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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Virtual Mind Holding Company Limited** (the “Company”), you should at once hand this circular together with the accompanying form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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Virtual Mind Holding Company Limited
天機控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

**(I) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(II) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(III) NOTICE OF EGM**

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



Capitalised terms used in this cover page shall have the same meanings as defined in this circular.

A notice convening the EGM to be held at Room 2511-15, 25/F, Peninsula Tower, 538 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 11:00 a.m. on Monday, 8 April 2024, in the event that a black rainstorm warning is issued, or No. 8 signal or above is hoisted, or “extreme conditions” are announced by the government of Hong Kong at or any time between 9:00 a.m. and 11:00 a.m. or remain in force in Hong Kong, at the same time and place on the second Business Day after Monday, 8 April 2024 or any adjournment thereof, is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof 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. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

15 March 2024

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	21
LETTER FROM GRAM CAPITAL	23
APPENDIX – GENERAL INFORMATION	35
NOTICE OF EGM	EGM-1

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 2 February 2024 in relation to, among other things, subscription of new Shares under the Specific Mandate I and the connected transaction in relation to subscription of new Shares under the Specific Mandate II
“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm warning signal is hoisted or the Extreme Conditions is announced in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Virtual Mind Holding Company Limited, a company incorporated in the Cayman Islands, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for the purpose of considering and, if thought fit, approving the Subscription Agreements and the transactions contemplated thereunder, including the grant of the Specific Mandate I and Specific Mandate II
“Extreme Conditions”	the extreme conditions as announced by any Hong Kong Government department or body or otherwise, whether or not under or pursuant to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department of the Hong Kong Government in June 2019 in the event of serious disruption of public transport services or government services, extensive flooding, major landslides or large-scale power outage after typhoons or incidents similar in seriousness or nature
“First Long Stop Date”	30 April 2024
“First Subscriber”	Yu Chunfeng

DEFINITIONS

“First Subscription”	the issuing by the Company and the subscription by the First Subscriber of the First Subscription Shares pursuant to the First Subscription Agreement
“First Subscription Agreement”	the conditional subscription agreement entered into between the Company and the First Subscriber dated 2 February 2024 in relation to the First Subscription
“First Subscription Completion Date”	any Business Day within a period of ten (10) Business Days after the fulfilment and/or satisfaction (or waiver, as appropriate) of the conditions precedent of the First Subscription Agreement
“First Subscription Price”	HK\$0.10 per First Subscription Share
“First Subscription Share(s)”	the up to 400,000,000 new Shares to be allotted and issued by the Company to the First Subscriber pursuant to the First Subscription Agreement under the Specific Mandate I
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising of all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Second Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Second Subscription Agreement and the transactions contemplated thereunder and make recommendation as to voting
“Independent Shareholders”	Shareholders who are not required under the Listing Rules to abstain from voting at the EGM for the resolution to approve the Second Subscription Agreement and the transactions contemplated thereunder

DEFINITIONS

“Latest Practicable Date”	11 March 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	the listing committee appointed by the Stock Exchange for considering applications for listing and approving the listing of and dealing with securities on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wong”	Mr. Wong Wai Kai Richard, an executive Director
“Second Long Stop Date”	30 April 2024
“Second Subscriber”	King Castle Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability
“Second Subscription”	the issuing by the Company and the subscription by the Second Subscriber of the Second Subscription Shares pursuant to the Second Subscription Agreement
“Second Subscription Agreement”	the conditional subscription agreement entered into between the Company and the Second Subscriber dated 2 February 2024 in relation to the Second Subscription
“Second Subscription Completion Date”	any Business Day within a period of ten (10) Business Days after the fulfilment and/or satisfaction (or waiver, as appropriate) of the conditions precedent of the Second Subscription Agreement
“Second Subscription Price”	HK\$0.10 per Second Subscription Share
“Second Subscription Share(s)”	the up to 400,000,000 new Shares to be allotted and issued by the Company to the Second Subscriber pursuant to the Second Subscription Agreement under the Specific Mandate II
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Specific Mandate I”	the specific mandate to be granted to the Board by the Shareholders at the EGM for the allotment and issuance of the First Subscription Shares

DEFINITIONS

“Specific Mandate II”	the specific mandate to be granted to the Board by the Independent Shareholders at the EGM for the allotment and issuance of the Second Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the First Subscriber and the Second Subscriber
“Subscriptions”	the First Subscription and the Second Subscription
“Subscription Agreements”	the First Subscription Agreement and the Second Subscription Agreement
“Subscription Completion Dates”	the First Subscription Completion Date and the Second Subscription Completion Date
“Subscription Prices”	the First Subscription Price and the Second Subscription Price
“Subscription Share(s)”	the First Subscription Share(s) and the Second Subscription Share(s)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“VCH”	Value Convergence Holdings Limited, a company incorporated in Hong Kong with limited liability and having its issued ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 821), and the holding company of VC Brokerage Limited and VCIAM
“VCIAM”	VC International Asset Management Limited (formerly known as Anli Asset Management Limited), a company incorporated in Hong Kong with limited liability and licensed by the Securities and Futures Commission of Hong Kong to carry on regulated activity Type 9 (asset management), which is a wholly-owned subsidiary of VCH
“%”	per cent

LETTER FROM THE BOARD



Virtual Mind Holding Company Limited

天機控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

Executive Directors:

Mr. LI Yang (*Chairman*)
Ms. TIN Yat Yu Carol
Mr. CHAN Ming Leung Terence
Mr. GONG Xiaohan
Mr. WONG Wai Kai Richard

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

Mr. TANG Shu Pui Simon
Mr. HON Ming Sang
Ms. LO Wing Sze *BBS, JP*

Head office and principal place

of business in Hong Kong:
Room 2511-15, 25/F,
Peninsula Tower,
538 Castle Peak Road,
Cheung Sha Wan,
Kowloon, Hong Kong

15 March 2024

To the Shareholders

Dear Sir or Madam,

**(I) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(II) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(III) NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the Announcement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription Agreements and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the Second Subscription Agreement and the transactions contemplated thereunder; (iii) a letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Second Subscription Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM.

2. THE FIRST SUBSCRIPTION

On 2 February 2024 (after trading hours), the Company and the First Subscriber entered into the First Subscription Agreement, pursuant to which the Company contemplates to allot and issue, and the First Subscriber is desirous of subscribing for, up to 400,000,000 First Subscription Shares at the First Subscription Price of HK\$0.10 per First Subscription Share.

THE FIRST SUBSCRIPTION AGREEMENT

The principal terms of the First Subscription Agreement are as follows:

Date

2 February 2024 (after trading hours)

Issuer

The Company

Subscriber

The First Subscriber

(each a “**First Subscription Party**” and collectively, the “**First Subscription Parties**”)

Number of First Subscription Shares

As at the Latest Practicable Date, the Company has 2,165,276,324 Shares in issue. The 400,000,000 First Subscription Shares represent (i) approximately 18.47 % of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 15.59 % of the issued share capital of the Company as enlarged by the allotment and issue of the 400,000,000 First Subscription Shares (assuming no other change in the issued share capital of the Company from the Latest Practicable Date to the First Subscription Completion Date); and (iii) approximately 13.49% of the issued share capital of the Company as enlarged by the allotment and issue of the 400,000,000 First Subscription Shares and the 400,000,000 Second Subscription Shares (assuming no other change in the issued share capital of the Company from the Latest Practicable Date to the Subscription Completion Dates, whichever is later). The aggregate nominal value of the maximum number of the First Subscription Shares under the First Subscription will be HK\$4,000,000.

LETTER FROM THE BOARD

First Subscription Price

The First Subscription Price of HK\$0.10 represents:

- (i) a discount of approximately 23.66% to the closing price of HK\$0.131 per Share as quoted on the Stock Exchange on the date of the First Subscription Agreement;
- (ii) a discount of approximately 24.81% to the average closing price of approximately HK\$0.133 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the First Subscription Agreement;
- (iii) a discount of approximately 25.93% to the average closing price of approximately HK\$0.135 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the First Subscription Agreement;
- (iv) a discount of approximately 15.25% to the closing price of HK\$0.118 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a premium of approximately 7.53% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.093 per Share based on the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$201,041,000 as at 30 June 2023 and 2,165,276,324 Shares in issue as at the Latest Practicable Date;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 3.91%, represented by the theoretical diluted price of approximately HK\$0.128 per Share to the benchmarked price of approximately HK\$0.133 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the date of the First Subscription Agreement of HK\$0.131 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days immediately prior to the date of the First Subscription Agreement of HK\$0.133 per Share); and
- (vii) a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 6.76% (the aggregation of the First Subscription and the Second Subscription), represented by the cumulative theoretical diluted price of approximately HK\$0.124 per Share to the benchmarked price of approximately HK\$0.133 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the date of the First Subscription Agreement of HK\$0.131 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the First Subscription Agreement of HK\$0.133 per Share).

The First Subscription Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the First Subscriber. The Directors consider that the terms of the First Subscription Agreement (including the First Subscription Price) are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions precedent of the First Subscription

Completion of the First Subscription shall be subject to the satisfaction and/or fulfilment of such conditions precedent as set out in the First Subscription Agreement:

- (a) the Company having obtained all necessary consent and approval in respect of the Specific Mandate I and the First Subscription;
- (b) the Company having obtained from the Listing Committee the approval for the listing of, and permission to deal in, the First Subscription Shares, and such permission remaining valid until the completion of the First Subscription;
- (c) the First Subscriber having obtained all necessary consent and approval in respect of the First Subscription;
- (d) listing status of the Shares not having been revoked, cancelled, withdrawn or suspended, or further or in the alternative, threatened with any revocation, cancellation, withdrawal or suspension at any time prior to completion of the First Subscription;
- (e) all the representations and warranties of the Company pursuant to the First Subscription Agreement having remained true, accurate and not misleading in all material aspects, and remaining so until the completion of the First Subscription; and
- (f) all the representations and warranties of the First Subscriber pursuant to the First Subscription Agreement having remained true, accurate and not misleading in all material aspects, and remaining so until the completion of the First Subscription.

Save and except that such conditions precedent as set out in condition precedent (e) above which may be waived by the First Subscriber unilaterally at any time prior to the First Long Stop Date by notice in writing to the Company, and that such condition precedent (f) above which may be waived by the Company unilaterally at any time prior to the First Long Stop Date by notice in writing to the First Subscriber, no other conditions precedent can be waived by any First Subscription Party, and the Company shall use its best endeavour to ensure that the conditions precedent (a), (b), (d) and (e) above (in case such condition precedent (e) above have not been waived by the First Subscriber in accordance with this paragraph) shall be fulfilled and satisfied as soon as possible after the execution of the First Subscription Agreement, and in any event, no later than the First Long Stop Date, and likewise, the First Subscriber shall use its best endeavour to ensure that such conditions precedent (c) and (f) above (in case such condition precedent (f) above have not been waived by the Company in accordance with the First Subscription Agreement) shall be fulfilled and satisfied as soon as possible after the execution of the First Subscription Agreement, and in any event, no later than the First Long Stop Date.

Save as otherwise stated, if any of the conditions precedent set out in conditions precedent (a) to (f) above (save and except such conditions precedent having been waived in accordance with the above paragraph) shall not have been fulfilled and/or satisfied by 5:00 p.m. on the First Long Stop Date, the First Subscription Agreement shall, unless the First Subscription Parties agree in writing to postpone

LETTER FROM THE BOARD

the First Long Stop Date to a subsequent Business Day, automatically terminate and cease to be of any effect except for certain clauses in the First Subscription Agreement which shall remain in force, and none of the First Subscription Parties shall have any claim of any nature or liabilities thereunder whatsoever against the other First Subscription Party save for any antecedent breaches of the terms thereof.

Completion of the First Subscription

Completion of the First Subscription shall take place at 4:00 p.m. on the First Subscription Completion Date (or such other time as the First Subscription Parties may otherwise agree) when each First Subscription Party shall perform its respective obligations pursuant to the First Subscription Agreement.

The First Subscription Parties agree that the First Subscriber may designate nominee(s) to complete the First Subscription without conflicting the First Subscription Agreement.

Specific Mandate I

The First Subscription Shares will be allotted and issued under the Specific Mandate I to be sought from the Shareholders at the EGM.

3. CONNECTED TRANSACTION IN RELATION TO THE SECOND SUBSCRIPTION

References are made to the announcements of the Company dated 20 October 2023, 13 November 2023 and 5 January 2024 in relation to, among other things, the connected transaction in relation to subscription of new shares under specific mandate (the “**Previous Subscription**”). On 20 October 2023, the Company and the Second Subscriber entered into the subscription agreement of the Previous Subscription (the “**Previous Subscription Agreement**”), pursuant to which the Company contemplated to allot and issue, and the Second Subscriber was desirous of subscribing for, 500,000,000 subscription shares at the subscription price of HK\$0.10 per subscription share. In view of the then prevailing market conditions, on 31 January 2024, as the conditions precedent (a) and (b) as set out in the Previous Subscription Agreement (details of which are disclosed in the paragraph headed “Conditions precedent of the Subscription” of the announcement of the Company dated 20 October 2023) were not fully satisfied or fulfilled, the Previous Subscription Agreement lapsed and the Previous Subscription did not proceed.

On 2 February 2024 (after trading hours), the Company and the Second Subscriber entered into the Second Subscription Agreement, pursuant to which the Company contemplates to allot and issue, and the Second Subscriber is desirous of subscribing for, up to 400,000,000 Second Subscription Shares at the Second Subscription Price of HK\$0.10 per Second Subscription Share.

THE SECOND SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are as follows:

LETTER FROM THE BOARD

Date

2 February 2024 (after trading hours)

Issuer

The Company

Subscriber

The Second Subscriber

(each a “**Second Subscription Party**” and collectively, the “**Second Subscription Parties**”)

Number of Second Subscription Shares

As at the Latest Practicable Date, the Company has 2,165,276,324 Shares in issue. The 400,000,000 Second Subscription Shares represent (i) approximately 18.47% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 15.59% of the issued share capital of the Company as enlarged by the allotment and issue of the 400,000,000 Second Subscription Shares (assuming no other change in the issued share capital of the Company from the Latest Practicable Date to the Second Subscription Completion Date); and (iii) approximately 13.49% of the issued share capital of the Company as enlarged by the allotment and issue of the 400,000,000 First Subscription Shares and the 400,000,000 Second Subscription Shares (assuming no other change in the issued share capital of the Company from the Latest Practicable Date to the Subscription Completion Dates, whichever is later). The aggregate nominal value of the maximum number of the Second Subscription Shares under the Second Subscription will be HK\$4,000,000.

Second Subscription Price

The Second Subscription Price of HK\$0.10 represents:

- (i) a discount of approximately 23.66% to the closing price of HK\$0.131 per Share as quoted on the Stock Exchange on the date of the First Subscription Agreement;
- (ii) a discount of approximately 24.81% to the average closing price of approximately HK\$0.133 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the First Subscription Agreement;
- (iii) a discount of approximately 25.93% to the average closing price of approximately HK\$0.135 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the First Subscription Agreement;
- (iv) a discount of approximately 15.25% to the closing price of HK\$0.118 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

LETTER FROM THE BOARD

- (v) a premium of approximately 7.53% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.093 per Share based on the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$201,041,000 as at 30 June 2023 and 2,165,276,324 Shares in issue as at the Latest Practicable Date;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 3.91%, represented by the theoretical diluted price of approximately HK\$0.128 per Share to the benchmarked price of approximately HK\$0.133 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the date of the Second Subscription Agreement of HK\$0.131 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Second Subscription Agreement of HK\$0.133 per Share); and
- (vii) a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 6.76% (the aggregation of the issue of the First Subscription and the Second Subscription), represented by the cumulative theoretical diluted price of approximately HK\$0.124 per Share to the benchmarked price of approximately HK\$0.133 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the date of the Second Subscription Agreement of HK\$0.131 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Second Subscription Agreement of HK\$0.133 per Share).

The Second Subscription Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Second Subscriber. The Directors (excluding Mr. Wong who had abstained from voting on the Board resolutions of the Company since he is considered to have material interest in the Second Subscription as described in the paragraph headed "**INFORMATION ON THE SUBSCRIBERS**" and the independent non-executive Directors who will give their view on the Second Subscription Agreement and the transactions contemplated thereunder after taking into account the advice of Gram Capital) consider that the terms of the Second Subscription Agreement (including the Second Subscription Price) are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent of the Second Subscription

Completion of the Second Subscription shall be subject to the satisfaction and/or fulfilment of such conditions precedent as set out in the Second Subscription Agreement:

- (a) the Company having obtained all necessary consent and approval in respect of the Specific Mandate II and the Second Subscription;
- (b) the Company having obtained from the Listing Committee the approval for the listing of, and permission to deal in, the Second Subscription Shares, and such permission remaining valid until the completion of the Second Subscription;

LETTER FROM THE BOARD

- (c) the Second Subscriber having obtained all necessary consent and approval in respect of the Second Subscription;
- (d) listing status of the Shares not having been revoked, cancelled, withdrawn or suspended, or further or in the alternative, threatened with any revocation, cancellation, withdrawal or suspension at any time prior to completion of the Second Subscription;
- (e) all the representations and warranties of the Company pursuant to the Second Subscription Agreement having remained true, accurate and not misleading in all material aspects, and remaining so until the completion of the Second Subscription; and
- (f) all the representations and warranties of the Second Subscriber pursuant to the Second Subscription Agreement having remained true, accurate and not misleading in all material aspects, and remaining so until the completion of the Second Subscription.

Save and except that such conditions precedent as set out in condition precedent (e) above which may be waived by the Second Subscriber unilaterally at any time prior to the Second Long Stop Date by notice in writing to the Company, and that such condition precedent (f) above which may be waived by the Company unilaterally at any time prior to the Second Long Stop Date by notice in writing to the Second Subscriber, no other conditions precedent can be waived by any Second Subscription Party, and the Company shall use its best endeavour to ensure that the conditions precedent (a), (b), (d) and (e) above (in case such condition precedent (e) above have not been waived by the Second Subscriber in accordance with this paragraph) shall be fulfilled and satisfied as soon as possible after the execution of the Second Subscription Agreement, and in any event, no later than the Second Long Stop Date, and likewise, the Second Subscriber shall use its best endeavour to ensure that such conditions precedent (c) and (f) above (in case such condition precedent (f) above have not been waived by the Company in accordance with the Second Subscription Agreement) shall be fulfilled and satisfied as soon as possible after the execution of the Second Subscription Agreement, and in any event, no later than the Second Long Stop Date.

Save as otherwise stated, if any of the conditions precedent set out in conditions precedent (a) to (f) above (save and except such conditions precedent having been waived in accordance with the above paragraph) shall not have been fulfilled by 5:00 p.m. on the Second Long Stop Date, the Second Subscription Agreement shall, unless the Second Subscription Parties agree in writing to postpone the Second Long Stop Date to a subsequent Business Day, automatically terminate and cease to be of any effect except for certain clauses in the Second Subscription Agreement which shall remain in force, and none of the Second Subscription Parties shall have any claim of any nature or liabilities thereunder whatsoever against the other Second Subscription Party save for any antecedent breaches of the terms thereof.

Completion of the Second Subscription

Completion of the Second Subscription shall take place at 4:00 p.m. on the Second Subscription Completion Date (or such other time as the Second Subscription Parties may otherwise agree) when each Second Subscription Party shall perform its respective obligations pursuant to the Second Subscription Agreement.

LETTER FROM THE BOARD

Specific Mandate II

The Second Subscription Shares will be allotted and issued under the Specific Mandate II to be sought from the Independent Shareholders at the EGM.

4. RANKING OF THE SUBSCRIPTION SHARES

The Subscription Shares will be issued fully paid up and ranking pari passu in all respects, including as to the right to receive all dividends and other distributions which may be declared, made or paid after completion of the Subscriptions and will be issued free and clear of all encumbrances.

5. LISTING APPLICATION

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

6. INFORMATION ON THE SUBSCRIBERS

The First Subscriber

The First Subscriber is an individual in the People's Republic of China. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the First Subscriber is a third party independent of and not connected with the Company and its connected persons.

The Second Subscriber

The Second Subscriber is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the date of the Second Subscription Agreement, the Second Subscriber is wholly and beneficially owned by Mr. Wong Kin Ting, the father of Mr. Wong who is an executive Director, and therefore the Second Subscriber is an associate of Mr. Wong and hence a connected person of the Company under Chapter 14A of the Listing Rules.

7. REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

The Subscriptions reflect the confidence and support for the development of the Company by the Subscribers. The Subscriptions will further strengthen the capital base and financial position of the Company and lay down a more solid foundation for the future business development. In particular, it is expected that the proceeds from the Subscriptions will be used for the purposes as set out in the paragraph headed "**USE OF PROCEEDS FROM THE SUBSCRIPTION**" below.

The Directors (excluding Mr. Wong who had abstained from voting on the Board resolutions of the Company since he is considered to have material interest in the Second Subscription as described in the paragraph headed "**INFORMATION ON THE SUBSCRIBERS**" and the independent non-executive Directors who will give their view on the Second Subscription Agreement and the transactions contemplated thereunder after taking into account the advice of Gram Capital) consider

LETTER FROM THE BOARD

that each of the Subscription Agreements is on normal commercial terms, the terms of the Subscription Agreements (including the Subscription Prices) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

8. USE OF PROCEEDS FROM THE SUBSCRIPTIONS

As disclosed in the announcement of the Company dated 20 November 2023, the Company's wholly-owned subsidiary has entered into a production and sales licensing contract with a subsidiary of Tencent Holdings Limited ("**Tencent**"), obtaining the non-exclusive licensing from Tencent for the Group to produce and sell water cup peripheral merchandise of the online game Honor of Kings in the mainland of the People's Republic of China (excluding Hong Kong, Macao and Taiwan) (the "**Honor of Kings Project**"). The Group also plans to produce and sell the trendy and cultural products of another popular online game in the mainland of the People's Republic of China (excluding Hong Kong, Macao and Taiwan) (the "**Other Project**").

The First Subscription

The gross proceeds from the First Subscription will be up to HK\$40,000,000. The net proceeds from the First Subscription (after deduction of relevant expenses of the First Subscription) will amount to approximately up to HK\$39.72 million. The net price per First Subscription Share upon the completion of the First Subscription will be approximately HK\$0.099 per First Subscription Share. The Company intends to apply the net proceeds of (i) approximately HK\$9.79 million for repayment of outstanding liabilities; (ii) approximately HK\$11.88 million for provision of general working capital; and (iii) approximately HK\$18.05 million for existing projects' business development, of which approximately HK\$6.27 million will be applied to the Honor of Kings Project and approximately HK\$11.78 million will be applied to the Other Project. In the event that the 400,000,000 First Subscription Shares are not fully subscribed, the net proceeds will be utilised in proportion to the above uses.

The Second Subscription

The gross proceeds from the Second Subscription will be up to HK\$40,000,000. The net proceeds from the Second Subscription (after deduction of relevant expenses of the Second Subscription) will amount to approximately up to HK\$39.72 million. The net price per Second Subscription Share upon the completion of the Second Subscription will be approximately HK\$0.099 per Second Subscription Share. The Company intends to apply the net proceeds of (i) approximately HK\$9.79 million for repayment of outstanding liabilities; (ii) approximately HK\$11.88 million for provision of general working capital; and (iii) approximately HK\$18.05 million for existing projects' business development, of which approximately HK\$6.27 million will be applied to the Honor of Kings Project and approximately HK\$11.78 million will be applied to the Other Project. In the event that the 400,000,000 Second Subscription Shares are not fully subscribed, the net proceeds will be utilised in proportion to the above uses.

LETTER FROM THE BOARD

9. INFORMATION ON THE GROUP

The Group is principally engaged in (i) design, manufacture and trading of apparel; (ii) provision of money lending business; and (iii) IP application and products business.

10. LISTING RULES IMPLICATIONS OF THE SUBSCRIPTIONS

The First Subscription

The First Subscription and the First Subscription Shares to be allotted and issued under the Specific Mandate I are subject to the Shareholders' approval at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates have a material interest in the First Subscription, no Shareholder will be required to abstain from voting on the resolution relating to the First Subscription at the EGM.

The Second Subscription

As at the date of the Second Subscription Agreement, the Second Subscriber is wholly and beneficially owned by Mr. Wong Kin Ting, the father of Mr. Wong who is an executive Director. As such, the Second Subscriber is an associate of Mr. Wong and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Second Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to Independent Shareholders' approval by way of poll at the EGM. As Mr. Wong is considered to have material interest in the Second Subscription, he had abstained from voting on the Board resolutions of the Company in relation to the Second Subscription Agreement and the transactions contemplated thereunder. Any Shareholder who has a material interest in the Second Subscription must abstain from voting at the EGM on the resolution in respect of the Second Subscription Agreement and the transactions contemplated thereunder.

As the completion of the Subscriptions is subject to the satisfaction of the conditions precedent set out in the respective Subscription Agreements, the respective Subscriptions may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

11. EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below is a summary of the equity fund raising activities of the Company during the past 12 months immediately before the Latest Practicable Date:

LETTER FROM THE BOARD

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of the net proceeds	Actual use of the net proceeds
29 November 2023, 18 January 2024 and 4 March 2024	Issue of new shares under general mandate by way of subscription	approximately HK\$3.45 million	approximately HK\$3.45 million for provision of general working capital of the Group	The net proceeds of HK\$3.45 million has not been utilised
20 October 2023, 10 November 2023, 13 November 2023, 5 December 2023 and 5 January 2024	(I) Placing of new shares under general mandate; and (II) Previous Subscription	approximately HK\$10.9 million Nil	(I) Placing of new shares under general mandate: (a) approximately HK\$19.00 million for repayment of outstanding liabilities; and (b) approximately HK\$20.20 million for provision of general working capital (II) Previous Subscription: (a) approximately HK\$37 million for existing projects' business development; and (b) approximately HK\$12.50 million for future possible investment opportunities	Used the net proceeds of HK\$9.1 million for repayment of outstanding liabilities and the balance of HK\$1.8 million as general working capital The subscription agreement was lapsed on 31 January 2024
30 June 2023 and 14 July 2023	Placing of new shares under general mandate	Nil	(i) approximately HK\$12 million for repayment of outstanding liabilities; (ii) approximately HK\$25 million for provision of general working capital; and (iii) approximately HK\$22 million for possible investment in entertainment project(s)	The placing agreement was lapsed as announced by the Company on 14 July 2023

Save as disclosed above, the Company has not carried out any other equity fund raising activities in the past 12 months immediately before the Latest Practicable Date.

LETTER FROM THE BOARD

12. EFFECTS ON SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) assuming immediately upon the allotment and issue of the maximum of 400,000,000 First Subscription Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date to the First Subscription Completion Date); (iii) assuming immediately upon the allotment and issue of the maximum of 400,000,000 Second Subscription Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date to the Second Subscription Completion Date); and (iv) assuming immediately upon the allotment and issue of the maximum of 400,000,000 First Subscription Shares and the maximum of 400,000,000 Second Subscription Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date to the Subscription Completion Dates, whichever is later).

	(i) As at the Latest Practicable Date		(ii) Assuming immediately upon the allotment and issue of the maximum of 400,000,000 First Subscription Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date to the First Subscription Completion Date)		(iii) Assuming immediately upon the allotment and issue of the maximum of 400,000,000 Second Subscription Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date to the Second Subscription Completion Date)		(iv) Assuming immediately upon the allotment and issue of the maximum of 400,000,000 First Subscription Shares and the maximum of 400,000,000 Second Subscription Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date to the Subscription Completion Dates, whichever is later)	
	No. of Shares	Approximate	No. of Shares	Approximate	No. of Shares	Approximate	No. of Shares	Approximate
Directors								
Tang Shu Pui Simon (Note 1)	5,000,000	0.23%	5,000,000	0.19%	5,000,000	0.19%	5,000,000	0.17%
Chan Ming Leung Terence (Note 2)	15,840,000	0.73%	15,840,000	0.62%	15,840,000	0.62%	15,840,000	0.53%
Substantial Shareholders								
World Field Industries Limited (Note 3)	283,994,000	13.12%	283,994,000	11.07%	283,994,000	11.07%	283,994,000	9.58%
Subscribers								
The First Subscriber	-	-	400,000,000	15.59%	-	-	400,000,000	13.49%
The Second Subscriber	-	-	-	-	400,000,000	15.59%	400,000,000	13.49%
Public Shareholders								
	1,860,442,324	85.92%	1,860,442,324	72.53%	1,860,442,324	72.53%	1,860,442,324	62.74%
Total	2,165,276,324	100.00%	2,565,276,324	100.00%	2,565,276,324	100.00%	2,965,276,324	100.00%

LETTER FROM THE BOARD

Notes:

1. These 5,000,000 Shares are beneficially owned by Tang Shu Pui Simon, an independent non-executive Director. He is also the beneficial owner of 2,000,000 options of the Company.
2. These 15,840,000 Shares are beneficially owned by Chan Ming Leung Terence (“**Mr. Chan**”), an executive Director. He was granted 2,000,000 options and 15,900,000 options of the Company on 8 December 2021 and 19 April 2022 respectively. On 27 April 2023, he exercised 7,200,000 options of the Company. On 31 May 2023, he exercised another 7,200,000 options of the Company. On 31 August 2023, he exercised another 1,440,000 options of the Company. Hence, a total of 15,840,000 Shares were issued to Mr. Chan. Based on his disclosure of interests forms filed on 19 May 2023, 20 June 2023 and 12 September 2023 respectively, Mr. Chan has provided an interest in the 15,840,000 Shares as security to a person other than a qualified lender. He continues to be the beneficial owner of the remaining balance of 2,060,000 options of the Company.
3. Based on the disclosure of interests forms filed on 19 July 2022, World Field Industries Limited is owned as to 100% by Green Astute Limited, which is in turn owned as to 100% by Hao Tian Media & Culture Holdings Limited, which is in turn owned as to 100% by Aceso Life Science Group Limited (“**Aceso**”), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 474.HK). Based on the interim report for the six months ended 30 September 2023 of Aceso, as at 30 September 2023, Aceso was owned as to approximately 58.98% by Ms. Li Shao Yu (李少宇) and as to 10.83% by Century Golden Resources Investment Co., Ltd (“**Century Golden**”). Based on the disclosure of interest forms in relation to Aceso filed on 25 August 2021, Century Golden is owned as to 50% by Huang Tao (黃濤) and as to 40% by Huang Shiying (黃世熒).

13. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Ms. Lo Wing Sze *BBS, JP*, being all independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Second Subscription Agreement and the transactions contemplated thereunder.

The Company has, with the approval of the Independent Board Committee, appointed Gram Capital as the Independent Financial Adviser in accordance with the requirements under the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in relation to the Second Subscription Agreement and the transactions contemplated thereunder.

14. EGM

The EGM will be convened and held at Room 2511-15, 25/F, Peninsula Tower, 538 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 11:00 a.m. on Monday, 8 April 2024 for the purpose of considering and, if thought fit, approving the Subscription Agreements and the transactions contemplated thereunder, including the grant of the Specific Mandate I and Specific Mandate II for the allotment and issue of the Subscription Shares.

The notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof 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. Completion and

LETTER FROM THE BOARD

return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

The First Subscription and the First Subscription Shares to be allotted and issued under the Specific Mandate I are subject to the Shareholders' approval at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, as none of the Shareholders or their associates have a material interest in the First Subscription, no Shareholder is required to abstain from voting on the resolution relating to the First Subscription (including the grant of the Specific Mandate I) at the EGM.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Second Subscriber and its associates (including Mr. Wong) do not hold any Shares. The Second Subscriber and its associates (including Mr. Wong) (to the extent they have an existing interest in the Shares) will abstain from voting at the EGM on the resolution in respect of the Second Subscription. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the aforementioned, as at the Latest Practicable Date, no other Shareholder is required to abstain from voting on the resolution relating to the Second Subscription (including the grant of the Specific Mandate II) at the EGM.

To determine the entitlement of the members of the Company to attend and vote at the EGM to be held on Monday, 8 April 2024, the register of members of the Company will be closed from Tuesday, 2 April 2024 to Monday, 8 April 2024, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with the share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 28 March 2024.

All the resolutions proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

15. RECOMMENDATION

The Directors consider that the First Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and the terms and transactions contemplated are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors recommend that the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the First Subscription, the First Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate I for the allotment and issue of the First Subscription Shares.

LETTER FROM THE BOARD

The Directors (excluding Mr. Wong who had abstained from voting on the Board resolutions of the Company since he is considered to have material interest in the Second Subscription as described in the paragraph headed “**INFORMATION ON THE SUBSCRIBERS**” and including the independent non-executive Directors whose view are expressed in the letter from the Independent Board Committee) consider that the Second Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and the terms and transactions contemplated are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Second Subscription, the Second Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate II for the allotment and issue of the Second Subscription Shares.

16. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices and the notice of EGM, which form part of this circular.

Yours faithfully,
For and on behalf of the Board of
Virtual Mind Holding Company Limited
Li Yang
Chairman & Executive Director



Virtual Mind Holding Company Limited

天機控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

15 March 2024

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 15 March 2024 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings herein.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the Second Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate II) are fair and reasonable so far as the Company and the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We would like to draw your attention to the letter from the Board set out on pages 5 to 20 of the Circular which contains, among other things, information on the Second Subscription and the letter from Gram Capital set out on pages 23 to 34 of the Circular which contains its advice in respect of the Second Subscription Agreement and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the Circular.

Having taken into account the Second Subscription Agreement and the transactions contemplated thereunder as well as the advice of Gram Capital, we are of the opinion that the terms of the Second Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate II) are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Although the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Second Subscription Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Company, they are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Second Subscription, the Second Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate II).

Yours faithfully,
For and on behalf of
Independent Board Committee of
Virtual Mind Holding Company Limited

Mr. Tang Shu Pui Simon
*Independent non-executive
Director*

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

Ms. Lo Wing Sze BBS, JP
*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Second Subscription for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

15 March 2024

*To: The independent board committee and the independent shareholders
of Virtual Mind Holding Company Limited*

Dear Sir/Madam,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSON

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Second Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 15 March 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 20 October 2023, the Company and the Second Subscriber entered into the Previous Subscription Agreement, pursuant to which the Company contemplated to allot and issue, and the Second Subscriber was desirous of subscribing for, 500,000,000 shares at the subscription price of HK\$0.10 per subscription share (i.e. the Previous Subscription). On 31 January 2024, as certain conditions precedent set out in the Previous Subscription Agreement were not fully satisfied or fulfilled, the Previous Subscription Agreement lapsed and the Previous Subscription did not proceed.

On 2 February 2024, the Company and the Second Subscriber entered into the Second Subscription Agreement, pursuant to which the Company contemplates to allot and issue, and the Second Subscriber is desirous of subscribing for, up to 400,000,000 Second Subscription Shares at the Second Subscription Price of HK\$0.10 per Second Subscription Share (i.e. the Second Subscription).

LETTER FROM GRAM CAPITAL

On 2 February 2024, the Company also entered into the First Subscription Agreement with the First Subscriber (who is a third party independent of and not connected with the Company and its connected persons), pursuant to which the Company contemplates to allot and issue, and the First Subscriber is desirous of subscribing for, up to 400,000,000 First Subscription Shares at the First Subscription Price of HK\$0.10 per First Subscription Share (i.e. the First Subscription). The Second Subscription Price equals to the First Subscription Price.

With reference to the Board Letter, the Second Subscription constitutes a connected transaction of the Company under the Listing Rules, which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Ms. Lo Wing Sze BBS, JP (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Second Subscription are on normal commercial terms and are fair and reasonable; (ii) whether the Second Subscription is conducted in the ordinary and usual course of the business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Second Subscription Agreement and transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and/or the management of the Company. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Second Subscription. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 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 therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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, the Second Subscriber or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Second Subscription. 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. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Second Subscription, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Second Subscription

Information on the Group

With reference to the Board Letter, the Group is principally engaged in (i) design, manufacture and trading of apparel; (ii) provision of money lending business; and (iii) intellectual property (“IP”) application and products business.

LETTER FROM GRAM CAPITAL

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2022 as extracted from the Company’s annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”) and six months ended 30 June 2023 (“**1H2023**”) as extracted from the Company’s interim results report for 1H2023 (the “**2023 Interim Report**”):

	For the six months ended 30 June 2023	For the year ended 31 December 2022	For the year ended 31 December 2021	Change from 2021 to 2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>Approximate%</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	
Revenue	31,932	89,620	139,818	(35.90)
– <i>Design, manufacturing and trading of apparels</i>	26,431	74,337	129,254	(42.49)
– <i>Money lending services</i>	4,124	13,631	10,564	29.03
– <i>Sale of trendy and cultural products</i>	1,377	1,652	–	N/A
Gross profit	6,199	14,060	38,699	(63.67)
Loss for the year/period	(21,324)	(65,875)	(46,271)	42.37
Net cash used in operating activities	(29,041)	(81,009)	(58,792)	37.79
	As at 30 June 2023	As at 31 December 2022	As at 31 December 2021	
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	
Cash and cash equivalents	24,340	52,012	15,348	

As depicted from the table above, the Group’s revenue decreased by approximately 35.90% from approximately HK\$140 million for the year ended 31 December 2021 (“**FY2021**”) to approximately HK\$90 million for the year ended 31 December 2022 (“**FY2022**”), mainly attributable to decrease in revenue from design, manufacturing and trading of apparels (which is due to difficult environment in the principal markets of the Group’s apparel operation, namely, Mainland China and Hong Kong).

The Group recorded loss of approximately HK\$66 million for FY2022, represented an increase of approximately 42.37% as compared to that of approximately HK\$46 million for FY2021. With reference to 2022 Annual Report, such increase was mainly due to (i) decrease in revenue and gross profit due to difficult environment; (ii) impairment loss on goodwill for the Group’s money lending operation; and (iii) increase in administrative expenses, as partially offset by (a) gain on disposal of land and buildings; and (b) decrease in selling and distribution expenses.

The Group continued to make loss of approximately HK\$21 million for 1H2023, represented a decrease of approximately 47.95% as compared to that for the corresponding period in 2022. With reference to 2023 Interim Report, such decrease in loss was primarily due to reversal of expected credit loss on loans and interest receivables for 1H2023.

LETTER FROM GRAM CAPITAL

As depicted from the table above, the Group's net cash used in operating activities were approximately HK\$59 million for FY2021, approximately HK\$81 million for FY2022 and approximately HK\$29 million for 1H2023. The Group's cash and cash equivalents was approximately HK\$24 million as at 30 June 2023.

With reference to 2022 Annual Report, the Group will further expand its apparel portfolio and leverage trendy IPs to open up sportswear, children's wear and other markets. The Group will also grasp the opportunity to expand its business in the trendy cultural products closely related to apparel to seize the huge opportunities presented by the economic development of China.

Information on Second Subscriber

With reference to the Board Letter, the Second Subscriber is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the date of the Second Subscription Agreement, the Second Subscriber is wholly and beneficially owned by Mr. Wong Kin Ting, the father of Mr. Wong who is an executive Director, and therefore the Second Subscriber is an associate of Mr. Wong and hence a connected person of the Company under Chapter 14A of the Listing Rules.

Reasons for and benefits of the Second Subscription and use of proceeds

With reference to the Board Letter, the Second Subscription reflects the confidence and support for the development of the Company by the Second Subscriber. The Second Subscription will further strengthen the capital base and financial position of the Company and lay down a more solid foundation for the future business development.

Financing alternatives

As advised by the Directors, in light of the prevailing financial conditions of the Group, the Board considers the Subscriptions (including the Second Subscription) to be a suitable financial option as compared to other means of financing as it enables the Group to raise capital without increasing interest burden on the Group. The Directors further advised that they also considered other forms of fund raising methods for the Group, such as other equity financing (i.e. rights issue or open offer) and debt financing, before conducting the Subscriptions (including the Second Subscription).

In respect of the debt financing, it will incur additional finance costs and increase gearing level of the Group and may be subject to lengthy due diligence and negotiations with lenders. Having also taken into account that the Company intends to apply part of the net proceeds from the Second Subscription for repayment of the Group's outstanding liabilities, the Directors considered that debt financing is not an optimal financing method.

In respect of rights issue or open offer, the Directors considered that (i) such fundraising activities may incur additional costs, including but not limited to underwriting commission and other professional fees; (ii) given the Group's loss-making position for FY2021, FY2022 and 1H2023, the Company may have difficulties in seeking underwriter; and (iii) if the rights issue or open offer is not underwritten, its results will be uncertain.

LETTER FROM GRAM CAPITAL

Based on the above factors, the Directors considered that the Second Subscription is a suitable financial option as compared to other means of financing.

Use of proceeds

With reference to the Board Letter, it is expected that net proceeds from the Second Subscription (after deduction of relevant expenses of the Second Subscription) will be up to approximately HK\$39.72 million (the “**Net Proceeds**”). The Company intends to apply the Net Proceeds as to (i) approximately HK\$9.79 million for repayment of outstanding liabilities (the “**Net Proceeds for Repayment**”); (ii) approximately HK\$11.88 million for provision of general working capital (the “**Net Proceeds for WC**”); and (iii) approximately HK\$18.05 million for existing projects’ business development (the “**Net Proceeds for BD**”), of which approximately HK\$6.27 million will be applied to the Honor of Kings Project and approximately HK\$11.78 million will be applied to the Other Project.

Upon our enquiry, the Directors advised us that Net Proceeds for Repayment will improve the Group’s financial position.

We understood from the Company that the Net Proceeds for WC may be applied for the Group’s daily operation needs, such as office and administrative expenses, professional fees and annual listing fee. In addition, as discussed in the section headed “Information on the Group” above, the Group’s net cash used in operating activities were approximately HK\$59 million for FY2021, approximately HK\$81 million for FY2022 and approximately HK\$29 million for 1H2023. Accordingly, we also consider that the Net Proceeds for WC can support the Group’s business operation.

With reference to the Company’s announcement dated 20 November 2023, the Company’s wholly-owned subsidiary has entered into a production and sales licensing contract with a subsidiary of Tencent, obtaining the non-exclusive licensing from Tencent for the Group to produce and sell water cup peripheral merchandise of the online game Honor of Kings in the People’s Republic of China (excluding Hong Kong, Macao and Taiwan) (the “**PRC**”) (i.e. the Honor of Kings Project). In addition, the Directors advised us that the Group plans to produce and sell the trendy and cultural products of another popular online game in the PRC (i.e. the Other Project).

The Directors advised us that the Net Proceeds for BD will be used in (i) the Honor of Kings Project; and (ii) the Other Project. For our due diligence purpose, we obtained (i) further breakdown of the Net Proceeds for BD; and (ii) certain copies of the supporting documents relating to (a) the Honor of Kings Project; and (b) the Other Project.

With reference to 2022 Annual Report, the Group commenced sale of trendy and cultural products and generated revenue from this segment in FY2022. We consider that the Net Proceeds for BD can facilitate the business development of this newly commenced segment, which also aligns with the Group’s business strategy.

LETTER FROM GRAM CAPITAL

Having considered (i) reasons for and benefits of the Second Subscription as mentioned above; (ii) the Second Subscription is a suitable financial option as compared to other means of financing; and (iii) that the proposed use of the Net Proceeds will improve the Group's financial position and facilitate the Group's business development and operation, we are of the view that although the Second Subscription is not conducted in the ordinary and usual course of business of the Group, it is in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the Second Subscription

Set out below are the summarised terms of the Second Subscription as contemplated under the Second Subscription Agreement, details of which are set out under the section headed "THE SECOND SUBSCRIPTION AGREEMENT" of the Board Letter.

Date: 2 February 2024 (the "**Agreement Date**")

Parties: (a) the Company (as the issuer); and
(b) King Castle Enterprises Limited (as the subscriber).

Second Subscription Shares:

The 400,000,000 Second Subscription Shares represent (i) approximately 18.47% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 15.59% of the total number of issued Shares as enlarged by the allotment and issue of the Second Subscription Shares (assuming no other change in the issued share capital of the Company from the Latest Practicable Date to the Second Subscription Completion Date).

Subscription price:

The Second Subscription Price is HK\$0.10 per Second Subscription Share, which represents:

- (i) a discount of approximately 15.25% to the closing price of HK\$0.118 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 23.66% to the closing price of HK\$0.131 per Share as quoted on the Stock Exchange on the Agreement Date (the "**Agreement Date Discount**");
- (iii) a discount of approximately 24.81% to the average closing price of approximately HK\$0.133 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Agreement Date (the "**5-Day Discount**"); and
- (iv) a premium of approximately 7.53% over the Company's unaudited consolidated net asset value per Share as at 30 June 2023 of approximately HK\$0.093 (calculated by equity attributable to the owners of the Company of approximately HK\$201 million as at 30 June 2023 and 2,165,276,324 Shares in issue as at the Latest Practicable Date).

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Second Subscription Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Second Subscriber.

Analysis on the Second Subscription Price

In order to assess the fairness and reasonableness of the Second Subscription Price, we conducted the following analysis:

a) *Share price performance*

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 1 February 2023 to Agreement Date, being a period of approximately one year up to and including the Agreement Date (the “**Shares Review Period**”), to illustrate the general trend and level of movement of the closing prices of the Shares:



Source: the Stock Exchange's website

During the Shares Review Period, the highest and lowest closing prices of Shares as quoted on the Stock Exchange were HK\$0.240 recorded on 3 March 2023 and 8 March 2023 and HK\$0.086 recorded on 15 November 2023 respectively. The Second Subscription Price falls within the aforesaid closing price range.

LETTER FROM GRAM CAPITAL

During the Shares Review Period, the closing price of the Shares decreased from HK\$0.226 on 1 February 2023 to HK\$0.086 on 15 November 2023. Subsequently, the closing price of Shares remained at relatively low level and surged significantly to HK\$0.169 on 1 December 2023. Thereafter, the closing price of the Shares followed a decreasing trend and reached HK\$0.131 on the Agreement Date.

b) Comparables

As part of our analysis, we also identified subscription of new ordinary shares listed on the Stock Exchange under specific mandate for cash consideration (excluding transactions involving restructuring) which were announced by Hong Kong listed companies (and were not lapsed or terminated) during the three-month period from 2 November 2023 up to and including the Agreement Date. We found 10 transactions (the “**Comparables**”) which met the said criteria and they are exhaustive. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparables.

LETTER FROM GRAM CAPITAL

Company name (stock code)	Date of announcement	Involving connected transaction (%)	Status as at Latest Practicable Date (%)	Premium/ (discount) of the subscription price to the closing price per share for the last five consecutive trading days immediately prior to the date of the agreement in relation to the respective subscription of new shares	Premium/ (discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately prior to the date of the agreement in relation to the respective subscription of new shares
Denox Environmental & Technology Holdings Limited (1452)	6 November 2023	Yes	Completed	(4.00)	2.13
Hopefluent Group Holdings Limited (733)	6 November 2023	Yes	Terminated	73.12 <i>(Note)</i>	75.00 <i>(Note)</i>
InvesTech Holdings Limited (1087)	7 November 2023	No	Completed	(9.52)	(9.09)
Creative China Holdings Limited (8368)	10 November 2023	Yes	Completed	(10.17)	(7.99)
OSL Group Limited (formerly known as BC Technology Group Limited) (863)	14 November 2023	No	Completed	(22.76)	(4.81)
Chuan Holdings Limited (1420)	17 November 2023	Yes	Completed	-	-
Greatview Aseptic Packaging Company Limited (468)	30 November 2023	No	Pending	(5.26)	(3.57)
Cornerstone Technologies Holdings Limited (8391)	22 December 2023	Yes	Pending	17.14	13.57
ZO Future Group (2309)	12 January 2024	Yes	Pending	(15.00)	(11.41)
Renaissance Asia Silk Road Group Limited (274)	30 January 2024	No	Pending	(39.13)	(31.71)
Maximum (excluding outlier)				17.14	13.57
Minimum (excluding outlier)				(39.13)	(31.71)
Average (excluding outlier)				(9.86)	(5.88)
The Second Subscription	2 February 2024			(23.66)	(24.81)

Source: the Stock Exchange's website

Note: The premium of relevant transaction was exceptionally high and considered to be an outlier.

According to the above table, the subscription prices of the Comparables (excluding outlier) ranged from a discount of approximately 39.13% to a premium of approximately 17.14%, with average discount of approximately 9.86% to the respective closing prices of the shares on the date of agreement in relation to the respective subscription (the “**Agreement Date Discount/Premium Market Range**”). The Agreement Date Discount falls within the Agreement Date Discount/Premium Market Range.

LETTER FROM GRAM CAPITAL

According to the above table, the subscription prices of the Comparables (excluding outlier) ranged from a discount of approximately 31.71% to a premium of approximately 13.57% with average discount of approximately 5.88% to the respective average closing prices of the shares for the last five consecutive trading days immediately prior to the dates of agreement in relation to the respective subscription of new shares (the “**5-Day Discount/Premium Market Range**”). The 5-Day Discount also falls within the 5-Day Discount/Premium Market Range.

Having considered the following factors, including:

- (i) the Agreement Date Discount falls within the Agreement Date Discount/Premium Market Range;
- (ii) the 5-Day Discount falls within the 5-Day Discount/Premium Market Range;
- (iii) the Second Subscription Price falls within the closing price range of the Shares during the Shares Review Period; and
- (iv) the Second Subscription Price equals to the First Subscription Price under the First Subscription Agreement, whereas the First Subscriber is a third party independent of and not connected with the Company and its connected persons,

we are of the view that the Second Subscription Price is fair and reasonable.

Having considered the principal terms of the Second Subscription as set out above, we are of the view that the terms of the Second Subscription are on normal commercial terms and are fair and reasonable.

3. Possible dilution effect on the shareholding interests of the public Shareholders

With reference to the shareholding table in the section headed “12. EFFECTS ON SHAREHOLDING STRUCTURE” of the Board Letter, the shareholding interests of the other public Shareholders would be diluted by approximately 13.39 percentage points from approximately 85.92% as at the Latest Practicable Date to approximately 72.53% immediately after completion of the Second Subscription (assuming no other change in the issued share capital of the Company from the Latest Practicable Date to the Second Subscription Completion Date). Taking into account (i) the aforementioned reasons for and benefits of the Second Subscription; and (ii) the terms of the Second Subscription being fair and reasonable, we are of the view that the aforesaid dilution is acceptable.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Second Subscription are on normal commercial terms and are fair and reasonable; and (ii) although the Second Subscription is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Second Subscription and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 executive's interests in securities of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and 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 and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Appendix C3 "Model Code for Securities Transactions by Directors of Listed Issuers" ("**Model Code**") contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and underlying shares of the Company

As at the Latest Practicable Date, the interests of the Directors and the chief executive in the Shares of the Company were as follows:

Name	Capacity	Ordinary shares	Shares issuable on share options held (Note 1)	Total interests	Approximate percentage of shareholdings (Note 2)
Li Yang	Beneficial owner	–	36,700,000	36,700,000	1.69%
Tin Yat Yu Carol	Beneficial owner	–	36,700,000	36,700,000	1.69%
Chan Ming Leung Terence (Note 3)	Beneficial owner	15,840,000	2,060,000	17,900,000	0.83%
Gong Xiaohan	Beneficial owner	–	36,700,000	36,700,000	1.69%
Tang Shu Pui Simon	Beneficial owner	5,000,000	2,000,000	7,000,000	0.32%
Hon Ming Sang	Beneficial owner	–	2,000,000	2,000,000	0.09%
Lo Wing Sze	Beneficial owner	–	2,000,000	2,000,000	0.09%

Notes:

1. The options were respectively granted by the Company on 8 December 2021, 19 April 2022 and 17 January 2023. For details of the options granted, please refer to the announcements of the Company published on the respective dates.
2. Based on 2,165,276,324 Shares in issue as at the Latest Practicable Date.
3. Based on the disclosure of interests form filed on 19 May 2023, 20 June 2023 and 12 September 2023 respectively, Mr. Chan Ming Leung Terence provided an interest in the 15,840,000 Shares as securities to a person other than a qualified lender.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company have or are deemed to have interests or short positions 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 notifiable 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 are taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained by the Company under Section 352 of the SFO, or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial shareholders' and other persons' interests and short positions in Shares, underlying shares and debentures

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares 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 who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity	Ordinary shares	Other interests in underlying shares held	Total interests	Approximate percentage of shareholdings (Note 1)
World Field Industries Limited (Note 2)	Beneficial owner	283,994,000	–	283,994,000	13.12%
Value Convergence Holdings Limited (Note 3)	Beneficial owner	155,334,000	66,844,919	222,178,919	10.26%
	Interest of controlled corporation	19,338,000	–	19,338,000	0.89%
Anli Investment Fund SPC – Anli Greater China Fund Segregated Portfolio (Note 4)	Beneficial owner	178,950,887	–	178,950,887	8.26%
Zeng Ge (Note 5)	Beneficial owner	–	19,800,000	19,800,000	0.91%
	Interest of controlled corporation	114,000,000	–	114,000,000	5.26%

Notes:

1. Based on 2,165,276,324 Shares in issue as at the Latest Practicable Date.
2. Based on the disclosure of interests forms filed on 19 July 2022, World Field Industries Limited is owned as to 100% by Green Astute Limited, which is in turn owned as to 100% by Hao Tian Media & Culture Holdings Limited, which is in turn owned as to 100% by Aceso Life Science Group Limited (“Aceso”), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 474.HK). Based on the interim report for the six months ended 30 September 2023 of Aceso, as at 30 September 2023, Aceso was owned as to approximately 58.98% by Ms. Li Shao Yu (李少宇) and as to 10.83% by Century Golden Resources Investment Co., Ltd (“Century Golden”). Based on the disclosure of interest forms in relation to Aceso filed on 25 August 2021, Century Golden is owned as to 50% by Huang Tao (黄涛) and as to 40% by Huang Shiyong (黄世英).

3. As at the Latest Practicable Date, to the best of knowledge and information of the Company, VCH was (i) the beneficial owner of 222,178,919 shares/underlying shares of the Company, of which 66,844,919 referred to interests in underlying shares (unlisted derivatives – convertible instruments). VCH was deemed to be interested in 66,844,919 underlying shares of the Company which may be issued and allotted upon exercise of the conversion rights attaching to the convertible bonds at a principal amount of HK\$10,000,000 at the conversion price of HK\$0.1496 per share. For details, please refer to the announcements of the Company dated 13 December 2021 and 6 January 2022. VCH was the beneficial owner of 155,334,000 Shares. Also, by virtue of the SFO, VCH is deemed to be interested in 19,338,000 Shares which are held by VC Brokerage Limited, which in turn is owned as to 100% by VC Financial Group Limited, which is in turn owned as to 100% by VCH.
4. As at the Latest Practicable Date, to the best knowledge and information of the Company, Anli Investment Fund SPC-Anli Greater China Opportunity Fund Segregated Portfolio (“**Anli Greater China**”) is interested in 178,950,887 Shares. VCIAM is the investment manager of Anli Greater China.
5. Based on the disclosure of interests forms filed on 20 April 2023, Mr. Zeng Ge (曾軻) is the beneficial owner of 100% shareholding in Dreamtoys Ltd., and is thus deemed, by virtue of Part XV of the SFO, to be interested in 114,000,000 shares beneficially owned by Dreamtoys Ltd. Besides, Mr. Zeng Ge has been granted 19,800,000 share options by the Company on 17 January 2023.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons/entities (other than the directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations 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; or as otherwise notified to the Company and the Stock Exchange. As at the Latest Practicable Date, no Director is also a director or employee of any substantial shareholder (as defined under the Listing Rules) of the Company.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. DIRECTORS’ COMPETING INTERESTS

Ms. Tin Yat Yu Carol (“**Ms. Tin**”), an executive Director and the sole director of Delta Wealth Finance Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, is also a director of Finsoft Financial Investment Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM of the Stock Exchange (Stock code: 8018), which is principally engaged in money lending business in Hong Kong.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective close associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save for Ms. Tin's interest in a sale and purchase agreement dated 8 December 2022 (for details, please refer to the announcement of the Company dated 8 December 2022 and the circular of the Company dated 10 February 2023), no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2022, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

6. EXPERTS' QUALIFICATION AND CONSENT

The following are the qualifications of the expert who has been named in this circular or has given opinion or letter contained in this circular:

Name	Qualification
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors confirmed that as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

8. DOCUMENTS ON DISPLAY

Copies of the following documents are available on the website of the Company at <http://www.vmh.com.hk> and on the website of the Stock Exchange from the date of this circular up to and including the date of the EGM:

- (a) the First Subscription Agreement;
- (b) the Second Subscription Agreement;
- (c) the letter from the Independent Board Committee as set out in this circular;
- (d) the letter from Gram Capital as set out in this circular;
- (e) the written consent of the expert as referred to in the section headed “**EXPERTS’ QUALIFICATION AND CONSENT**” of this appendix; and
- (f) this circular.

9. MISCELLANEOUS

The English text of this circular shall prevail over its Chinese text in case of inconsistency.

NOTICE OF EGM



Virtual Mind Holding Company Limited 天機控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of shareholders (the “**Shareholders**”) of Virtual Mind Holding Company Limited (the “**Company**”) will be held at Room 2511-15, 25/F, Peninsula Tower, 538 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 11:00 a.m. on Monday, 8 April 2024 for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the subscription agreement dated 2 February 2024 (the “**First Subscription Agreement**”) (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) entered into between the Company as the issuer and Yu Chunfeng as the subscriber (the “**First Subscriber**”) in relation to the issue of up to 400,000,000 new shares (the “**First Subscription Shares**”) of the Company and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, the specific mandate granted to the board of directors (the “**Board**”) of the Company to allot and issue the First Subscription Shares by the Company to the First Subscriber pursuant to the First Subscription Agreement (the “**Specific Mandate I**”) be and are hereby approved, and the Board be and is hereby authorised to allot and issue the First Subscription Shares to the First Subscriber pursuant to the First Subscription Agreement; and
- (b) any one of the directors of the Company (“**Director(s)**”) be and is hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the First Subscription Agreement and all transactions contemplated thereunder including the allotment and issue of the First Subscription Shares under the Specific Mandate I, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not

NOTICE OF EGM

fundamentally different from those as provided for in the First Subscription Agreement) as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole.”

2. **“THAT”**

- (a) the subscription agreement dated 2 February 2024 (the **“Second Subscription Agreement”**) (a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) entered into between the Company as the issuer and King Castle Enterprises Limited as the subscriber (the **“Second Subscriber”**) in relation to the issue of up to 400,000,000 new shares (the **“Second Subscription Shares”**) of the Company and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, the specific mandate granted to the Board to allot and issue the Second Subscription Shares by the Company to the Second Subscriber pursuant to the Second Subscription Agreement (the **“Specific Mandate II”**) be and are hereby approved, and the Board be and is hereby authorised to allot and issue the Second Subscription Shares to the Second Subscriber pursuant to the Second Subscription Agreement; and
- (b) any one of the Directors be and is hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Second Subscription Agreement and all transactions contemplated thereunder including the allotment and issue of the Second Subscription Shares under the Specific Mandate II, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided for in the Second Subscription Agreement) as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole.”

By Order of the Board
Virtual Mind Holding Company Limited
Li Yang
Chairman & Executive Director

Hong Kong, 15 March 2024

NOTICE OF EGM

As at the date of this notice, the Board comprised the following Directors:

Executive Directors

Mr. LI Yang (*Chairman*)
Ms. TIN Yat Yu Carol
Mr. CHAN Ming Leung Terence
Mr. GONG Xiaohan
Mr. WONG Wai Kai Richard

Independent non-executive Directors

Mr. TANG Shu Pui Simon
Mr. HON Ming Sang
Ms. LO Wing Sze *BBS, JP*

*Head office and principal place of
business in Hong Kong:*

Room 2511-15, 25/F, Peninsula Tower,
538 Castle Peak Road, Cheung Sha Wan,
Kowloon, Hong Kong

Notes:

1. Business Day means any day (excluding Saturday and Sunday) on which no black rainstorm warning is issued, no No. 8 signal or above is hoisted, and no “extreme conditions” are announced by the government of Hong Kong at any time between 9:00 a.m. and 11:00 a.m. or remain in force in Hong Kong; and on which banks in Hong Kong are generally open for business. In the event that a black rainstorm warning is issued, or No. 8 signal or above is hoisted, or “extreme conditions” are announced by the government of Hong Kong at any time between 9:00 a.m. and 11:00 a.m. or remain in force in Hong Kong, the EGM will not be held on that day but will be held at the same time and place on the second Business Day after Monday, 8 April 2024 or any adjournment thereof.
2. For ascertaining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 2 April 2024 to Monday, 8 April 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all duly completed transfer documents accompanied by the relevant share certificates must be lodged with 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 for registration not later than 4:30 p.m. on Thursday, 28 March 2024.
3. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or, if he/she is the holder of two or more Shares, more than one proxy to attend and vote on his/her behalf in accordance with the articles of association of the Company (as amended from time to time). A proxy needs not be a Shareholder.
4. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at 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 in any event not later than 11:00 a.m. on Saturday, 6 April 2024.

NOTICE OF EGM

5. Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof and in such case, the form of proxy previously submitted shall be deemed to be revoked.

6. In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto but if more than one of such joint holders are present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand first in the register of members in respect of the joint holding.