邁時資本
MAXA CAPITAL

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16 May 2025

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION
LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

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 Debt Settlement Agreement and the transactions contemplated thereunder (including the allotment and issue of the Capitalisation Shares under the Specific Mandate), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company dated 16 May 2025 (the "**Circular**") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 7 April 2025 (after the Stock Exchange trading hours), the Company (as issuer) and Galloway (as subscriber) entered into the Debt Settlement Agreement, pursuant to which the parties conditionally agreed that the Subscriber shall subscribe for, and the Company shall allot and issue, a total of 63,377,163 Capitalisation Shares at the Capitalisation Price of HK$0.485 per Capitalisation Share. The aggregate Capitalisation Price of all Capitalisation Shares payable by the Subscriber shall be satisfied by capitalising and setting off against the Loan and the Accrued Interest, amounting to US$3,956,484 (approximately HK$30,737,924.20), upon Completion.

The Capitalisation Shares represent (i) approximately 27.74% of the total number of issued Shares as at the date of the Debt Settlement Agreement and the Latest Practicable Date; and (ii) approximately 21.72% of the total number of issued Shares as enlarged by the allotment and issue of the Capitalisation Shares immediately after Completion, assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the allotment and issue of the Capitalisation Shares. The Capitalisation Shares to be allotted and issued to the Subscriber will be allotted and issued under the Specific Mandate to be obtained at the EGM. As at the Latest Practicable Date, the number of Shares held by Galloway, Mr Mellon and their respective associates represent, in aggregate, approximately 56.55% of the issued share capital of the Company. Upon completion of the Loan Capitalisation, the number of Shares to be held by Galloway, Mr Mellon and their respective associates will represent, in aggregate, approximately 65.98% of the issued share capital of the Company.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber beneficially owned 86,193,787 Shares, representing approximately 37.73% of the issued share capital of the Company and was therefore a controlling shareholder of the Company. The Subscriber was indirectly wholly-owned by Mr Mellon, the chair of the Board and a non-executive Director and held 40,380,607 Shares as a beneficial owner and beneficially owned 2,579,190 Shares and 86,193,787 Shares, via Indigo and Galloway respectively, which were corporations indirectly wholly owned by Mr Mellon, representing in aggregate approximately 56.54% of the issued share capital of the Company. Therefore, the Subscriber is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Debt Settlement Agreement and the transactions contemplated thereunder (including the allotment and issue of the Capitalisation Shares to the Subscriber under the Specific Mandate) constitute a connected transaction of the Company, and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Debt Settlement Agreement and the transactions contemplated thereunder (including the allotment and issue of the Capitalisation Shares to the Subscriber under the Specific Mandate). The Subscriber, Mr Mellon and their respective associates shall abstain from voting on the resolution to approve the Debt Settlement Agreement and the transactions contemplated thereunder at the EGM (including the allotment and issue of the Capitalisation Shares to the Subscriber under the Specific Mandate). Other than the Subscriber, Mr Mellon and their respective associates, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Debt Settlement Agreement and the transactions contemplated thereunder (including the allotment and issue of the Capitalisation Shares to the Subscriber under the Specific Mandate) or is otherwise required to abstain from voting on the resolution in relation to the aforesaid matters at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr Mark Searle, Mr Adrian Chan and Mr Ihsan Al Chalabi, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Debt Settlement Agreement and the transactions contemplated thereunder (including the allotment and issue of the Capitalisation Shares to the Subscriber under the Specific Mandate). We, Maxa Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Debt Settlement Agreement and the transactions contemplated thereunder (including the allotment and issue of the Capitalisation Shares to the Subscriber under the Specific Mandate). In the past two years, we were appointed by the Company as the independent financial adviser in respect of the adjustments to the exercise prices and number of Shares to be issued upon full exercise of the outstanding share options, details of which were set out in the announcement of the Company dated 1 June 2023. The aforesaid previous appointment was limited to providing one-off independent advisory service, for which we received normal professional fees. Accordingly, we do not consider the previous appointment gives rise to any conflict for us in acting as the Independent Financial Adviser in respect of the Debt Settlement Agreement and the transactions contemplated thereunder (including the allotment and issue of the Capitalisation Shares to the Subscriber under the Specific Mandate). Apart from normal advisory fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, among others, (i) the Debt Settlement Agreement; (ii) the agreements in relation to the Shareholder Loans and Facility; (iii) the annual report for the year ended 31 December 2023 of the Company (the "**2023 AR**"); and (iv) the annual results announcement for the year ended 31 December 2024 of the Company (the "**2024 ARA**"). We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and management of the Company (the "**Management**"). We have assumed that (i) all statements, information, opinions and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely and wholly responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information, which is known to the Company, have been omitted or withheld from the information supplied or opinions expressed in the Circular or doubt the truth, accuracy and completeness of the information and facts, or the reasonableness of the representations and opinions expressed by the Company, the Management and the Directors. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification on the information contained in the Circular and provided to us by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

The Directors jointly and severally accept 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 and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Debt Settlement Agreement and the transactions contemplated thereunder (including the allotment and issue of the Capitalisation Shares to the Subscriber under the Specific Mandate), we have taken into consideration the following principal factors and reasons:

1. Background of the Loan Capitalisation

1.1 Information of the Group

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability whose shares are listed on the Stock Exchange and are also traded on the open market (Freiverkehr) of the Frankfurt Stock Exchange. The Group is a diversified investment group based in Hong Kong currently holding various corporate and strategic investments focusing on the healthcare, wellness and life sciences sectors.

Set out below is a summary of the consolidated financial information of the Group for the years ended 31 December 2022, 2023 and 2024 (**"FY2022"**, **"FY2023"** and **"FY2024"**, respectively) as extracted from the 2023 AR and 2024 ARA:

	For the year ended 31 December					
	2022		**2023**		**2024**	
	US$'000 (audited)	*% of revenue*	*US$'000 (audited)*	*% of revenue*	*US$'000 (audited)*	*% of revenue*
Revenue	**223**		**317**		**804**	
– Royalty income	35	15.70%	171	53.94%	154	19.15%
– Signature payment	–	–	–	–	500	62.19%
– Income generated from the intellectual property ("**IP**") of Deep Longevity, Inc ("**DLI**")	79	35.43%	120	37.85%	65	8.08%
– Other income	109	48.88%	26	8.20%	85	10.57%
Exchange gains/(losses), net	(109)		169		(68)	
Fair value gain/(loss) on financial assets at fair value through profit or loss ("**FAFVPL**")	(353)		(38)		–	
Gain/(loss) on disposal of FAFVPL	(3,781)		91		(80)	
Total revenue and fair value gain/(loss) on financial instruments	**(4,020)**		**539**		**656**	
Loss from operations	**(34,995)**		**(30,383)**		**(4,437)**	
Loss for the year	**(36,427)**		**(25,049)**		**(4,482)**	

FY2023 VS FY2022

As disclosed in the 2023AR, the total revenue of the Group was approximately US$0.32 million for FY2023, representing an increase of approximately US$0.09 million or approximately 42.2% as compared to approximately US$0.22 million for FY2022. The Group's royalty income represents the revenue derived from the milestone and royalty income of Fortacin™/Senstend™ (the marketing name for Fortacin™ in China). Fortacin™ product is a treatment for male premature ejaculation that obtained marketing authorisation from the Eurpoean Medicines Agency in 2013. The Group does not directly engage in the manufacturing or marketing of Fortacin™ as these operational aspects have been and continue to be completely outsourced to selected commercial partners, and instead the Group manages its investment by way of managing the flow of licensing and royalty payments that flow from sales of Fortacin™ in the licensed territories. The royalty income of approximately US$0.17 million for FY2023 mainly represented the royalty fee income generated from the sales of Fortacin™ in certain countries in Europe. DLI is a subsidiary of the Company and specialises in the field of longevity. DLI develops explainable and user-friendly artificial intelligence systems to track the rate of human aging at the molecular, cellular, tissue, organ, system, physiological and psychological levels. It is also developing systems for the emerging field of longevity medicine that may slow down or reverse the aging processes. The income of approximately US$0.12 million generated from DLI for FY2023 mainly represented revenue derived from its customers for the use of DLI's aging clock platform.

The Group recorded a loss for the year of approximately US$25.05 million for FY2023, representing a decrease of approximately US$11.37 million or 31.2%, as compared to approximately US$36.43 million for FY2022. Such reduction in loss for FY2023 was primarily attributable to (i) the disposal of FAFVPL led to a gain of approximately US$0.09 million for FY2023, comparing with a loss of approximately US$3.78 million for FY2022 resulting from the disposal of the shares of DEVELOP Global Limited, a company listed on Australian Securities Exchange; and (ii) an income tax credit of approximately US$5.41 million for FY2023, comparing with an income tax expense of approximately US$0.42 million for FY2022, which was mainly caused by the reduction in effect on deferred tax balance resulting from a change in tax rate from approximately US$5.16 million in FY2022 to US$nil in FY2023.

FY2024 VS FY2023

As disclosed in the 2024 ARA, the total revenue of the Group was approximately US$0.80 million for FY2024, representing an increase of approximately US$0.5 million or approximately 153.6% as compared to approximately US$0.32 million for FY2023. The increase in revenue for FY2024 was mainly attributed to a signature payment of US$0.50 million received from Kobayashi Pharmaceutical Co., Ltd. ("**Kobayashi**"), a company registered in Japan, in July 2024 for licensing-out the rights to commercialise Fortacin™ by way of the sale and, among other things, distribution of Fortacin™ in Japan.

The Group recorded a loss for the year of approximately US$4.48 million for FY2024, representing a decrease of approximately US$20.57 million or 82.1%, as compared to approximately US$25.05 million for FY2023. Such reduction in loss for FY2024 was primarily attributable to amortisation of intangible assets turned from approximately US$22.18 million in FY2023 to US$nil for FY2024, which was mainly due to the patent (Fortacin™) being fully amortised in FY2023.

	As at 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
	(audited)	(audited)	(audited)
Non-current assets	24,006	10	9
Current assets	2,312	2,785	601
Total assets	**26,318**	**2,795**	**610**
Non-current liabilities	(5,405)	(765)	(862)
Current liabilities	(18,316)	(3,581)	(5,649)
Total liabilities	**(23,721)**	**(4,346)**	**(6,511)**
Net current liabilities	**(16,004)**	**(796)**	**(5,048)**
Net assets/(liabilities)	**2,597**	**(1,551)**	**(5,901)**

FY2023 VS FY2022

The Group's total assets decreased from approximately US$26.32 million as at 31 December 2022 to approximately US$2.80 million as at 31 December 2023, which was mainly due to the Company's carrying amount of intangible assets turned from approximately US$23.70 million as at 31 December 2022 to US$nil as at 31 December 2023, caused by the amortisation and impairment loss of the Group's patent (Fortacin™) and IP (Deep Longevity) in FY2023. The Group's total assets as at 31 December 2023 mainly comprised of (i) cash and bank balances of approximately US$2.10 million; and (ii) FAFVPL of approximately US$0.32 million.

The Group's total liabilities decreased from approximately US$23.72 million as at 31 December 2022 to approximately US$4.35 million as at 31 December 2023, which was mainly due to (i) the set-off of unsecured loans from Galloway approximately US$14.84 million against the issue of rights shares by the Company in January 2023; and (ii) reduction of deferred tax liabilities from approximately US$5.39 million as at 31 December 2022 to US$nil as at 31 December 2023 as a result of the change of patent related tax rate. The Group's total liabilities as at 31 December 2023 mainly comprised of (i) trade payables, contract liabilities, accruals and other payables of approximately US$3.15 million; and (ii) lease liabilities of approximately US$1.18 million.

FY2024 VS FY2023

The Group's total assets decreased from approximately US$2.80 million as at 31 December 2023 to approximately US$0.61 million as at 31 December 2024, which was mainly due to the Company's cash and bank balances decreased from approximately US$2.10 million as at 31 December 2023 to approximately US$0.10 million as at 31 December 2024. The Group's total assets as at 31 December 2024 mainly comprised of (i) prepayments, deposits and other receivables of approximately US$0.37 million; and (ii) cash and bank balances of approximately US$0.10 million.

The Group's total liabilities increased from approximately US$4.35 million as at 31 December 2023 to approximately US$6.51 million as at 31 December 2024, which was mainly due to the Group drawn down an aggregated amount of approximately US$2.57 million loan from Galloway. The Group's total liabilities as at 31 December 2024 mainly comprised of (i) trade payables, contract liabilities, accruals and other payables of approximately US$3.17 million; and (ii) shareholder's loans of approximately US$2.57 million.

Liquidity and net debts position

The Group had net current liabilities of approximately US$16.00 million, US$0.80 million and US$5.05 million as at 31 December 2022, 2023 and 2024 respectively. On the other hand, the Group had total net debts, calculated as total borrowings less cash and bank balances (including restricted bank balances) of approximately US$13.12 million, US$nil and US$2.48 million as at 31 December 2022, 2023 and 2024 respectively.

1.2 Information of the Subscriber

As at the Latest Practicable Date, the Subscriber beneficially owned 86,193,787 Shares, representing approximately 37.73% of the issued share capital of the Company, and was therefore a controlling shareholder of the Company. The Subscriber was indirectly wholly-owned by Mr Mellon, the chair of the Board and a non-executive Director.

2. Reasons for and benefits of the Loan Capitalisation

2.1 Background and reasons of the Loan

With reference to the Board Letter, the Loan was provided by the Subscriber to the Group for the purpose of financing its general working capital requirements. As at the Latest Practicable Date, the Loan represented the aggregate outstanding principal amount of US$3,810,000 (approximately HK$29,599,890) and the Accrued Interest was US$146,484 (approximately HK$1,138,034.20). The Loan is unsecured and bears interest at the rates ranging from 8% to 12% per annum.

As stated in the Board Letter, given the Group's current financial position, the Group is not in a position to repay the amount due to the Subscriber without tightening its existing financial resources and furthermore, given the Group has generated losses over the previous years, it's liquidity position has not improved. According to the 2024 ARA, if excluding the cash inflow from the Loan, cash and cash equivalents of the Group would have changed adversely from approximately US$0.13 million (approximately HK$1.01 million) to approximately a negative amount of US$1.56 million (approximately a negative amount of HK$12.14 million) as at 31 December 2024. For FY2024, the Group recorded a net loss of approximately US$4.48 million (approximately HK$34.85 million) and net cash used in operating activities of approximately US$4.03 million (approximately HK$31.35 million). Due to liquidity pressure and in order to achieve healthy cashflow level, the Group would like to retain cash for general working capital and/or potential business opportunities that may arise in the future (if any). Currently, there are no business opportunities that the Company is interested in or intends to pursue. However, the Company remains open to considering future opportunities as they arise. The Loan Capitalisation enables the Group to settle its existing liabilities without utilising the existing financial resources and can avoid cash outflows. Upon the completion of the Loan Capitalisation, the Group's total liabilities will be reduced by US$3,956,484 (approximately HK$30,737,924.20). If the Loan Capitalisation had been completed as at the Latest Practicable Date, the Group's estimated total liabilities and net liability as at the Latest Practicable Date will be adjusted to approximately US$4.03 million (approximately HK$31.31 million) and approximately US$3.40 million (approximately HK$26.41 million), respectively.

As discussed in the sub-section headed "1.1 Information of the Group", the Group recorded loss attributable to the shareholders of the Company of approximately US$4.48 million for FY2024, representing a decrease of approximately 82.1% as compared to loss attributable to the shareholders of the Company of approximately US$25.05 million for FY2023. Notwithstanding such significant reduction in loss from its operations, we note that the Group's working capital and financial position had been deteriorating as the Group's net current liabilities and capital deficiency increased from approximately US$0.80 million and US$1.55 million as at 31 December 2023 to approximately US$5.05 million and US$5.90 million as at 31 December 2024, respectively. As disclosed in the 2024 ARA, the above conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. Material uncertainty exists as to whether the Group will be able to continue as a going concern would depend upon, among others, (a) successful draw down of the facility as and when needed; and (b) successful implementation of measures to effectively control costs and expenses and timely collecting receivables.

As advised by the Management, due to the Group's persistent loss-making and net debt positions, there are practical difficulties for the Group to secure new banking or credit facilities from financial institutions. In light of the above, the Group required Galloway to provide financial assistance in order to replenish the Group's working capital and prevent disruption to the Group's operations. With reference to the Board Letter, the Company has entered into two Shareholder Loans agreements in March 2024 and November 2024, respectively, together with a Facility letter entered into on 20 March 2025 with Galloway, which made available to the Company US$ loan facility in an aggregate amount of US$8,000,000 with interest rates ranging from 8% to 12% per annum and repayable within 12 to 18 months from the respectively date of the loan agreements and facility letter (collectively, the "**Loan Facilities**"). The Company has drawn down an aggregate amount of US$3,810,000 from the Loan Facilities as of 7 April 2025. Against this backdrop, the Management considers that the Loan Capitalisation would enable the Company to improve its liquidity position, strengthen its capital base and alleviate the interest burden from the Loan.

2.2 Fund raising alternatives

With reference to the Board Letter, the Directors have considered other alternative means for raising funds to settle the Loan, such as bank borrowings, share placement or rights issue. However, having taken into account that: (i) debt financing and bank borrowing will inevitably increase the indebtedness of the Group and lenders generally require a pledge of assets from the borrower, which the Group does not have sufficient assets of value to pledge; (ii) other equity financing such as placing of new shares and rights issue usually requires attractive discount to the prevailing market price of the Shares and is relatively more time consuming and less cost effective as compared to the Loan Capitalisation; (iii) the Loan Capitalisation will reduce the indebtedness of the Group without cash outflows; (iv) the Capitalisation Price equals the prevailing market price of the Shares as at the date of the Debt Settlement Agreement; and (v) the Loan Capitalisation demonstrates the support and solid confidence given by the Subscriber and its ultimate beneficial owner (Mr Mellon) towards the long-term development of the Group, the Directors consider that the Loan Capitalisation is a more desirable option for the Group to settle the Loan.

As part of our due diligence and based on our discussion with the Management:

(i) in respect of debt financing, the Company has approached two financial institutions in Hong Kong for applying for the new loans. Based on preliminary evaluation of the financial institutions after taking into account the Group's capital deficiency, loss-making position and limited available assets of the Group which can be pledged as collateral to secure certain bank loans, there is practical difficulty for the Company to obtain additional bank borrowings on commercially favourable terms and conditions at acceptable finance cost;

(ii) for placing of new Shares, we note that the Company also explored with one placing agent on the possibility of issuing new Shares and was given the understanding that, given the Group's unsatisfactory financial performance in recent years, the issuance of new Shares may not be appealing to the market and hence it would be difficult for the Company to attract subscribers and to ascertain market demand and raise sufficient funds without offering a significant discount; and

(iii) in terms of rights issues or open offer, it generally requires a longer timeframe as it requires relatively lengthy documentation such as preparing prospectus as compared to preparing circular to Shareholders in the case of issue of shares under the specific mandate. In addition, we note that rights issue or open offer are likely to incur additional costs, including but not limited to, underwriting or placing commission and other professional fees, which would be less cost-effective to the Group in view of its current financial position.

Having considered the Loan Capitalisation would (i) deleverage the balance sheet of the Group while maintaining sufficient working capital, thereby alleviating its financial pressure upon repayment of the Loan; (ii) ease the interest burden of the Group and thus improves its liquidity and financial performance; (iii) enable the Group to focus its internal resources on its business development and operation; (iv) demonstrates the support and solid confidence given by the Subscriber and its ultimate beneficial owner towards the long-term development of the Group; and (v) the Loan Capitalisation is a more appropriate and acceptable way of financing for the Company as compared to other fundraising activities, we concur with the Directors' view that the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Debt Settlement Agreement and our assessments

3.1 Terms of the Debt Settlement Agreement

The principal terms of the Debt Settlement Agreement are as follows:

Date	:	7 April 2025 (after the Stock Exchange trading hours)
Parties	:	(1) the Company (as the issuer); and (2) Galloway (as the Subscriber).
Number of Capitalisation Shares	:	The Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, a total of 63,377,163 Capitalisation Shares at the Capitalisation Price of HK$0.485 per Capitalisation Share. The aggregate Capitalisation Price payable by the Subscriber under the Debt Settlement Agreement shall be satisfied by capitalising and setting off against the Loan and the Accrued Interest, amounting to US$3,956,484 (approximately HK$30,737,924.20) upon Completion. The Capitalisation Shares represent (i) approximately 27.74% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 21.72% of the total number of issued Shares as enlarged by the allotment and issue of the Capitalisation Shares, assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the allotment and issue of the Capitalisation Shares. The aggregate nominal value of the Capitalisation Shares (with a par value of US$0.001 each) is US$63,377.16.
Capitalisation Price	:	The Capitalisation Price was arrived at on an arm's length basis between the Company and the Subscriber after taking into account (i) the total outstanding amount under the Loan; (ii) the recent trading performance of the Shares; (iii) the recent market condition, which suggests that it would be difficult for the Company to pursue either sizeable equity financing alternatives in the stock market or bank financing; and (iv) the current financial position and the business prospect of the Group: The Group recorded a net current liability of US$5.05 million (approximately HK$39.23 million) and a net liability of US$5.90 million (approximately HK$45.84 million) as at 31 December 2024. The Loan Capitalisation is being undertaken at a considerable premium to the prevailing market price and it will have a positive effect on the Group's financial position and strengthen its net asset value, demonstrating the Subscriber's strong support for the Group's operations and confidence in the Group's business prospects.

The amount of the total Capitalisation Price shall be satisfied by way of capitalising and setting off against the Loan and the Accrued Interest, amounting to US$3,956,484 (approximately HK$30,737,924.20). In addition, the Group will use its internal resources to settle the professional fees and all related expenses (expected to be approximately HK$370,000) which may be borne by the Company in connection with the Loan Capitalisation.

The Capitalisation Price of HK$0.485 per Capitalisation Share:

(i) equal to the closing price of HK$0.485 per Share as quoted on the Stock Exchange on 7 April 2025, being the date of the Debt Settlement Agreement;

(ii) represents a premium of approximately 16.00% to the average closing price per Share of HK$0.419 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Debt Settlement Agreement; and

(iii) represents a premium of approximately 13.00% to the average closing price per Share of HK$0.431 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Debt Settlement Agreement.

The theoretical dilution impact, as calculated in accordance with Rule 7.27B of the Listing Rules, is 0%.

For further details of the Debt Settlement Agreement, such as the Conditions Precedent, Completion, Ranking of the Capitalisation Shares, please refer to the section headed "THE DEBT SETTLEMENT AGREEMENT" in the Board Letter.

3.2 Our assessments on the terms of the Debt Settlement Agreement

We have reviewed the liquidity and daily closing prices of the Shares for the period from 7 April 2024 to 7 April 2025 (being twelve months prior to the date of the Debt Settlement Agreement) and up to the Latest Practicable Date (the "**Review Period**"). We consider that the Review Period is adequate to illustrate the recent liquidity and price movement of the Shares for conducting a reasonable analysis or comparison among the historical Share performance prior to the Latest Practicable Date and such analysis or comparison is relevant for the assessment of the fairness and reasonableness of the Capitalisation Price.

3.2.1 Liquidity of the Shares

The following table sets out the total trading volume per month and the average daily trading volume per month of the Share during the Review Period:

Historical monthly trading volume of the Share

Months	**Total number of issued Shares at the end of the month/ period**	**Total trading volume of Share for the month/ period**	**Number of trading days**	**Average daily trading volume** *(Note 1)*	**Percentage of average daily trading volume to total number of issued Shares** *(Note 2)*	**Percentage of average daily trading volume to total number of Shares held by public Shareholders** *(Note 3)*
2024						
April (7th to 30th)	228,392,286	629,032	17	37,002	0.0162%	0.0403%
May	228,392,286	671,832	21	31,992	0.0140%	0.0348%
June	228,392,286	75,388	19	3,968	0.0017%	0.0043%
July	228,438,619	368,088	22	16,731	0.0073%	0.0182%
August	228,438,619	441,178	22	20,054	0.0088%	0.0218%
September	228,438,619	1,633,449	19	85,971	0.0376%	0.0936%
October	228,438,619	3,008,826	21	143,277	0.0627%	0.1560%
November	228,438,619	2,213,106	21	105,386	0.0461%	0.1147%
December	228,438,619	1,251,808	20	62,590	0.0274%	0.0681%
2025						
January	228,438,619	445,909	19	23,469	0.0103%	0.0255%
February	228,438,619	2,051,956	20	102,598	0.0449%	0.1117%
March	228,438,619	718,152	21	34,198	0.0150%	0.0372%
April	228,438,619	5,275,129	19	277,638	0.1215%	0.3022%
May (1st to 9th)	228,438,619	1,285,521	5	257,104	0.1125%	0.2799%
Minimum					**0.0017%**	**0.0043%**
Maximum					**0.1215%**	**0.3022%**
Average					**0.0376%**	**0.0935%**

Source: The Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

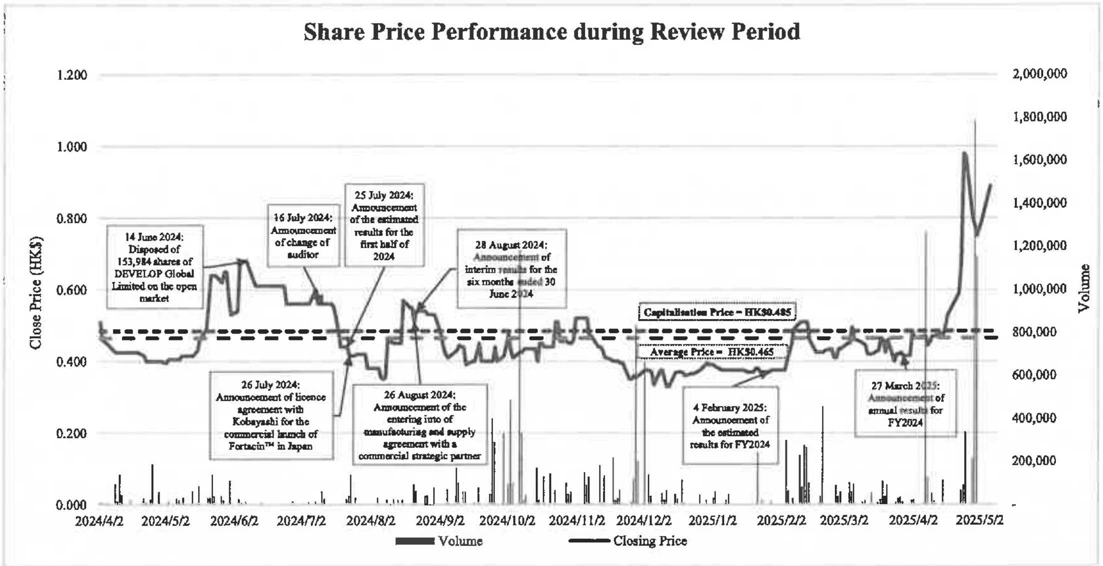
2. It is calculated by dividing the average daily trading volume for the month/period by the total number of issued Shares at the end of each month/period.

3. It is calculated by dividing the average daily trading volume for the month/period by the total number of Shares held by the public Shareholders as at the Latest Practicable Date, i.e. 91,863,555.

We note from the above table that the trading volume of the Share is generally thin during the Review Period, where the percentages of average daily trading volume of the Share to the total number of issued Shares and the total number of issued Shares held by the public Shareholders during the Review Period are 0.0376% and 0.0935%, respectively. Given the limited trading activity of the Share, we consider that the Company is unlikely to raise funds by way of placing without a substantial discount being applied.

3.2.2 Review of the historical share price performance

The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



Source: Wind

As illustrated in the chart above, the closing Share price showed significant fluctuations during the Review Period, with Share price ranging from HK$0.330 to HK$0.980 and traded at an average of approximately HK$0.465. We note that Share price is highly volatile between May 2024 and September 2024. Based on our review of the announcements published by the Company during such period, we note that (i) on 14 June 2024, the Company announced the disposal of 153,984 shares of DEVELOP Global Limited on the open market for an aggregate consideration, before expenses, of approximately US$0.21 million; (ii) on 16 July 2024, the Company announced the change of its auditor; and (iii) on 25 July 2024, the Company issued the estimated results for the six months ended 30 June 2024, where the Group expected to record a significant reduction in the loss attributable to the shareholders of the Company of between approximately US$2.50 million to approximately US$3.50 million, as compared to a loss attributable to the shareholders of the Company of approximately US$12.20 million for the six months ended 30 June 2023. Share price fluctuated between HK$0.360 and HK$0.400 from late December 2024 to February 2025 with limited trading activity. On 4 February 2025, the Company published its estimated results for FY2024, where the Group expected to record a significant reduction in the loss attributable to the shareholders of the Company for FY2024 of between approximately US$4.00 million to approximately US$5.00 million, as compared to a loss attributable to the shareholders of the Company of approximately US$25.05 million for FY2023. Subsequent to the announcement, the Share price demonstrated a general upward trend and reached HK$0.510 on 13 February 2025, being the highest price recorded since November 2024.

We note that the Capitalisation Price represents a premium of approximately 47.0% and 4.2% over the lowest and average Share price during the Review Period, respectively and a discount of approximately 50.5% to the highest Share price during the Review Period.

Having taking into account that (i) the Capitalisation Price is at a premium over the average Share price during the Review Period; and (ii) our analysis set out in the sections headed "3.2.3 Comparable transaction analysis" below, we consider that the Capitalisation Price is fair and reasonable.

3.2.3 Comparable transaction analysis

In assessing the fairness and reasonableness of the Capitalisation Price, we have also conducted research through website of the Stock Exchange and have identified a list of transactions based on the following selection criteria: (i) loan capitalisation and issue of new shares (excluding issue of preference shares) to connected person(s) under specific mandate carried out by the companies listed on the Main Board of the Stock Exchange; and (ii) announced since 1 January 2024 and up to the Latest Practicable Date (the "**Comparable Review Period**"), which reflects the latest market conditions in the context of rapidly changing capital markets. Based on our research, we have identified an exhaustive list of nine comparable share subscription transactions (the "**Comparable Transactions**") that meet the aforesaid criteria. We consider the Comparable Review Period is adequate and appropriate given that (i) such period would provide us with the recent and relevant information to demonstrate the prevailing market practice prior to the date of the Debt Settlement Agreement under the prevailing market conditions and capital market sentiment; and (ii) we are able to identify sufficient and reasonable sample size for selection of Comparable Transactions within the Comparable Review Period. Though the business nature and industrial sectors of the Comparable Transaction are not the same as that of the Company, we consider that the Comparable Transactions are fair and representative samples for our assessment of the Loan Capitalisation given that (i) the subscription prices of the Comparable Transactions are mainly determined with reference to the prevailing market prices of the relevant shares prior to the announcements of Comparable Transactions; and (ii) our analysis on the Capitalisation Price is mainly aiming at taking a general reference to the market practice for similar type of transactions, and without limiting to companies with similar business nature and industrial sectors to the Group, we are able to identify sufficient sample size that is useful for Independent Shareholders' reference.

The following table sets out the respective premium/(discount) of the subscription price over/to closing price prior to/up to and including the relevant agreement date or the last trading day (the "**LTD Premium/(Discount)**") and the premium/(discount) of the subscription price over/to the average closing price of last five consecutive trading days prior to/up to and including the relevant agreement date or the last trading day (the "**Five Days Premium/(Discount)**").

Date of announcement	Company Name	Principal Activities	Stock Code	LTD Premium/ (Discount) %	Five Days Premium/ (Discount) %
7-Mar-24	Enviro Energy International Holdings Limited	Trading of building materials and investment and leasing of properties	1102.HK	(10.70)	(5.70)
7-Mar-24	China HK Power Smart Energy Group Limited	Liquefied natural gas business	931.HK	0	1.42
10-Mar-24	China Qidian Guofeng Holdings Limited	Retail of household appliance and consumer electronics, and trading of liquor	1280.HK	(31.37)	(31.64)
14-May-24	Hua Yin International Holdings Limited	Development of properties and provision of management service to property project	989.HK	19.05	6.38
17-Jun-24	Zhuguang Holdings Group Company Limited	Property development, investment and rental of properties, and project management	1176.HK	21.21	18.34
12-Nov-24	Bonjour Holdings Limited	Retail of beauty and health care products	653.HK	0	(1.00)
17-Jan-25	CHK Oil Limited	Exploration, exploitation and trading of petroleum and natural gas	632.HK	5.06	(5.03)
17-Apr-25	China HK Power Smart Energy Group Limited	Liquefied natural gas business	931.HK	0	(0.51)
29-Apr-25	GoFintech Quantum Innovation Limited	Securities brokerage and margin financing business	290.HK	4.92	2.56
			Minimum	**(31.37)**	**(31.64)**
			Average	**0.91**	**(1.69)**
			Median	**0.00**	**(0.51)**
			Maximum	**21.21**	**18.34**
7-Apr-25	**The Company**		**575.HK**	**0.00**	**15.75**

Source: The Stock Exchange

As set out in the table above, we note that:

i. the Capitalisation Price equals to the closing price of HK$0.485 per Share as quoted on the Stock Exchange on the date of the Debt Settlement Agreement, which is slightly lower than the average LTD Premium of the Comparable Transactions of approximately 0.91% and equals to the median LTD Premium of the Comparable Transactions of approximately 0.00%; and

ii. the Capitalisation Price represents a premium of approximately 15.75% over the average closing price per Share of HK$0.419 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Debt Settlement Agreement, which is higher than the average and median Five Days Discount of the Comparable Transactions of approximately 1.69% and 0.51%, respectively.

In view of the above and given that (i) the Capitalisation Price is close to the average closing price per Share during the Review Period; (ii) the Capitalisation Price equals to the closing price of HK$0.485 per Share as quoted on the Stock Exchange on the date of the Debt Settlement Agreement; and (iii) the premium of the Capitalisation Price over the average closing price for the last five consecutive trading days immediately preceding the date of the Debt Settlement Agreement is significantly higher than the average and median Five Days Discount of the Comparable Transactions, we consider that the Capitalisation Price is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

4. Dilution effect of the Loan Capitalisation on the Shareholding Structure

As illustrated in the table set out in the section headed "EFFECT OF THE LOAN CAPITALISATION ON SHAREHOLDING STRUCTURE" of the Board Letter, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 40.20% and will be diluted to approximately 31.47% immediately after Completion.

Despite the potential dilution impact to the shareholding interests of the existing public Shareholders, taking into account the Loan Capitalisation would (i) enable the Group to improve its financial position; (ii) ease the interest burden of the Group and thus improves its liquidity and financial performance; and (iii) allow the Group to focus its internal resources on its business development and operation, we are of the view that the Loan Capitalisation is beneficial to the Company and the Shareholders as a whole and is therefore fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, we are of the view that (i) the terms of the Debt Settlement Agreement and the transactions contemplated thereunder (including the allotment and issue of the Capitalisation Shares to the Subscriber under the Specific Mandate) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Debt Settlement Agreement, although not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed for approving the Debt Settlement Agreement and the transactions contemplated thereunder (including the allotment issue of the Capitalisation Shares to the Subscriber under the Specific Mandate) at the EGM.

Yours faithfully,
For and on behalf of
Maxa Capital Limited

Sammy Leung
Managing Director

Mr. Sammy Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 13 years of experience in the corporate finance industry.