

28 March 2025

*To the Independent Board Committee and the Independent Shareholders of
Oriental Payment Group Holdings Limited*

Dear Sirs,

**CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED FOURTH AMENDMENTS
TO THE TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS**

A. 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 Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 28 March 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Letter from the Board, pursuant to the terms of the Fourth Addendum, subject to the fulfilment of the conditions precedent (the “**Conditions Precedent**”), it is agreed between the Company and the Bondholders that the maturity date of the Convertible Bonds shall be further extended from “the date falling upon the expiry of four years and six months from the date on which the Convertible Bonds are issued or if such date is not a Business Day, the immediate preceding Business Day” (which is 24 December 2024) to “the date falling upon the expiry of six years and six months from the date on which the Convertible Bonds are issued, or if such date is not a Business Day, the immediate preceding Business Day” (which is 24 December 2026 (the “**New Maturity Date**”)).

Save for the Proposed Fourth Amendments, all other terms and conditions of the Convertible Bonds shall remain unchanged, and the outstanding Convertible Bonds shall remain in full force, validity, and effect in accordance with the terms set out therein.

GEM Listing Rules Implications

Pursuant to Rule 34.05 of the GEM Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities.

Given that the Proposed Fourth Amendments are alterations to terms of the Convertible Bonds which do not take effect automatically thereunder, the Company will apply to the Stock Exchange for its approval of the Proposed Fourth Amendments pursuant to the requirements under Rule 34.05 of the GEM Listing Rules.

Further, as at the Latest Practicable Date, Metagate is a substantial shareholder of the Company directly interested in 309,250,000 Shares, representing approximately 16.04% of the total issued share capital of the Company as at the Latest Practicable Date and is therefore a connected person of the Company under the GEM Listing Rules. Also, Mr. Choy, who is the director and the ultimate sole shareholder of Metagate, is an associate of Metagate under the GEM Listing Rules and hence a connected person of the Company under the GEM Listing Rules. Therefore, the Proposed Fourth Amendments to the CB Terms and Conditions in relation to the Convertible Bonds held by Metagate and Mr. Choy would constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Accordingly, Metagate and Mr. Choy are required under the GEM Listing Rules to abstain from voting on the relevant resolution at the EGM.

Save as disclosed above, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries as at the Latest Practicable Date, no Shareholder has a material interest in the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments) and the grant of the Specific Mandate to allot and issue the Conversion Shares upon exercise of the Conversion Rights by the Bondholders, and therefore no Shareholder (or his/her/its associates) is required to abstain from voting at the EGM in relation to the resolution to be proposed for approving the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments), the grant of the Specific Mandate to allot and issue the Conversion Shares upon exercise of the Conversion Rights by the Bondholders and other related matters at the EGM.

Independent Board Committee

The Independent Board Committee comprising all the independent non-executive Directors, namely Ir Dr. Ng Yu Ki, Mr. Tong Tsz Kwan and Ms. Tam Yuen Lam Angela, has been established to advise the Independent Shareholders regarding to the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments), and so as to whether the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments) is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

We, Vinco Financial Limited, have been appointed and approved by the Independent Board Committee, comprising three independent non-executive Directors, to advise the Independent Board Committee and the Independent Shareholders regarding to the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments). In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments) are on normal commercial terms, fair and reasonable, are in the interest of the Company and the Shareholders as a whole and whether to vote in the favour of the resolution to be proposed at the EGM to approve the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments) so far as the Independent Shareholders are concerned.

Our Independence

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments). Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments) of the Company.

B. BASIS OF OUR OPINION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors and management of the Company and its subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts, the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the Latest Practicable Date and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and management of the Company and its subsidiaries.

We also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have discussed with the management of the Group to understand the information collected from the Company including but not limited to (i) the published financial report of the Company for the year ended 31 March 2024 (the “**Annual Report 2024**”), the published interim report of the Company for the six months ended 30 September 2024 (the “**Interim Report 2024**”); (ii) the placing agreement dated 10 June 2020 entered into between the Company and SBI (the “**CB Placing Agreement**”); (iii) the First to Fourth Addendums; and (iv) the Transfer Agreements. Furthermore, we have researched and analyzed the market information obtained from the website of the Stock Exchange. Our opinion is necessarily based on the management’s representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments). 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 Chapters 17 and 20 of the GEM Listing Rules. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments) and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments), we have taken into account the following principal factors and reasons:

1. Business and financial information of the Group

Information of the Group

The Company is an investment holding company which, together with its subsidiaries, is principally engaged in providing comprehensive payment processing services to merchants in Thailand and the Philippines.

Information of Metagate

Metagate is an investment holding company incorporated in the Cayman Islands which is wholly-owned by Mr. Choy, who is an experienced investor in the Hong Kong stock market. As at the Latest Practicable Date, Metagate is a substantial shareholder of the Company directly interested in 309,250,000 Shares, representing approximately 16.04% of the total issued share capital of the Company as at the Latest Practicable Date and is therefore a connected person of the Company under the GEM Listing Rules. Also, Mr. Choy, who is the director and the ultimate sole shareholder of Metagate, is an associate of Metagate under the GEM Listing Rules and hence a connected person of the Company under the GEM Listing Rules. Mr. Choy also directly holds 19,880,000 Shares, representing approximately 1.03% of the total issued share capital of the Company as at the Latest Practicable Date.

Financial performance of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 March 2024 as extracted from the Annual Report 2024 and the unaudited consolidated financial information of the Group for the six months ended 30 September 2024 and 2023 as extracted from the Interim Report 2024:

	For the six months ended		For the year ended 31 March	
	30 September			
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	19,474	10,537	31,718	8,379
Gross profit	4,690	2,531	9,215	644
Loss for the period/year	(15,920)	(18,074)	(37,158)	(32,231)

	As at		As at	
	30 September		31 March	31 March
	2024		2024	2023
	HK\$'000		HK\$'000	HK\$'000
	(unaudited)		(audited)	(audited)
Bank balances and cash	3,165		4,430	11,015
Net current liabilities	(30,103)		(21,835)	(5,589)
Total assets	64,344		112,686	111,462
Total liabilities	56,645		89,369	59,110
Net Assets	7,699		23,317	52,352

The Group recorded revenue for the year ended 31 March 2024 in the amount of approximately HK\$31.7 million, representing an increase of approximately 278.5% as compared to that for the year ended 31 March 2023 in the amount of approximately HK\$8.4 million. According to the Annual Report 2024, such increase was mainly due to the increase in the merchant discount rate (“MDR”) income by approximately HK\$22.4 million as the policies of the PRC and Hong Kong had been relieved in relation to the COVID-19 pandemic and the reopening of the mainland-Hong Kong border in January 2023. The gross profit for the year ended 31 March 2024 in the amount of approximately HK\$9.2 million, representing an increase of approximately 1,330.9% as compared to that for the year ended 31 March 2023 in amount of approximately HK\$644,000. Such increase was mainly due to the increase in the MDR income as mentioned in above. The Group recorded a loss for the year ended 31 March 2024 in the amount of approximately HK\$37.2 million, representing an increase of approximately 15.3% as compared to a loss for the year ended 31 March 2023 in the amount of approximately HK\$32.2 million. Such increase in loss was mainly attributable from the net effect of (i) the increase in revenue and gross profit, selling and distribution costs and general administrative expenses, (ii) the decrease in other income and finance costs, (iii) the gain on disposal of the subsidiaries, (iv) the absence of modification and extinguishment of convertible bonds, and (v) the loss on extinguishment of financial liabilities for the year ended 31 March 2024.

The Group’s audited net current liabilities, total assets and total liabilities as at 31 March 2024 amounted to approximately HK\$21.8 million, HK\$112.7 million and HK\$89.4 million, respectively. The Group’s audited net assets amounted to approximately HK\$23.3 million as at 31 March 2024, representing a decrease of approximately 55.5% as compared to that of approximately HK\$52.4 million as at 31 March 2023. Such decrease was mainly due to (i) increase in trade payables by approximately HK\$38.9 million which offset by the increase in trade receivables by approximately HK\$37.7 million; and (ii) decrease in other receivables and property, plant and equipment by approximately HK\$17.6 million and HK\$10.1 million, respectively. The gearing ratio, which was calculated by dividing total other long-term liabilities and convertible bonds by total equity, increased from approximately 33.8% as at 31 March 2023 to approximately 88.3% as at 31 March 2024. Such increase was mainly due to the decrease in the Group’s net assets mentioned in above.

The Group recorded revenue for the six months ended 30 September 2024 in the amount of approximately HK\$19.5 million, representing an increase of approximately 84.8% as compared to that for the six months ended 30 September 2023 in the amount of approximately HK\$10.5 million. According to the Interim Report 2024, such increase was mainly due to the increase in the MDR income by approximately HK\$8.8 million as the policies of the PRC and Hong Kong had been relieved in relation to the COVID-19 pandemic and the reopening of the mainland-Hong Kong border in January 2023. Some Chinese tourists have resumed travelling to Thailand and the spending of Chinese tourists and the transaction volume via UnionPay processed by the Group have gradually increased since January 2023. The gross profit for the six months ended 30 September 2024 in the amount of approximately HK\$4.7 million, representing an increase of approximately 85.3% as compared to that for the six months ended 30 September 2023 in amount of approximately HK\$2.5 million. Such increase was mainly due to the increase in revenue as mentioned in above. The Group recorded a loss for the six months ended 30 September 2024 in the amount of approximately HK\$15.9 million as compared to a loss for the six months ended 30 September 2023 in the amount of approximately HK\$18.1 million. Such decrease in loss was mainly because of the net effect of (i) the increase in revenue and gross profit, selling and distribution costs, loss on extinguishment of convertible bonds and finance costs, and (ii) the decrease in other income and general administrative expenses, for the six months ended 30 September 2024.

The Group's unaudited net current liabilities, total assets and total liabilities as at 30 September 2024 amounted to approximately HK\$30.1 million, HK\$64.3 million and HK\$56.6 million, respectively. The Group's audited net assets amounted to approximately HK\$7.7 million as at 30 September 2024, representing a decrease of approximately 67.0% as compared to that of approximately HK\$23.3 million as at 31 March 2024. Such decrease was mainly due to (i) decrease in property, plant and equipment by approximately HK\$4.7 million; and (ii) increase in other payables and liability component of convertible bonds by approximately HK\$3.6 million and HK\$4.3 million, respectively. The gearing ratio, which was calculated by dividing total other long-term liabilities and convertible bonds by total equity, increased from approximately 88.3% as at 31 March 2024 to approximately 331.3% as at 30 September 2024. Such increase was mainly due to increase in liability component of convertible bonds by approximately HK\$4.3 million and decrease in the Group's net assets mentioned in above.

2. Reasons for and benefits of the Proposed Fourth Amendments

As stated in the Letter from the Board, The Convertible Bonds (as amended by the Fourth Amendments under the Fourth Addendum) matured on 24 December 2024. As at the Latest Practicable Date, the Convertible Bonds have not been redeemed or converted in whole or in part. If the Company is to redeem the Convertible Bonds in full on the Latest Practicable Date, the expected cash outflow of the Company in this regard will amount to approximately HK\$16,872,441. As of the Latest Practicable Date, the accrued and default interest of HK\$4,509,188, due by the date of the Fourth Addendum, remains unsettled. Since the issuance of the Convertible Bonds, the Company has been focused on generating cash flow through its operations and allocating proceeds from fundraising efforts to address this outstanding interest. However, cash flow generated from operational activities has been allocated for working capital to ensure prudent management. Additionally, funds raised through fundraising activities, such as the placement of new shares and the issuance of convertible bonds, have been prioritised for immediate repayment obligations to the Group's service providers thereby safeguarding the continuity of its core business operations. Additionally, the management team is actively engaged in discussions with Metagate and Mr. Choy, who have expressed their willingness to defer repayment demands and explore further refinancing options.

Having considered the direct and immediate negative impact of full redemption of the Convertible Bonds (if carried out according to the CB Terms and Conditions (as amended by the Fourth Addendum)) on the Company's liquidity and financial position, the Company has been negotiating with the Bondholders to explore possible solutions, including but not limited to the potential extension of the maturity date of the Convertible Bonds and the potential issuance of new debt securities. On 20 December 2024, the Company was notified of the Bondholders' intention to incorporate the Proposed Fourth Amendments into the CB Terms and Conditions. In this regard, the Directors believe that the Proposed Fourth Amendments would allow the Group to continue to refinance its debts under the Convertible Bonds on normal commercial terms and enable the Company to retain flexibility in the deployment of its funds for general working capital, which is of paramount importance to the Company's operations amidst the challenging market environment.

In order to further assess the Proposed Fourth Amendments, the Directors have considered the following factors:

- (i) comparing to settling the Convertible Bonds, the extension of the maturity date for the Convertible Bonds allows the Group to defer a significant cash outflow, affording it a reasonable timeframe to improve its financial performance and net current liabilities position. Furthermore, the extension grants the Group the flexibility to deploy its financial resources towards operational needs and business development, while ensuring sufficient time for the Company to arrange funding, including from internal sources or equity fundraising activities, to meet its redemption obligations under the terms of the Convertible Bonds.

In addition, deferring interest payments can greatly alleviate the Company's short-term cash flow pressures, allowing it to prioritise limited funds to support core business operations, repay other urgent debts, or invest in key growth areas.

- (ii) extending the maturity date of the Convertible Bonds, rather than settling them, allows accrued interest to be converted into the Shares. According to the CB Terms and Conditions, the Bondholders can convert any outstanding accrued interest into Conversion Shares at any time during the Conversion Period. This mechanism eliminates cash outflows for interest payments, preserving liquidity for essential operations. It also strengthens the financial position by reducing interest-bearing liabilities and aligns the interests of the Bondholders with the Shareholders, fostering long-term collaboration;
- (iii) after carefully assessing several key factors, including (a) the prevailing market price, (b) the recent trading volume of the Shares, and (c) the recovery of the Group's business operations after COVID-19, which affects the timeline for generating sufficient cash flow for debt repayment, the Group has made the strategic decision to encourage Bondholders to convert their Convertible Bonds into Shares. To facilitate this conversion, the Group compromised to offer a substantial discount of over 40% of the benchmark prices (i.e. higher of the closing price on the date of the Fourth Addendum and the average closing price in the 5 trading days immediately prior to the date of the Fourth Addendum). This offer presents Bondholders with a constructive opportunity to convert their debt into equity, thereby alleviating the financial pressures faced by the Group (for details, please refer to the sub-section headed "The Conversion Price" of this circular); and

- (iv) the Company has maintained a stable relationship with the Bondholders and the parties have aligned mutual expectations and understanding on the redemption and/or conversion of the Convertible Bonds. After discussions with the Bondholders, it was determined that they prefer to support the Company through these challenges rather than demand immediate repayment. This decision aligns with the Bondholders' long-term interests.

In contrast, borrowing from Independent Third Party licensed money lenders requires the Company to invest additional time and administrative costs in negotiating and finalising the terms and typically involves lower flexibility in terms of repayment, rendering it a less preferable alternative to the Proposed Fourth Amendments.

As at the Latest Practicable Date, the Company has no intention to carry out any further fund-raising activity(ies) solely for the purpose of catering for the redemption of the Convertible Bonds and the Proposed Fourth Amendments and will, as and when appropriate, keep the Shareholders and potential investors informed of any development in compliance with the GEM Listing Rules. As at the Latest Practicable Date, the Company has also no intention to repay the outstanding Accrued Interest given that the Proposed Fourth Amendments is intended to enable the Company to defer significant cash outflow and preserve the resilience and stability of the Company's cash position for the benefit of the Company's future operations, and outright repayment of the outstanding Accrued Interest by utilising the Group's cash reserves would place undue financial burden on the Group in terms of cash flow, indebtedness and liquidity position and may jeopardise the Company's capability to maintain its operations. The repayment of outstanding Accrued Interest in cash could lead to a tighter liquidity position, potentially affecting the Group's ability to meet other financial obligations. This situation might necessitate taking on additional debt, as the Group may need to seek further financing to maintain operational continuity, which would increase its overall financial burden. Moreover, this could lead to a higher leverage ratio, negatively impacting its financial position and potentially affecting future borrowing capacity and terms.

As such, the Directors are of the view that extending the maturity date of the Convertible Bonds is more effective in alleviating the financial burden of the Company as compared to settling the Convertible Bonds.

While the Directors considered that the Proposed Fourth Amendments would help reserve cash resources of the Group and provide flexibility for the Group in utilising its cash resources, the Directors have, apart from the 2024 Subscriptions, the 2024 Placing and the 2025 Subscription, also considered and explored possibility of conducting other fund-raising alternatives including (i) debt financing; and (ii) other equity fund raising methods such as placing under general and/or specific mandates, rights issue and open offer for further fund raising. The Directors were, however, of the view that debt financing may (i) involve lengthy due diligence procedures with the debt application approval being usually subject to the Group's financial position and prevailing market conditions. The estimated time for processing loan applications exceeds three months, and there is no certainty regarding their approval. Furthermore, should the application be successful, the annual interest rate may be 24%, and the default interest rate may be 48%, both exceeding those of the Convertible Bonds, particularly with additional collateral; and (ii) impose additional interest burden on the Group which will, in turn, worsen the Group's financial position. For placing under general and/or specific mandates, since placing would inevitably lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company, the Directors considered that this is not the most suitable option for current purpose. For other alternative equity fund-raising methods such as rights issue and open offer, the Directors considered that such methods usually require a relatively longer time period to complete due to relatively more stringent documentary requirements for pre-emptive issues such as preparation of listing document, application forms, registration requirements for a listing document and negotiation with the underwriter on the terms and conditions of the underwriting agreement. As of the Latest Practicable Date, save as disclosed above, the Company has not considered any other fundraising method.

The Directors further considered that:

- (i) more professional parties would be involved in other equity fund raising methods such as rights issue and open offer, such as underwriters, legal advisers to the Company or other relevant parties, auditors, share registrar and financial printer, it is therefore expected that additional cost (including but not limited to underwriting commission of the proceeds raised as well as documentation, printing and professional fees) will be inevitably incurred, which may, in turn, cause an adverse impact on the financial condition of the Group;
- (ii) third party lenders would generally impose more stringent conditions (such as requiring charge of assets and/or other securities and guarantees to be provided by the Directors and/or controlling shareholders of the Company) on the loans, as well as administrative expenses and fees charged, which may increase the Group's existing cost of borrowings and affect the Group's flexibility in utilising its resources, and hence worsen the Group's liabilities position and its gearing ratio; and

- (iii) no additional due diligence procedures nor debt application approval is required by the Proposed Fourth Amendments as the Proposed Fourth Amendments were initiated and have been agreed by all the Bondholders, which enables the Group to retain its cash resources in a relatively expedient manner.

In view of the foregoing, the Directors considered that the Proposed Fourth Amendments are justifiable given that the Proposed Fourth Amendments are less costly and more efficient to retain cash resources of the Group as the Group's working capital as compared to other fundraising methods as mentioned above.

The Company intends to proceed with settling the Convertible Bonds in the event that the Proposed Fourth Amendments do not take effect. In light of this, the following measures will be considered:

- (i) the Group will keep actively negotiating and discussing with the Bondholders to consider future settlement/schedule plan and actively identifying any other possible financing options and debt restructuring exercises as and when appropriate;
- (ii) the Group is expected to consider various fundraising activities, including equity financing. This involves issuing new shares, introducing strategic investors, or conducting private placements, with a preference for options that minimise the dilution effect on existing shareholders; and
- (iii) the Group continues to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its profitability and to improve the cash flow from its operation in future.

Taking into account of the above factors, the Directors (including the independent non-executive Directors) believe the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments) and the grant of the Specific Mandate to allot and issue the Conversion Shares upon exercise of the Conversion Rights by the Bondholders are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

We have discussed with the Directors and were given to understand that the Company has considered other fundraising alternatives available to the Group before resolving to the Proposed Fourth Amendments, such as debt financing and other means of equity financing such as placing under general and/or specific mandates, rights issue or open offer.

In respect of debt financing, taking into consideration that (i) debt financing will bring about additional interest expenses for and increase the financial leverage of the Group; (ii) in light of the loss making position and current financial condition of the Group, it may be difficult, uncertain and time-consuming for the Company to obtain debt financing; and (iii) debt financing generally involves pledge of assets and/or securities, the Group is currently lack of available assets collateral, we consider debt financing not being a viable financing alternative for the Group.

In respect of equity financing, considering that (i) placing under general and/or specific mandates would inevitably lead to immediate dilution in the shareholding interest of the existing Shareholders; (ii) pre-emptive fundraising methods such as rights issue or open offer normally take at least three months, and lengthy discussions with potential commercial underwriters may also be involved; (iii) additional costs, including but not limited to underwriting commission and other professional fees, may be incurred; and (iv) rights issue, open offer and placement of new Shares may be subject to underwriting uncertainty and market risk, we consider equity financing not being a viable financing alternative for the Group.

In view of the foregoing, in particular the time and costs incurred, and the uncertainties involved for the debt financing and equity financing as compared to that of the Proposed Fourth Amendments, we are of the view that the Proposed Fourth Amendments is comparatively more appropriate and of the best interest of the Company and its shareholders as a whole.

Apart from the extension of maturity date of the Convertible Bonds under Proposed Fourth Amendments, we reviewed the Group's recent financial performance and financing activities as part of our due diligence, and noted the following findings:

- (i) According to the published financial information of the Group, we noted that the Group has been in loss making position for six financial years since the year ended 31 March 2019. With reference to the Annual Report 2024, the Group has net current liabilities position as at 31 March 2023 and 31 March 2024 and also lack of available assets collateral whereas the Group's assets are mainly office equipment and trade receivables as at 31 March 2024 which are not available to be pledged;
- (ii) After reviewing the Interim Report 2024 and Annual Report 2024, we noted that the gearing ratio, which was calculated by dividing total other long-term liabilities and convertible bonds by total equity, increased from approximately 33.8% as at 31 March 2023 to approximately 88.3% as at 31 March 2024 and further increased to approximately 331.3% as at 30 September 2024. The gearing ratio increased sharply as at 30 September 2024 was mainly due to increase in liability component of convertible bonds and decrease in the Group's net assets as discussed in above section "Financial performance of the Group";
- (iii) Referring to the latest published financial statements in the Interim Report 2024, we also noted that the bank balances and cash and net current liabilities as at 30 September 2024 was approximately HK\$3.2 million and HK\$30.1 million, respectively;

- (iv) With reference to the announcements of the Company dated 17 December 2024, 20 December 2024, 7 January 2025 and 4 March 2025 in relation to placing of new shares under general mandates, the net proceeds of the placing were approximately HK\$4.9 million. The Company intended and proposed to use the proceeds for repaying a portion of the Group's current debt for its legal and professional fees and operating cost for IT development and technical support cost which is around HK\$3.0 million in total and the remaining use of proceeds will be used as general working capital. The placing of new shares was completed on 4 March 2025; and
- (v) As confirmed by the Directors, the Company has attempted to apply for the debts with 2 commercial banks and has been rejected at the first stage of the application due to recent loss making position and/or currently lack of quality assets collateral. The Company has also applied an Independent Third Party licensed money lender which requests for a quality guarantor to offer a borrowing with around 24% annual interest rate and 48% default interest rate. Considering that offer of lending from the Independent Third Party licensed money lender at a higher interest rate and default interest rate due to the current financial position of the Company. Therefore, we are of the view that the interest rate and default interest rate of the Proposed Fourth Amendments are more favourable to the Group than those offered by the Independent Third Party licensed money lender.

With reference to our independent findings in the above (i) six financial years loss making position, (ii) increase in gearing ratio of the Group and (iii) low bank balances and cash and net current liabilities position as at 30 September 2024, we concurred with the Directors' view that the Group is difficult to obtain bank borrowings at favourable terms under its current financial position. According to the Interim Report 2024, the trade receivables, other receivables and bank balances and cash as at 30 September 2024 were approximately HK\$5.8 million, HK\$7.9 million and HK\$3.2 million, respectively, which were offset by trade payables and other payables of approximately HK\$6.7 million and HK\$24.1 million, respectively. The net outstanding deficit amount was approximately HK\$13.9 million which is not sufficient to be repaid by utilising the net proceeds of approximately HK\$4.9 million from the recent placing of new shares mentioned in above (iv). As the Group do not have sufficient internal resources to repay the Convertible Bonds even if they plan to utilise net proceeds from the recent placing of new shares, we believe that the Proposed Fourth Amendments would relieve the pressure on the repayment of Convertible Bonds and its liabilities as well as the deployment of its fund for general working capital of the Company. Therefore, we are of the view that although the Proposed Fourth Amendments are not in ordinary and usual course of business of the Group, they are in the interest of the Company and Shareholders as a whole.

3. Background

References are made to (i) the joint announcements of the Company and China Smartpay Group Holdings Limited dated 10 June 2020 and 26 June 2020 in relation to, among others, the placing of the Convertible Bonds under the general mandate by the Company; (ii) the announcements of the Company dated 24 June 2022, 1 September 2022 and 20 September 2022 and the circular of the Company dated 11 August 2022 in relation to, among others, the First Amendments; (iii) the announcements of the Company dated 18 October 2022, 21 October 2022 and 28 February 2023 and the circular of the Company dated 10 February 2023 in relation to the Second Amendments; (iv) the announcement of the Company dated 19 October 2022 in relation to the transfer of the Convertible Bonds to Metagate and Mr. Choy; and (v) the announcements of the Company dated 2 January 2024 and the circular of the Company dated 21 February 2024 in relation to the Third Amendments.

On 10 June 2020, the Company entered into a placing agreement (the “**CB Placing Agreement**”) with SBI as placing agent, pursuant to which the Company agreed to place through SBI the Convertible Bonds in an aggregate principal amount of up to HK\$11,850,000 to not less than six placees at the initial conversion price of HK\$0.15 per Share upon and subject to the provisions of the CB Placing Agreement and the CB Terms and Conditions. Completion of the placing of the Convertible Bonds in an aggregate principal amount of HK\$11,850,000 to six placees took place on 26 June 2020. The aggregate number of Shares which may fall to be allotted and issued by the Company upon conversion of the Convertible Bonds in full at the initial conversion price of HK\$0.15 per Share is 79,000,000 Shares.

On 24 June 2022, the Company executed the First Addendum to amend and/or alter the CB Terms and Conditions with a view to giving effect to the extension of the maturity date of the Convertible Bonds for a period of six months. The First Addendum took effect on 20 September 2022 with the maturity date of the Convertible Bonds extended for a period of six months to 23 December 2022.

On 18 October 2022, the Company executed the Second Addendum to amend and/or alter the CB Terms and Conditions with a view to giving effect to (i) further extend the maturity date of the Convertible Bonds for a period of twelve months; (ii) delete the additional interest at the rate of 10% per annum on the principal amount of the Convertible Bonds in any event if the Bondholder has not exercised any of its Conversion Rights to convert the whole or any part of the principal amount of the Convertible Bonds during the Conversion Period; (iii) adjust the conversion price of the Convertible Bonds to HK\$0.1 per Conversion Share; and (iv) extend the scope of the Conversion Rights to convert the whole or part of the aggregate sum of the outstanding principal amount and any outstanding accrued interest of the Convertible Bonds into Conversion Shares during the Conversion Period.

On 19 October 2022, the Company was informed by the then Bondholders that they had entered into the Transfer Agreements to transfer the Convertible Bonds to Metagate and Mr. Choy. Specifically, out of the total principal amount of HK\$11,850,000, Metagate acquired HK\$6,380,000, while Mr. Choy acquired HK\$5,470,000.

On 2 January 2024, the Company executed the Third Addendum to amend and/or alter the CB Terms and Conditions with a view to giving effect to (i) further extension of the maturity date of the Convertible Bonds for a period of one year; (ii) adjust the interest rate of 7% accrued on the principal amount of the outstanding Convertible Bonds payable by the Company to 12% per annum; (iii) charge a Default Interest of 20% on any overdue principal and accrued interest of the outstanding Convertible Bonds payable by the Company; and (iv) adjust the conversion price of the Convertible Bonds to HK\$0.088 per Conversion Share.

Pursuant to the CB Terms and Conditions (as amended by the Third Addendum), the Convertible Bonds mature on the date falling upon the expiry of four years and six months from the date on which the Convertible Bonds are issued or if such date is not a Business Day, the immediately preceding Business Day (which is 24 December 2024 (the “**Existing Maturity Date**”)).

On 30 December 2024, by virtue of the written resolutions signed and approved by all existing Bondholders who hold the total outstanding principal amount of the Convertible Bonds, the Bondholders have conditionally agreed to the Proposed Fourth Amendments. Additionally, the Bondholders have unconditionally confirmed to the Company that:

- (i) the Company is not required to redeem the Convertible Bonds in full on the maturity date (as extended by the Third Addendum); and
- (ii) the Company will not be in breach of any of the CB Terms and Conditions as a result of not redeeming or converting the Convertible Bonds.

As of the Latest Practicable Date, the total principal amount of HK\$11,850,000 (the “**Outstanding Principal Amount**”) and the total accrued interest of approximately HK\$4,256,585 (the “**Latest Outstanding Accrued Interest**”) for the Convertible Bonds remain outstanding. None of the Convertible Bonds has been redeemed nor converted into Shares through the exercise of the attached Conversion Rights. The Latest Outstanding Accrued Interest is calculated based on the following formulas:

Outstanding Principal Amount (i.e., HK\$11,850,000)	x	7%	x	<div> <div>Accrued period of 1,093 days covering the period from 29 December 2020 to 26 December 2023</div> <hr/> <div>365 days</div> </div>
Outstanding Principal Amount (i.e., HK\$11,850,000)	x	12%	x	<div> <div>Accrued period of 455 days covering the period from 27 December 2023 to the Latest Practicable Date</div> <hr/> <div>365 days</div> </div>

THE FOURTH ADDENDUM

Pursuant to the terms of the Fourth Addendum, subject to the fulfilment of the Conditions Precedent, it is agreed between the Company and the Bondholders that the maturity date of the Convertible Bonds shall be further extended from “the date falling upon the expiry of four years and six months from the date on which the Convertible Bonds are issued or if such date is not a Business Day, the immediate preceding Business Day” (which is 24 December 2024) to “the date falling upon the expiry of six years and six months from the date on which the Convertible Bonds are issued, or if such date is not a Business Day, the immediate preceding Business Day” (which is 24 December 2026 (the “**New Maturity Date**”)).

Save for the Proposed Fourth Amendments, all other terms and conditions of the Convertible Bonds shall remain unchanged, and the outstanding Convertible Bonds shall remain in full force, validity, and effect in accordance with the terms set out therein.

Conditions Precedent

The Fourth Addendum and the CB Terms and Conditions shall take effect subject to the fulfilment of all of the following Conditions Precedent:

- (a) the Stock Exchange having granted approval for the Proposed Fourth Amendments as contemplated under the Fourth Addendum pursuant to Rule 34.05 of the GEM Listing Rules;
- (b) the GEM Listing Committee having granted or agreed to grant approval for the listing of, and permission to deal in, the Conversion Shares which shall fall to be allotted and issued by the Company upon exercise of the Conversion Rights attached to the Convertible Bonds as amended and supplemented by the Fourth Addendum;
- (c) the Shareholders having granted their approval for the allotment and issue of the Conversion Shares by the Company upon exercise of the Conversion Rights attached to the Convertible Bonds as amended and supplemented by the Fourth Addendum; and
- (d) all other necessary consent(s) and approval(s) in respect of the entering into of the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments) and the allotment and issue of the Conversion Shares by the Company upon conversion of the Convertible Bonds having been obtained by the Company.

To the best of the Directors' knowledge, information, and belief, and after conducting all reasonable inquiries, as of the Latest Practicable Date, the necessary consents and approvals as stated in condition (d) above refer to the resolutions of Metagate regarding the approval of the Fourth Addendum and the transactions contemplated therein.

If any of the above Conditions Precedent is not fulfilled on or before 30 April 2025 (or such later date as may be mutually agreed by the Company and the Bondholders), the Fourth Addendum shall lapse and terminate, and the Proposed Fourth Amendments will not take effect. None of the Conditions Precedent is waivable by the Company or the Bondholders.

As at the Latest Practicable Date, none of the aforesaid Conditions Precedent has been fulfilled.

Effect of the Fourth Addendum

The Proposed Fourth Amendments will apply to the outstanding Convertible Bonds as of the date when the CB Terms and Conditions become effective or unconditional, provided that the outstanding balance of the Convertible Bonds has not been converted, released, or cancelled.

Save for the Proposed Fourth Amendments, all other terms and conditions of the Convertible Bonds shall remain unchanged, and the outstanding Convertible Bonds shall remain in full force, validity, and effect in accordance with the terms set out therein.

The Maximum Outstanding Accrued Interest and the Conversion Shares

Subject to the Proposed Fourth Amendments as provided under the Fourth Addendum becoming effective, based on the sum of the Outstanding Principal Amount (i.e., HK\$11,850,000) and the maximum aggregate outstanding accrued interest (including accrued interest of HK\$6,746,059 up to the New Maturity Date and the accrued Default Interest of HK\$2,560,271 up to the New Maturity Date; assuming that no accrued interest would be settled between the Latest Practicable Date and the New Maturity Date) of the Convertible Bonds as at the New Maturity Date of HK\$9,306,330 (the “**Maximum Outstanding Accrued Interest**”), a maximum number of 240,412,840 Conversion Shares shall be allotted and issued upon exercise in full of the Conversion Rights (including a maximum number of 105,753,749 Conversion Shares in respect of the Maximum Outstanding Accrued Interest).

Assuming that there is no repayment of any accrued interest (including accrued Default Interest) of the Convertible Bonds by the Company during the period from the Latest Practicable Date to the New Maturity Date, the Maximum Outstanding Accrued Interest (i.e., HK\$9,306,330) is calculated based on the following formula:

Accrued Interest

- (i) Before the Third Amendments:

$$\begin{array}{rclcl}
 \text{Aggregate Outstanding} & & & \text{Interest period of 1,093 days} & \\
 \text{Principal Amount} & \times & 7\% & \times & \text{covering the period from} \\
 \text{(i.e., HK\$11,850,000)} & & & & \text{29 December 2020}^{(1)} \text{ to} \\
 & & & & \text{26 December 2023}^{(2)} \\
 & & & \hline
 & & & 365 \text{ days} & \\
 & & & & = \text{HK\$2,483,955}
 \end{array}$$

The accrued interest before the Third Amendments represents accrued interest amount of the outstanding principal amount with original interest rate (i.e., 7%) accrued on a day-to-day basis from the day after the first interest payment date after the date of issue of the Convertible Bonds on the principal amount of the Convertible Bonds outstanding and payable by the Company semi-annually in arrears on the dates falling upon the expiry of six months and one year after the date of issue of the Convertible Bonds and on the anniversary(ies) of such dates for each year thereafter up to and including the last interest payment date before the date of the Third Addendum.

(ii) After the Third Amendments:

$$\begin{array}{rcl}
 \text{Aggregate Outstanding} & & \text{Interest period of 1,094 days} \\
 \text{Principal Amount} & \times 12\% \times & \text{covering the period from} \\
 \text{(i.e., HK\$11,850,000)} & & \text{27 December 2023}^{(3)} \text{ to} \\
 & & \text{the New Maturity Date}^{(4)} \\
 & & \hline
 & & 365 \text{ days}
 \end{array} = \text{HK\$4,262,104}$$

The accrued interest after the Third Amendments represents accrued interest amount of the outstanding principal amount with adjusted interest rate (i.e., 12%) accrued on a day-to-day basis from the day after the last interest payment date before the date of the Third Addendum on the principal amount of the Convertible Bonds outstanding and payable by the Company semiannually in arrears on the anniversary(ies) of the dates falling upon the expiry of six months and one year after the date of issue of the Convertible Bonds for each year thereafter up to and including New Maturity Date.

Total outstanding accrued interest until the New Maturity Date:

$$(i) + (ii) = \text{HK\$6,746,059}$$

The conversion shares from the total outstanding accrued interest until the New Maturity Date:

$$\begin{array}{rcl}
 & \text{The total outstanding accrued interest} & \\
 = & \text{until the New Maturity Date} & \\
 & \hline
 & \text{The Conversion Price} & \\
 & & \\
 = & \text{HK\$6,746,059} & \\
 & \hline
 & \text{HK\$0.088} & \\
 & & \\
 = & \text{Approximately 76,659,761 Shares} &
 \end{array}$$

Accrued Default Interest

(iii) First default period:

First aggregate overdue accrued interest =

$$\begin{array}{rcccl} \text{Aggregate Outstanding} & & & \text{Interest period of 910 days} & \\ \text{Principal Amount} & \times & 7\% & \times & \text{covering the period from} \\ \text{(i.e., HK\$11,850,000)} & & & & \text{29 December 2020⁽¹⁾ to} \\ & & & & \text{26 June 2023⁽⁵⁾$$

Accrued Default Interest of the first default period =

$$\begin{array}{rcccl} \text{First aggregate overdue} & & & \text{Interest period of 1,098 days} & \\ \text{accrued interest as of} & \times & 20\% & \times & \text{covering the period from} \\ \text{26 June 2023⁽⁵⁾⁽⁶⁾ to} \\ & & & & \text{the New Maturity Date⁽⁴⁾$$

The accrued Default Interest of the first default period is calculated based on the overdue amount accrued on the Company when it failed to repay the outstanding principal and the outstanding accrued interest at the original interest rate (i.e., 7%) for the first time as of 26 June 2023, with default interest rate (i.e., 20%) from and including the date immediately after the existing maturity date of the Convertible Bonds to the actual payment date.

(iv) Second default period:

Second aggregate Overdue Accrued Interest =

$$\begin{array}{rcccl} \text{Aggregate Outstanding} & & & \text{Interest period of 183 days} & \\ \text{Principal Amount} & \times & 7\% & \times & \text{covering the period from} \\ \text{(i.e., HK\$11,850,000)} & & & & \text{27 June 2023⁽⁷⁾ to} \\ & & & & \text{26 December 2023⁽²⁾$$

Accrued Default Interest of the second default period =

$$\begin{array}{rclcl} \text{Second aggregate overdue} & & \text{Interest period of 1,095 days} & & \\ \text{accrued interest from} & & \text{covering the period from} & & \\ \text{27 June 2023}^{(7)} \text{ to} & \times 20\% \times & \text{26 December 2023}^{(2)} \text{ to} & = \text{HK\$249,532} & \\ \text{26 December 2023}^{(2)} & & \text{the New Maturity Date}^{(4)} & & \\ & & \hline & & 365 \text{ days} & & \end{array}$$

The accrued Default Interest of the second default period is calculated based on the overdue amount accrued on the Company when it failed to repay the outstanding principal and the outstanding accrued interest at the original interest rate (i.e., 7%) in a half year starting from 27 June 2023 for the second time, with default interest rate (i.e., 20%) from and including such due date to the actual payment date.

(v) Third default period:

Third aggregate Overdue Accrued Interest =

$$\begin{array}{rclcl} \text{Aggregate Outstanding} & & \text{Interest period of 183 days} & & \\ \text{Principal Amount} & \times 12\% \times & \text{covering the period from} & & \\ \text{(i.e., HK\$11,850,000)} & & \text{27 December 2023}^{(3)} \text{ to} & = \text{HK\$712,948} & \\ & & \text{26 June 2024}^{(8)} & & \\ & & \hline & & 365 \text{ days} & & \end{array}$$

Accrued Default Interest of the third default period =

$$\begin{array}{rclcl} \text{Third aggregate overdue} & & \text{Interest period of 912 days} & & \\ \text{accrued interest from} & & \text{covering the period from} & & \\ \text{27 December 2023}^{(3)} \text{ to} & \times 20\% \times & \text{26 June 2024}^{(8)} \text{ to} & = \text{HK\$356,278} & \\ \text{26 June 2024}^{(8)} & & \text{the New Maturity Date}^{(4)} & & \\ & & \hline & & 365 \text{ days} & & \end{array}$$

The accrued Default Interest of the third default period is calculated based on the overdue amount accrued on the Company when it failed to repay the outstanding principal and the outstanding accrued interest at the adjusted interest rate (i.e., 12%) semi-annually starting from 27 December 2023 for the third time, with default interest rate (i.e., 20%) from and including such due date to the actual payment date.

(vi) Fourth default period:

Fourth aggregate Overdue Accrued Interest =

$$\begin{array}{rclcl} \text{Aggregate Outstanding} & & \text{Interest period of 183 days} & & \\ \text{Principal Amount} & \times & \text{covering the period from} & & \\ \text{(i.e., HK\$11,850,000)} & \times & 27 \text{ June } 2024^{(9)} \text{ to} & & \\ & \times & 26 \text{ December } 2024^{(10)} & & \\ & & \hline & & 365 \text{ days} & & \\ & & & & = \text{HK\$712,948} \end{array}$$

Accrued Default Interest of the fourth default period =

$$\begin{array}{rclcl} \text{Fourth aggregate overdue} & & \text{Interest period of 729 days} & & \\ \text{accrued interest from} & & \text{covering the period from} & & \\ 27 \text{ June } 2024^{(9)} \text{ to} & \times & 26 \text{ December } 2024^{(10)} \text{ to} & & \\ 26 \text{ December } 2024^{(10)} & \times & \text{the New Maturity Date}^{(4)} & & \\ & \times & \hline & & 365 \text{ days} & & \\ & & & & = \text{HK\$284,788} \end{array}$$

The accrued Default Interest of the fourth default period is calculated based on the overdue amount accrued on the Company when it failed to repay the outstanding principal and the outstanding accrued interest at the adjusted interest rate (i.e., 12%) semi-annually starting from 27 June 2024 for the fourth time, with default interest rate (i.e., 20%) from and including such due date to the actual payment date.

(vii) Fifth default period:

Fifth aggregate Overdue Accrued Interest =

$$\begin{array}{rclcl} \text{Aggregate Outstanding} & & \text{Interest period of 182 days} & & \\ \text{Principal Amount} & \times & \text{covering the period from} & & \\ \text{(i.e., HK\$11,850,000)} & \times & 27 \text{ December } 2024^{(11)} \text{ to} & & \\ & \times & 26 \text{ June } 2025^{(12)} & & \\ & & \hline & & 365 \text{ days} & & \\ & & & & = \text{HK\$709,052} \end{array}$$

Accrued Default Interest of the fifth default period =

$$\begin{array}{rcccl} \text{Fifth aggregate overdue} & & \text{Interest period of 547 days} & & \\ \text{accrued interest from} & & \text{covering the period from} & & \\ 27 \text{ December } 2024^{(11)} \text{ to} & \times 20\% \times & 26 \text{ June } 2025^{(12)} \text{ to} & = \text{HK\$212,522} \\ 26 \text{ June } 2025^{(12)} & & \text{the New Maturity Date}^{(4)} & & \\ & & \hline & & 365 \text{ days} & & \end{array}$$

The accrued Default Interest of the fifth default period is calculated based on the overdue amount accrued on the Company when it failed to repay the outstanding principal and the outstanding accrued interest at the adjusted interest rate (i.e., 12%) semi-annually starting from 27 December 2024 for the fifth time, with default interest rate (i.e., 20%) from and including such due date to the actual payment date.

(viii) Sixth default period:

Sixth aggregate Overdue Accrued Interest =

$$\begin{array}{rcccl} \text{Aggregate Outstanding} & & \text{Interest period of 183 days} & & \\ \text{Principal Amount} & \times 12\% \times & \text{covering the period from} & & \\ \text{(i.e., HK\$11,850,000)} & & 27 \text{ June } 2025^{(13)} \text{ to} & = \text{HK\$712,948} \\ & & 26 \text{ December } 2025^{(14)} & & \\ & & \hline & & 365 \text{ days} & & \end{array}$$

Accrued Default Interest of the sixth default period =

$$\begin{array}{rcccl} \text{Sixth aggregate overdue} & & \text{Interest period of 364 days} & & \\ \text{accrued interest from} & & \text{covering the period from} & & \\ 27 \text{ June } 2025^{(13)} \text{ to} & \times 20\% \times & 26 \text{ December } 2025^{(14)} \text{ to} & = \text{HK\$142,199} \\ 26 \text{ December } 2025^{(14)} & & \text{the New Maturity Date}^{(4)} & & \\ & & \hline & & 365 \text{ days} & & \end{array}$$

The accrued Default Interest of the sixth default period is calculated based on the overdue amount accrued on the Company when it failed to repay the outstanding principal and the outstanding accrued interest at the adjusted interest rate (i.e., 12%) semi-annually starting from 27 June 2025 for the sixth time, with default interest rate (i.e., 20%) from and including such due date to the actual payment date.

(ix) Seventh default period:

Seventh aggregate Overdue Accrued Interest =

$$\begin{array}{rclcl} \text{Aggregate Outstanding} & & \text{Interest period of 182 days} & & \\ \text{Principal Amount} & \times 12\% \times & \text{covering the period from} & & \\ \text{(i.e., HK\$11,850,000)} & & 27 \text{ December 2025}^{(15)} \text{ to} & & \\ & & 26 \text{ June 2026}^{(16)} & & \\ & & \hline & & 365 \text{ days} & & \\ & & & & = \text{HK\$709,052} \end{array}$$

Accrued Default Interest of the seventh default period =

$$\begin{array}{rclcl} \text{Seventh aggregate} & & \text{Interest period of 182 days} & & \\ \text{overdue accrued} & & \text{covering the period from} & & \\ \text{interest from} & \times 20\% \times & 26 \text{ June 2026}^{(16)} \text{ to} & & \\ 27 \text{ December 2025}^{(15)} \text{ to} & & \text{the New Maturity Date}^{(4)} & & \\ 26 \text{ June 2026}^{(16)} & & \hline & & 365 \text{ days} & & \\ & & & & = \text{HK\$70,711} \end{array}$$

The accrued Default Interest of the seventh default period is calculated based on the overdue amount accrued on the Company when it failed to repay the outstanding principal and the outstanding accrued interest at the adjusted interest rate (i.e., 12%) semi-annually starting from 27 December 2025 for the seventh time, with default interest rate (i.e., 20%) from and including such due date to the actual payment date.

Total accrued Default Interest until the New Maturity Date:

$$(iii) + (iv) + (v) + (vi) + (vii) + (viii) + (ix) = \text{HK\$2,560,271}$$

The conversion shares from the total accrued Default Interest until the New Maturity Date:

$$\begin{array}{rcl} & \text{The total accrued Default Interest} & \\ = & \text{until the New Maturity Date} & \\ & \hline & \text{The Revised Conversion Price} & \\ & & \\ & \text{HK\$2,560,271} & \\ = & \hline & \text{HK\$0.088} & \\ & & \\ = & \text{Approximately 29,093,988 Shares} & \end{array}$$

Notes:

1. The day after interest had been repaid by the Company to the Bondholder that covered an interest period from and including the date on which the Convertible Bonds were issued (i.e., 26 June 2020) to 28 December 2020.
2. The latest Interest Payment Date before the date of the Third Addendum. According to the Third Addendum, the interest is accrued from and including the date of issue of the Convertible Bonds at the rate of 7% per annum on a day-to-day basis on the principal amount of the Convertible Bonds outstanding, which subject as provided in the Third Addendum, is payable by the Company semiannually in arrears on the dates falling six months and one year after the date of issue of the Convertible Bonds and on the anniversary(ies) of such dates for each year thereafter up to and including the maturity date of the Second Amendments (each an “**Interest Payment Date**”), with the first payment to be made on the date falling six months after the date of its issue. If an Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into in the next calendar month in which event it shall be brought forward to the immediately preceding Business Day.
3. The day after the latest Interest Payment Date before the date of the Third Addendum.
4. 24 December 2026, the Business Day immediately preceding the date falling upon the expiry of six years and six months from the date on which the Convertible Bonds were issued.
5. The first Interest Payment Date after the maturity date of the Convertible Bonds as extended by the Second Amendments, on which the Company failed to pay accrued interest semi-annually.
6. The day after the maturity date of the Convertible Bonds as extended by the Second Amendments (i.e., 22 December 2023).
7. The first day that the Convertible Bonds bear interest semi-annually during the second semi-annual period (i.e., 27 June 2023 to 26 December 2023) as extended by the Second Amendments.
8. The last day that the Convertible Bonds bear interest semi-annually during the first semi-annual period (i.e., 27 December 2023 to 26 June 2024) as extended by the Third Amendments.
9. The first day that the Convertible Bonds bear interest semi-annually during the second semi-annual period (i.e., 27 June 2024 to 26 December 2024) as extended by the Third Amendments.
10. The latest interest payment date after the date of the Third Addendum and before the date of the Fourth Addendum.

11. The day after the latest interest payment date after the date of the Third Addendum and before the date of the Fourth Addendum.
 12. The last day that the Convertible Bonds bear interest semi-annually during the first semiannual period (i.e., 27 December 2024 to 26 June 2025) as extended by the Proposed Fourth Amendments.
 13. The day after the first interest payment date after the date of the Fourth Addendum.
 14. The last day that the Convertible Bonds bear interest semi-annually during the second semiannual period (i.e., 27 June 2025 to 26 December 2025) as extended by the Proposed Fourth Amendments.
 15. The day after the second interest payment date after the date of the Fourth Addendum.
 16. The last day that the Convertible Bonds bear interest semi-annually during the third semiannual period (i.e., 27 December 2025 to 26 June 2026) as extended by the Proposed Fourth Amendments.
- * *The above calculation is based on the assumption that there will be no further extensions and further events of default of the Convertible Bonds.*

As of the Latest Practicable Date, an aggregate interest of the Convertible Bonds of approximately HK\$420,000, which covered an interest period from the date on which the Convertible Bonds were issued (i.e., 26 June 2020) to 28 December 2020, had been repaid by the Company to the Bondholders.

As disclosed in the Company's interim report for the six months ended 30 September 2024, despite further improvement of the Covid-19 pandemic situation, there are still challenges in the PRC's economic recovery which may adversely affect tourism and accordingly the Group's business. Therefore, having considered (i) the Group has incurred continuous losses starting from the year ended 31 March 2019; (ii) the Group has recorded net current liabilities since 2022; and (iii) the full redemption of the Convertible Bonds would impose an immediate cash outflow of HK\$16,359,188, comprising the Outstanding Principal Amount of HK\$11,850,000, and the maximum aggregate outstanding accrued interest (including accrued and default interest of HK\$4,473,349 up to the Existing Maturity Date, calculated in accordance with the formula under the paragraph headed "Maximum Outstanding Accrued Interest and the Conversion Shares" as disclosed in the circular dated 21 February 2024). This substantial cash outflow would severely strain the Company's liquidity position, especially considering that as of 31 January 2025, the Group's cash and cash equivalents (excluding restricted cash) amounted to HK\$896,780, representing only 5.48% of the total redemption obligation of HK\$16,359,188, the Group has been unable to discharge its liabilities related to the repayment of the outstanding accrued interest on the Convertible Bonds to the Bondholders in accordance with the CB Terms and Conditions.

4. Principal terms of the Proposed Fourth Amendments

Details of the CB Terms and Conditions (as amended by the Fourth Addendum)

As disclosed in the Company's interim report for the six months ended 30 September 2024, despite further improvement of the COVID-19 pandemic situation, there are still challenges in the PRC's economic recovery which may adversely affect tourism and accordingly the Group's business. Therefore, having considered (i) the Group has incurred continuous losses starting from the year ended 31 March 2019; (ii) the Group has recorded net current liabilities since 2022; and (iii) the full redemption of the Convertible Bonds would impose an immediate cash outflow of HK\$16,359,188, comprising the Outstanding Principal Amount of HK\$11,850,000, and the maximum aggregate outstanding accrued interest (including accrued and default interest of HK\$4,473,349 up to the Existing Maturity Date, calculated in accordance with the formula under the paragraph headed "Maximum Outstanding Accrued Interest and the Conversion Shares" as disclosed in the circular dated 21 February 2024). This substantial cash outflow would severely strain the Company's liquidity position, especially considering that as of 31 January 2025, the Group's cash and cash equivalents (excluding restricted cash) amounted to HK\$896,780, representing only 5.48% of the total redemption obligation of HK\$16,359,188, the Group has been unable to discharge its liabilities related to the repayment of the outstanding accrued interest on the Convertible Bonds to the Bondholders in accordance with the CB Terms and Conditions.

Save for the Proposed Fourth Amendments, all other terms and conditions of the Convertible Bonds shall remain unchanged, and the outstanding Convertible Bonds shall remain in full force, validity, and effect in accordance with the terms set out therein.

Conversion Rights and Conversion Shares

As stated in the Letter from the Board, the Bondholders will be entitled to, at any time during the Conversion Period, to convert the whole or part of the aggregate sum of the outstanding principal amount and any outstanding accrued interest of the Convertible Bond (in the minimum amount of HK\$1,000,000 or any whole multiple thereof on each conversion) into Conversion Shares, unless the outstanding principal is less than HK\$1,000,000 in which case the whole of such amount shall be converted.

Upon the implementation of the Proposed Fourth Amendments, and assuming no interest of the Convertible Bonds is settled or paid to the Bondholders between the Latest Practicable Date and the New Maturity Date while excluding any Default Interest accrued after the New Maturity Date, the maximum number of Shares that may be allotted and issued upon full conversion of the Convertible Bonds at the Conversion Price is 240,412,840 Shares, representing: (i) approximately 12.47% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 11.09% of the total issued share capital following the allotment and issuance of the Conversion Shares, assuming there are no other changes to the Company's issued share capital between the Latest Practicable Date and the full conversion of the Convertible Bonds.

We noted that the Conversion Rights allows the Bondholders convert the whole or part of the aggregate sum of the outstanding principal amount and any outstanding accrued interest including the Default Interest of the Convertible Bonds into Conversion Shares, and we discussed with the Directors that they considers the Conversion Rights also allow the Company to convert the outstanding accrued interest into Conversion Shares which provide reduce imminent pressure to repay the interest by cash to the Bondholders (assuming the Bondholders convert all the Maximum Outstanding Accrued Interest of the Convertible Bond into Conversion Shares). We also noted that the Maximum Outstanding Accrued Interest shall be HK\$9,306,330, which allows the Bondholders to convert a maximum of 105,753,749 Conversion Shares, which represents: (i) approximately 5.49% of the existing issued Shares immediately prior to the exercise of any of the Conversion Rights; and (ii) approximately 4.88% of the issued Shares as enlarged by the issue of the Conversion Shares upon exercise in full of the Conversion Rights, assuming there will be no other change in the issued share capital of the Company between the Latest Practicable Date and the full conversion of the Convertible Bonds. Moreover, given a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 4.85%, which is calculated based on the theoretical diluted price of approximately HK\$0.1473 per Share (as defined under Rule 10.44A of the GEM Listing Rules taking account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the date of the Fourth Addendum of HK\$0.15 per Share; and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of the Fourth Addendum of approximately HK\$0.1548 per Share), we considered the abovementioned mechanism has low theoretical dilution effect to the Shareholders of the Company.

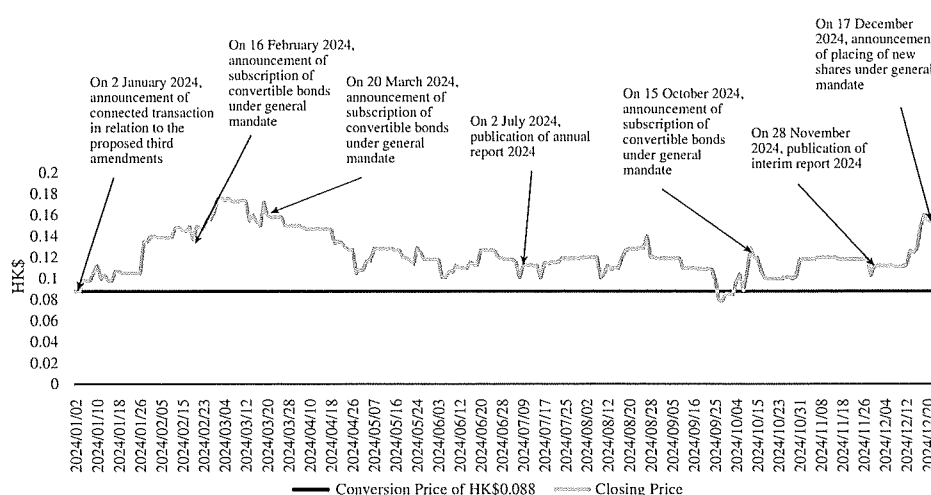
The Conversion Price

As disclosed in the Letter from the Board, the Conversion Price of HK\$0.088 per Share represents:

- (i) a discount of approximately 40.54% to the closing price of HK\$0.148 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 41.33% to the closing price of HK\$0.150 per Share as quoted on the Stock Exchange on 30 December 2024, being the date of the Fourth Addendum;
- (iii) discount of approximately 42.41% to the average closing price of HK\$0.1528 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Fourth Addendum;

- (iv) a discount of approximately 39.39% to the average closing price of HK\$0.1452 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Fourth Addendum; and
- (v) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 4.85%, which is calculated based on the theoretical diluted price of approximately HK\$0.1473 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the date of the Fourth Addendum of HK\$0.15 per Share; and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of the Fourth Addendum of approximately HK\$0.1548 per Share).

To assess the fairness and reasonableness of the Conversion Price, we have performed a review on the daily closing price of the Shares from 31 December 2023 to and including 30 December 2024, the date of the Fourth Addendum (the “**Review Period**”), (being a period of one year, which is commonly used for analysis purpose to illustrate the general trend of the daily closing price of the Shares) and compared with the Conversion Price. We consider that an approximate period of twelve months is a fair, reasonable and sufficient period to provide a general overview of the recent price movements of the Shares free from the influence of, if any, short term market volatility for conducting a reasonable comparison between the closing price of the Shares and the Conversion Price. The comparison of daily closing prices of the Shares and the Conversion Price is illustrated as follows:



Data source: The website of the Stock Exchange

During the Review Period, the closing price was approximately HK\$0.079 per Share (the “**Lowest Closing Price**”) recorded on 26 September 2024 and 27 September 2024 respectively to HK\$0.176 per Share (the “**Highest Closing Price**”) recorded on 1 March 2024 and 5 March 2024 respectively. The average closing price during the Review Period was HK\$0.123 per Share (the “**Average Closing Price**”).

As illustrated in the chart above, the Conversion Price of HK\$0.088 per Share falls within the range between the Lowest Closing Price and the Highest Closing Price but is lower than the Average Closing Price and it represents (i) a premium of approximately 11.39% over the Lowest Closing Price; (ii) a discount of approximately 28.68% over the Average Closing Price of HK\$0.123 per Share during the Review Period; and (iii) a discount of approximately 42.41% over the average closing prices of HK\$0.1528 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Fourth Addendum. We noted that the closing price of the Shares was HK\$0.088 at the start of the Review Period and increased to the Highest Closing Price. The closing price of the Shares substantially decreased from the Highest Closing Price to HK\$0.105 on 29 April 2024 and then fluctuated between HK\$0.101 to HK\$0.140 until a sudden drop from HK\$0.109 on 24 September 2024 to the Lowest Closing Price. The closing price of the Share then bounded back to HK\$0.129 on 10 October 2024 and fluctuated between HK\$0.100 to HK\$0.120 until a sharply increase from HK\$0.113 on 12 December 2024 to HK\$0.160 on 19 December 2024. After the sharp increase of closing price of the Shares, it was in a decreasing trend at the end of the Review Period. As advised by the Directors, they are not aware of any specific reasons for the aforesaid closing price fluctuation of the Shares.

Although the Conversion Price was lower than the Average Closing Price and represented a discount to mostly all closing prices of the Shares during the Review Period, we consider that (i) a decreasing trend of closing price of the Shares at the end of the Review Period which the closing price of the Shares decreased from HK\$0.160 on 19 December 2024 to HK\$0.150 on 30 December 2024 and further decreased to HK\$0.148 as at the Latest Practicable Date which show that the discount of the Conversion Price over the recent closing price of the Share was further lessened; (ii) the Group has been in loss making position for six financial years since the year ended 31 March 2019 and has net current liabilities position as at 31 March 2023 and 31 March 2024; (iii) the Conversion Price, which represents a discount of approximately 41.33% to the closing price per Share on the date of the Fourth Addendum and approximately 42.41% over the average closing price per Share for the last five consecutive trading days up to and including the date of the Fourth Addendum, show discounts that are within the ranges of those represented by the CB Comparables (as defined hereinafter) as discussed in further details in the next subsection headed “Comparable analysis” below; and (iv) a favourable discount to prevailing market prices of the Shares would attract the Bondholders to extend the maturity date of the Convertible Bonds. As confirmed by the Directors, the Bondholders offered not to change the Conversion Price before agreeing the Proposed Fourth Amendments. The Fourth Addendum also allows the Group to continue to refinance its debts under Convertible Bonds on normal commercial terms and enable the Company to retain flexibility in the deployment of its funds for general working capital which is important to the Company’s operation in such challenging market environment. Therefore, we concur with the Directors’ view that the Conversion Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Comparable analysis

As part of our analysis, we further identified subscription/placing of convertible bonds/notes under specific mandate (the “**CB Comparables**”) which were announced by companies listed on the Stock Exchange from 31 December 2022 and up to the Latest Practicable Date (“**Review CB Period**”), being a period of 2 years prior to and including the date of the Fourth Addendum. Initially, we set the review period for a year, however, given the limited number of six CB Comparables being identified, to better serve the purpose in forming a meaningful comparison for assessment with sufficient number of comparable companies, we then extended our analysis for one more year up to 2 years prior to and including the date of the Fourth Addendum. We consider that the Review CB Period is fair and representative to reflect the market conditions and sentiments in the Hong Kong stock market and to generate a sufficient and meaningful number of samples of representative comparable transactions for the purpose of our analysis. The CB Comparables (i) are with principal amount being not less than HK\$2 million and not more than HK\$200 million (falling within a reasonable range and based on the sum of the Outstanding Principal Amount and Maximum Outstanding Accrued Interest of the Proposed Fourth Amendments, i.e. approximately HK\$20 million, which is 10 times of the minimum of the range and divided by 10 of the maximum of the range); (ii) have not been terminated or lapsed as at the date of the Fourth Addendum; (iii) are connected/independent third party transactions as the terms of both connected and independent third party transactions are based on prevailing market conditions and regardless of whether the subscribers are connected persons or not and represent an unbiased reference on market terms; and (iv) are excluded those for the corporate equity restructuring and takeover of the listed companies as the Fourth Addendum is mainly involving in debt restructuring with the Bondholders in order to solve the financial pressure facing by the Group which was not related to placing the Convertible Bonds under corporate equity restructuring and takeover issues. We do not include the market capitalisation of the issuers as one of the criteria in our analysis as the subscription/placing of convertible bonds/notes is not directly related to its market capitalisation. To the best of our knowledge and as far as we are aware of, we found 23 transactions which met the said criteria and they are exhaustive as far as we are aware of. However, we have excluded three comparable transactions in our analysis as outliers which have been shown in below table and there are 20 comparable transactions eventually included in our analysis.

Independent Shareholders should note that the businesses, operations, financial positions and prospects of the Company may not be identical to the CB Comparables. Although the companies involved in the CB Comparables are not identical to the Company in terms of principal business, operating scale and financial position, we consider that the CB Comparables could provide a general understanding on subscription/placing of convertible bonds/notes under specific mandate in the Hong Kong stock market because the CB Comparables of the respective companies are under the market environment, and market sentiment during the Review Period and are therefore considered to be reasonable reference on the recent market practice and conditions regarding the Fourth Addendum. We have not conducted any independent investigation with regards to the businesses, operations, financial positions and prospects of the companies but it shall not affect our analysis as we are comparing the general trend of subscription/placing of convertible bonds/notes under specific mandate in the market.

Company name (Stock Code)	Date of announcement	Principal amount HK\$	Interest rate %	Premium/(discount) of the conversion price to closing price per share on the last trading day prior to/on the date of the agreement in relation to the respective placing on convertible bonds/notes %	Premium/(discount) of the conversion price to average closing price per share for the last five consecutive trading days up to and including the date of agreement in relation to the respective subscription/placing on convertible bonds/notes %	Duration years	Default Interest per annum %	Discount of theoretical dilution effect %	Connected transaction (Yes/No)	Subscription/Placing
China Metal Resources Utilization Limited (1636)	28 January 2025	10,000,000	9.00	(90.58)	(90.55)	0.5	N/A	(14.94)	No	Subscription
Momentum Financial Holdings Limited (1152)	8 January 2025	91,534,164	3.00	(73.33)	(71.26)	2.0	N/A	(61.60)	No	Subscription
Hatcher Group Limited (8365)	23 September 2024	5,670,000	-	(13.70)	(4.30)	2.0	N/A	(4.05)	No	Subscription
Cornerstone Technologies Holdings Limited (8391)	20 September 2024	200,000,000	6.00	(21.88)	(24.24)	5.0	N/A	(9.27)	No	Subscription
China Healthcare Holdings Limited (348)	19 August 2024	16,800,000	6.00	57.14	54.93	2.0	10.00	N/A	No	Subscription
China Baoli Technologies Holdings Limited (164) (Note 1)	14 August 2024	139,003,790	4.00	2,023.43	1,807.44	5.0	N/A	N/A	No	Subscription
Sinolink Worldwide Holdings Limited (1168)	30 April 2024	200,000,000	-	-	10.10	3.0	2.00	N/A	Yes	Subscription
Grand Field Group Holdings Limited (115)	6 March 2024	101,912,000	6.00	5.70	3.30	3.0	10.00	N/A	Yes	Subscription
Changyou Alliance Group Limited (1039) (Note 1)	26 January 2024	126,000,000	8.00	342.00	308.00	3.0	19.56	N/A	Yes	Subscription
Zhi Sheng Group Holdings Limited (8370)	3 January 2024	12,400,000	-	45.32	45.32	2.0	N/A	N/A	No	Subscription
Prosperity Investment Holdings Limited (310)	16 November 2023	5,000,000	8.00	10.67	10.67	2.0	N/A	N/A	Yes	Placing
China Kingsone Mining Holdings Limited (1380)	8 November 2023	200,000,000	2.00	(12.80)	(11.04)	2.0	36.00	N/A	No	Subscription
Century Entertainment International Holdings Limited (959)	16 October 2023	32,000,000	-	13.27	8.47	3.0	N/A	N/A	Yes	Subscription
Kiu Hung International Holdings Limited (381)	29 August 2023	45,000,000	4.00	32.74	31.58	5.0	N/A	N/A	No	Placing
Innovative Pharmaceutical Biotech Limited (399)	27 July 2023	55,500,000	-	-	4.66	10.0	N/A	N/A	Yes	Subscription
NOIZ Group Limited (8163) (Note 2)	14 July 2023	10,000,000	-	21.35	20.00	2.0	N/A	N/A	Yes	Subscription
Affluent Partners Holdings Limited (1466)	29 June 2023	31,500,000	-	(23.83)	(24.70)	2.0	N/A	(3.93)	No	Subscription
Sino-Life Group Limited (8296)	26 April 2023	18,160,000	1.00	5.00	4.13	6.0	N/A	N/A	Yes	Subscription
Global Sweeteners Holdings Limited (3889)	6 April 2023	138,000,000	5.00	16.30	20.20	3.0	N/A	N/A	No	Subscription
China Zenith Chemical Group Limited (362)	3 April 2023	44,100,000	3.00	(10.30)	(8.30)	2.0	N/A	(17.50)	No	Placing
China Baoli Technologies Holdings Limited (164) (Note 1)	29 March 2023	23,255,814	2.00	181.25	186.26	3.0	N/A	N/A	No	Subscription
CA Cultural Technology Group Limited (1566)	15 March 2023	160,942,240	-	(78.39)	(77.63)	3.0	N/A	(34.06)	No	Subscription
Kiu Hung International Holdings Limited (381)	10 March 2023	30,500,000	-	17.31	14.66	3.0	N/A	N/A	No	Subscription
Minimum			-	(90.58)	(90.55)	0.5	2.00	(61.60)		
Maximum			9.00	57.14	54.93	10.00	36.00	(3.93)		
Median			1.50	2.50	4.40	2.5	10.00	(14.94)		
Average			2.65	(5.00)	(4.20)	3.13	14.50	(20.77)		
The Proposed Fourth Amendments	30 December 2024	11,850,000	12.00	(41.33)	(42.41)	6.5	20.00	(4.85)	Yes	Placing

Source: the relevant announcement or circular posted on the website of the Stock Exchange

- Notes: (1) These comparable transactions were excluded from our analysis as outliers which were significantly above all other CB Comparables as evidenced by the fourth highest premium comparable was at approximately 57.14% premium of the conversion price to closing price per share on the last trading day prior to/ on the date of the agreement, representing a significant difference of approximately 35 times, 6 times and 3 times compared to that of the fourth highest premium comparable, respectively.
- (2) Referring to the announcement of NOIZ Group Limited on 14 July 2023, the transaction related to the proposed extension of the maturity date of 2022 convertible bonds was excluded as the announcement for proposed issue of 2022 convertible bonds was published on 14 November 2022 which falls outside of the Review CB Period.

Conversion price

As set out in the table above, we note that the conversion price to: (i) the closing share price on the last trading day prior to/on the date of announcement in relation to the CB Comparables ranged from a discount of approximately 90.58% to a premium of approximately 57.14%, with the average being the discount of approximately 5.00% and the median being the premium of approximately 2.5%; and (ii) the average closing share price for the last five consecutive trading days up to and including the date of the agreement in relation to the respective CB Comparables ranged from a discount of approximately 90.55% to a premium of approximately 54.93%, with the average being the discount of approximately 4.20% and the median being the premium of approximately 4.40%. As the Conversion Price is (i) at a discount of approximately 41.33% to the closing price per Share on the date of the Fourth Addendum; and (ii) at a discount of approximately 42.41% over the average closing price per Share for the last five consecutive trading days up to and including the date of the Fourth Addendum, the discounts as represented by the Conversion Price are within the range and more significant to the average and median of those of the CB Comparables.

As discussed with the Directors, we note that (a) the Group is under serve financial pressure given the followings: (i) the Group has been in loss making position for six financial years since the year ended 31 March 2019; (ii) the Group has net current liabilities position as at 31 March 2023 and 31 March 2024; (iii) as of 31 January 2025, the Group's cash and cash equivalents (excluding restricted cash) amounted to HK\$896,780, representing only 5.48% of the total redemption obligation of HK\$16,359,188; (iv) the Group's gearing ratio, calculated by dividing total other long-term liabilities and convertible bonds by total equity, was approximately 331.3% as at 30 September 2024; and (v) the Company has attempted to apply for the debts with 2 commercial banks and has been rejected; (b) a decreasing trend of closing price of the Shares at the end of the Review Period and up to the Latest Practicable Date mentioned in above sub-section headed "The Conversion Price" which show that the discount of the Conversion Price over the recent closing price of the Share was further lessened; and (c) the Conversion Price represents a significant premium over the consolidated unaudited net asset value of the Company attributable to the Shareholders as at 30 September 2024 of approximately HK\$0.0041 per Share, we concur that the discount of Conversion Price to the closing price per Share which is close to the maximum discount of the CB Comparables is fair and reasonable. We understand that the Directors consider the Proposed Fourth Amendments enables the Group to (a) extend the maturity date of Convertible Bonds and the barrier of seeking other funding to redeem the Convertible Bonds and (b) to be more efficient to retain cash resources of the Group as its working capital. Considering that the extension of mature date of the Convertible Bonds enable the Group to overcome the difficulties of seeking for other funding and be more efficient to retain cash resources of the Group as the Group's working capital, we are of the view that the Conversion Price is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Interest rate

As presented by the table above, the CB Comparables had annual interest rates from nil to 9.00% and the interest rate of the Convertible Bonds is 12.00% which is higher than the range of those of the CB Comparables. After taking into account (a) the prevailing unfeasible lending situation and tight lending conditions offered by commercial banks in Hong Kong and the fact that the Company has been rejected to apply for debts from 2 commercial banks; (b) the prevailing lending rate offered by an Independent Third Party licensed money lender in Hong Kong is more than 12% per annum after reviewing the correspondences provided by the Company between the said lender and the Company; (c) the net current liabilities position of the Group as at 30 September 2024; (d) no secured collateral or asset can be provided from the Group to apply for loans; and (e) the Company is in loss making for six consecutive financial years since the year ended 31 March 2019, we are of the view that the interest rate of 12% for the Convertible Bonds is fair and reasonable. The default interest of the CB Comparables ranged from 2.00% to 36.00% with the average and median being of approximately 14.50% and 10.00% respectively, the Default Interest is within the range of those of the CB Comparables and higher than the average and median of those of the CB Comparables. After considering that the default interest rate offered by the Independent Third Party licensed money lender is at the highest rate which is 48% compared to those of the CB Comparables, thus, we are of the view that the Default Interest is also fair and reasonable despite it is higher than the average and median of those of the CB Comparables.

Term to maturity

The term to maturity of the Comparables ranged from 0.5 year to 10 years with the average of approximately 3.13 years and median of 2.5 years. Considering that the term to maturity of the Convertible Bonds which is 6.5 years including two years in extension, falls within such range and higher than that of the average and median, we concur with the Directors' view that the term to maturity of the Convertible Bonds is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the above analysis, we are of the view that the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments) are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Potential dilution effect on the shareholding of the Company

With reference to the shareholding table in the section headed “Effect on the shareholding structure of the Company” of the Letter from the Board and as confirmed by the Directors, assuming that there will be no other change to the total issued share capital of the Company between the Latest Practicable Date and upon the full conversion of the Convertible Bonds and that no interest of the Convertible Bonds would be settled and paid to the Bondholders and/or the Subscribers between the Latest Practicable Date and the New Maturity Date without taking into account any Default Interest accrued after the New Maturity Date, the shareholding in the Company held by the other public Shareholders will be diluted from approximately 47.58% as at the Latest Practicable Date to (i) approximately 42.29% upon full conversion of the Convertible Bonds and none of the 2024 Convertible Bonds has been converted into the Shares; (ii) approximately 44.03% upon full conversion of the Convertible Bonds and the 2024 Convertible Bonds; and (iii) approximately 45.69% upon full conversion of the Convertible Bonds, the 2024 Convertible Bonds and the 2025 Convertible Bonds. The potential dilution effect of the Company is 4.85% which is within the range of those of the CB Comparables and lower than those discounts on average of approximately 20.77% and the median of approximately 14.94% of the CB Comparables. However, such dilution effect is for illustration purpose only as, subject to the terms and conditions of the Convertible Bonds, the Bondholders will be entitled to, at any time during the Conversion Period, to convert the whole or part of the aggregate sum of the outstanding principal amount and any outstanding accrued interest of the Convertible Bond (in the minimum amount of HK\$1,000,000 or any whole multiple thereof on each conversion) into Conversion Shares, unless the outstanding principal is less than HK\$1,000,000 in which case the whole of such amount shall be converted and the exercise of the Conversion Right will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules.

We are aware of the potential dilution effect as a result of the conversion of the Convertible Bonds based on the Conversion Price. Nonetheless, having considered that (i) the Group has been in loss making position for six financial years since the year ended 31 March 2019 and has net current liabilities position as at 31 March 2023 and 31 March 2024; (ii) the Group’s immediate needs for financial resources to settle the Convertible Bonds which matured on 24 December 2024 under the Third Addendum; (iii) the Convertible Bonds are the preferred option over debt financing alternatives as the Company had high gearing ratio as at 30 September 2024 and was recently rejected by 2 commercial banks for borrowings; (iv) the potential dilution effect of the Company is within the range of those of the CB Comparables and lower than those of the average and median of the CB Comparables; (v) the terms of the Proposed Fourth Amendments are fair and reasonable so far as the Independent Shareholders are concerned; (vi) there is conversion restriction in order to comply with the GEM Listing Rules; and (vii) the reasons for and benefits of the Fourth addendum as mentioned in the above section “Reasons for and benefits of the Proposed Fourth Amendments”, we concur with the view of the Directors that such potential dilution effect on the shareholding interests of the existing public Shareholders resulting from the exercise of the Convertible Bonds is justifiable.

a. *Effect on liquidity*

According to the Interim Report 2024, the unaudited bank balances and cash of the Group was approximately HK\$3.17 million as at 30 September 2024. Save for the cash outflow of the expenses for the legal and professional fees and expenses incurred by the Company in relation to the Fourth Addendum which is estimated to be approximately HK\$163,000, there would be no immediate cash outflow to be incurred in the settlement of the principal amount of the Convertible Bonds (other than the early redemption) held by the Bondholders as confirmed by the Directors.

b. *Effect on net assets*

Upon the approval of the Fourth Addendum, the Convertible Bonds will be recognised as non-current liabilities of the Group. There may be changes in the fair value of the Convertible Bonds as a result of the Proposed Fourth Amendments. The possible changes will be subject to the valuation from independent valuer and the review of the Company's auditor during the annual audit and the preparation of the consolidated financial statement of the Group for the financial year ended.

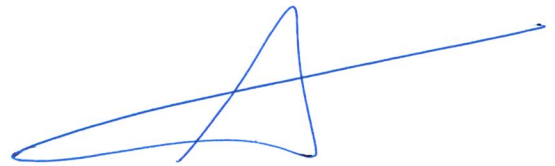
It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial performance and the financial position of the Group will be upon completion of the Fourth Addendum.

RECOMMENDATION

Having considered the principal factors and reasons as summarised in followings: (i) the Group has been in loss making position for six financial years since the year ended 31 March 2019 and has net current liabilities position as at 31 March 2023 and 31 March 2024; (ii) as of 31 January 2025, the Group's cash and cash equivalents (excluding restricted cash) amounted to HK\$896,780, representing only 5.48% of the total redemption obligation of HK\$16,359,188; (iii) the Group's immediate needs for financial resources to settle the Convertible Bonds which matured on 24 December 2024 under the Third Addendum; (iv) the Convertible Bonds are the preferred option over debt financing alternatives as the Company had high gearing ratio as at 30 September 2024 and was recently rejected by 2 commercial banks for borrowings; (v) the Conversion Price represents a significant premium over the consolidated unaudited net asset value of the Company attributable to the Shareholders as at 30 September 2024; (vi) the discounts as represented by the Conversion Price are within the range and close to the maximum discounts of the CB Comparables; (vii) the term to maturity and potential dilution effect of the Company is within the range of those of the CB Comparables, we are of the opinion that although the entering into of the Fourth Addendum was not in the ordinary and usual course of business of the Group, the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed

Fourth Amendments), are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution for approving the Fourth Addendum and the transactions contemplated thereunder (including but not limited to the Proposed Fourth Amendments) at the EGM.

Yours faithfully,
For and on behalf of
Vinco Financial Limited



Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.