customer G
“Director(s)”	director(s) of the Company
“FY2022/23”	the financial year ended 31 March 2023
“FY2023/24”	the financial year ended 31 March 2024
“FY2024/25”	the financial year ending 31 March 2025
“FY2025/26”	the financial year ending 31 March 2026
“FY2026/27”	the financial year ending 31 March 2027
“GEM”	GEM operated by the Stock Exchange

DEFINITIONS

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Historical Supply Chain Financing Transactions”	the supply chain financing transactions between Chance Wise and each of the Customers since FY2022/23 and up to the date of the Announcement, details of which are set out in the section headed “Letter from the Board – III. Historical Supply Chain Financing Transactions” in this circular
“Historical Supply Chain Financing Transactions (MT)”	the supply chain financing transactions between Chance Wise and each of Customer A, Customer C and Customer D since FY2022/23 and up to the date of the Announcement, details of which are set out in the section headed “Letter from the Board – III. Historical Supply Chain Financing Transactions” in this circular
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and/or its connected persons (having the meaning ascribed to it under the GEM Listing Rules)
“Latest Practicable Date”	19 September 2024, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Master Supply Chain Financing Agreement A”	the Supply Chain Financing Agreement A, as supplemented by a supplemental agreement dated 14 August 2024, details of which are set out in the section headed “Letter from the Board – IV. The Master Supply Chain Financing Agreements” in this circular
“Master Supply Chain Financing Agreement B”	the Supply Chain Financing Agreement B, as supplemented by a supplemental agreement dated 14 August 2024, details of which are set out in the section headed “Letter from the Board – IV. The Master Supply Chain Financing Agreements” in this circular

DEFINITIONS

“Master Supply Chain Financing Agreement C”	the Supply Chain Financing Agreement C, as supplemented by a supplemental agreement dated 14 August 2024, details of which are set out in the section headed “Letter from the Board – IV. The Master Supply Chain Financing Agreements” in this circular
“Master Supply Chain Financing Agreement D”	the Supply Chain Financing Agreement D, as supplemented by a supplemental agreement dated 14 August 2024, details of which are set out in the section headed “Letter from the Board – IV. The Master Supply Chain Financing Agreements” in this circular
“Master Supply Chain Financing Agreement E”	the Supply Chain Financing Agreement E, as supplemented by a supplemental agreement dated 14 August 2024, details of which are set out in the section headed “Letter from the Board – IV. The Master Supply Chain Financing Agreements” in this circular
“Master Supply Chain Financing Agreement F”	the Supply Chain Financing Agreement F, as supplemented by a supplemental agreement dated 14 August 2024, details of which are set out in the section headed “Letter from the Board – IV. The Master Supply Chain Financing Agreements” in this circular
“Master Supply Chain Financing Agreement G”	the supply chain financing agreement G dated 14 August 2024 and entered into between Chance Wise and Customer G, details of which are set out in the section headed “Letter from the Board – IV. The Master Supply Chain Financing Agreements” in this circular
“Master Supply Chain Financing Agreements”	collectively, Master Supply Chain Financing Agreement A, Master Supply Chain Financing Agreement B, Master Supply Chain Financing Agreement C, Master Supply Chain Financing Agreement D, Master Supply Chain Financing Agreement E, Master Supply Chain Financing Agreement F and Master Supply Chain Financing Agreement G
“PRC”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Relevant Period”	the period between 1 April 2024 up to the date of the Announcement

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Chain Financing Agreement A”	the supply chain financing agreements dated 15 March 2022 and 28 November 2023 entered into between Chance Wise and Customer A
“Supply Chain Financing Agreement B”	the supply chain financing agreement dated 1 September 2023 and entered into between Chance Wise and Customer B
“Supply Chain Financing Agreement C”	the supply chain financing agreement dated 26 September 2023 and entered into between Chance Wise and Customer C
“Supply Chain Financing Agreement D”	the supply chain financing agreement dated 24 November 2023 and entered into between Chance Wise and Customer D
“Supply Chain Financing Agreement E”	the supply chain financing agreement dated 21 June 2024 and entered into between Chance Wise and Customer E
“Supply Chain Financing Agreement F”	the supply chain financing agreement dated 10 July 2024 and entered into between Chance Wise and Customer F
“Supply Chain Financing Agreements”	collectively, Supply Chain Financing Agreement A, Supply Chain Financing Agreement B, Supply Chain Financing Agreement C, Supply Chain Financing Agreement D, Supply Chain Financing Agreement E and Supply Chain Financing Agreement F
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

LETTER FROM THE BOARD



高裕金融集團有限公司 Gaoyu Finance Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8221)

Executive Directors:

Mr. Fok Yuk Tong (*Chairman*)

Ms. Hsieh Ching Chun

Ms. Fok Kit Yee

Independent Non-executive Directors:

Ms. Chan Hoi Wuen Katherine

Mr. Tong Wing Chi

Mr. Kwan Tsz Chun Sun

Registered office:

Cricket Square

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P.O. Box 2681

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Room 4409, 44/F

COSCO Tower

183 Queen's Road Central

Hong Kong

25 September 2024

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

SUPPLY CHAIN FINANCING TRANSACTIONS

I. INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you with, among other things, further details of the (a) the Historical Supply Chain Financing Transactions (MT); and (b) the Master Supply Chain Financing Agreements and the transactions contemplated thereunder.

II. BACKGROUND

Since FY2022/23, Chance Wise has conducted several supply chain financing transactions with the Customers during its ordinary and usual course of business.

LETTER FROM THE BOARD

As disclosed in the Company's announcement dated 22 July 2024, the supply chain financing business operates in a similar manner to the loan financing and margin financing business. Chance Wise acts as a lender for 3C wholesalers, providing upfront financing and placing orders on their behalf with 3C suppliers. It utilises the 3C Products being pledged by 3C wholesalers as collaterals to Chance Wise, and in return, Chance Wise provides financing and ancillary supply chain solution services to 3C wholesalers.

The transaction cycle of the Group's supply chain financing business begins with a 3C wholesaler placing a purchase agreement (the "**Purchase Agreement**") of 3C Products with Chance Wise which stipulates the total procurement amount. Chance Wise will review the terms of the Purchase Agreement and if Chance Wise accepts the terms, Chance Wise would require a 3C wholesaler to place a deposit, which represented a certain percentage on the total value of the 3C Products to be purchased by the 3C wholesaler. The Group will place orders with the 3C suppliers after receiving the deposit from the 3C wholesaler, and the 3C Products will be stored in the Group's warehouse as pledged assets and to be delivered to the 3C wholesalers upon full payment is received by the Group. The 3C wholesaler could settle the balance of the purchase price (i.e. the amount of advance provided by Chance Wise to the 3C wholesaler) by stages or in one go. Upon receipt of payment by such 3C wholesaler, the Group will release and deliver an equivalent amount of 3C Products to such 3C wholesaler. The maximum number of days of storage was 90 days. Interests will be charged by Chance Wise on a daily basis (with a minimum period of 7 days) until full payment of the purchase price of the 3C Products is received by the Group.

Ms. Hsieh Ching Chun and Ms. Fok Kit Fee, each an executive Director, are responsible for the Group's supply chain financing business (collectively, the "**Management**"). As part of the Group's credit policy, in considering whether to accept the terms of the Purchase Agreement, the Management would take into account, among others, the type of 3C Products involved (including the model and supplier of the 3C Products), the past payment history of the customer and the Group's then available cash balances, etc.

From accounting perspective, the amount advanced by Chance Wise, i.e. the difference between the total value of the 3C Products to be purchased by the 3C wholesaler less the amount of deposit paid by such 3C wholesaler, will be regarded as the Group's accounts receivable. Interests charged by Chance Wise will be accounted for as revenue generated by the Group under the supply chain financing business segment.

LETTER FROM THE BOARD

III. HISTORICAL SUPPLY CHAIN FINANCING TRANSACTIONS (MT)

Since the commencement of the supply chain financing business by Chance Wise, Chance Wise has entered into Supply Chain Financing Agreements with each of its customers.

Save and except for the term of the agreement and monthly interest rate charged by Chance Wise which vary among the customers, each of the Supply Chain Financing Agreements contains identical key terms and conditions.

Set out below are the key terms of the Supply Chain Financing Agreements:

(a) Subject matter

The customer shall appoint Chance Wise as its agent for the procurement of 3C Products. Upon the receipt of a purchase order, Chance Wise would require the customer to place a deposit, which represented a certain percentage on the total value of the 3C Products to be purchased by such customer.

The Group will place orders with the 3C suppliers after receiving the deposit from the customer, and the 3C Products will be stored in the Group's warehouse as pledged assets and to be delivered to the customer upon full payment is received by the Group. The maximum number of days of storage was 90 days.

Interests will be charged by Chance Wise on a daily basis (with a minimum period of 7 days) until full payment of the purchase price of the 3C Products is received by the Group.

(b) Term

Customer	Term as per the relevant Supply Chain Financing Agreement
Customer A	15 March 2022 to 15 March 2023; 15 March 2023 to 14 March 2026
Customer C	26 September 2023 to 25 September 2024
Customer D	24 November 2023 to 23 November 2026

(c) Maximum number of days of storage (i.e. the repayment period of each advance)

90 days from the date when Chance Wise settled the purchase price with the 3C suppliers

LETTER FROM THE BOARD

(d) Advances and monthly interest rates

Set out below are further information of the Historical Supply Chain Financing Transactions (MT) conducted by the Group since FY2022/23 and up to the date of the Announcement:

	Monthly interest rate	FY2022/23		FY2023/24		Relevant Period	
		Number of transactions	Total advances <i>HK\$'000</i>	Number of transactions	Total advances <i>HK\$'000</i>	Number of transactions	Total advances <i>HK\$'000</i>
Customer A	1.2%	57	193,321	129	457,098	54	195,891
Customer C	1.2%	-	-	26	85,411	-	-
Customer D	1.0%	-	-	48	217,007	50	230,807

Note: The amount of total advances set out in the table represents the total amount of new advances made by Chance Wise to such customer during the relevant year/period.

Interests were charged by Chance Wise on a daily basis (with a minimum period of 7 days) at the above stated monthly interest rate. The monthly interest rate charged by Chance Wise was arrived at after arm's length negotiations between Chance Wise and the relevant customer with reference to the market rate charged by PRC lenders for supply chain financing transactions as a majority of the supply chain financing transactions involve the purchase of 3C Products from PRC based 3C suppliers and supply chain financing is more common in the PRC. According to the Directors' knowledge, the market rate charged by PRC lenders for supply chain financing transactions range from 8% to 15% per annum (i.e. approximately 0.7% to 1.25% per month).

Since the commencement of the supply chain financing business in FY2022/23 and up to the date of the Announcement, all of the customers are able to repay the advances made by Chance Wise to them in full within the 90-day storage period.

As at the date of the Announcement, the outstanding amount of advances to each of the customers are as follows:

Customer	Outstanding amount of advances as at the date of the Announcement <i>HK\$'000</i>
Customer A	61,303
Customer C	-
Customer D	14,489

LETTER FROM THE BOARD

(e) Default terms

If the customer failed to repay the advances within the repayment period, interest shall accrue on the unpaid sum from the repayment date to the date of actual payment at a default interest of 0.1% per day. If the customer failed to repay within 30 days after the repayment period, Chance Wise is entitled to terminate the relevant Supply Chain Financing Agreement and such customer is required to indemnify Chance Wise for all losses suffered by Chance Wise for the default in payment.

In addition, Chance Wise shall have the right to sell any 3C Products in its warehouse for cash. The sales proceeds shall first be used to settle any outstanding sum owed by such customer to Chance Wise. In the event the sales proceeds is insufficient to settle the outstanding sum, Chance Wise shall notify its customer of the deficit and such customer is required to settle the deficit within 5 days.

IV. THE MASTER SUPPLY CHAIN FINANCING AGREEMENTS

On 14 August 2024, Chance Wise has entered into the Master Supply Chain Financing Agreements with each of the Customers governing the supply chain financing transactions between Chance Wise and the Customers for FY2024/25, FY2025/26 and FY2026/27.

Save and except for the Advances and monthly interest rate charged by Chance Wise which vary among the Customers (as further detailed in (d) below), each of the Master Supply Chain Financing Agreements contains the following identical key terms and conditions:

(a) Subject matter

The Customer shall appoint Chance Wise as its agent for the procurement of 3C Products. Upon the receipt of a purchase order, Chance Wise would require the Customer to place a deposit, which represented a certain percentage on the total value of the 3C Products to be purchased by such Customer.

The Group will place orders with the 3C suppliers after receiving the deposit from the Customer, and the 3C Products will be stored in the Group's warehouse as pledged assets and to be delivered to the Customer upon full payment is received by the Group. The maximum number of days of storage was 90 days.

Interests will be charged by Chance Wise on a daily basis (with a minimum period of 7 days) until full payment of the purchase price of the 3C Products is received by the Group.

LETTER FROM THE BOARD

(b) Term

For a term up to and ending on 31 March 2027

(c) Maximum number of days of storage (i.e. the repayment period of each advance)

90 days from the date when Chance Wise settled the purchase price with the 3C suppliers

(d) Advances and monthly interest rates

	Advances <i>(Note)</i>	Monthly interest rate
Customer A	US\$25 million (or HK\$195 million)	1.2%
Customer B	US\$6.5 million (or HK\$50.7 million)	1.2%
Customer C	US\$6.5 million (or HK\$50.7 million)	1.2%
Customer D	US\$13 million (or HK\$101.4 million)	1.0%
Customer E	US\$6.5 million (or HK\$50.7 million)	1.2%
Customer F	US\$6.5 million (or HK\$50.7 million)	1.0%
Customer G	US\$6.5 million (or HK\$50.7 million)	1.2%

Note: “Advance” represents the maximum amount of advance which may be granted by Chance Wise to such Customer at any point of time during the term of such Master Supply Chain Financing Agreement. A Customer may re-borrow (in whole or in part) any amount prepaid in accordance with the terms and conditions of the respective Master Supply Chain Financing Agreement.

Interests will be charged by Chance Wise on a daily basis (with a minimum period of 7 days) at the above stated monthly interest rate. The monthly interest rate charged by Chance Wise was arrived at after arm’s length negotiations between Chance Wise and the relevant Customer after taking into account the size and tenor of the advances and industry practices and the market rate charged by PRC lenders for supply chain financing transactions as a majority of the supply chain financing transactions involve the purchase of 3C Products from PRC based 3C suppliers and supply chain financing is more common in the PRC. According to the Directors’ knowledge, the market rate charged by PRC lenders for supply chain financing transactions range from 8% to 15% per annum (i.e. approximately 0.7% to 1.25% per month). Based on the foregoing and the negotiations between each of the Customers, the monthly interest rate charged by Chance Wise ranges between 1.0% and 1.2% per month. In view of the above, the Directors consider that the interest rate charged by Chance Wise is on normal commercial terms.

LETTER FROM THE BOARD

The Advances granted to each of the Customers are determined with reference to, among others, the relevant historical track record and the expected demand from such Customer during the relevant period.

For reference purpose, set out below are the historical number of transactions and advances provided by Chance Wise to each of the Customers during FY2022/23, FY2023/24 and the Relevant Period:

	FY2022/23		FY2023/24		Relevant Period	
	Number of transactions	Total advances <i>HK\$'000</i>	Number of transactions	Total advances <i>HK\$'000</i>	Number of transactions	Total advances <i>HK\$'000</i>
Customer A	57	193,321	129	457,098	54	195,891
Customer B	-	-	1	8,767	1	900
Customer C	-	-	26	85,411	-	-
Customer D	-	-	48	217,007	50	230,807
Customer E	-	-	-	-	2	3,990
Customer F	-	-	-	-	2	8,550
Customer G	-	-	3	1,446	-	-

Note: The amount of total advances set out in the table represents the total amount of new advances made by Chance Wise to each of the Customers during the relevant year/period.

Given that Customer A and Customer D were the top two customers of the Group's supply chain financing business since its commencement, having considered their historical track record, the Company considers it appropriate that the expected Advances to be granted to Customer A (i.e. US\$25 million (or HK\$195 million)) and Customer D (i.e. US\$13 million (or HK\$101.4 million)) are relatively higher than the other Customers (i.e. US\$6.5 million (or HK\$50.7 million)).

(e) Default terms

If a Customer fails to repay the advances within the repayment period, interest shall accrue on the unpaid sum from the repayment date to the date of actual payment at a default interest of 0.1% per day. If the customer fails to repay within 30 days after the repayment period, Chance Wise is entitled to terminate the relevant Master Supply Chain Financing Agreement and such Customer is required to indemnify Chance Wise for all losses suffered by Chance Wise for the default in payment.

In addition, Chance Wise shall have the right to sell any 3C Products in its warehouse for cash. The sales proceeds shall first be used to settle any outstanding sum owed by such Customer to Chance Wise. In the event the sales proceeds is insufficient to settle the outstanding sum, Chance Wise shall notify its Customer of the deficit and such Customer is required to settle the deficit within 5 days.

LETTER FROM THE BOARD

V. FUNDING OF THE SUPPLY CHAIN FINANCING TRANSACTIONS

The Group finances its supply chain financing transactions with its general working capital and external bank borrowings, details of the bank borrowings is set out in the paragraphs headed “2. Indebtedness” and “3. Financial Effects of the Supply Chain Financing Transactions – (b) The Master Supply Chain Financing Agreements” in Appendix I to this circular.

VI. INFORMATION OF THE GROUP AND CHANCE WISE

The Group is principally engaged in the provision of (i) securities dealing and brokerage services (Hong Kong and US stocks); (ii) placing and underwriting services; (iii) financing services including loan financing, securities and initial public offering margin financing and money lending; (iv) asset management services; (v) supply chain financing; (vi) trust services; and (vii) advisory services.

Chance Wise is a wholly-owned subsidiary of the Company which is principally engaged in the supply chain financing business.

VII. INFORMATION OF THE CUSTOMERS

Each of the Customers is a 3C wholesaler and a company incorporated in Hong Kong with limited liability. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of the Customers is independent of each other.

The Company confirms that, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of the Customers and their respective ultimate beneficial owner(s) are Independent Third Parties.

VIII. REASONS FOR AND BENEFITS OF THE SUPPLY CHAIN FINANCING TRANSACTIONS

A. The Historical Supply Chain Financing Transactions (MT)

The terms of each of the Historical Supply Chain Financing Transactions (MT), including the applicable interest rates, were agreed by the parties after arm’s length negotiations, having taken into account the size and tenor of each of the advances, the prevailing market interest rates and industry practices.

The Directors consider that each of the Historical Supply Chain Financing Transactions (MT) was entered into in the ordinary and usual course of the Group’s business and each of the advances granted by Chance Wise to each of its customers constituted a financial assistance provided by the Company within the meaning of the GEM Listing Rules.

LETTER FROM THE BOARD

After taking into account the creditworthiness, past collection history of each customer, availability and quality of collaterals and that the supply chain financing transactions generated interest income to the Group and provided a stable revenue and cashflow stream to the Group, the Directors consider that the terms of each of the Historical Supply Chain Financing Transactions (MT) are on normal commercial terms based on the Group's credit policy and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

B. The Master Supply Chain Financing Agreements

The terms of each of the Master Supply Chain Financing Agreements, including the applicable interest rates, were agreed by the parties after arm's length negotiations, having taken into account the size and tenor of each of the Advances, the prevailing market interest rates and industry practices.

The Directors consider that each of the Master Supply Chain Financing Agreements is entered into in the ordinary and usual course of the Group's business and each of the Advances to be granted by Chance Wise to the Customers would constitute a financial assistance provided by the Company within the meaning of the GEM Listing Rules.

After taking into account (a) the creditworthiness and past collection history of each Customer, in particular all of the Customers are able to repay the advances made by Chance Wise to them in full within the 90-day storage period; (b) availability and quality of collaterals whereby prior to approving each advance, the Management will consider the type of 3C Products involved (including the model and supplier of the 3C Products) and that the value of the 3C Products which are used as pledged security will be the same as the amount of advances granted; and (c) that the supply chain financing transactions would generate interest income to the Group and provide a stable revenue and cashflow stream to the Group, the Directors consider that the terms of each of the Master Supply Chain Financing Agreements are on normal commercial terms based on the Group's credit policy and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IX. GEM LISTING RULES IMPLICATIONS

A. The Historical Supply Chain Financing Transactions (MT)

The advances made by Chance Wise to its customers constitute financial assistance provided by Chance Wise pursuant to Rule 19.04 of the GEM Listing Rules.

LETTER FROM THE BOARD

As one or more of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of each of (a) the advances granted by Chance Wise to Customer A in FY2022/23; (b) the advances granted by Chance Wise to Customer A in FY2023/24; (c) the advances granted by Chance Wise to Customer C in FY2023/24; (d) the advances granted by Chance Wise to Customer D in FY2023/24; (e) the advances granted by Chance Wise to Customer A in the Relevant Period; and (f) the advances granted by Chance Wise to Customer D in the Relevant Period, exceed 25%, each of (a), (b), (c), (d), (e) and (f) above constitutes a major transaction of the Company and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As the assets ratio (as defined in the GEM Listing Rules) in respect of each of (a) the advances granted by Chance Wise to Customer A in FY2022/23; (b) the advances granted by Chance Wise to Customer A in FY2023/24; (c) the advances granted by Chance Wise to Customer C in FY2023/24; (d) the advances granted by Chance Wise to Customer D in FY2023/24; (e) the advances granted by Chance Wise to Customer A in the Relevant Period; and (f) the advances granted by Chance Wise to Customer D in the Relevant Period, exceeds 8%, each of (a), (b), (c), (d), (e) and (f) above is subject to the announcement requirements under Rule 17.15 of the GEM Listing Rules.

As at the Latest Practicable Date and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Historical Supply Chain Financing Transactions (MT), and therefore no Shareholder is required to abstain from voting under the GEM Listing Rules if the Company were to convene a general meeting for the approval and ratification of the Historical Supply Chain Financing Transactions (MT).

As at the Latest Practicable Date, the Controlling Shareholder, which holds 1,199,640,000 Shares (equivalent to approximately 50.41% of the issued share capital of the Company), has given the written approval to approve and ratify each of the Historical Supply Chain Financing Transactions (MT) and such written approval has been accepted in lieu of holding a general meeting for the approval and ratification of each of the Historical Supply Chain Financing Transactions (MT) pursuant to Rule 19.44 of the GEM Listing Rules. Therefore, no general meeting of the Company for the approval and ratification of each of the Historical Supply Chain Financing Transactions (MT) will be convened and held.

Reasons for delay in compliance with the GEM Listing Rules

The Company notes that the supply chain financing transactions were made in the ordinary and usual course of Chance Wise's supply chain financing business and was conducted on normal commercial terms.

LETTER FROM THE BOARD

Given that Chance Wise's supply chain financing business represents transactions of a revenue nature in the ordinary and usual course of business of the Company and shares similarities with the Group's margin and loan financing business, the Group has mistakenly believed that the provision of supply chain financing, similar to the provision of margin and loan financing, does not fall within the definition of financial assistance under Rule 19.04(1)(e)(iii) of the GEM Listing Rules. Accordingly, the Company failed to comply with the requirements under Chapter 19 and Rule 17.15 of the GEM Listing Rules with respect to the Historical Supply Chain Financing Transactions (MT) in a timely manner.

To ensure compliance with the GEM Listing Rules going forward, the Group has implemented the following measures:

- (a) Chance Wise has entered into Master Supply Chain Financing Agreements with each of the Customers governing future supply chain financing transactions in FY2024/25, FY2025/26 and FY2026/27 and the Company has disclosed the material terms of the Master Supply Chain Financing Agreements by way of the Announcement pursuant to the GEM Listing Rules. The Company has also obtained written approval from its Controlling Shareholder to approve each of the Master Supply Chain Financing Agreements and will publish a circular on, among others, further information of the Master Supply Chain Financing Agreements in due course, in accordance with the GEM Listing Rules' requirements;
- (b) the Company will arrange trainings relating to the GEM Listing Rules, in particular on topics covering continuing disclosure obligations of listed companies, notifiable transactions and advances to entities, etc., to strengthen and reinforce their existing understanding of the GEM Listing Rules; and
- (c) the Company will promptly seek professional advices from legal advisers and/or financial advisers as appropriate, especially when the Group intends to engage in new business segment(s).

B. The Master Supply Chain Financing Agreements

The Advances to be made by Chance Wise to each of the Customers constitute financial assistance provided by Chance Wise pursuant to Rule 19.04 of the GEM Listing Rules.

LETTER FROM THE BOARD

As one or more of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of each of the Advances exceed 25%, each of the Advances constitutes a major transaction of the Company and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As the assets ratio (as defined in the GEM Listing Rules) in respect of each of the Advances exceeds 8%, each of the Advances is subject to the announcement requirements under Rule 17.15 of the GEM Listing Rules.

As at the Latest Practicable Date and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Master Supply Chain Financing Agreements and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting under the GEM Listing Rules if the Company were to convene a general meeting for the approval of the Master Supply Chain Financing Agreements.

As at the Latest Practicable Date, the Controlling Shareholder, which holds 1,199,640,000 Shares (equivalent to approximately 50.41% of the issued share capital of the Company), has given the written approval to approve each of the Master Supply Chain Financing Agreements and the transactions contemplated thereunder and such written approval has been accepted in lieu of holding a general meeting for the approval of each of the Master Supply Chain Financing Agreements pursuant to Rule 19.44 of the GEM Listing Rules. Therefore, no general meeting of the Company for the approval of each of the Master Supply Chain Financing Agreements and the transactions contemplated thereunder will be convened and held.

X. ADDITIONAL INFORMATION

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

By order of the Board
Gaoyu Finance Group Limited
Fok Yuk Tong
Chairman and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 March 2024 are disclosed in the following documents which have been published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.gyf.com.hk:

- Annual report of the Company for the financial year ended 31 March 2022 (pages 59 to 131)

(<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0629/2022062901339.pdf>)
- Annual report of the Company for FY2022/23 (pages 73 to 143)

(<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0629/2023062900520.pdf>)
- Annual report of the Company for FY2023/24 (pages 69 to 139)

(<https://www1.hkexnews.hk/listedco/listconews/gem/2024/0726/2024072600559.pdf>)

2. INDEBTEDNESS

As at the close of business on 31 July 2024, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding indebtedness of approximately HK\$25.0 million, consisting of:

	As at 31 July 2024 HK\$'000
Unsecured and unguaranteed	
Bank borrowing	18,500
Lease liabilities – current portion	1,536
Lease liabilities – non-current portion	4,960
 Total borrowing	 24,996

Save as aforesaid or as otherwise mentioned herein, and apart from intra-group liabilities, the Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31 July 2024, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular.

Save as aforesaid, the Directors are not aware of any material changes in the indebtedness, contingent liabilities and commitments of the Group since 31 July 2024, the date to which the indebtedness statement is made and up to the Latest Practicable Date.

3. FINANCIAL EFFECTS OF THE SUPPLY CHAIN FINANCING TRANSACTIONS

(a) The Historical Supply Chain Financing Transactions (MT)

Since Chance Wise financed the Historical Supply Chain Financing Transactions (MT) by its general working capital, the grant of advances by Chance Wise to the Customers resulted in a decrease in the Group's cash and bank balances and an increase in the Group's accounts receivables by the amount of advances granted. Interests charged by Chance Wise was accounted for as revenue generated by the Group. In FY2022/23, FY2023/24 and the Relevant Period, the amount of interest income generated by Chance Wise from the Historical Supply Chain Financing Transactions (MT) amounted to approximately HK\$2.0 million, HK\$8.3 million and HK\$4.7 million, respectively.

(b) The Master Supply Chain Financing Agreements

Since Chance Wise finances the transactions contemplated under the Master Supply Chain Financing Agreements by its general working capital and external bank borrowings, the grant of Advances by Chance Wise to the Customers will result in a decrease in the Group's cash and bank balances and an increase in the Group's accounts receivables by the amount of Advances to be granted by Chance Wise to its Customers. Interests payable by the Customer to Chance Wise pursuant to the terms of the Master Supply Chain Financing Agreements will be accounted for as revenue generated by the Group.

In April 2024, Chance Wise obtained a bank facility in the amount of HK\$23.1 million. Once the facility is drawn down, the Group's total liabilities will be increased by the drawdown amount and any interest accrued thereon will be recorded as finance cost of the Group. As at the Latest Practicable Date, the outstanding bank facility payable by Chance Wise amounted to HK\$18.5 million.

4. WORKING CAPITAL

As at the Latest Practicable Date, the Directors were of the opinion, after due and careful enquiry, and after taking into the account (i) the effect of the Master Supply Chain Financing Agreements; (ii) cash flows from operations; and (iii) the internal resources and other borrowing available to the Group, that the working capital available to the Group is sufficient for its present requirements for at least 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in the provision of (i) securities dealing and brokerage services (Hong Kong and US stocks); (ii) placing and underwriting services; (iii) financing services including loan financing, securities and initial public offering margin financing and money lending; (iv) asset management services; (v) supply chain financing; (vi) trust services; and (vii) advisory services.

Set out below are the financial and trading prospect of each of the Group's business segments:

(i) Securities dealing and brokerage services

The Group conducts securities dealing and brokerage services through Gaoyu Securities Limited (formerly known as Pacific Foundation Securities Limited) (“GSL”), the operating subsidiary of the Company, which is a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. The Group provides securities dealing and brokerage services to customers for trading in securities listed on the Stock Exchange of Hong Kong and in the U.S. which comprise corporate and individual customers. As at 31 March 2024, the Group had 288 active securities trading accounts which have at least one trade during FY2023/24 (FY2022/23: 239), the total transaction value in FY2023/24 was approximately HK\$1,315,495,000 compared to FY2022/23 of approximately HK\$602,386,000. The Group's commission income from securities dealing and brokerage services increased by approximately 68.0% from approximately HK\$1,234,000 in FY2022/23 to approximately HK\$2,073,000 in FY2023/24.

The Group has initiated a brand re-building program for its securities dealing and brokerage business to attract new clients, and re-engaging and reactivating its existing client base. On 26 February 2024, the Group launched a new trading system and new smartphone applications for its licensed corporation, which is a more user-friendly and informative online system for customers, with foreign stock trading capacity and lower running costs. These improvements have significantly enhanced the trading experience, offering greater efficiency and value to clients of the Group. Through dedicated efforts to attract new clients and re-engage existing ones, coupled with the improvements made to the systems and the implementation of the mobile applications, the Group expects to see a substantial increase in online transactions, and thus its brokerage income.

To elevate the Company's brand awareness and strengthen the Company's market presence, the Company is committed to engaging both current and prospective clients, thereby enhancing their understanding of the Group, as well as the diverse product and new service offerings of the Company. This strategic approach is designed to build confidence among clients, encouraging them to partner with the Company to achieve their investment goals and wealth management needs. The Company will continue to identify more VIP clients so as to broaden its VIP client base and to further boost its revenue.

(ii) Placing and underwriting services

The Group conducts placing and underwriting services through GSL. The Group acts as an underwriter or a sub-underwriter or a placing agent or a sub-placing agent for companies listed or to be listed on the Stock Exchange or for shareholders of companies listed on the Stock Exchange for their fund raising exercises such as IPOs, rights issue, open offer or placing of new or existing shares or bonds.

Placing and underwriting fee and commission income is principally affected by the number of engagements participated by the Group, the size of engagements and the commission rates. During FY2023/24, there was seven (FY2022/23: three) placing and underwriting engagements with a total transaction value of approximately HK\$72,735,000 (FY2022/23: HK\$9,899,000). The Group's fee and commission income generated from placing and underwriting activities was approximately HK\$2,436,000 in FY2023/24 (FY2022/23: HK\$396,000).

The Company intends to strengthen the placing and underwriting business by (i) extending the industry networks of the Company, particularly with other underwriters and placing agents in respect of placing and/or underwriting engagements; (ii) extending the Company's services to broader categories of clients, including non-listed companies, high net worth ("HNW") individuals, institution clients, mass retail and corporate clients, primarily through promotional campaigns and the Company's sales force; and (iii) exploring business opportunities beyond acting as underwriter and placing agent in respect of IPOs, to include debt placement services, and to take up more significant values or to participate in a more significant manner (in terms of underwriting and placing amounts) in respect of project engagements.

(iii) Financing services (Margin and Loan Financing)

Interest income from loan financing, margin financing and money lending services mainly represents the interest income generated from the provision of loan financing, margin financing and money lending services for customers to purchase securities listed on the Stock Exchange on a margin basis, hire purchase and mortgage loan financing.

For FY2023/24, interest income from loan financing, margin financing and money lending services increased by approximately 11.5% from approximately HK\$8,061,000 for FY2022/23 to approximately HK\$8,990,000. The increase was attributable to the increase in margin loans over FY2023/24.

The Company will continue prudently to expand its margin book and cautiously scale up loan financing business to include mortgage loans and short-term financing business to its money lending clients with collaterals such as Hong Kong listed securities, bonds, residential properties, and other marketable securities. The Company will closely monitor the value of the collaterals and constantly update its credit control policy, particularly at this tumultuous moment, to minimize its credit exposure. Should the potential loan financing projects be deemed to carry significant credit risk, the Company will adopt a highly cautious approach and will choose not to proceed with these projects to ensure financial stability and risk mitigation.

(iv) Asset management services

The Group's fee income from asset management services for FY2023/24 was approximately HK\$440,000 (FY2022/23: HK\$ Nil).

The Group has set up three open-ended fund companies (the "OFCs") to expand its asset management services business. The Company has set an investment target for one OFC and is currently fine-tuning the value investment strategy for the other. For the new Capital Investment Entrant Scheme announced by the Immigration Department of Hong Kong government, the Company has established a department dedicated to immigrant services and re-deployed its current employees to this newly formed business unit. Furthermore, the Company has brought on board skilled freelance professionals to manage these services and undertake research.

The Company has been actively reaching out to clients to develop all aspects of its asset management business. Leveraging the asset management team's previous asset management relationships and personal relationships, the Company has been participating in various sector-specific events in Hong Kong and social events in the PRC to explore HNW clients beyond the Hong Kong market, thereby further expanding their network with the aim of enhancing their asset management business.

(v) Supply chain financing

The supply chain financing business operates in a similar manner to the loan financing and margin financing business. It utilises the 3C Products being pledged by 3C wholesalers as collaterals to the Group, and in return, the Group provides financing and ancillary supply chain solution services to 3C wholesalers. The Group acts as a lender for 3C wholesalers, providing upfront financing and placing orders on their behalf with 3C suppliers. This supply chain service financially facilitates 3C wholesalers in their procurement of products, and enlarges their business scale. The Group generates stable, low-risk returns through interest income from the financing it provides.

The Group recorded interest income from supply chain financing of approximately HK\$8,430,000 for FY2023/24 (FY2022/23: HK\$2,024,000). The gross procurement amount of clients was approximately HK\$769,729,000 for FY2023/24 (FY2022/23: HK\$193,321,000).

The Group has diligently worked to scale its operations, forging partnerships with key industry players, broadening its geographical footprint of service across the APAC region, and enhancing its infrastructure support, including logistics channels and warehousing facilities. The commitment to continuous improvement and exploration of new products, markets, and industry networks underscores the Group's unwavering dedication to advancing its business. The Company will continue to solicit more 3C wholesaler customers to further boost its revenue.

At the current stage, the Group's existing 3C wholesaler customers have sold more than 2,000 different 3C products. Generally, the Group increases its 3C products range at the request of the 3C wholesaler customers. In the second stage of the Group's blueprint, depending on the needs of potential clients, the Group may explore to extend the supply chain financing business model to cover other consumable products, such as red wines and watches.

(vi) Trust services

Regarding its provision of trust services, the Group is targeting the provision of professional trust services to its HNW clients, in order to fulfil their needs of asset protection, tax planning and wealth management. The Group has obtained all required licenses to launch its trust business and is in the process of developing an online service platform to enable clients to track the assets held in trust. The Company expects to complete the online service platform by the end of the second quarter of 2024.

With the acquisition of all necessary licenses to initiate the trust service business in February 2024, the Company has engaged a specialized marketing company to craft the promotional and pitching materials, alongside the development of a user-friendly app and website dedicated to the trust service. The immediate next steps include rigorous testing of the website and app to guarantee flawless functionality and user experience. Parallel to these technical preparations, the Company is set to embark on promotion activities. This will involve distributing the newly created promotional materials to a carefully selected target audience, alongside a series of advertisements aimed at capturing the attention of potential clients. The Company will continue to leverage its networks in search of prospective customers and is already engaged in discussions with several potential customers.

(vii) Advisory services

The Company has been granted with approval to carry out Type 4 regulated activity (advising on securities) by the Securities and Futures Commission under the SFO during FY2023/24. This authorization enables the Group to provide a spectrum of advisory services related to investment advice and dealing in securities. The Company has already recruited employees who have extensive experience in the securities industry and is proactively engaging in identifying and courting potential clients. Currently, the Company is in the midst of negotiations with several potential clients, discussing the scope and terms of the services it proposes to offer.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company (the “**Chief Executives**”) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or have to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Mr. Fok Yuk Tong (“ Mr. Fok ”) (Note)	Interest of controlled corporation	1,199,640,000	50.41%
Ms. Hsieh Ching Chun (“ Ms. Hsieh ”) (Note)	Interest of controlled corporation	1,199,640,000	50.41%
Ms. Fok Kit Yee	Beneficial interest	360,000	0.02%

Note:

The issued share capital of Chance Wise Investments Limited (“**CWIL**”) is beneficially owned as to 30% by Mr. Fok and 70% by Ms. Hsieh respectively. Mr. Fok is the spouse of Ms. Hsieh. Therefore, Mr. Fok and Ms. Hsieh are deemed to be interested in the 1,199,640,000 shares of the Company held by CWIL by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company nor any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' and other persons' interests and short positions in the Shares and underlying shares of the Company

So far as the Directors and the Chief Executives are aware, as at the Latest Practicable Date, other than the Directors and the Chief Executives, the following person/corporation had or was deemed or taken to have an interest and/or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under Section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
CWIL (Note 1)	Beneficial interest	1,199,640,000	50.41%
Mega Wise Group Limited ("MWGL") (Note 2)	Beneficial interest	300,000,000	12.60%
Dr. Lee Chun Pong Bruce ("Dr. Lee")(Note 2)	Interest of a controlled corporation	300,000,000	12.60%
Ms. Chow Nim Pui ("Ms. Chow") (Note 3)	Interest of spouse	300,000,000	12.60%

Notes:

- (1) The issued share capital of CWIL is beneficially owned as to 30% by Mr. Fok and 70% by Ms. Hsieh respectively. Mr. Fok is the spouse of Ms. Hsieh. Therefore, Mr. Fok and Ms. Hsieh are deemed to be interested in the 1,199,640,000 shares of the Company held by CWIL by virtue of the SFO.
- (2) MWGL is wholly-owned by Dr. Lee. Therefore, Dr. Lee is deemed to be interested in the 300,000,000 shares of the Company held by MWGL by virtue of the SFO.
- (3) Ms. Chow is the spouse of Dr. Lee. Therefore, Ms. Chow is deemed to be interested in the 300,000,000 shares of the Company held by Dr. Lee through MWGL under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or pursuant to Section 336 of the SFO, which would have to be recorded in the register referred to therein.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance, and no litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which would not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, the controlling shareholder (as defined in the GEM Listing Rules) nor their respective close associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been, since 31 March 2024 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

7. MATERIAL CONTRACT

The following contract (not being contract entered into in the ordinary course of business) had been entered into by the Group within the two years immediately preceding the Latest Practicable Date which is or may be material:

- (a) the placing agreement dated 4 September 2024 and entered into between the Company and Innovax Securities Limited (the “**Placing Agent**”) pursuant to which the Company has conditionally agreed to place up to 380,000,000 new Shares at a price of not less than HK\$0.014 per Share through the Placing Agent.

8. AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in compliance with rules 5.28 and 5.29 of the GEM Listing Rules and with the written terms of reference in compliance with the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Tong Wing Chi (“**Mr. Tong**”), Mr. Kwan Tsz Chun Sun (“**Mr. Kwan**”) and Ms. Chan Hoi Wuen Katherine (“**Ms. Chan**”). Mr. Tong is the chairman of the Audit Committee.

The primary duties of the Audit Committee are, among others, (i) to make recommendations to the Board on the appointment and removal of external auditors; (ii) to review and monitor the integrity of the Company’s financial statements and provide advices in respect of financial reporting; (iii) to oversee the financial reporting system, internal control and risk management systems of the Group; and (iv) to monitor any continuing connected transactions.

The biographical information of each member of the Audit Committee is set out below:

Mr. Tong

Mr. Tong, aged 42, was appointed as an independent non-executive Director on 6 October 2021. Mr. Tong obtained a degree of Bachelor of Arts (Honors) in Accountancy from The Hong Kong Polytechnic University in November 2004 and has been a member of the Hong Kong Institute of Certified Public Accountants since September 2008.

Mr. Tong has over 15 years of experience in auditing, accounting and financial reporting. Mr. Tong started his career in Deloitte Touché Tohmatsu from September 2004 to February 2010 with his last position as an audit senior. He then worked in DTZ Debenham Tie Leung Limited as a senior accountant from March 2010 to October 2011. Mr. Tong returned to Deloitte Touché Tohmatsu in October 2011 as an audit manager and his last held position was a manager of CXO advisory service when he left the company in February 2014. From April 2014 to April 2016, Mr. Tong worked in Suncity Group Commercial Consulting Limited, a limited company incorporated in Macau, as an assistant director (finance). From April 2016 to October 2016, he then worked in China Cinda (HK) Holdings Company Limited, a wholly owned subsidiary of China Cinda Asset Management Co., Ltd. which is a company listed on the Main Board of the Stock Exchange (Stock Code: 1359), as a deputy senior manager of the accounting and finance department. From October 2016 to March 2017, Mr. Tong worked in Huarong Investment Stock Corporation Limited (a company formerly listed on the Main Board of the Stock Exchange with original stock code 2277 before being privatised in November 2020), as a senior finance manager at the finance department. He then worked in Suncity Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1383) from March 2017 to June 2018 as a financial controller and company secretary. Mr. Tong has been a managing director of Victory Success Consulting Limited since July 2018 and a managing partner of Edward & Stan Global Advisory Limited since November 2019. Also, Mr. Tong was a joint company secretary of China Bright Culture Group (stock code: 1859, a company listed on Main Board of the Stock Exchange) for the period from 21 July 2022 to 28 February 2023.

Mr. Tong was an independent non-executive director of Trendzon Holdings Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1865), from 21 September 2020 to 31 March 2022 and was an independent non-executive director of Greater Bay Area Dynamic Growth Holding Limited (Stock Code: 1189) from 19 September 2022 to 25 August 2023. He is an independent non-executive director of CHTC Fong's International Company Limited (Stock Code: 641, a company listed on the Main Board of the Stock Exchange) since 1 March 2022.

Mr. Kwan

Mr. Kwan, aged 44, was appointed as an independent non-executive Director on 11 October 2021. Mr. Kwan is currently a practising solicitor of a local law firm. Before joining the legal profession, Mr. Kwan served as a responsible officer for Types 4 and/or 9 regulated activities under the SFO for a number of financial institutions in Hong Kong. Prior to that, Mr. Kwan worked as an assistant investigator in the Operations Department of the Independent Commission Against Corruption of Hong Kong. Mr. Kwan obtained a degree of Bachelor of Business Administration from The Chinese University of Hong Kong in 2001, a degree of Bachelor of Laws from University of London in 2008 and a Postgraduate Certificate in Laws from The University of Hong Kong in 2013.

Ms. Chan

Ms. Chan, aged 43, was appointed as an independent non-executive Director on 11 December 2020. Ms. Chan holds a Bachelor degree in Arts (first-class honours) and a Master degree in Philosophy at the University of Hong Kong as well as a Bachelor degree in Laws at the Manchester Metropolitan University. She is currently a practising solicitor in Hong Kong and a principal of Katherine Chan Law Office. She has a wide range of experience in corporate finance, private equity and acquisitions and is familiar with the Rules Governing the Listing of Securities on the Stock Exchange, corporate governance and compliance issues of listed companies.

9. GENERAL

- (a) The secretary of the Company is Mr. Lam Man Kit, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The Company's branch share registrar and transfer office in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (c) In the event of any inconsistency, the English texts of this circular shall prevail over the Chinese texts.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.gyf.com.hk for a period of 14 days from the date of this circular:

- (a) each of the Master Supply Chain Financing Agreements; and
- (b) the material contract as referred to in the paragraph headed "7. Material Contract" in this appendix.