Gram Capital Limited
嘉林資本有限公司

5 January 2022

To: The independent board committees and the independent shareholders
of Titan Invo Technology Limited

Dear Sir/Madam,

(I) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED VARIATION TO TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS; (II) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE; AND (III) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in respect of the Subject Transactions, details of which are set out in the Board Letter contained in the circular dated 5 January 2022 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 30 November 2021 (after trading hours), the Company and Mr. Ma entered into the Deed of Variation and Undertakings whereby, among other things, (i) the Company and Mr. Ma have conditionally agreed to revise the existing conversion price of the Convertible Bonds from HK$0.537 to HK$0.100; and (ii) Mr. Ma has given undertakings to the Company in relation to the conversion of the Convertible Bonds and subscription of the Rights Shares.

On the even date, the Company proposed to raise gross proceeds of not more than (i) approximately HK$91.0 million by way of the Rights Issue assuming Scenario A; or (ii) approximately HK$91.8 million by way of the Rights Issue assuming Scenario B, at the Subscription Price of HK$0.07 per Rights Share on the basis of one Rights Share for every two existing Shares held by the Qualifying Shareholders on the Record Date.

As further mentioned in the Board Letter, pursuant to the Subscription Undertaking, Mr. Ma has irrevocably undertaken to the Company that, among other things, he shall, subject to, among others, the granting of the Whitewash Waiver by the Executive and no occurrence of force majeure events, accept, subscribe for or procure the subscription of the Committed Shares.

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

With reference to the Board Letter, as the coming into effect of the Proposed Variation is one of the Rights Issue Conditions, the Rights Issue is deemed as a connected transaction of the Company and therefore is also subject to the reporting, announcement, circular, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

According to the section headed "12. TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER" of the Board Letter: (i) the conversion of the Convertible Bonds after the Proposed Variation has come into effect will give rise to an obligation on the Concert Group to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Concert Group under Rule 26 of the Takeovers Code by virtue of the increase of the Concert Group's collective voting rights by more than 2%, unless a waiver is granted by the Executive; and (ii) the Rights Issue Completion will trigger an obligation on the Concert Group to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Concert Group under Rule 26 of the Takeovers Code, unless a waiver is granted by the Executive.

Mr. Ma has applied for a waiver from the obligation to make a mandatory general offer pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of at least 75% of the Independent Shareholders by way of poll at the EGM.

The Code IBC comprising Mr. Tsang Ling Biu Gilbert, Hon. Quat Elizabeth *(JP)*, Dr. Koong Hing Yeung Victor and Mr. Lee Kwok Tung Louis (being all the non-executive Directors, excluding Mr. Ma by virtue of him being materially interested in the Subject Transactions) has been established to advise the Independent Shareholders on (i) whether the terms of the Subject Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Subject Transactions are in the interests of the Company and the Shareholders as a whole; and (iii) how to vote in relation to Subject Transactions at the EGM.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

The LR IBC comprising Hon. Quat Elizabeth *(JP)*, Dr. Koong Hing Yeung Victor and Mr. Lee Kwok Tung Louis (being all the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Proposed Variation and the Rights Issue are on normal commercial terms and are fair and reasonable; (ii) whether the Proposed Variation and the Rights Issue are in the interests of the Company and the Shareholders as a whole; and (iii) how to vote in relation to the Proposed Variation and the Rights Issue at the EGM.

We, Gram Capital Limited, have been appointed with the approval of the Independent Board Committees as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of (i) any relationships or interests between Gram Capital and the Company; or (ii) any service provided by Gram Capital to the Company, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committees and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Company's management (the "**Management**"). We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Management, which have been provided to us. Our opinion is based on the Management's representation and confirmation that there is no undisclosed private agreement/ arrangement or implied understanding with anyone concerning the Subject Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "1. RESPONSIBILITY STATEMENT" of Appendix II to the Circular. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Mr. Ma, the Concert Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subject Transactions. 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. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. Background of the Proposed Variation and the Rights Issue

Information on the Group

With reference to in the Board Letter, the Group is principally engaged in the research and development, production and sale of automotive-grade wireless connectivity modules in Europe, the United States and Asia Pacific region.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2020 as extracted from the Company's annual report for the year ended 31 December 2020 (the "**2020 Annual Report**") and for the six months ended 30 June 2021 ("**1H2021**") as extracted from the Company's interim report for the six months ended 30 June 2021 (the "**2021 Interim Report**"):

	For the six months ended 30 June 2021 *HK$'000* (unaudited)	For the six months ended 30 June 2020 *HK$'000* (restated) (unaudited)	Year-on-year change %	For the year ended 31 December 2020 *HK$'000* (audited)	For the year ended 31 December 2019 *HK$'000* (restated) (audited)	Year-on-year change %
Revenue *(continuing operations)*	172,655	195,334	(11.61)	730,299	733,179	(0.39)
– Automotive-grade wireless connectivity business	172,655	195,334	(11.61)	426,830	455,589	(6.31)
– ADAS products	N/A *(Note)*	N/A *(Note)*	N/A	303,469	277,590	9.32
Gross profit *(continuing operations)*	33,204	24,311	36.58	117,660	89,702	31.17
Loss for the year/ period from continuing operations	(86,578)	(129,553)	(33.17)	(230,883)	(301,338)	(23.38)
Profit/(loss) for the period from discontinued operation	98,116	(45,400)	N/A	(18,998)	17	N/A
Profit/(loss) for the year/period	11,538	(174,953)	N/A	(249,881)	(301,321)	(17.07)

	As at 30 June 2021 *HK$'000* (unaudited)	As at 31 December 2020 *HK$'000* (audited)	As at 31 December 2019 *HK$'000* (audited)	Year-on-year change %
Cash and cash equivalents	171,910	31,117	113,418	(72.56)
Net current liabilities	(620,519)	(882,745)	(656,075)	34.55
Net assets	231,414	221,877	600,839	(63.07)

Note: The Group's ADAS product business was discontinued during 1H2021.

The Group recorded revenue of approximately HK$730.30 million for the year ended 31 December 2020 ("**FY2020**"), representing a slight decrease as compared to that for the year ended 31 December 2019 ("**FY2019**"). With reference to the 2020 Annual Report, the decrease in the Group's revenue was mainly due to decrease in revenue from automotive-grade wireless connectivity business. With reference to the 2020 Annual Report, the decrease in revenue from automotive-grade wireless connectivity business was mainly due to the impact on the supply chain of the automotive industry, as a result of the weakening demand in the PRC and Europe and the outbreak of the COVID-19 pandemic, which in turn led to a decrease in the demand for the Group's products, delay in fulfilment of sales orders of major customers of the Group as well as a temporary slowdown of the Group's purchase, production and sale cycle. The Group's revenue from the automotive-grade wireless connectivity business contributed approximately 62.14% and 58.45% of the Group's total revenue for FY2019 and FY2020 respectively.

The Group recorded gross profit of approximately HK$117.66 million for FY2020, representing an increase of approximately 31.17% as compared to that for FY2019. With reference to the 2020 Annual Report and as advised by the Management, the aforesaid increase in the Group's gross profit was mainly due to the increase in gross profit margin of the Group's automotive-grade wireless connectivity business from approximately 11.6% for FY2019 to approximately 15.1% for FY2020.

The Group recorded loss of approximately HK$249.88 million for FY2020, representing a decrease of approximately 17.07% as compared to that for FY2019. We noted from the 2020 Annual Report that such decrease was mainly due to (i) increase in gross profit as aforementioned; (ii) increase in other revenue (mainly included bank interest income, one-off compensation income from customer and sundry income); (iii) turnaround from other net losses for FY2019 to other net gains for FY2020, as a result of an one-off gain on disposal of cloud control business of approximately HK$59.13 million for FY2020; (iv) decrease in research and development expenses after capitalisation, which were partially offset by (i) increase in depreciation and amortisation; (ii) increase in administrative expenses; and (iii) increase in finance costs.

The Group recorded revenue of approximately HK$172.66 million for 1H2021, representing a decrease of approximately 11.61% as compared to the six months ended 30 June 2020 ("**1H2020**"). With reference to the 2021 Interim Report, such decrease in revenue was mainly due to the temporary shortage of several semiconductors and electronic components used in the production of the Group's automotive-grade wireless connectivity modules during 1H2021, which resulted in the delay in fulfilment of certain sales orders.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

The Group recorded gross profit of approximately HK$33.20 million for 1H2021, representing an increase of approximately 36.58% as compared to 1H2020. The Group's gross profit margin also increased from approximately 12.45% for 1H2020 to approximately 19.23% for 1H2021, representing an increase of approximately 6.79 percentage points. With reference to the 2021 Interim Report and as advised by the Management, the increase in gross profit margin was mainly due to higher proportion of revenue recognised from high-end customer, which the Group enjoyed a generally higher gross profit margin.

The Group recorded profit of approximately HK$11.54 million for 1H2021 whereas the Group recorded loss of approximately HK$174.95 million for 1H2020. We noted from the 2021 Interim Report that the aforesaid turnaround was mainly due to (i) the increase in gross profit as aforementioned; (ii) the one-off gain of approximately HK$98.27 million recognised during 1H2021 in relation to the disposal of the ADAS products business; (iii) turnaround from other net losses for 1H2020 to other net gains for 1H2021; (iv) decrease in research and development expenses after capitalisation; and (v) decrease in administrative expenses, which were partially offset by (i) the increase in the net allowance under expected credit loss model; and (ii) turnaround from taxation credit for 1H2020 to taxation expense for 1H2021.

The Group recorded net current liabilities as at 31 December 2019, 31 December 2020 and 30 June 2021. As at 30 June 2021, the Group recorded cash and cash equivalents, total borrowings (including convertible bonds), net current liabilities and net assets of approximately HK$171.91 million, HK$971.91 million, HK$620.52 million and HK$231.41 million respectively.

With reference to the 2021 Interim Report, the Group's net current liabilities may have a considerable impact on the liquidity position of the Group and indicate the existence of material uncertainties which may cast significant doubt on 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.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

With reference to the 2021 Interim Report, the Directors were of the view that prioritising resources allocation of the Group on balancing among financial liquidity and business continuity would be of the best interest of the Shareholders as a whole in the long run. In addition, the Group would prioritise its resources on immediate penetration into the PRC market through various possible business channels including but not limited to business cooperation with and investments in Chinese distributors, auto manufacturers and research and development experts in the industry, restructuring of business and operation management team with experienced Chinese professionals. By successful implementation of the above strategies, the Directors expected the Group to capture a valuable market share in the PRC with long term sales contracts and business development and ultimately create significant values to the Shareholders.

Information on Mr. Ma

According to the Board Letter, Mr. Ma is the chairman of the Board, a non-executive Director and a substantial Shareholder and therefore a connected person of the Company. He is also a director of Tus-Holdings, the sole shareholder of Tuspark Venture. Mr. Ma is also a holder of the Convertible Bonds with the aggregate principal amount of HK$53.7 million at the Conversion Price of HK$0.537 per Conversion Share (subject to adjustment).

Reasons for the Proposed Variation and the Rights Issue

As illustrated in the section headed "Information on the Group" above, the Group recorded loss from continuing operations for the two years ended 31 December 2020 and for the six months ended 30 June 2021. The Group also recorded total borrowings and net current liabilities of approximately HK$971.91 million (out of which approximately HK$864.54 million were recorded under current liabilities) and HK$620.52 million respectively while the Group's cash and cash equivalents only amounted to approximately HK$171.91 million as at 30 June 2021. Furthermore, as noted from the 2020 Annual Report, the Group recorded net operating cash outflows of approximately HK$155.53 million for FY2019 and HK$117.94 million for FY2020. According to the Board Letter, the Group has an immediate need for financial resources to repay its current debt.

With reference to the Board Letter and as advised by the Management, with the Group's high indebtedness as evident by its gearing ratio of 0.81 as at 30 June 2021 and the continuous unsatisfactory operating performance of the Group (i.e. recorded loss from continuing operations for FY2019, FY2020 and 1H2021), the Company faces difficulties in raising additional financial resources from Independent Third Parties to meet the pressing repayment deadlines. Under such circumstances, resorting to equity financing from external investors or existing shareholders is the only realistic and practicable means of financing for the Company.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

With reference to the Board Letter, as at the Last Trading Day, the Company had three substantial Shareholders, namely Tuspark Venture, E-Town and Mr. Ma, while prior to the Last Trading Day, Mr. Ma was the only substantial Shareholder who was committed to support the Company financially. After rounds of discussions, Mr. Ma principally agreed to (i) convert the Convertible Bonds to reduce the Group's indebtedness and strengthen its overall financial position at a reduced conversion price mirroring the market price of the Shares; and (ii) undertake to the Company to take up his provisional entitlements of not less than HK$26.2 million under the Rights Issue on the basis that the Convertible Bonds having been converted at a revised conversion price. The Proposed Variation and the Subscription Undertaking by Mr. Ma form a financial package (the Proposed Variation is one of the Rights Issue Conditions) which allows the Company to be relieved from its redeeming obligations on the one hand and offers the Company a conditional guarantee under the Subscription Undertaking to raise a minimum amount of proceed from the Rights Issue on the other hand in order to address its more imminent financial needs.

With reference to the Board Letter, the Conversion Price of the Convertible Bonds is HK$0.537 per Conversion Share, representing a premium of approximately 379.46% over the Last Closing Price as quoted on the Last Trading Day, and a premium of not less than 397% over the average closing prices for the 5, 10, 30 and 90 days up to and including the Last Trading Day. Since the Conversion Price represents a huge premium over the prevailing market price of the Shares, the Proposed Variation was proposed in order to set a revised conversion price as an incentive for Mr. Ma to convert the Convertible Bonds at around market price and thereby relieve the Company from its redeeming obligations under the Convertible Bonds.

According to the Board Letter, the estimated net proceeds from the Rights Issue will be approximately HK$88.3 million under Scenario A (assuming that the New Conversion Shares are issued, there is full acceptance of the Rights Shares and no other Shares will be allotted or issued on or before the Record Date) and HK$89.1 million under Scenario B (assuming that the New Conversion Shares are issued, the Exercisable Share Options are fully exercised and full acceptance of the Rights Shares and no other Shares will be issued on or before the Record Date). The Company intends to apply the net proceeds for (i) repayment of its borrowings and the accrued interest of approximately HK$60.0 million due to creditors; (ii) business development of the automotive-grade wireless connectivity operations of approximately HK$20.0 million, and (iii) general working capital purpose of approximately HK$8.3 million under Scenario A or approximately HK$9.1 million under Scenario B.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

With reference to the Board Letter, in order to seek immediate funding to meet the falling due debt, the Group decided to dispose of its partial equity interests in its ADAS business in June 2021 (the "**ADAS Disposal**") and recorded a net cash inflow of approximately HK$151.2 million. Such proceeds were intended to apply for repayment of the Group's borrowings and accrued interests of approximately HK$120.9 million, and approximately HK$6.7 million towards general working capital and approximately HK$23.6 million towards the business development of the automotive-grade wireless connectivity business. As at the Latest Practicable Date, an aggregate of approximately HK$139.8 million has already been used on repayment of borrowings of the Group, general working capital and business development of the automotive-grade wireless connectivity business.

With reference to the section headed "2. INDEBTEDNESS" under Appendix I to the Circular, the Group had borrowings of approximately HK$739 million as at 31 October 2021. As confirmed by the Management, the Group's cash balance as at 31 October 2021 would not be sufficient to settle the aforesaid indebtedness.

Having considered (i) the financial position of the Group (such as high gearing ratio and net current liabilities as at 30 June 2021); and (ii) that the Group's cash balance as at 31 October 2021 would not be sufficient to settle its indebtedness, we are of the view that the use of proceeds from the Rights Issue is fair and reasonable.

With reference to the Board Letter, apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. The Directors noted that bank borrowings will carry interest costs, may require the provision of security and, depending on (among other things), the relevant terms and conditions, creditors may rank before the Shareholders in circumstances such as liquidation and/or winding up; while placings will further dilute the interests of the Shareholders without giving them the opportunity to take part in the exercise. Furthermore, given the unstable business environment under the Covid-19 pandemic and the Sino-US trade tension, potential third party investors and financial institutions were more cautious on financing activities, in particular to loss making businesses.

As opposed to an open offer, a rights issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Having considered the above factors and alternatives, the Board considers that the 2-step fund raising structure by way of: (i) the conversion of the Convertible Bonds into Conversion Shares at the Revised Conversion Price and thereby increasing the number of Shares qualifying for the Rights Issue, to be followed by (ii) the Rights Issue is a well-balanced option for the Company, improving the liquidity and capital base of the Group while mitigating dilution effect on the Independent Shareholders. We concur with the Board's view in this respect.

Having considered the above factors, in particular:

(i) the Group's financial performance and position;

(ii) the Group's immediate needs for financial resources to settle the current debt;

(iii) the difficulties the Group faces in raising additional financial resources from Independent Third Parties;

(iv) Mr. Ma was the only substantial Shareholder committed to support the Company financially by converting the Convertible Bonds at the Revised Conversion Price (which thereby reduces the Group's gearing ratio) and providing his undertaking to the Company to take up his provisional entitlements under the Rights Issue on the basis that the Convertible Bonds having been converted at the Revised Conversion Price (the proceeds are intended to be applied for, among other things, repayment of the Group's borrowings);

(v) the Conversion Price represents a huge premium over the Company recent share prices (detailed analysis on the Revised Conversion Price is set out under the latter sections of this letter);

(vi) the Proposed Variation and the Subscription Undertaking together form a financial package (the Proposed Variation is one of the Rights Issue Conditions) which allows the Company to be relieved from its redeeming obligation and raise a minimum amount of proceeds from the Rights Issue; and

(vii) the intended use of proceeds from the Rights Issue as aforementioned,

we are of the view that although the Proposed Variation and the Rights Issue are not conducted in the ordinary and usual course of business of the Group, the Proposed Variation and the Rights Issue are in the interest of the Company and the Shareholders as a whole.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

II. Principal Terms of the Proposed Variation

Set out below is a summary of the principal terms of the Deed of Variation and Undertakings, details of which are set out in the section headed "2. THE PROPOSED VARIATION – The Deed of Variation and Undertakings" of the Board letter.

Date

30 November 2021 (after trading hours of the Stock Exchange)

Parties

The Company (as issuer) and Mr. Ma (as subscriber)

Proposed Variation

	Original term	**Variation to original term**
Conversion price:	Conversion price of HK$0.537 per Conversion Share (subject to adjustments)	Revised Conversion Price of HK$0.100 per Conversion Share (subject to adjustments)

Save as supplemented and varied in the manner set out in the Deed of Variation and Undertakings, all other terms and conditions of the Convertible Bonds shall remain in full force and effect.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Analysis on the Revised Conversion Price

The Revised Conversion Price of HK$0.100 per Conversion Share pursuant to the Proposed Variation represents:

(a) a premium of approximately 25.00% over the closing price of the Shares of HK$0.080 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 10.71% to the Last Closing Price of the Shares of HK$0.112 per Share as quoted on the Stock Exchange on the Last Trading Day (the "**Revised Conversion Price LTD Discount**");

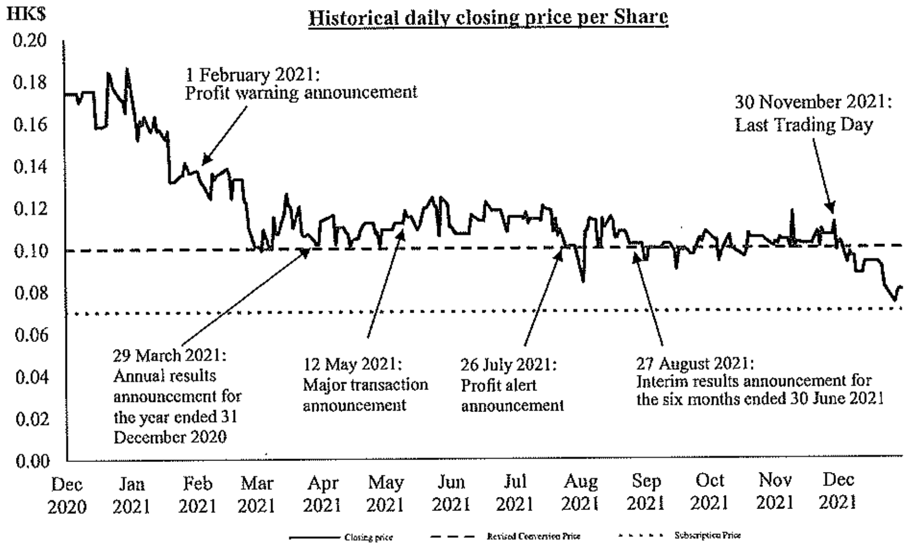
(c) a discount of approximately 7.41% to the average closing price of the Shares of approximately HK$0.108 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 4.76% to the average closing price of the Shares of approximately HK$0.105 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and

(e) a discount of approximately 10.71% to the unaudited net asset value per Share of approximately HK$0.112 as at 30 June 2021 (the "**Revised Conversion Price NAV Discount**").

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

In order to assess the fairness and reasonableness of the Revised Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 1 December 2020 up to and including the Latest Practicable Date (the "**Share Review Period**"), being a period of approximately one year prior to the Last Trading Day, up to and including the Latest Practicable Date. The comparison of daily closing prices of the Shares, the Revised Conversion Price and the Subscription Price is illustrated as follows:



Source: the Stock Exchange's website

During the Share Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK$0.084 recorded on 3 August 2021 and HK$0.186 per Share recorded on 31 December 2020 respectively. The Revised Conversion Price of HK$0.100 is within the range of the lowest and highest closing price of the Shares as quoted on the Stock Exchange during the Share Review Period, while the Conversion Price of the Convertible Bonds (before the Proposed Variation) of HK$0.537 was higher than the closing price of the Shares during the entire Share Review Period.

The closing price of the Shares was on a general decreasing trend from the start of the Share Review Period to early March 2021. Thereafter, the closing price of the Shares fluctuated between HK$0.084 per Share and HK$0.126 per Share with a significant drop and rebound during July and August 2021 and reached the Last Closing Price of HK$0.112 on the Last Trading Day. As advised by the Management, they could not identify any specific reason which caused the aforesaid fluctuation in the closing price of the Shares.

The average closing prices of the Shares for the 5, 10, 30 and 90 consecutive trading days up to and including the Last Trading Day were approximately HK$0.108, HK$0.105, HK$0.105 and HK$0.103 respectively. The Revised Conversion Price did not represent deep discount to such recent average closing prices.

Following the publication of the Announcement on 30 November 2021 and up to the Latest Practicable Date, the closing prices of the Shares fluctuated between HK$0.074 and HK$0.103.

As part of our analysis, we further identified subscription/placing of convertible bonds/notes under specific mandate for cash (the "**CB Comparables**") under specific mandate which were approved by shareholders/independent shareholders at shareholders meeting (excluding transactions which were lapsed/terminated), which were announced by companies listed on the Stock Exchange from 1 June 2021 up to the Last Trading Day, being the six-month period immediately before and including the Last Trading Day (we considered the six-month period to be a commonly adopted transaction review period for independent financial adviser's assessment on connected transactions in relation to convertible bonds/notes issuance or amendments, which generated a reasonable sample size of CB Comparables for our analysis). We found 7 transactions which met the said criteria and they are exhaustive. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the CB Comparables.

Company name (Stock code)	Date of announcement	Premium/(discount) of the conversion price over/to closing price per share on the date of agreement in relation to the respective subscription/placing of convertible bonds/notes	Premium/(discount) of the conversion price over/to net asset value per share on the date of agreement in relation to the respective subscription/placing of convertible bonds/notes *(Note 1)*
Zhi Sheng Group Holdings Limited (8370)	2 June 2021	49.25	126.65
CMMB Vision Holdings Limited (471)	29 June 2021	22.81	(85.16)
Hope Life International Holdings Limited (1683)	23 July 2021	17.12	(64.96)
Century Sage Scientific Holdings Limited (1450)	30 July 2021	(71.25) *(Note 2)*	146.74
Hua Yin International Holdings Limited (989)	7 September 2021	2.63	N/A *(Note 3)*
Wai Chun Group Holdings Limited (1013)	21 October 2021	(11.11)	N/A *(Note 3)*
Wai Chun Bio-Technology Limited (660)	22 October 2021	Nil	N/A *(Note 3)*
Maximum (excluding outlier)		**49.25**	**146.74**
Minimum (excluding outlier)		**(11.11)**	**(85.16)**
Average (excluding outlier)		**13.45**	**30.82**
Median (excluding outlier)		**9.87**	**30.85**
Proposed Variation		**(10.71)**	**(10.71)**

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Notes:

1. Based on the then latest published net assets value per share attributable to equity holders of the company prior to the date of agreement in relation to the respective subscription/placing of convertible bonds/notes.

2. The discount of the conversion price to closing price per share of the subject company was exceptionally deep as compared with those of the other CB Comparables. We therefore consider the discount of the conversion price to closing price per share of the subject company to be an outlier.

3. The subject companies recorded net liabilities attributable to equity holders of the company based on their latest published financial information prior to the date of agreement in relation to the respective subscription/placing of convertible bonds/notes.

We noted from the above table that the conversion prices of the CB Comparables (excluding outlier) ranged from (i) a discount of approximately 11.11% to a premium of approximately 49.25% to/over the respective closing prices of the shares on the date of agreement in relation to the respective subscription/placing of convertible bonds/notes (the "**CB Closing Price Discount/Premium Market Range**"); and (ii) a discount of approximately 85.16% to a premium of approximately 146.74% to/over (the "**CB NAV Discount/Premium**") the then latest published net assets value per share attributable to equity holders of the company prior to the date of agreement in relation to the respective subscription/placing of convertible bonds/notes (the "**CB NAV Discount/Premium Market Range**"). The Revised Conversion Price LTD Discount falls within the CB Closing Price Discount/Premium Market Range and the Revised Conversion Price NAV Discount falls within the CB NAV Discount/Premium Market Range. Nevertheless, as (i) three out of seven subject companies of the CB Comparables recorded net liabilities attributable to equity holders of the company based on their latest published financial information prior to the date of agreement in relation to the respective subscription/placing of convertible bonds/notes; and (ii) the diversity of the CB NAV Discount/Premium as represented by the other four CB Comparables, the comparison between the Revised Conversion Price NAV Discount and the CB NAV Discount/Premium Market Range is for reference only.

Despite that the Revised Conversion Price LTD Discount is in contrast to the average and median of the CB Closing Price Discount/Premium Market Range being premiums, having taken into account, in particular, that:

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

(i) the Revised Conversion Price falls within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Share Review Period;

(ii) the Revised Conversion Price did not represent deep discount to the recent average closing prices of the Shares for the 5, 10, 30 and 90 consecutive trading days up to and including the Last Trading Day; and

(iii) the Revised Conversion Price LTD Discount is within the Closing Price Discount/Premium Market Range of the CB Comparables,

we consider the Revised Conversion Price of HK$0.100 to be fair and reasonable.

Potential dilution effect of the Proposed Variation on the shareholding interest of the public Shareholders as a result of the issue of New Conversion Shares

With reference to the shareholding table in the section headed "10. ANTICIPATED CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE PROPOSED VARIATION AND THE RIGHTS ISSUE" of the Board Letter and as confirmed by the Management, the shareholding interests of the existing public Shareholders would be diluted by (i) approximately 10.1 percentage point (the "**CB Dilution with Proposed Variation**") immediately after full conversion of the Convertible Bonds at the Revised Conversion Price; or (ii) approximately 2.3 percentage point immediately after full conversion of the Convertible Bonds at the Conversion Price (the "**Original CB Dilution**").

Despite that the CB Dilution with Proposed Variation is greater than the Original CB Dilution, taking into account:

(a) the aforementioned reasons for the Proposed Variation, in particular, (i) the Group's financial performance and position; (ii) the Group's immediate needs for financial resources to settle the current debt; (iii) the difficulties the Group faces in raising additional financial resources from Independent Third Parties; (iv) Mr. Ma was the only substantial Shareholder committed to support the Company financially by converting the Convertible Bonds at the Revised Conversion Price (which thereby reduces the Group's gearing ratio) and providing his undertaking to the Company to take up his provisional entitlements under the Rights Issue on the basis that the Convertible Bonds having been converted at the Revised Conversion Price (the proceeds are intended to be applied for, among other things, repayment of the Group's borrowings); (v) the Conversion Price represents a huge premium over the Company recent share prices; and (vi) the Proposed Variation and the Subscription Undertaking together form a financial package (the Proposed Variation is one of the Rights Issue Conditions)

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

which allows the Company to be relieved from its redeeming obligation and raise a minimum amount of proceeds from the Rights Issue (details of which are set out in the previous sections of this letter); and

(b) the terms of the Proposed Variation being fair and reasonable,

we are of the view that the CB Dilution with Proposed Variation is justifiable.

Recommendation on the Proposed Variation

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

III. Principal Terms of the Rights Issue

Set out below are the principal terms of the Rights Issue as extracted from the Board Letter:

Basis of the Rights Issue:	One Rights Share for every two existing Shares held on the Record Date
Subscription Price:	HK$0.07 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	2,063,615,283 Shares
Number of Shares in issue immediately upon the issue of the New Conversion Shares:	2,600,615,283 Shares
Number of Shares in issue immediately upon the issue of (i) the New Conversion Shares; and (ii) new Shares upon exercise of the Exercisable Share Options:	2,622,535,283 Shares, comprising (i) 2,063,615,283 Shares in issue as at the Latest Practicable Date; (ii) the New Conversion Shares; and (iii) 21,920,000 new Shares issuable upon exercise of the Exercisable Share Options

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Number of Rights Shares:	Up to 1,300,307,641 Rights Shares (assuming the New Conversion Shares are issued but otherwise no new Shares will be issued and no repurchase of Shares on or before the Record Date, i.e. Scenario A); or up to 1,311,267,641 Rights Shares (assuming new Shares will be issued pursuant to the full conversion the Convertible Bonds at the Revised Conversion Price and the full exercise of the Exercisable Share Options but otherwise no new Shares will be issued and no repurchase of Shares on or before the Record Date, i.e. 2,622,535,283 Shares in issue, comprising (i) 2,063,615,283 Shares in issue as at the date of this announcement; (ii) the New Conversion Shares; and (iii) 21,920,000 new Shares issuable upon exercise of the Exercisable Share Options, i.e. Scenario B)
Enlarged issued share capital upon the Rights Issue Completion:	3,900,922,924 Shares (assuming Scenario A); or 3,933,802,924 Shares (assuming Scenario B)
Maximum gross proceeds to be raised under the Rights Issue:	Approximately HK$91.0 million (assuming Scenario A); or approximately HK$91.8 million (assuming Scenario B)
Non-underwritten basis:	Subject to the fulfilment of the Rights Issue Conditions, the Rights Issue will be proceeded on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that there is an under-subscription of the Rights Issue as a result of the Untaken Rights and such Untaken Rights are not taken up by the Qualifying Shareholders by way of excess application, the Company will not issue such Untaken Rights and the size of the Rights Issue will be reduced accordingly.
Application for excess Rights Shares:	Qualifying Shareholders may apply, by way of excess application, for any Untaken Rights.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Applications for excess Rights Shares can be made only by Qualifying Shareholders. The Directors will allocate the excess Rights Shares (if any) at their discretion on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to the Rights Shares subscribed through applications by a PAL or the existing number of Shares held by the Qualifying Shareholders. No preference will be given to top up odd lots to whole board lots.

With reference to the Board Letter, as at the Latest Practicable Date, Mr. Ma was interested in 210,718,000 Shares, representing approximately 10.2% of the existing issued share capital of the Company, and the Concert Group (of which Mr. Ma is a member) is interested in an aggregate of 663,237,805 Shares, representing approximately 32.1% of the total number of the existing issued share capital of the Company. Upon the issue of the New Conversion Shares, Mr. Ma will be interested in 747,718,000 Shares, representing approximately 28.7% of the issued share capital of the Company as enlarged by the issue of the New Conversion Shares, and the Concert Group will be interested in an aggregate of 1,200,237,805 Shares, representing approximately 46.1% of the issued share capital of the Company as enlarged by the issue of the New Conversion Shares. Pursuant to the Subscription Undertaking, Mr. Ma has irrevocably undertaken to the Company that, he shall accept, subscribe for or procure the subscription of the Committed Shares on the conditions that (i) the Company having despatched the Prospectus Documents to the Qualifying Shareholders; (ii) the granting of the Whitewash Waiver by the Executive; and (iii) the Subscription Undertaking not having been terminated by him before the Latest Time for Acceptance by virtue of the occurrence of force majeure events as he may determine in his absolute discretion.

For detailed terms of the Rights Issue, please refer to the section headed "3. PROPOSED RIGHTS ISSUE" of the Board Letter.

The Subscription Price

The Subscription Price of HK$0.07 per Rights Share represents:

(i) a discount of approximately 12.50% to the closing price of HK$0.080 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) a discount of approximately 37.50% to the closing price of HK$0.112 per Share as quoted on the Stock Exchange as at the Last Trading Day;

(iii) a discount of approximately 35.19% to the average closing price of approximately HK$0.108 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 33.33% to the average closing price of approximately HK$0.105 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 28.57% to the theoretical ex-rights price of approximately HK$0.098 per Share as quoted on the Stock Exchange as at the Last Trading Date; and

(vi) a discount of approximately 37.50% to the net asset value of the Company of approximately HK$0.112 per Share.

Based on our observation on the Share prices during the Share Review Period as set out above, the Subscription Price of HK$0.07 falls below the range of the lowest and highest closing price of the Shares as quoted on the Stock Exchange during the Share Review Period.

As part of our analysis, we also searched for rights issue transactions (excluding transactions which were lapsed/terminated) announced from 1 June 2021 up to the Last Trading Day, being the six-month period immediately before and including the Last Trading Day, by companies listed on the Stock Exchange (the "**Rights Issue Comparables**"). We considered the six-month period to be a commonly adopted transaction review period for independent financial adviser's assessment on connected transactions in relation to rights issue, which generated a reasonable sample size of Rights Issue Comparables for our analysis. We found 30 rights issue transactions which met the aforesaid criteria and they are exhaustive. Although the business and operation of the Company may not be the same as those of the subject companies of the Rights Issue Comparables, the Rights Issue Comparables can demonstrate the recent market practices of rights issue transactions conducted by Hong Kong listed companies.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Company name (stock code)	Date of announcement	Premium/ (discount) of the subscription price over/to the closing price per share on the last trading day approximate %	Premium/ (discount) of the subscription price over/to the theoretical ex-rights price approximate %	Premium/ (discount) of the subscription price over/(to) the then net assets value per share (Note 1) approximate %	Theoretical dilution effect approximate %	Potential maximum dilution of shareholding (Note 2) approximate %	Underwritten (Yes/No)	Excess application (Yes/No)
Green Economy Development Limited (formerly known as Vision Fame International Holding Limited) (1315)	1 June 2021	(60.78)	(55.36)	(15.25)	(12.16)	20.00	No	No
AL Group Limited (8360)	7 June 2021	(27.03)	(8.47)	N/A (Note 3)	(20.27)	75.00	Yes	Yes
Lai Sun Garment (International) Limited (191)	11 June 2021	(65.00)	(55.32)	(95.95)	(21.68)	33.33	Yes	Yes
Cool Link (Holdings) Limited (8491)	11 June 2021	(39.33)	(30.18)	(66.07)	(13.32)	33.33	Yes	Yes
China Environmental Energy Investment Limited (986)	16 June 2021	(5.66)	(2.91)	(79.27)	(2.83)	50.00	No	No
CBK Holdings Limited (8428)	23 June 2021	(22.73)	(10.53)	0.41	(13.64)	60.00	No	No
Sun Entertainment Group Limited (8082)	13 July 2021	(52.54)	(38.08)	242.30 (Note 4)	(23.50)	44.44	No	Yes
China Baoli Technologies Holdings Limited (164)	14 July 2021	(29.82)	(22.07)	N/A (Note 3)	(10.34)	33.33	Yes	Yes
P.B. Group Limited (8331)	16 July 2021	(36.36)	(22.22)	(74.41)	(18.18)	50.00	Yes	No
Tongda Group Holdings Limited (698)	19 July 2021	(49.01)	(39.06)	(88.64)	(16.84)	33.33	Yes	Yes
China Properties Investment Holdings Limited (736)	29 July 2021	(4.08)	(2.08)	(90.43)	(2.04)	50.00	No	No
Worldgate Global Logistics Limited (8292)	29 July 2021	(17.91)	(5.17)	(79.61)	(13.43)	75.00	No	No
Luen Wong Group Holdings Limited (8217)	2 August 2021	(18.75)	(7.14)	5.65	(12.50)	66.67	No	No
Kiu Hung International Holdings Limited (381)	3 August 2021	(28.07)	(8.89)	(88.78)	(22.22) (Note 5)	75.00	No	No
Standard Development Group Limited (1867)	6 August 2021	(9.84)	(8.33)	109.32	(1.64)	16.67	Yes	Yes
Lai Sun Development Company Limited (488)	12 August 2021	(50.00)	(40.00)	(93.99)	(16.67)	33.33	Yes	Yes
Daisho Microline Holdings Limited (567)	2 September 2021	(44.44)	(28.57)	(15.18)	(22.22)	50.00	Yes	Yes
Great Wall Terroir Holdings Limited (524)	7 October 2021	(23.66)	(20.51)	146.31	(3.97)	16.67	No	Yes
Link-Asia International MedTech Group Limited (1143)	15 October 2021	(7.83)	(5.35)	(61.55)	(3.29)	33.33	Yes	Yes
Risecomm Group Holdings Limited (1679)	19 October 2021	(0.48)	(0.34)	102.93	Nil	33.33	Yes	Yes
Solomon Worldwide Holdings (formerly known as Jete Power Holdings Limited) (8133)	20 October 2021	(54.55)	(44.44)	(5.62)	(18.18)	33.33	Yes	Yes
Deson Development International Holdings Limited (262)	1 November 2021	(7.41)	(5.03)	(93.85)	(2.50)	33.33	Yes	Yes
Grand T G Gold Holdings Limited (8299)	2 November 2021	(16.67)	(4.89)	(74.53)	(12.38)	75.00	Yes	No
Mansion International Holdings Limited (8456)	5 November 2021	(18.60)	(5.41)	N/A (Note 3)	(13.95)	75.00	No	No
Xinyi Electric Storage Holdings Limited (8328)	8 November 2021	(8.07)	(7.39)	394.95 (Note 4)	(1.12)	9.09	No	Yes
CIFI Holdings (Group) Co. Ltd. (884)	9 November 2021	(2.91)	(2.78)	(26.61)	(0.20)	4.76	No	Yes
King Stone Energy Group Limited (663)	16 November 2021	(41.86)	(32.43)	(30.17)	(14.64)	33.33	No	Yes
Xinyang Maojian Group Limited (362)	23 November 2021	(4.00)	(2.68)	618.56 (Note 4)	(3.30)	33.33	Yes	Yes
Tongda Hong Tai Holdings Limited (2363)	23 November 2021	(30.00)	(12.50)	(72.85)	(20.44)	66.67	Yes	No
Vertical International Holdings Limited (8375)	26 November 2021	(40.85)	(31.53)	(62.91)	(14.21)	33.33	Yes	Yes
Maximum (excluding outliers, if any)		(0.48)	(0.34)	146.31	Nil	75.00		
Minimum (excluding outliers, if any)		(65.00)	(55.36)	(95.95)	(23.50)	4.76		
Average (excluding outliers, if any)		(27.28)	(18.66)	(35.46)	(11.72)	42.67		
Median (excluding outliers, if any)		(25.35)	(9.71)	(64.49)	(13.38)	33.33		
The Company	30 November 2021	(37.50) ("LTD Discount")	(28.57) ("TERP Discount")	(37.50) ("NAV Discount")	Scenario A – (13.97) Scenario B – (14.52) (Note 7)	33.33	No	Yes

Source: the Stock Exchange's website

Notes:

1. Based on the then latest published net assets value per share attributable to equity holders of the subject company prior to the publication of relevant announcements.

2. Maximum dilution effect of each transaction is calculated as: (number of new shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the new shares under the basis of entitlement + number of new shares to be issued under the basis of entitlement) x 100%.

3. The subject company recorded net liabilities attributable to equity holders of the subject company based on their latest published financial information prior to the date of announcement in relation to the respective rights issue transaction.

4. The premium of the subscription price over the then net assets value per share of the subject company is exceptionally high and is considered to be an outlier.

5. Cumulative dilution effect in aggregate with the placing of new shares under specific mandate.

6. No cumulative dilution effect with the aggregation of the conversion shares to be issued.

7. Cumulative dilution effect in aggregate with the issue of the New Conversion Shares.

The subscription prices of the Rights Issue Comparables represented (i) a discount of approximately 0.48% to a discount of approximately 65.00% to the respective closing prices per share on the last trading day in relation to the respective rights issue (the "**LTD Discount Market Range**"); (ii) a discount of approximately 0.34% to a discount of approximately 55.36% to the respective theoretical ex-rights prices per share based on the closing price on the last trading date in relation to the respective rights issue (the "**TERP Discount Market Range**"); and (iii) a discount of approximately 95.95% to a premium of approximately 146.31% to/over the respective then latest net assets value per share attributable to equity holders of the subject company of the respective rights issue (excluding outliers, the "**NAV Discount/ Premium Market Range**"). The LTD Discount, the TERP Discount and the NAV Discount fall within the LTD Discount Market Range, the TERP Discount Market Range and the NAV Discount/Premium Market Range respectively.

The potential maximum dilution effect of the shareholding of the Rights Issue Comparables ranged from approximately 4.76% to 75.00% (the "**Shareholding Dilution Market Range**"). The potential maximum dilution of shareholding of the Rights Issue of 33.33% falls within the Shareholding Dilution Market Range.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

The theoretical dilution effect of the Rights Issue Comparables ranged from nil to a discount of approximately 23.50% (the "**Theoretical Dilution Market Range**"). The cumulative theoretical dilution effects of the issue of New Conversion Shares and the Rights Issue of approximately 13.97% under Scenario A and 14.52% under Scenario B, both fall within the Theoretical Dilution Market Range.

Despite that the Subscription Price of HK$0.07 falls below the closing price range of the Shares as quoted on the Stock Exchange during the Share Review Period, taking into account (i) the financial condition of the Group (high gearing ratio and net current liabilities as at 30 June 2021); (ii) that the Group's cash balance as at 31 October 2021 would not be sufficient to settle its indebtedness; (iii) that the LTD Discount, the TERP Discount and NAV Discount fall within the LTD Discount Market Range, the TERP Discount Market Range and the NAV Discount/Premium Market Range respectively; (iv) that the potential maximum dilution of shareholding of the Rights Issue (which is based on the offer ratio) falls within the Shareholding Dilution Market Range; and (v) that the cumulative theoretical dilution effects of the issue of new Conversion Shares and the Rights Issue under both Scenario A and Scenario B fall within the Theoretical Dilution Market Range, we consider the Subscription Price to be fair and reasonable.

Among the 30 Rights Issue Comparables, there were 13 Rights Issue Comparables conducted on a non-underwritten basis and 19 Rights Issue Comparables with excess application arrangement. Accordingly, we consider that the non-underwritten basis and excess application arrangement are in-line with the market practice.

Taking into account the principal terms of the Rights Issue as highlighted above, we consider that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable.

Possible dilution of the shareholding interests of the existing public Shareholders as a result of the Rights Issue

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. As in all other cases of rights issues, dilution of the shareholdings of those Qualifying Shareholders who do not take up in full their provisional allotments under the Rights Issue is inevitable. Nonetheless, Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

With reference to the shareholding tables in the section headed "10. ANTICIPATED CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE PROPOSED VARIATION AND THE RIGHTS ISSUE" of the Board Letter, assuming full conversion of the Convertible Bonds at the Revised Conversion Price, full exercise of the Exercisable Share Options, no Rights Shares are taken up by the Shareholders except for Mr. Ma and he also takes up all excess Rights Shares, the shareholding interests of the existing public Shareholders would be diluted by a maximum of approximately 23.3 percentage points immediately following completion of the Rights Issue.

We are aware of the maximum potential dilution effects as just mentioned. Nonetheless, we consider that the foregoing should be balanced by the following factors:

- As concluded in the section headed "Reasons for the Proposed Variation and the Rights Issue" above, the Rights Issue is in the interests of the Company and the Shareholders as a whole.

- As concluded in the section headed "Principal terms of the Rights Issue" above, the terms of the Rights Issue are fair and reasonable.

- Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue through their votes at the EGM.

- Qualifying Shareholders have their choice of whether to accept the Rights Issue or not.

- Those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

Having considered the above, we consider that the maximum potential dilution to the shareholding interests of the existing public Shareholders in the Company, which may only arise when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, is acceptable.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Recommendation on the Rights Issue

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

IV. Whitewash Waiver

According to the Board Letter, the Concert Group (comprising Mr. Ma, Tuspark Venture and parties acting in concert with them) was interested in 663,237,805 Shares, representing approximately 32.1% of the issued share capital of the Company as at the Latest Practicable Date. Upon full conversion of the Convertible Bonds at the Revised Conversion Price, the aggregate shareholding interest of the Concert Group in the Company will increase to approximately 46.1% of the issued share capital of the Company as enlarged by the issue of the New Conversion Shares. Assuming (i) there is no change in the number of issued Shares (other than resulting from the issue of the New Conversion Shares) on or before the Record Date; and (ii) no Qualifying Shareholders accepted any Rights Shares provisionally allotted to them other than Mr. Ma, the aggregate shareholding interest of the Concert Group will further increase to approximately 52.9% upon the Rights Issue Completion. Assuming further that (i) there is no change in the number of issued Shares (other than resulting from the issue of the New Conversion Shares) on or before the Record Date; (ii) no Qualifying Shareholders accepted any Rights Shares provisionally allotted to them other than Mr. Ma; and (iii) Mr. Ma has applied and been issued with all excess Rights Shares, the aggregate shareholding interest of the Concert Group will increase to approximately 64.1% upon the Rights Issue Completion. Accordingly, the Concert Group would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted.

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

As further mentioned in the Board Letter, an application has been made by Mr. Ma to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of at least 75% of the Independent Shareholders by way of poll at the EGM. The Proposed Variation is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the Rights Issue is conditional on, among other things, the Proposed Variation having come into effect and the New Conversion Shares having been issued to Mr. Ma. If the Whitewash Waiver is granted and approvals of the Subject Transactions by the Independent Shareholders are obtained and if the shareholding interest of the Concert Group in the Company exceeds 50% under the scenario as disclosed in the Circular, the Concert Group may further increase its shareholdings in the Company thereafter without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

In view of (i) the aforesaid reasons for the Proposed Variation (being one of the Rights Issue Conditions) and the Rights Issue as stated in the section headed "Reasons for the Proposed Variation and the Rights Issue" above; (ii) that the Proposed Variation and the Rights Issue are in the interests of the Company and the Shareholders as a whole; and (iii) that the terms of the Proposed Variation and the Rights Issue are fair and reasonable, we are of the opinion that the approval of the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Proposed Variation and the Rights Issue.

Recommendation on the Whitewash Waiver

Having taken into consideration (i) the reasons for and possible benefits of the Proposed Variation and the Rights Issue; (ii) that the Proposed Variation is conditional on, among other things, the grant of the Whitewash Waiver; and (iii) that the Rights Issue is conditional on, among other things, the Proposed Variation having come into effect and the New Conversion Shares having been issued to Mr. Ma, we consider that the Whitewash Waiver is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Code IBC to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited

Graham Lam
Managing Director

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

香港中环干诺道中88号/德辅道中173号南丰大厦12楼1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong