

Guru Online (Holdings) Limited

超凡網絡(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8121

FIRST QUARTERLY REPORT 2018





CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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*This report, for which the directors (collectively the “**Directors**” and each, the “**Director**”) of Guru Online (Holdings) Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”, “**we**”, “**our**” or “**us**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report 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 report misleading.*

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 30 June 2018 (the “**Period**”) together with the unaudited comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2018

	NOTES	Three months ended 30 June 2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Revenue	4	47,702	43,849
Cost of services		(34,382)	(27,215)
Gross profit		13,320	16,634
Other income, gains or losses	5	798	578
Selling expenses		(8,075)	(6,480)
Administrative expenses		(15,465)	(11,454)
Share of loss of associates		(59)	(25)
Change in fair value of held for trading investments		(355)	13
Loss before tax		(9,836)	(734)
Income tax expense	6	-	-
Loss for the period attributable to owners of the Company	8	(9,836)	(734)
Other comprehensive income (expense)			
<i>Item that will be subsequently reclassified to profit or loss:</i>			
Change in fair value of available-for-sale investments		(446)	-
Release of available-for-sale investments reserve upon disposal		63	-
Exchange differences arising on translating foreign operations		933	191
Other comprehensive income for the period		550	191
Total comprehensive loss for the period attributable to owners of the Company		(9,286)	(543)
Loss per share			
Basic and diluted (HK cent)	9	(0.59)	(0.04)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	Share capital	Share premium	Share options reserve	Available-for-sale investment reserve	Exchange reserve	Other reserve (Note)	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018 (audited)	16,672	78,559	5,045	195	(862)	46,657	(49,836)	96,430
Loss for the period	-	-	-	-	-	-	(9,836)	(9,836)
Other comprehensive income (expense) for the period								
– Change in fair value of available-for-sale investments	-	-	-	(446)	-	-	-	(446)
– Release of available-for-sale investments reserve upon disposal	-	-	-	63	-	-	-	63
– Exchange differences arising on translating foreign operations	-	-	-	-	933	-	-	933
Total comprehensive income (expense) for the period	-	-	-	(383)	933	-	(9,836)	(9,286)
Share options lapsed	-	-	(5,045)	-	-	-	5,045	-
At 30 June 2018 (unaudited)	16,672	78,559	-	(188)	71	46,657	(54,627)	87,144

Note:

Other reserve represented the difference between the nominal amount of the share capital and share premium of AdBeyond Holdings Limited and the nominal amount of the share capital issued by the Company pursuant to the group reorganisation on 16 May 2015.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the three months ended 30 June 2017

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Available-for-sale investment reserve HK\$'000	Exchange reserve HK\$'000	Other reserve (Note) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2017 (audited)	16,672	78,559	5,136	-	(2,316)	46,657	(21,570)	123,138
Loss for the period	-	-	-	-	-	-	(734)	(734)
Other comprehensive expense for the period								
– Exchange differences arising on translating foreign operations	-	-	-	-	191	-	-	191
Total comprehensive expense for the period	-	-	-	-	191	-	(734)	(543)
Recognition of equity-settled share-based payment	-	-	195	-	-	-	-	195
Share options lapsed	-	-	(602)	-	-	-	602	-
At 30 June 2017 (unaudited)	16,672	78,559	4,729	-	(2,125)	46,657	(21,702)	122,790

Note:

Other reserve represented the difference between the nominal amount of the share capital and share premium of AdBeyond Holdings Limited and the nominal amount of the share capital issued by the Company pursuant to the group reorganisation on 16 May 2015.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2018

1. GENERAL

The Company was incorporated on 10 January 2014 in the Cayman Islands as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. Its shares (the “**Shares**”) has been listed on GEM of the Stock Exchange since 29 May 2015 (the “**Listing**”). The addresses of the registered office and principal place of business in Hong Kong of the Company are Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and 4/F., KOHO, 73-75 Hung To Road, Kwun Tong, Hong Kong, respectively.

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

Other than those subsidiaries of the Company established in the People’s Republic of China (the “**PRC**”) whose functional currency is Renminbi (“**RMB**”), the functional currency of the remaining subsidiaries of the Company is Hong Kong dollars (“**HK\$**”).

The unaudited condensed consolidated financial statements are presented in HK\$, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group's unaudited condensed consolidated financial statements for the Period have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

The unaudited condensed consolidated financial statements for the Period comprises the Company and its subsidiaries.

The accounting policies used in the preparation of this report are consistent with those used in the preparation of the annual report for the year ended 31 March 2018.

This report has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of the unaudited condensed consolidated financial statements of the Group for the Period in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2018. The application of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standards, amendments and interpretations will have no material impact on the unaudited condensed consolidated financial statements of the Group.



4. REVENUE

Revenue represents revenue arising on the provision of social media management services, digital advertisement placement services and creative and technology services. The following is an analysis of the Group's revenue for the periods:

	Three months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Social media management services	21,497	20,961
Digital advertisement placement services	6,928	10,557
Creative and technology services	19,277	12,331
	47,702	43,849

5. OTHER INCOME, GAINS OR LOSSES

	Three months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Gain on disposal of available-for-sales investments	615	–
Dividends from held for trading investments	131	35
Impairment loss reversed in respect of trade receivables	81	398
Interest income on held-to-maturity investments	46	80
Rental income from investment properties	43	–
Bank interest income	8	3
Loss on disposal of plant and equipment	(12)	–
Loss on disposal of held for trading investments	(141)	–
Sundry income	27	62
	798	578

6. INCOME TAX EXPENSE

	Three months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profit Tax	–	–
PRC Enterprise Income Tax	–	–
Deferred tax	–	–
	–	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax has been made for the periods ended 30 June 2018 and 2017 as there was no assessable profit for both periods.

Under the law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Company is 25% for both periods. No provision for Enterprise Income Tax has been made for the periods ended 30 June 2018 and 2017 as there was no assessable profit for both periods.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (the “**BVI**”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

7. DIVIDENDS

Dividend recognised as distribution during the period:

	Three months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interim dividend	–	–



8. LOSS FOR THE PERIOD

Loss for the relevant periods has been arrived at after charging (crediting):

	Three months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Directors' and chief executive's emoluments	3,125	1,686
Other staff costs (excluding Directors' and chief executive's emoluments)	20,212	16,774
Retirement benefits scheme contributions (excluding Directors' and chief executive's emoluments)	632	602
Total staff costs	23,969	19,062
Gross rental income from investment properties	(43)	–
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the period	6	–
Direct operating expenses incurred for investment properties that did not generated rental income during the period	12	–
	(25)	–
Depreciation of plant and equipment	800	619
Depreciation of investment properties	136	–
Share-based payment expenses (included in staff costs above)	–	195
Net foreign exchange (gain)/loss	1,171	(221)
Operating lease rentals in respect of rented premises	2,069	2,738

9. LOSS PER SHARE

The calculation of the basic and diluted loss per Share attributable to owners of the Company is based on the following data:

	Three months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per Share	(9,836)	(734)
Number of Shares	2018 '000	2017 '000
Weighted average number of ordinary Shares for the purpose of basic and diluted loss per Share	1,667,200	1,667,200

The weighted average number of ordinary shares in issue during the periods ended 30 June 2018 and 2017 represents 1,667,200,000 ordinary shares in issue.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group mainly offers a range of integrated digital marketing services including (i) social media management services; (ii) digital advertisement placement services; and (iii) creative and technology services.

The Group's integrated digital marketing business has continued to steadily grow. Customers' demand for digital marketing had risen as they generally recognised that marketing via digital platforms is a major trend, mainly due to the rising utilisation rate of the Internet. Hence, it is necessary to include digital platforms in the marketing solutions mix in order to effectively target customer groups. Furthermore, through digital marketing supported by Big Data*, customers not only can estimate the exposure based on their budget, but also can obtain other important information such as the shifts in sales amount and the preference of target customers. Close communications with customers enabled the Group to tailor our integrated digital marketing services that better address the needs of our customers and meet customers' marketing goals.

Customers showed a greater interest in innovative digital marketing solutions. This trend enabled the Group's creative and technology services to achieve an outstanding performance. The Group has incorporated innovative technologies such as facial expression and lip recognition and online "chatbot" functions in recent projects. In the future, the Group believes that artificial intelligence will become another potential new technology to be harnessed in marketing activities. In light of this, the Group intends to accelerate its pace of development to capture early opportunities in the market and tailor more creative marketing activities for our customers.

Looking ahead, drivers of growth are readily apparent in the digital marketing market. With the emergence of new media and platforms, companies are changing their strategies of conveying messages to target customers. The Group sees the trend that digital advertising spending will surpass that of traditional advertising in the coming few years. Hence, the Group believes that the success of technology-driven marketing projects will further promote the overall development of digital marketing market, and thus it will allocate greater resources to drive the development of the business in a bid to boost the Group's total revenue.

* Big Data: the information assets characterised by such a high volume, velocity and variety to require specific technology and analytical methods for its transformation into value.



FINANCIAL REVIEW

Revenue

The Group's revenue was generated from the integrated digital marketing business which divided from (i) social media management services; (ii) digital advertisement placement services; and (iii) creative and technology services.

Total revenue of the Group grew by around 8.78% from approximately HK\$43.85 million for the three months ended 30 June 2017 to approximately HK\$47.70 million for the Period, which represent a stable growth on the revenue.

For the Period, revenue generated from (i) social media management services amounted to approximately HK\$21.49 million (three months ended 30 June 2017: approximately HK\$20.96 million), accounting for around 45.07% of our total revenue (three months ended 30 June 2017: around 47.80%); (ii) digital advertisement placement services amounted to approximately HK\$6.93 million (three months ended 30 June 2017: approximately HK\$10.56 million), representing around 14.52% of our total revenue (three months ended 30 June 2017: around 24.08%); and (iii) creative and technology services amounted to approximately HK\$19.28 million (three months ended 30 June 2017: approximately HK\$12.33 million), accounting for around 40.41% of our total revenue (three months ended 30 June 2017: around 28.12%).



Other income, gains or losses

Other income, gains or losses of the Group increased by around 37.93% from approximately HK\$0.58 million for the three months ended 30 June 2017 to approximately HK\$0.80 million for the Period, which was mainly attributable to the gain on disposal of available-for-sales investments and dividends from held for trading investments.

Selling expenses

The Group's selling expenses increased by around 24.69% from approximately HK\$6.48 million for the three months ended 30 June 2017 to approximately HK\$8.08 million for the Period. The selling expenses were mainly selling staff costs, sales commission and marketing-related expenses. The increase in selling expenses was mainly caused by the marketing-related expenses which rose up with the corresponding growth on the revenue.

Administrative expenses

The Group's administrative expenses increased by around 35.11% from approximately HK\$11.45 million for the three months ended 30 June 2017 to approximately HK\$15.47 million for the Period. The administrative expenses were mainly rental expenses, utility expenses, building management fees, recruitment-related expenses, legal and professional fees and listing-related expenses. The increase in administrative expenses for the Period was mainly due to the increase in (i) the administrative staff costs, (ii) depreciation; and (iii) exchange loss.

Loss for the period attributable to owners of the Company

For the Period, loss attributable to owner of the Company was approximately HK\$9.84 million (three months ended 30 June 2017: approximately HK\$0.73 million). The increase in loss attributable to owners of the Company was mainly due to the increase in staff costs.



• **EVENT AFTER THE REPORTING PERIOD**

No significant events occurring subsequent to 30 June 2018 and up to the date of this report.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the Period (three months ended 30 June 2017: Nil).

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2018, the Group had the following significant investments: (i) held-to-maturity investments amounted to HK\$6.62 million (2017: HK\$20.30 million), which consist of 2 corporate bonds (2017: 3); (ii) held for trading investments amounted to HK\$2.77 million (2017: HK\$1.94 million), which consist of 6 equity securities (2017: 9); (iii) available-for-sale investments amounted to HK\$18.56 million (2017: Nil), which consist of 17 investment funds and 2 unlisted equity securities (2017: Nil); and (iv) investment properties amounted to HK\$21.18 million (2017: HK\$8.13 million), which consist of 10 car parks and a premises located in Hong Kong (2017: 3 car parks and a premises located in Hong Kong).

Save as disclosed above and the investment in subsidiaries and associates by the Company, the Group did not hold any significant investments during the periods ended 30 June 2018 and 2017, respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares of the Company

Name	Nature of interest	Total number of Shares held	Percentage of shareholding
Mr. Yip Shek Lun ("Mr. Alan Yip") (Chief executive officer and chairman of the Board)	Interests held jointly with another person (Note 1)	349,460,000	20.96%
	Interest in controlled corporation (Note 2)/Interest of spouse (Note 3)	249,120,000	14.94%
Ms. Wan Wai Ting ("Ms. Karin Wan")	Interests held jointly with another person (Note 1)	349,460,000	20.96%
	Interest in controlled corporation (Note 2)/Interest of spouse (Note 3)	249,120,000	14.94%
Mr. Ng Chi Fung ("Mr. Jeff Ng")	Interests held jointly with another person (Note 1)	415,700,000	24.93%
	Beneficial owner	182,880,000	10.97%



Notes:

1. Mr. Alan Yip, Ms. Karin Wan, Mr. Jeff Ng and Ms. Wang Lai Man, Liza (“**Ms. Liza Wang**”) are persons acting in concert and accordingly each of them is deemed to be interested in the Shares held by the others. By a deed of confirmation and undertaking entered into among Mr. Alan Yip, Mr. Jeff Ng, Ms. Karin Wan and Ms. Liza Wang dated 2 January 2014 (the “**Acting in Concert Confirmation and Undertaking**”), each of Mr. Alan Yip, Ms. Karin Wan, Mr. Jeff Ng and Ms. Liza Wang confirmed, inter alia, that they have exercised their voting rights at the meetings of the shareholders and/or directors of members of the Group in unanimity since 1 April 2011 and have undertaken to continue to do so upon the execution of the Acting in Concert Confirmation and Undertaking and during the period they (by themselves or together with their associates) remain in control of the Group until the Acting in Concert Confirmation and Undertaking is terminated by them in writing.
2. These Shares are held by Cooper Global Capital Limited (“**Cooper Global**”), which is owned as to 50% by Mr. Alan Yip and 50% by Ms. Karin Wan. By virtue of the SFO, Mr. Alan Yip and Ms. Karin Wan are deemed to be interested in the Shares held by Cooper Global.
3. Mr. Alan Yip is the spouse of Ms. Karin Wan. Under the SFO, Mr. Alan Yip is deemed to be interested in all the Shares in which Ms. Karin Wan is interested. Ms. Karin Wan is the spouse of Mr. Alan Yip. Under the SFO, Ms. Karin Wan is deemed to be interested in all the Shares in which Mr. Alan Yip is interested.

Save as disclosed above, as at 30 June 2018, none of the Directors nor chief executive of the Company has registered an interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as the Directors are aware, as at 30 June 2018, the following persons (other than the Directors or chief executive of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares of the Company

Name	Nature of interest	Total number of Shares held	Percentage of shareholding
Cooper Global	Beneficial owner	249,120,000	14.94%
Ms. Liza Wang	Interests held jointly with another person (Note 1) Beneficial owner	432,000,000 166,580,000	25.91% 9.99%
Mr. Luk Ting Kwan, Jerry	Interest of spouse (Note 2)	598,580,000	35.90%
Huayi Brothers International Investment Ltd. ("Huayi Brothers")	Beneficial owner	248,970,000	14.93%
HUAYI BROTHERS INTERNATIONAL LIMITED ("Huayi Brothers International")	Interest in controlled corporation (Note 3)	248,970,000	14.93%
Huayi Brothers Media Corporation ("Huayi Brothers Media")	Interest in controlled corporation (Note 3)	248,970,000	14.93%
HGI GROWTH CAPITAL LIMITED ("HGI Growth")	Beneficial owner	132,720,000	7.96%
Mr. Cheung Wing Hon ("Mr. Patrick Cheung")	Interest in controlled corporation (Note 4)	132,720,000	7.96%
Ms. Lo Wai Kei	Interest of spouse (Note 5)	132,720,000	7.96%
PURE FORCE INVESTMENTS LIMITED ("Pure Force")	Beneficial owner	109,930,000	6.59%
Mr. Wong Yuet Yeung Harry ("Mr. Harry Wong")	Interest in controlled corporation (Note 6)	109,930,000	6.59%



Notes:

1. Mr. Alan Yip, Ms. Karin Wan, Mr. Jeff Ng and Ms. Liza Wang are persons acting in concert and accordingly each of them is deemed to be interested in the Shares held by the others. By the Acting in Concert Confirmation and Undertaking, each of Mr. Alan Yip, Ms. Karin Wan, Mr. Jeff Ng and Ms. Liza Wang confirmed, inter alia, that they have exercised their voting rights at the meetings of the shareholders and/or directors of members of the Group in unanimity since 1 April 2011 and have undertaken to continue to do so upon the execution of the Acting in Concert Confirmation and Undertaking and during the period they (by themselves or together with their associates) remain in control of the Group until the Acting in Concert Confirmation and Undertaking is terminated by them in writing.
2. Mr. Luk Ting Kwan, Jerry is the spouse of Ms. Liza Wang. Under the SFO, Mr. Luk Ting Kwan, Jerry is deemed to be interested in all the Shares in which Ms. Liza Wang is interested.
3. These Shares are held by Huayi Brothers, which is wholly owned by Huayi Brothers International, which is in turn wholly owned by Huayi Brothers Media. By virtue of the SFO, each of Huayi Brothers International and Huayi Brothers Media is deemed to be interested in all the Shares held by Huayi Brothers.
4. These Shares are held by HGI Growth, which is wholly owned by Mr. Patrick Cheung. By virtue of the SFO, Mr. Patrick Cheung is deemed to be interested in all the Shares held by HGI Growth.
5. Ms. Lo Wai Kei is the spouse of Mr. Patrick Cheung. Under the SFO, Ms. Lo Wai Kei is deemed to be interested in all the Shares in which Mr. Patrick Cheung is interested.
6. These Share are held by Pure Force, which is wholly owned by Mr. Harry Wong. By virtue of the SFO, Mr. Harry Wong is deemed to be interested in all the Shares held by Pure Force.

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any other persons (other than the Directors or chief executive of the Company) who had or deemed or taken to have any interests or short positions in the Shares or underlying Shares 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 required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.



SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally approved by the Company pursuant to the written resolutions of all the then shareholders of the Company dated 20 May 2015. The terms of the Share Option Scheme are in accordance with Chapter 23 of the GEM Listing Rules.

As at 30 June 2018, the outstanding number of share options available for grant under the Share Option Scheme is 166,720,000 share options to subscribe for Shares, which, if granted and exercised in full, represent approximately 10% of the Shares in issue as at the date of this report.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme disclosed above, at no time during the Period was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates that competes or may compete, directly or indirectly, with the Group's business and any other conflicts of interest which any such person has or may have with the Group during the Period.

DEED OF NON-COMPETITION

A deed of non-competition dated 20 May 2015 has been entered into by Mr. Alan Yip, Mr. Jeff Ng, Ms. Karin Wan, Ms. Liza Wang and Cooper Global, all being the Company's controlling shareholders, in favour of the Company regarding certain non-competition undertakings. The details of the deed of non-competition have been disclosed in the section headed "Relationship with Our Controlling Shareholders" in the Prospectus.



● **CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”) as its own code governing securities transactions of the Directors. Having made specific enquiry of all the Directors, all of them confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the Period and up to the date of this report.

Pursuant to Rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealing by the Model Code as if he were a Director.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

For the Period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board strives to uphold the principles of corporate governance as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules, and has adopted various measures to enhance the internal control system, the Directors’ continuous professional development and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create values and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.




During the Period, the Company has complied with the code provisions, other than Provision A.2.1 of the CG Code.

Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Alan Yip is the chairman of the Board and the chief executive officer of the Company and has been managing the Group's business and overall strategic planning since its establishment. The Directors believe that the vesting of the roles of chairman of the Board and chief executive officer in Mr. Alan Yip is beneficial to the business operations and management of the Group as it provides a strong and consistent leadership to the Group and that the current management has been effective in the development of the Group and the implementation of business strategies under the leadership of Mr. Alan Yip. In allowing the two roles to be vested in the same person, the Group believes both positions require in-depth knowledge and considerable experience of the Group's business and Mr. Alan Yip is the most suitable person to occupy both positions for effective management of the Group. Accordingly, the Company has not segregated the roles of its chairman of the Board and chief executive officer as required by Provision A.2.1 of the CG Code.

REVIEW BY THE AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee comprises three members, namely, Mr. Tso Ping Cheong, Brian, Mr. David Tsoi and Mr. Hong Ming Sang, who are independent non-executive Directors. Mr. Tso Ping Cheong, Brian, who has appropriate professional qualifications and experience in accounting matters, is the chairman of the Audit Committee. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of external auditor, review the financial information, oversee the Group's financial reporting process, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by the Board.



The Audit Committee has reviewed the unaudited condensed consolidated results of the Group for the Period and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board

Guru Online (Holdings) Limited

Yip Shek Lun

Chief Executive Officer, Chairman of the Board and Executive Director

Hong Kong, 13 August 2018

As at the date of this report, the executive Directors are Mr. Yip Shek Lun, Mr. Ng Chi Fung and Ms. Wan Wai Ting; the non-executive Directors are Ms. Cheung Laam and Mr. Wang Zhong Lei, and the independent non-executive Directors are Mr. Tso Ping Cheong, Brian, Mr. David Tsoi, Mr. Hong Ming Sang and Mr. Lam Tung Leung.