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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Endurance RP Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance on the whole or any part of the contents of this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Endurance RP Limited.

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# Endurance RP Limited

壽康集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 575)

- (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE;**
- (II) CONNECTED TRANSACTIONS IN RELATION TO THE UNDERWRITING AGREEMENT AND SET OFF OF SHAREHOLDER'S LOANS;**
- (III) APPLICATION FOR WHITENASH WAIVER;**
- (IV) POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEME; AND**
- (V) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser



Grande Capital Limited

Independent Financial Adviser



Maxa Capital Limited

Placing Agent of the Rights Issue



Eddid Securities and Futures Limited

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Terms in this cover page have the same meanings as defined in this circular.

A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 39 to 78 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 38 of this circular.

The Rights Issue is only partially underwritten. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.

In the event the Rights Issue is undersubscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or otherwise subscribed by the Underwriter or other subscribers procured by it pursuant to the Underwriting Agreement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 11 to 12 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

A notice convening the EGM to be held at 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on Thursday, 24 November 2022 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM, i.e. Tuesday, 22 November 2022 at 3:00 p.m. (Hong Kong time), or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

Please see the section headed "Precautionary Measures for the EGM" in this circular for measures being taken to try to prevent and control the spread of the COVID-19 Pandemic at the EGM.

31 October 2022

\* For identification purposes only

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## PRECAUTIONARY MEASURES FOR THE EGM

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To safeguard the health and safety of attendees at the EGM and to prevent the spreading of the COVID-19 Pandemic, the following precautionary measures will be implemented at the EGM:

- (1) There will be compulsory body temperature screenings/checks for all attendees at the entrance of the venue. Any person with a body temperature of over 37.3 °C shall not be permitted to enter the venue.
- (2) All attendees will be required to (a) complete and submit a health declaration form and (b) scan the “LeaveHomeSafe” venue QR code or register contact details in written form.
- (3) All attendees will be required to wear a surgical face mask and maintain a safe distance between seats inside the EGM venue at all times.
- (4) No corporate gift, refreshments or drinks will be provided.

To the extent permitted under the laws, regulations and Listing Rules, the Company reserves the rights to deny entry into the EGM venue. Any attendee who does not comply with the precautionary measures or is subject to quarantine, who has had close contact with any person under quarantine, shall not be permitted to enter the venue. If any attendee is denied from entering the venue, arrangement would be made by the Company and the Registrar to allow an authorised representative to attend the EGM on the attendee’s behalf by acceptance of a properly executed power of attorney at the venue.

The Company reminds the Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights and encourages the Shareholders to appoint the Chairman of the EGM as their proxies to vote on the relevant resolutions at the EGM instead of attending the EGM or any adjourned meeting in person.

The Company is closely monitoring the constantly evolving COVID-19 Pandemic situation in Hong Kong. Should any changes be made to the EGM arrangements, we will notify the Shareholders via an announcement posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.endurancerp.com](http://www.endurancerp.com)).

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## DEFINITIONS

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

“acting in concert”	shall have the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 26 September 2022 in relation to, among other things, the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver
“associate(s)”	shall have the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	day(s) (excluding Saturday and Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chairman”	chairman of the Board
“Companies Act”	the Companies Act (as amended) of the Cayman Islands
“Company”	Endurance RP Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange and are also traded on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange
“Compensatory Arrangements”	the arrangement involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“connected person(s)”	shall have the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	shall have the meaning ascribed thereto under the Listing Rules
“COVID-19 Pandemic”	the Coronavirus (Covid-19) pandemic
“Deep Longevity”	Deep Longevity, Inc, a wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Existing Share(s)”	the 2,400,347,881 existing ordinary Shares in issue at the Latest Practicable Date
“Galloway” or “Underwriter”	Galloway Limited, a private limited liability company incorporated in the British Virgin Islands and indirectly and beneficially wholly-owned by Mr Mellon
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, which will be established to advise the Independent Shareholders on the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver
“Independent Financial Adviser”	Maxa Capital Limited, a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company with the approval of the Independent Board Committee, for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver
“Independent Shareholder(s)”	in respect of the Rights Issue, Shareholders other than (i) the Underwriter and parties acting in concert with it; (ii) all Directors (excluding the independent non-executive Directors) and their respective associates (as defined under the Listing Rules); (iii) those who are involved in or interested in the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver (as the case may be); and (iv) those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the EGM

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## DEFINITIONS

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	<p>in respect of the Set Off, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver, Shareholders other than (i) the Underwriter and parties acting in concert with it; (ii) those who are involved in or interested in the Set Off, the Underwriting Agreement, the Placing Agreement, the Whitewash Waiver and the Rights Issue (as the case may be); (iii) those who have a material interest in the Set Off, the Underwriting Agreement, the Placing Agreement, the Whitewash Waiver and the Rights Issue; and (iv) those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the EGM</p>
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Indigo”	Indigo Securities Limited, a private limited liability company incorporated in the British Virgin Islands and indirectly and beneficially wholly-owned by Mr Mellon
“Irrevocable Undertakings”	the irrevocable undertakings given by Mr Mellon in favour of the Company under the Underwriting Agreement and described in the paragraph headed “The Irrevocable Undertakings” under the section headed “Proposed Rights Issue” in this circular
“Last Trading Day”	26 September 2022, being the last full trading day of the Shares on the Stock Exchange immediately prior to the publication of the Announcement
“Latest Lodging Time”	4:30 p.m. on Wednesday, 30 November 2022 or such other time and/or date as the Underwriter and the Company may agree, being the latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue
“Latest Placing Time”	4:00 p.m. on Thursday, 5 January 2023, or such later date and time as the Company may announce, being the latest date and time for the Placing Agent to effect the Compensatory Arrangements
“Latest Practicable Date”	28 October 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 29 December 2022, or such other time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Friday, 6 January 2023, or such other time or date as may be agreed between the Company and the Underwriter in writing, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the same meaning ascribed thereto under the Listing Rules

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macao Special Administrative Region of the PRC
“Mr Mellon”	Mr James Mellon, a substantial shareholder of the Company who is also a non-executive Director and Chairman of the Board
“No Action Shareholder(s)”	those Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed, or Non-Qualifying Shareholder(s) (as the case may be)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) to whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Rights Share(s)”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders for the Rights Issue
“Placee(s)”	professional, institutional or other investor(s), who and whose ultimate beneficial owner(s) shall not be a Shareholder and shall be Independent Third Party(ies) and not acting in concert with the Underwriter and parties acting in concert with it and/or the connected persons of the Company, procured by the Placing Agent and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing”	the placing of a maximum of 1,962,048,552 Unsubscribed Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agent(s) to the Placee(s) on the terms and conditions of the Placing Agreement
“Placing Agent”	Eddid Securities and Futures Limited, a corporation licensed to carry on business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the SFO, being the placing agent appointed by the Company pursuant to the Placing Agreement

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## DEFINITIONS

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“Placing Agreement”	the placing agreement dated 26 September 2022 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Period”	the period from Wednesday, 4 January 2023 up to 4:00 p.m. on Thursday, 5 January 2023, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements
“Plethora”	Plethora Solutions Holdings plc, a wholly-owned subsidiary of the Company
“PRC”, or “China”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders (and the Non-Qualifying Shareholder(s) for information only) in connection with the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Tuesday, 13 December 2022, or such other date as may be agreed in writing between the Company and the Underwriter, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case may be)
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Monday, 12 December 2022, or such other date as may be agreed in writing between the Company and the Underwriter, being the record date for determining the entitlements of the Shareholders to participate in the Rights Issue
“Registrar”	Tricor Tengis Limited, the Company’s branch share registrar and transfer office in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Relevant Period”	the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date
“Rights Issue”	the proposed issue of new Shares by way of rights on the basis of one (1) Rights Share for every one (1) Existing Share held at the close of business on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	the new Share(s) to be allotted and issued under the Rights Issue



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## DEFINITIONS

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“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon exercise of all options to be granted by the Board under the Share Option Scheme and any other share option scheme(s) of the Company to subscribe up to 10% of the Shares in issue as at the date of adoption of the Share Option Scheme and thereafter, if refreshed, the total number of Shares which may be allotted and issued upon exercise of all options to be granted shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders of the refreshed limit
“Set Off”	the set off of the total amount of subscription monies payable by Galloway as the Underwriter, Mr Mellon and Indigo for the Rights Shares to which they are entitled to and/or are required to subscribe for (if any) under the Rights Issue and the Underwriting Agreement respectively, against the equivalent amount of the Shareholder’s Loans and accrued interest thereon on a dollar-to-dollar basis on the completion date of the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s), with voting rights, of US\$0.01 each in the capital of the Company, which are listed on the Stock Exchange and are also traded on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange
“Share Option(s)”	share option(s) granted under the share option scheme of the Company named the “Share Option Scheme (2016)” adopted on 10 June 2016 after Shareholders’ approval
“Share Option Scheme”	the share option scheme adopted by the Company on 10 June 2016
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loans”	the outstanding shareholder’s loans in the aggregate principal amount of approximately US\$13.40 million (or approximately HK\$105.19 million), advanced by Galloway comprising interest-free and unsecured loan amounting to approximately US\$0.73 million (or approximately HK\$5.73 million) and repayable on 6 September 2022 and a series of unsecured loans amounting to approximately US\$12.67 million (or approximately HK\$99.46 million) bearing interest rates ranging from 5 to 5.5% per annum and repayable from 8 October 2022 to 20 December 2023
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.0785 per Rights Share
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated 26 September 2022 entered into between the Company, Galloway as the Underwriter, Mr Mellon and Indigo in relation to the Rights Issue
“Underwritten Rights Share(s)”	Up to 1,569,711,046 Rights Shares, being the maximum number of Rights Shares to be partially-underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Unsubscribed Rights Shares”	those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed “Arrangements for the NQS Rights Shares” in this circular
“US\$”	United States dollars, the lawful currency of the United States of America
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it as a result of the taking up of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement
“%”	per cent.

For the purpose of this circular, the exchange rate of US\$1.00 = HK\$7.85 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK\$ or US\$ has been, could have been or may be converted at such a rate.

\* *For identification purposes only*

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## EXPECTED TIMETABLE

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The expected timetable for the Rights Issue set out below is indicative only and has been prepared on the assumption that the Rights Issue, the Set Off, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver will be approved by the Independent Shareholders at the EGM. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

<b>Event</b>	<b>Time and Date</b>
Despatch date of the circular, proxy form and notice of EGM . . . . .	on or before Monday, 31 October 2022
Latest time for lodging transfer of Shares in order to qualify for attendance and voting at the EGM . . . . .	4:30 p.m. on Thursday, 17 November 2022
Closure of register of members of the Company for determining entitlements for attendance and voting at the EGM (both days inclusive). . . . .	Friday, 18 November 2022 to Thursday, 24 November 2022
Latest time for lodging proxy forms for the EGM . . . . .	3:00 p.m. on Tuesday, 22 November 2022
Record date for determining entitlements for attendance and voting at the EGM . . . . .	Thursday, 24 November 2022
Expected time and date of the EGM . . . . .	3:00 p.m. on Thursday, 24 November 2022
Announcement of the poll results of the EGM . . . . .	Thursday, 24 November 2022
Last day of dealings in the Shares on cum-rights basis relating to the Rights Issue . . . . .	Monday, 28 November 2022
First day of dealings in the Shares on ex-rights basis relating to the Rights Issue. . . . .	Tuesday, 29 November 2022
Latest time for the Shareholders to lodge transfer of the Shares in order to qualify for the Rights Issue . . . . .	4:30 p.m. on Wednesday, 30 November 2022
Closure of register of members of the Company for determining entitlements to the Rights Issue (both days inclusive). . . . .	Thursday, 1 December 2022 to Monday, 12 December 2022
Record date for determining entitlements to the Rights Issue . . . . .	Monday, 12 December 2022
Despatch of the Prospectus Documents (in the case of Non-Qualifying Shareholders, the Prospectus only) . . . . .	Tuesday, 13 December 2022
First day of dealings in nil-paid Rights Shares. . . . .	Thursday, 15 December 2022
Latest time for splitting of nil-paid Rights Shares . . . . .	4:30 p.m. on Monday, 19 December 2022

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## EXPECTED TIMETABLE

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Event	Time and Date
Last day of dealings in nil-paid Rights Shares . . . . .	Thursday, 22 December 2022
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements . . . . .	4:00 p.m. on Thursday, 29 December 2022
Latest time for acceptance of and payment for the Rights Shares . . . . .	4:00 p.m. on Thursday, 29 December 2022
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements . . . . .	Tuesday, 3 January 2023
Commencement of placing of Unsubscribed Rights Shares by the Placing Agent . . . . .	Wednesday, 4 January 2023
Latest time of placing of the Unsubscribed Rights Shares by the Placing Agent . . . . .	4:00 p.m. on Thursday, 5 January 2023
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Friday, 6 January 2023
Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share under the Compensatory Arrangements) . . . . .	Wednesday, 11 January 2023
Despatch of share certificates for fully-paid Rights Shares and completion of Placing to take place . . . . .	on or before Thursday, 12 January 2023
Refund cheques, if any, to be despatched (if the Rights Issue is terminated) . . . . .	on or before Thursday, 12 January 2023
Commencement of dealings in fully-paid Rights Shares . . . . .	9:00 a.m. on Friday, 13 January 2023
Payment of Net Gain (if any) to relevant No Action Shareholders and net proceeds (if any) from sale of nil-paid Rights Shares to the relevant Non-Qualifying Shareholders . . . . .	Friday, 3 February 2023

*All times and dates stated above refer to Hong Kong local times and dates.*

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## **EXPECTED TIMETABLE**

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### **EFFECT OF BAD WEATHER AT THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning or extreme conditions caused by super typhoons:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 29 December 2022. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 29 December 2022. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Thursday, 29 December 2022, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination:

1. in the reasonable opinion of the Underwriter, the success of the Rights Issue is or will be materially and adversely affected by:
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or is materially adverse in the context of the Rights Issue; or
  - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities and a change in currency conditions including without limitation a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States) occurs which in the opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
3. there is any material litigation or claim or proceedings being instigated or threatened against the Company or any of the members of the Group or any other change in the circumstances of the Company which in the opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of the Company; or
4. any event of force majeure including, without limiting the generality thereof, any act of God, war, outbreak or escalation of hostilities (whether or not war is declared), declaration of a national or international emergency, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, calamity, crisis, strike or lock-out (whether or not covered by insurance) which in the opinion of the Underwriter will materially and adversely affect the success of the Rights Issue and/or the prospects of the Company taken as a whole; or
5. any other material adverse change in relation to the business or the financial or trading position or prospects of the Company as a whole whether or not ejusdem generis with any of the foregoing; or
6. there shall have occurred, developed, existed or come into effect any material breach by the Company of any representations, warranties, undertakings or any provisions of the Underwriting Agreement; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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7. there shall have occurred, developed, existed or come into effect any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities referred to in the Underwriting Agreement; or
8. the circular or the Prospectus Documents when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it; or
9. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than five consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements and circulars in connection with the Rights Issue.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

**If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. Further announcement(s) will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.**

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## LETTER FROM THE BOARD

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### Endurance RP Limited

壽康集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 575)**

*Executive Director:*

Jamie Gibson (*Chief Executive Officer*)

*Non-executive Directors:*

James Mellon (*Chairman*)

Jayne Sutcliffe

*Independent non-executive Directors:*

David Comba

Julie Oates

Mark Searle

*Registered office:*

P.O. Box 309, Uglan House, Grand Cayman  
KY1-1104, Cayman Islands

*Principal place of business in Hong Kong:*

8th Floor, Henley Building  
5 Queen's Road Central, Hong Kong

31 October 2022

*To the Shareholders*

Dear Sir or Madam,

- (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARE  
HELD ON THE RECORD DATE;**
- (II) CONNECTED TRANSACTIONS IN RELATION TO  
THE UNDERWRITING AGREEMENT AND  
SET OFF OF SHAREHOLDER'S LOANS;**
- (III) APPLICATION FOR WHITEWASH WAIVER;**
- (IV) POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS  
UNDER THE SHARE OPTION SCHEME; AND**
- (V) NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **INTRODUCTION**

Reference is made to the Announcement in relation to, among other matters, the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver.

The purpose of this circular is to provide you with among other things, details of (i) the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver; (ii) the recommendation of the Independent Board Committee in relation to the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver; and (iv) a notice convening the EGM.



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## LETTER FROM THE BOARD

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### PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) Existing Share held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.0785 per Rights Share, to raise gross proceeds of up to (i) approximately HK\$188.43 million (or approximately US\$24.00 million) before the Set Off and expenses by issuing 2,400,347,881 Rights Shares (assuming no change in the issued share capital of the Company on or before the Record Date); or (ii) approximately HK\$193.80 million (or approximately US\$24.69 million) before the Set Off and expenses by issuing 2,468,728,881 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options but otherwise no other change in the issued share capital of the Company on or before the Record Date).

The estimated net proceeds from the Rights Issue before the Set Off and after deducting all necessary expenses of approximately HK\$6.28 million (or approximately US\$0.80 million) will be approximately HK\$182.15 million (or approximately US\$23.20 million) by issuing 2,400,347,881 Rights Shares (assuming (i) full acceptance by the Qualifying Shareholders under the Rights Issue; and (ii) no change in the issued share capital of the Company on or before the Record Date) or approximately HK\$187.52 million (or approximately US\$23.89 million) by issuing 2,468,728,881 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options but otherwise no other change in the issued share capital of the Company on or before the Record Date). The principal terms of the Rights Issue are set out below:

#### Rights Issue statistics

Basis of the Rights Issue:	One (1) Rights Share for every one (1) Existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.0785 per Rights Share
Net price per Rights Share (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis):	Approximately HK\$0.076 per Rights Share
Aggregate nominal value of the Rights Shares:	Approximately HK\$188.43 million (or approximately US\$24.00 million) (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)  Approximately HK\$193.80 million (or approximately US\$24.69 million) (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options, except Mr Mellon who has provided an undertaking not to exercise his Share Options under the Irrevocable Undertakings, but otherwise no other change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)
Number of Shares in issue as at the Latest Practical Date:	2,400,347,881 Shares

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## LETTER FROM THE BOARD

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Number of Rights Shares to be issued pursuant to the Rights Issue:	<p>Up to 2,400,347,881 Rights Shares (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)</p> <p>Up to 2,468,728,881 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options, except Mr Mellon who has provided an undertaking not to exercise his Share Options under the Irrevocable Undertakings, but otherwise no other change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)</p>
Number of Rights Shares Underwritten:	Up to 1,569,711,046 Rights Shares, being the maximum number of Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
Gross proceeds from the Rights Issue (before the Set Off and expenses):	<p>Up to approximately HK\$188.43 million (or approximately US\$24.00 million) (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)</p> <p>Up to approximately HK\$193.80 million (or approximately US\$24.69 million) (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options, except Mr Mellon who has provided an undertaking not to exercise his Share Options under the Irrevocable Undertakings, but otherwise no other change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)</p>
Net proceeds from the Rights Issue (before the Set Off and after deducting the estimated expenses of approximately HK\$6.28 million (or approximately US\$0.80 million):	<p>Approximately HK\$182.15 million (or approximately US\$23.20 million) (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)</p> <p>Approximately HK\$187.52 million (or approximately US\$23.89 million) (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options, except Mr Mellon who has provided an undertaking not to exercise his Share Options under the Irrevocable Undertakings, but otherwise no other change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)</p>

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company had an outstanding aggregate of 70,218,000 Share Options granted to the grantees which comprised: (i) 6,000,000 Share Options with exercisable period up to 30 April 2023 at the exercise price of HK\$0.149 per Share; (ii) 43,718,000 Share Options with exercisable period up to 13 October 2030 at the exercise price of HK\$0.149 per Share; (iii) 18,000,000 Share Options with exercisable period up to 16 December 2030 at the exercise price of HK\$0.183 per Share; and (iv) 2,500,000 Share Options with exercisable period up to 6 June 2031 at the exercise price of HK\$0.185 per Share. Save as disclosed in this circular, as at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

Assuming no change in the issued share capital of the Company on or before the Record Date, the 2,400,347,881 Rights Shares (assuming no change in the issued share capital of the Company on or before the Record Date) proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 100 % of the total number of existing issued Shares and (ii) 50% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue.

**The Rights Issue is only partially underwritten. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.**

**In the event the Rights Issue is undersubscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or otherwise subscribed by the Underwriter or other subscribers procured by it pursuant to the Underwriting Agreement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares and the nil-paid Right Shares.**

### **The Subscription Price**

The Subscription Price of HK\$0.0785 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

### ***The Subscription Price represents:***

- (i) a premium of approximately 6.08% over the closing price of HK\$0.074 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 21.50% to the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 25.24% to the average closing prices of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.105 per Share;
- (iv) a discount of approximately 27.98% to the average closing prices of the Shares as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.109 per Share;
- (v) a discount of approximately 15.59% to the theoretical ex-rights price (assuming no change in the issued share capital of the Company on or before the Record Date) of HK\$0.093 per Share as adjusted for the effect of the Rights Issue, based on the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;

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## LETTER FROM THE BOARD

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- (vi) a discount of approximately 38.19% to the audited consolidated net asset value per Share of the Group of approximately HK\$0.127 per Share, which is calculated by dividing the audited consolidated net asset value attributable to equity holders of the Company of approximately US\$38.77 million (or approximately HK\$304.34 million) as at 31 December 2021 as shown in the Company's annual report by the number of Shares in issue as of the date of the Announcement (i.e. 2,400,347,881 Shares); and
- (vii) a premium of approximately 24.60% over the unaudited consolidated net asset value per Share of the Group of approximately HK\$0.063 per Share, which is calculated by dividing the unaudited consolidated net asset value attributable to equity holders of the Company of approximately US\$19.26 million (or approximately HK\$151.19 million) as at 30 June 2022 as shown in the Company's interim results announcement by the number of Shares in issue as at the date of this circular (i.e. 2,400,347,881 Shares).

The Rights Issue would result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 13.89% to the existing Shareholders if they elect not to participate in the Rights Issue, based on the theoretical diluted price of approximately HK\$0.093 per Share and the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$0.108 per Share.

The net Subscription Price per Rights Share (after deducting the relevant expenses) will be approximately HK\$0.076 per Rights Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter, having considered various factors including (i) the deteriorating financial condition and imminent funding requirements of the Group; (ii) the recent market price of the Shares under the prevailing market conditions; (iii) the recent volatility of the capital market in Hong Kong with the Hang Seng Index reaching a quarterly high of 22,400 on 28 June 2022 and subsequently reversing its trend and traded below 14,900 on 28 October 2022, which adversely affects investors' confidence in the market; (iv) the necessity to increase the attractiveness of the Rights Issues by offering Qualifying Shareholders the opportunity to participate at a considerable discount to the price of the shares of the Company as at the Last Trading Day; and (v) the equal opportunity being offered to each of the Qualifying Shareholders for the subscription of the Rights Shares at the Subscription Price in proportion to his/her/its existing shareholding in the Company.

After taking into account the terms of the Rights Issue and the reasons for the Rights Issue as stated in the section headed "Reasons for and Benefits of the Rights Issue, the Set Off, the Underwriting Agreement and Intended Use of Proceeds" in this circular, the Directors (other than the members of the Independent Board Committee whose opinion is set forth in this circular after considering the advice from the Independent Financial Adviser) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable as far as the Independent Shareholders are concerned and in the best interests of the Company and the Shareholders as a whole.

### **Status of the Rights Shares**

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

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## LETTER FROM THE BOARD

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### **Qualifying Shareholders**

The Rights Issue is available to the Qualifying Shareholders only. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Wednesday, 30 November 2022.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

### **Closure of register of members**

The register of members of the Company will be closed from Friday, 18 November 2022 to Thursday, 24 November 2022 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Thursday, 1 December 2022 to Monday, 12 December 2022 (both days inclusive) for determining the entitlements to the Rights Issue.

No transfer of the Shares will be registered during the above book closure periods.

### **Basis of provisional allotments**

The basis of the provisional allotments shall be one (1) Rights Share (in nil-paid form) for every one (1) Existing Share held by the Qualifying Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

### **Rights of Overseas Shareholders**

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

According to the register of members of the Company currently available to the Company, as well as to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, there were approximately 600 Overseas Shareholders holding a total of approximately 333.57 million Shares with registered addresses located overseas including but not limited to: Austria, British Virgin Islands, Canada, Cayman Islands, Denmark, France, Guernsey, Ireland, Isle of Man, Jersey, Malaysia, New Zealand, the PRC, Russia, Singapore, Spain, Switzerland, the United Kingdom and the United States.

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## LETTER FROM THE BOARD

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The Company will comply with Rule 13.36 of the Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice to be provided by the legal advisers to the Company, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), such Overseas Shareholder will become a Non-Qualifying Shareholder and therefore will not be entitled to participate in the Rights Issue. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

The Company will send the Prospectus and a letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for their information only but will not send the PAL to them.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

### **Arrangements for the NQS Rights Shares**

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. If the proceeds from each such sale, less expenses, are more than HK\$100, the excess will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for its own benefit to cover the administrative costs that it would have incurred. Any unsold entitlements of Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders will be offered for subscription by the Placing Agent to the Placees under the Placing and, if not successfully placed out, will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares and the nil-paid Rights Shares.**

### **Share certificates of the Rights Shares and refund cheques for the Rights Issue**

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Thursday, 12 January 2023 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee, except HKSCC Nominees Limited, will receive one share certificate for all allotted Rights Shares.

If the Underwriting Agreement is terminated or not becoming unconditional or if the Rights Issue is otherwise terminated, refund cheques will be despatched on or before Thursday, 12 January 2023 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

### **Fractional entitlement to the Rights Shares**

On the basis of the provisional allotment of one (1) Right Share for every one (1) Existing Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company for its own benefit.

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## LETTER FROM THE BOARD

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### **The Irrevocable Undertakings**

As at the Latest Practicable Date, Mr Mellon is directly and indirectly through Galloway and Indigo interested in an aggregate of 506,680,329 Shares, representing approximately 21.11% of the entire issued share capital of the Company. Pursuant to the Irrevocable Undertakings given by Mr Mellon under the Underwriting Agreement, Mr Mellon irrevocably undertook with the Company that (i) he will, and will procure Galloway and Indigo to, subscribe for 506,680,329 Rights Shares which comprise the full acceptance of their provisional entitlement in respect of the 506,680,329 Shares beneficially held by him, Galloway and Indigo; (ii) he will not, and will procure Galloway and Indigo not to, dispose of any of the 506,680,329 Shares comprising the current shareholding in the Company owned by them, and such Shares will remain beneficially owned by them up to and including the Record Date; and (iii) he will not exercise the 1,837,000 Share Options held by him up to and including the Record Date.

Save for the Irrevocable Undertakings, as at the Latest Practicable Date, the Board has not received from any other substantial shareholders any information of their intention to take up the Rights Shares to be provisionally allotted to them, or any other undertaking to take up their entitlements under the Rights Issue.

### **Application for listing**

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue, upon the Rights Issue becoming effective.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms with their board lot size being the same (i.e. 10,000) as their underlying Shares on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, the Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

### **Taxation**

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

### **Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements**

Pursuant to Rule 7.21(2) of the Listing Rules, as the Underwriter is wholly-owned by Mr Mellon who is a substantial shareholder of the Company, the Company must make arrangements to dispose of the Unsubscribed Rights Shares, comprising the Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares, by offering the Unsubscribed Rights Shares to independent placees who are not Shareholders by way of a placing for the benefit of the relevant No Action Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issues as stipulated under Rule 7.21(2)(a) of the Listing Rules.

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## LETTER FROM THE BOARD

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The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the “**Net Gain**”) will be paid to those No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Thursday, 5 January 2023, acquirers who are not Shareholders for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the No Action Shareholders as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL; and
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS.

It is proposed that if the Net Gain to any of the No Action Shareholder(s) mentioned above (i) is more than HK\$100, the entire amount will be paid to them; or (ii) is HK\$100 or less, such amount will be retained by the Company for its own benefit.

### THE PLACING AGREEMENT

On 26 September 2022 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are summarised as follows:

- Date: 26 September 2022 (after trading hours of the Stock Exchange)
- Placing Agent: The Placing Agent was appointed to place, or procure the placing of, a maximum of 1,893,667,552 (assuming no change in the issue share capital of the Company on or before the Record Date) or 1,962,048,552 (assuming new shares are allotted and issued on or before the Record Date pursuant to full exercise of all Share Options, except Mr Mellon who has provided an undertaking not to exercise his Share Options under the Irrevocable Undertakings) Unsubscribed Rights Shares, on a best effort basis, to the Placee(s).
- As at the Latest Practicable Date, the Placing Agent has confirmed that it and its ultimate beneficial owner(s) are independent of and not acting in concert with the Underwriter and parties acting in concert with it.
- Placing commission payable to the Placing Agent: (i) A fixed fee of HK\$150,000 (or approximately US\$19,000) or (ii) 2% of the gross proceeds, whichever is higher, from the successful placement of Unsubscribed Rights Shares.
- Placing price of the Unsubscribed Rights Shares: The placing price of the Unsubscribed Rights Shares shall not be less than the Subscription Price.
- The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement.



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## LETTER FROM THE BOARD

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- Placees: The Unsubscribed Rights Shares shall only be offered by the Placing Agent to Placee(s) who and whose ultimate beneficial owner(s) are not Shareholders and are Independent Third Party(ies) and not acting in concert with the Underwriter and its concert parties and/or any of the Company's connected persons.
- Ranking of Unsubscribed Rights Shares: The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Shares then in issue.
- Placing condition: The Placing is conditional upon the fulfillment of the following conditions on or before the Latest Time for Termination (or such later date as may be agreed in writing between the Placing Agent and the Company): (i) the Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares; (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and (iii) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement.
- Placing Period: The period from Wednesday, 4 January 2023 up to 4:00 p.m. on Thursday, 5 January 2023, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.

### **Termination of the Placing Agreement**

The Placing Agent may terminate the Placing Agreement by a notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events:

- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or
- (ii) the imposition of any moratorium, suspension (for more than ten (10) trading days) or restriction on trading in the securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's reasonable opinion, would materially and adversely affect the success of the Placing, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements and circulars in connection with the Rights Issue; or
- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may materially and adversely affect the business or financial prospects of the Group and/or the success of the Placing; or

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## LETTER FROM THE BOARD

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- (iv) any litigation or claim being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial position of the Group and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or
- (v) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (vi) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the date of despatch of share certificates for fully-paid Rights Shares and refund cheques (if any), which if had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect or there has been a breach by the Company of any other provision of the Placing Agreement; or
- (vii) there is any material adverse change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

If: (i) prior to the Latest Time for Termination any such notice is given by the Placing Agent to the Company; and/or (ii) all the Rights Shares have been taken up by the Qualifying Shareholders and/or the holders of the nil-paid rights on or before the Latest Time for Acceptance, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach under the Placing Agreement prior to such termination.

The Underwriter confirms that it and parties acting in concert with it will not be involved in the solicitation, screening and selecting of placees in relation to the Unsubscribed Rights Shares.

The Placing Agent confirms that it is an Independent Third Party, and that there is no other arrangement, agreement, understanding or undertaking with the Underwriter in relation to the Shares.

The terms of the Placing Agreement (including the Placing commission of the higher of (i) a fixed fee of HK\$150,000 (or approximately US\$19,000) or (ii) 2% of the gross proceeds, from the successful placement of Unsubscribed Rights Shares) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the prevailing market rate of commission and are on normal commercial terms. The Directors (other than the members of the Independent Board Committee whose opinion is set forth in the Letter from the Independent Board Committee in this circular after considering the advice from the Independent Financial Adviser) consider that the terms of the Placing Agreement are fair and reasonable as far as the Independent Shareholders are concerned.

Given that the Compensatory Arrangements would provide a compensatory mechanism for the No Action Shareholders and protect the interest of the Independent Shareholders, the Company consider that the Compensatory Arrangements are fair and reasonable as far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

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## LETTER FROM THE BOARD

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### THE UNDERWRITING AGREEMENT

The Rights Shares will be partially underwritten by Galloway as the Underwriter in accordance with the terms of the Underwriting Agreement. The principal terms and conditions of the Underwriting Agreement are set out below:

- Date: 26 September 2022 (after trading hours of the Stock Exchange)
- Parties:
- (1) The Company;
  - (2) Galloway as the Underwriter;
  - (3) Mr Mellon; and
  - (4) Indigo
- Underwriter: Galloway is indirectly wholly-owned by Mr Mellon who is a substantial shareholder of the Company and directly and indirectly through Galloway and Indigo interested in an aggregate of 506,680,329 Shares, representing approximately 21.11% of the issued share capital of the Company as at the Latest Practicable Date. It is not in the ordinary course of business of Galloway to underwrite securities. The Underwriter confirmed that it has complied with Rule 7.19(1)(b) of the Listing Rules.
- Number of Rights Shares to be underwritten by the Underwriter: Up to 1,569,711,046 Rights Shares, being all the Underwritten Rights Shares excluding the 506,680,329 Shares under the Irrevocable Undertakings.
- Underwriting Commission: Approximately HK\$1.23 million (or approximately US\$0.16 million), being 1% of the aggregate subscription amount in respect of the maximum number of Underwritten Shares (i.e. 1,569,711,046 Rights Shares) committed to be underwritten, subscribed for or procured subscription for by the Underwriter.

Subject to the terms and conditions set out in the Underwriting Agreement, if and to the extent that at the Latest Placing Time, there shall be any Unsubscribed Rights Shares which have not been successfully placed out by the Placing Agent under the Compensatory Arrangements, then the Underwriter shall subscribe or procure subscription for a maximum of 1,569,711,046 Rights Shares pursuant to the allocations under the terms set out in the Underwriting Agreement and on the terms as set out in the Prospectus Documents. The maximum underwriting commitment of the Underwriter shall be 1,569,711,046 Rights Shares.

The terms of the Underwriting Agreement were determined after arm's length negotiations between the parties with reference to the financial position of the Group, the size of the Rights Issue, the current and expected market conditions, taking into consideration the prevailing market rates of underwriting commission in over 10 rights issue exercises undertaken by listed issuers in Hong Kong during the six months prior to the date of the Announcement which were underwritten with an average commission at 3.0% and rates ranging from 1.0% to 7.1%, trading liquidity and risks associated with the underwriting, the intention of the Underwriter to facilitate the Company's fundraising efforts for its business development and working capital requirements, and the relationship between the Underwriter, Mr Mellon and Indigo. The Directors (other than the members of the Independent Board Committee whose opinion is set forth in the Letter from the Independent Board Committee in this circular after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Underwriting Agreement are fair and reasonable as far as the Independent Shareholders are concerned, and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon the fulfilment (or waiver, if applicable, by the Underwriter) of the following conditions:

- (i) the passing by the Independent Shareholders at the EGM of (1) ordinary resolutions to approve the Underwriting Agreement, the Set Off, the Placing Agreement, the Rights Issue and the transactions contemplated thereunder (more than 50% of the Independent Shareholders at the EGM by way of poll); and (2) a special resolution to approve the Whitewash Waiver (at least 75% of the Independent Shareholders at the EGM by way of poll) in accordance with the Listing Rules and the Takeovers Code by no later than the Prospectus Posting Date;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares by no later than the first day of their dealings;
- (iii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, not later than the Prospectus Posting Date;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (v) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (vi) the Underwriting Agreement not being terminated in accordance with its terms;
- (vii) due compliance with and performance by the Company of all undertakings and obligations in all material respects under the Underwriting Agreement and all representations and warranties thereunder remain to be true and accurate in all material respects; and
- (viii) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect.

If any of the conditions are not satisfied and/or waived by the Latest Time for Termination, the Underwriting Agreement shall terminate and the Rights Issue would not proceed, and any costs incurred by the Underwriter in connection with the Rights Issue and the transactions contemplated thereunder shall be borne by the Company.

### INFORMATION ON THE PARTIES

#### Information on 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.

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## LETTER FROM THE BOARD

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### Information on the Underwriter

The Rights Issue will be underwritten by Galloway, which is wholly-owned by Mr Mellon who is a substantial shareholder of the Company. Galloway is a private limited liability company incorporated in British Virgin Islands and indirectly wholly-owned by Mr Mellon. Its principal business activities are investing in private and public value-driven entities, including managed funds, special situations and in the biopharma, cellular agriculture and finance sectors. In the event that Galloway becomes the controlling shareholder of the Company as a result of the taking up of the Unsubscribed Rights Shares under the Underwriting Agreement, it is the intention of Galloway to continue the existing businesses of the Group. Galloway has no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

Mr Mellon is the non-executive Chairman of the Company, who together with the parties acting in concert with him held approximately 25.15% of the Shares as at the Latest Practicable Date and his biographical details are disclosed in the Company's 2021 Annual Report and under Appendix III General Information of this circular.

### Information on the Placing Agent

Eddid Securities and Futures Limited, being the placing agent appointed by the Company pursuant to the Placing Agreement, is a corporation licensed to carry on business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the SFO.

### CONNECTED TRANSACTIONS IN RELATION TO THE UNDERWRITING AGREEMENT AND THE SET OFF

As at the Latest Practicable Date, the principal amount of the Shareholder's Loans owed by the Company to Galloway (as creditor), which is also the Underwriter, was in the principal of approximately US\$13.40 million (or approximately HK\$105.19 million) and accrued interests of approximately US\$1.25 million (or approximately HK\$9.81 million), which in aggregate amounting to approximately US\$14.65 million (or approximately HK\$115.00 million).

The Company decides to use part of the proceeds from the Rights Issue to Set Off the Shareholder's Loans held by Galloway in light of: (i) the Set Off in the Rights Issue was one of the key factors affecting the willingness of Galloway to act as the Underwriter for the Rights Issue; (ii) the maturity dates of the Shareholder's Loans, which shall fall due within 10 months from the expected completion date of the Rights Issue in February 2023; and (iii) saving of any related financing costs.

Pursuant to the Set Off under the Underwriting Agreement, the Underwriter, Mr Mellon, Indigo and the Company agreed that the total amount of subscription monies payable by the Underwriter, Mr Mellon and Indigo for the Rights Shares to which they are entitled to and/or are required to subscribe for (if any) under the Rights Issue and the Underwriting Agreement, respectively, would be set off on a dollar-to-dollar basis against the equivalent amount of the Shareholder's Loans and accrued interest thereon on the completion date of the Rights Issue.

Since the Underwriter and Indigo are wholly-owned by Mr Mellon who is a substantial shareholder and the non-executive Chairman of the Company, the Set Off and the Underwriting Agreement constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules and requires the approval of the Independent Shareholders.

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## LETTER FROM THE BOARD

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Although the Rights Issue is partially underwritten, the exact amount of the Shareholder's Loans to be set off depends on the number of Rights Shares to be taken up by the Qualifying Shareholders and the total number of Unsubscribed Rights Shares to be successfully placed by the Placing Agent to the independent placees pursuant to the Compensatory Arrangements. If there remains any balance of the Shareholder's Loans after the Set Off, the Company shall continue to assume its repayment obligations and comply with such terms and conditions of the outstanding Shareholder's Loans. Conversely, if there remains any outstanding subscription monies payable after the Set Off, the Underwriter, Mr Mellon and Indigo shall settle their respective payments in accordance with the terms of the Rights Issue and the Underwriting Agreement.

Assuming there is no change in the issued share capital of the Company on or before the Record Date, (i) the minimum amount of the Shareholder's Loans subject to the Set Off will be approximately US\$5.07 million (or approximately HK\$39.80 million) (assuming (a) all Qualifying Shareholders take up all their entitlements under the Rights Issue and (b) no change in the issued share capital of the Company on or before the Record Date); and (ii) the maximum amount of the Shareholder's Loans (together with accrued interest thereon) subject to the Set Off will be the full amounts of the Shareholder's Loans and accrued interest thereon on the completion date of the Rights Issue owing by the Company to the Underwriter (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Rights Issue; and (b) no Independent Third Parties take up the Unsubscribed Rights Shares such that all the Unsubscribed Rights Shares are taken up by the Underwriter).

Completion of the Set Off, which is subject to the same conditions as the Rights Issue, shall take place simultaneously with the issue of the Rights Shares by the Company pursuant to the terms of the Rights Issue.

### **POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS UNDER THE SHARE OPTIONS SCHEME**

As at the Latest Practicable Date, there are 70,218,000 outstanding Share Options. The Rights Issue may lead to adjustments to the exercise price and/or the number of Shares to be issued upon exercise of the Share Options under the Share Option Scheme. Based on the preliminary calculation by the Company, the number of Shares to be issued upon exercise of the Share Options upon the completion of the Rights Issue will possibly be adjusted in accordance with Rule 17.03(13) of the Listing Rules. Pursuant to the poll results of the extraordinary general meeting of the Company held on 8 June 2016, the Scheme Mandate Limit of up to 10% of the Shares in issue as at 8 June 2016 was passed, which was equivalent to 173,725,118 Shares. As such, the number of Shares to be issued upon exercise of the Share Options under the Share Option Scheme after the aforementioned adjustment would then continue to be within the Scheme Mandate Limit.

The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) when the aforementioned adjustment takes effect and such adjustment will be certified by the Independent Financial Adviser or auditors of the Company (as the case may be).

### **FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS**

During the 12 months immediately preceding the Latest Practicable Date, the Company has not conducted any equity fundraising activities.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE, THE SET OFF, THE UNDERWRITING AGREEMENT AND INTENDED USE OF PROCEEDS

#### Financial position of the Group

As disclosed in the interim report of the Company for the period ended 30 June 2022, the net current liabilities of the Group as at 30 June 2022 was approximately US\$10.91 million (or approximately HK\$85.64 million), comprising current assets of approximately US\$4.57 million (or approximately HK\$35.87 million) and current liabilities of approximately US\$15.48 million (or approximately HK\$121.52 million).

As at 30 June 2022, the current assets of the Group mainly consisted of cash and bank balances of approximately US\$0.22 million (or approximately HK\$1.73 million) and financial assets at fair value through profit or loss of approximately US\$3.27 million (or approximately HK\$25.67 million), whereas the current liabilities of the Group mainly consisted of convertible notes (liability portion) due in August 2022 of approximately US\$2.57 million (or approximately HK\$20.17 million), shareholder's loans due within 12 months of approximately US\$7.92 million (or approximately HK\$62.17 million) and trade payables, deposit received, accruals and other payables amounted to approximately US\$4.49 million (or approximately HK\$35.25 million). The non-current liabilities of the Group as at 30 June 2022 amounted to approximately US\$6.69 million (or approximately HK\$52.52 million) comprising shareholder's loans due after 12 months but within 24 months of approximately US\$2.95 million (or approximately HK\$23.16 million) and deferred tax liabilities of approximately US\$3.67 million (or approximately HK\$28.81 million).

The convertible notes (principals and accrued interests) of the Company due in August 2022 in the amount of approximately US\$2.72 million (or approximately HK\$21.35 million) were fully repaid by the Company on 23 August 2022 and accordingly, the cash and bank balances of the Group remains at a relatively low level at US\$0.79 million (or approximately HK\$6.20 million) as at 31 August 2022. Notwithstanding the deteriorating financial position of the Group, its total outstanding Shareholder's Loans amounted to approximately US\$13.40 million (or approximately HK\$105.19 million) as at 31 August 2022, of which (i) approximately US\$9.00 million (or approximately HK\$70.65 million) will be repayable in the first quarter of 2023; (ii) approximately US\$1.45 million (or approximately HK\$11.38 million) in the second quarter of 2023; (iii) approximately US\$1.54 million (or approximately HK\$12.09 million) in the third quarter of 2023; and (iv) approximately US\$1.41 million (or approximately HK\$11.07 million) in the last quarter of 2023. Interests accrued on the outstanding Shareholder's Loans as at 30 September 2022 amounted to approximately US\$1.25 million (or approximately HK\$9.81 million).

#### Business development

As previously announced, the Group has been engaging in a number of projects such as (i) continuing to pursue the successful commercialisation of Fortacin™/Senstend™ in the remaining key markets of the United States, China, Asia, Latin America and the Middle East; (ii) developing and patenting new aging clocks utilising new data types; (iii) providing its AgeMetric™ biological age reports to clinics and medical doctors for a fee; (iv) providing age prediction and recommendation services via software as a service (SaaS)® AI and on-premises instalment to the life and health insurance companies; and (v) developing its MindAge® offering through its mobile app and website together with partnering with insurance companies and other strategic commercial partners through its operating subsidiaries.

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## LETTER FROM THE BOARD

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The Company's main business development activities will focus on its two wholly-owned subsidiaries:

### **Plethora – Fortacin™/Senstend™**

- Assisting Wanbang Biopharmaceutical Co., Ltd. in completion of its randomised clinical trial and the submission of the study data to the National Medical Products Administration (NMPA) for approval of the New Drug Application (NDA) in China
- Progressing the phase III study protocol with The Food and Drug Administration of the United States (FDA) and commencement of the study with the view to submitting the NDA in 2023
- Assisting Recordati with the re-launch of Fortacin™ in its key territories in the European Union
- Assisting K.S. KIM International (SK-Pharma) Ltd with its regulatory approval for Fortacin™/Senstend™ in Israel and the Balkan region
- Commercialising the product in our other key areas

### **Deep Longevity**

Deep Longevity (DL) is committed to building and commercialising various aging clocks using its artificial intelligence (AI) led deep learning models. DL is applying special focus to the following areas:

- Branded SaaS® platform called JuvAge™ which Longevity clinics, hospitals and medical doctors will be able to generate a variety of biological reports containing biological age prediction versus chronological age as well as recommendations towards better health and wellness
- Commercially offering Blood Age, Mind Age, Epigenetic Age predictions through the JuvAge™ which will expand to include Transcriptomic Age and Microbiomic Age by the end of 2022, with the aim of building more features and functionality into the JuvAge™ over 2023
- Business development activities to launch JuvAge™ into the Provider universe
- Building the technology ecosystem that will deliver all DL aging clocks via JuvAge™ as well as white-labelled APIs as the opportunity arises
- Building traction with life insurance companies to transform underwriting through API based deliver of Blood Age and mortality predictions
- Offering Mind Age to life insurance companies, employers as an enabler for mental health and wellbeing
- Providing its MindAge® offering as it seeks to tap into the robust demand seen in the virtual mental health care market
- Expanding the research & IP base by adding more aging clocks, Transcriptomic Age and Microbiomic Age, as well as collaborating with academic institutions and enterprises to make existing clocks robust and relevant
- At this stage, DL is considering the creation of an enterprise grade MindAge® offering (web and app based) directed at large and mid-sized employers in the United States, the United Kingdom and Europe, which will be the platform of choice for employees to manage their virtual mental well-being in a safe, secure, private and personalized environment within the workplace.

The Company plans to continue progressing these projects through the remainder of 2022 and for 2023.



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## LETTER FROM THE BOARD

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### **Funding needs**

In light of the recent financial performance of the Group that included the material adverse impact brought on by the: (i) slower than anticipated progress in respect of regulatory approvals of Sensend™ in China and Fortacin™ in the United States, which has delayed the receipt of further milestone and other potential licensing payments; (ii) continued outbreak of COVID-19 Pandemic on the roll-out of Fortacin™ across currently untapped jurisdictions; and (iii) manufacturing issues experienced by the manufacturer of Fortacin™ together with the repayment obligations of the Group, the financial position of the Group has been deteriorating. The Board considers that it is vital for the Group to have access to additional funding and working capital in order to maintain its competitiveness in the market by (i) recapitalising its balance sheet; (ii) reducing future financing costs; and (iii) allowing for sufficient working capital to achieve the short-to-medium plan on business development of the Group.

### **Fund raising alternatives**

The Directors have evaluated various debt and/or equity fund raising alternatives such as borrowings from banks and/or financial institutions, placing of new Shares, an open offer or rights issue by the Company.

Among these alternatives, the Directors noted (i) the significant increase in borrowing costs as a result of the recent global interest rate hikes, and the difficulties which the Group has been facing in negotiations with its main commercial bank for business loans given its unsatisfactory financial performance and the reluctance to accept intangible assets as collaterals for secured lending by creditors; (ii) the current bearish market sentiment which adversely affects the willingness of potential investors to participate in equity placements, and given the scale of the proposed fund raising exercise, the inevitable material dilution on shareholdings of existing shareholders of the Company without offering them the opportunity to participate in such exercise; and (iii) the similarities between an open offer and a rights issue which provide the Qualifying Shareholders with the equal opportunity to participate in proportion to their existing shareholding interests, however, an open offer does not allow the trading of rights entitlements in the open market and accordingly, Shareholders must either participate in the offer or lose the benefit of any discount at which the new shares are offered. On the other hand, after taking into consideration, among other factors, its business development plan, financial situation and core corporate value of equality in treatment to Shareholders, the Directors are of the view that a rights issue is the most suitable and equitable fund raising alternative for the Company and provides an opportunity for existing Qualifying Shareholders to participate in the future development of the Company.

The Directors (other than the members of the Independent Board Committee whose opinion is set forth in the Letter from the Independent Board Committee in this circular after considering the advice from the Independent Financial Adviser) consider that the Rights Issue would be in the best interests of the Company and Shareholders as a whole because it: (i) offers certainty as to the fund raising size by the Company as it is partially underwritten; (ii) allows the Group to recapitalise its balance sheet by repaying in full the Shareholder's Loans from the proceeds received and the Set Off to be implemented; (iii) significantly improves the financial position and gearing ratio of the Group by turning the Company into an essentially debt free enterprise; (iv) facilitates the Group in reducing its future financing costs by early repayment of its outstanding debts; (v) provides sufficient working capital to the Group for its on-going requirements and business development requirements; and (vi) gives 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.

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## LETTER FROM THE BOARD

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### **The Underwriting Agreement and the Set Off**

As abovementioned, the Rights Issue is partially underwritten to provide certainty as to the minimum amount of proceeds that could be raised through the exercise for the Company. The Company approached three different independent securities brokers in respect of the proposed underwriting of the Unsubscribed Rights Shares without success mainly due to the prevailing poor market conditions, recent financial performance of the Group, thin trading volume of the Shares and/or demand for high underwriting fees. In view of the difficulty in securing an underwriter for the Rights Issue, the Company then approached its substantial shareholder, Mr Mellon, for acting as the underwriter for the Rights Issue. Although Mr Mellon is not engaged in the underwriting business, he nominated his wholly-owned entity, Galloway, to act as the Underwriter of the Unsubscribed Rights Shares in accordance with the terms and conditions of the Underwriting Agreement to show his strong support towards the Group and confidence in its future prospects.

Terms and conditions of the Underwriting Agreement were arrived at after arms-length negotiations between the Company and the Underwriter. In particular, the Set Off as stipulated under the Underwriting Agreement was one of the key factors which induced Galloway, being the creditor of the Shareholder's Loans of the Company, to act as the Underwriter for the Unsubscribed Rights Shares as the Set Off would effectively minimise the amount of cash outlay required from the Underwriter for subscription of the Unsubscribed Rights Shares pursuant to the terms of the Underwriting Agreement.

From the Company's perspective, by assuming that completion of the Rights Issue will take place in February 2023, the Directors noted that (i) approximately 86.0% of the total outstanding Shareholder's Loans will become due within six months after the completion of the Rights Issue; (ii) the Group will be able to save estimated interest expense of approximately US\$0.65 million (or approximately HK\$5.10 million) per annum in the event that it repays the full amount of the outstanding Shareholder's Loans immediately after the completion of the Rights Issue; and (iii) any savings in interest expense on Shareholder's Loans can be redeployed to support the continuous business development of the Group, and accordingly, they considered that the proposed Set Off is justifiable and beneficial to the Group.

Save for the Set Off, the Company does not have any similar set-off arrangements in relation to these loans.

### **Intended use of proceeds**

The estimated net proceeds from the Rights Issue after deducting all necessary expenses of approximately HK\$6.28 million (or approximately US\$0.80 million) will be approximately HK\$182.15 million (or approximately US\$23.20 million) by issuing 2,400,347,881 Rights Shares (assuming (i) full acceptance by the Qualifying Shareholders under the Rights Issue; and (ii) no change in the issued share capital of the Company on or before the Record Date). The Group intends to apply the net proceeds for the following purposes:

- (i) approximately 63.63% of the net proceeds (up to approximately HK\$115.90 million, or approximately US\$14.76 million) will be used for the Set Off upon completion of the Rights Issue;
- (ii) approximately 26.37% of the net proceeds (up to approximately HK\$48.04 million, or approximately US\$6.12 million) will be used for implementation of business development plan as described under the paragraph headed "Business Development" above, of which approximately 70% will be utilised for the developments of Fortacin™/Senstend™ mainly involving the phase III study protocol with the FDA and approximately 30% will be mainly used for the development of DL's Branded SaaS® platform called JuvAge™, commercial offerings of Blood Age, Mind Age and Epigenetic Age and continual research and developments on DL's existing and new aging clocks, Transcriptomic Age and Microbiomic Age over the 12-month period following completion of the Rights Issue; and

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(iii) the remaining 10.00% of the net proceeds (up to approximately HK\$18.21 million, or approximately US\$2.32 million) will be used as general working capital of the Group following completion of the Rights Issue.

In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

Assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and no other change in the issued share capital of the Company on or before the Record Date, the net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares are expected to be approximately HK\$0.076.

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Scenario 1: Assuming no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date

Shareholders	As at the Latest Practicable Date		Full acceptance of the Rights Shares by all Qualifying Shareholders		Nil acceptance of the Rights Shares by the Qualifying Shareholders except for Mr Mellon pursuant to the Irrevocable Undertakings and all of the Unsubscribed Rights Shares are placed to the Placees under the Compensatory Arrangements		Nil acceptance of the Rights Shares by the Qualifying Shareholders except for Mr Mellon pursuant to the Irrevocable Undertakings, none of the Unsubscribed Rights Shares are placed and 1,569,711,046 of the Underwritten Rights Shares are taken up by the Underwriter	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
Mr Mellon	403,806,071	16.82	807,612,142	16.82	807,612,142	16.82	807,612,142	18.04
Galloway <i>(Note 1)</i>	77,082,353	3.21	154,164,706	3.21	154,164,706	3.21	1,723,875,752	38.51
Indigo <i>(Note 1)</i>	25,791,905	1.08	51,583,810	1.08	51,583,810	1.08	51,583,810	1.15
Mr Mellon's parents	430,000	0.01	860,000	0.01	430,000	0.01	430,000	0.01
Jamie Gibson <i>(Notes 2 and 6)</i>	89,396,748	3.73	178,793,496	3.73	89,396,748	1.86	89,396,748	2.00
Julie Oates <i>(Notes 3 and 6)</i>	1,000,000	0.04	2,000,000	0.04	1,000,000	0.02	1,000,000	0.02
Mark Searle <i>(Notes 3 and 6)</i>	3,170,292	0.13	6,340,584	0.13	3,170,292	0.07	3,170,292	0.07
Jayne Sutcliffe <i>(Note 4)</i>	1,716,046	0.07	3,432,092	0.07	1,716,046	0.03	1,716,046	0.04
Anderson Whamond <i>(Note 5)</i>	1,400,000	0.06	2,800,000	0.06	1,400,000	0.03	1,400,000	0.03
<b>Mr Mellon and parties acting in concert or presumed acting in concert with him</b>	<b>603,793,415</b>	<b>25.15</b>	<b>1,207,586,830</b>	<b>25.15</b>	<b>1,110,473,744</b>	<b>23.13</b>	<b>2,680,184,790</b>	<b>59.87</b>
Placees	-	-	-	-	1,893,667,552	39.45	-	-
Other public Shareholders	1,796,554,466	74.85	3,593,108,932	74.85	1,796,554,466	37.42	1,796,554,466	40.13
<b>Total</b>	<b>2,400,347,881</b>	<b>100.00</b>	<b>4,800,695,762</b>	<b>100.00</b>	<b>4,800,695,762</b>	<b>100.00</b>	<b>4,476,739,256</b>	<b>100.00</b>

#### Notes:

- Both Galloway and Indigo are wholly-owned by Mr Mellon.
- Jamie Gibson is an executive Director and the chief executive officer of the Company.
- Julie Oates and Mark Searle are independent non-executive Directors.
- Jayne Sutcliffe is a non-executive Director. She is also regarded as acting in concert for the purpose of the Takeovers Code with Mr Mellon.
- Anderson Whamond is a former Director. He is also acting in concert for the purpose of the Takeovers Code with Mr Mellon.
- Each of Jamie Gibson, Julie Oates and Mark Searle is a Director and is presumed to be acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" under the Takeovers Code until completion of the Rights Issue. This class (6) presumption will cease to apply after completion of the Rights Issue. Other than such presumption, none of Jamie Gibson, Julie Oates and Mark Searle is a party acting in concert with the Underwriter or Mr Mellon under the definition of "acting in concert" under the Takeovers Code.
- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed therein are due to rounding adjustments.

## LETTER FROM THE BOARD

Scenario 2: Assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options but otherwise no other change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date

Shareholders	As at the Latest Practicable Date		Immediately after full exercise of all Share Options except for Mr Mellon but otherwise no other change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date		Full acceptance of the Rights Shares by all Qualifying Shareholders		Nil acceptance of the Rights Shares by the Qualifying Shareholders except for Mr Mellon pursuant to the Irrevocable Undertakings and all of the Unsubscribed Rights Shares are placed to the Places under the Compensatory Arrangements		Nil acceptance of the Rights Shares by the Qualifying Shareholders except for Mr Mellon pursuant to the Irrevocable Undertakings, none of the Unsubscribed Rights Shares are placed and 1,569,711,046 of the Underwritten Rights Shares are taken up by the Underwriter	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
	Mr Mellon	403,806,071	16.82	403,806,071	16.36	807,612,142	16.36	807,612,142	16.36	807,612,142
Galloway <i>(Note 1)</i>	77,082,353	3.21	77,082,353	3.12	154,164,706	3.12	154,164,706	3.12	1,723,875,752	37.93
Indigo <i>(Note 1)</i>	25,791,905	1.08	25,791,905	1.05	51,583,810	1.05	51,583,810	1.05	51,583,810	1.13
Mr Mellon's parents	430,000	0.01	430,000	0.02	860,000	0.02	430,000	0.01	430,000	0.01
Jamie Gibson <i>(Notes 2 and 6)</i>	89,396,748	3.73	107,766,748	4.36	215,533,496	4.36	107,766,748	2.18	107,766,748	2.37
Julie Oates <i>(Notes 3 and 6)</i>	1,000,000	0.04	2,837,000	0.12	5,674,000	0.12	2,837,000	0.06	2,837,000	0.06
Mark Searle <i>(Notes 3 and 6)</i>	3,170,292	0.13	5,007,292	0.20	10,014,584	0.20	5,007,292	0.10	5,007,292	0.11
Jayne Sutcliffe <i>(Note 4)</i>	1,716,046	0.07	3,553,046	0.14	7,106,092	0.14	3,553,046	0.07	3,553,046	0.08
Anderson Whamond <i>(Note 5)</i>	1,400,000	0.06	1,400,000	0.06	2,800,000	0.06	1,400,000	0.03	1,400,000	0.03
<b>Mr Mellon and parties acting in concert or presumed acting in concert with him</b>	<b>603,793,415</b>	<b>25.15</b>	<b>627,674,415</b>	<b>25.43</b>	<b>1,255,348,830</b>	<b>25.43</b>	<b>1,134,354,744</b>	<b>22.97</b>	<b>2,704,065,790</b>	<b>59.49</b>
Placees	-	-	-	-	-	-	1,962,048,552	39.74	-	-
Other public Shareholders	1,796,554,466	74.85	1,841,054,466	74.57	3,682,108,932	74.57	1,841,054,466	37.29	1,841,054,466	40.51
<b>Total</b>	<b>2,400,347,881</b>	<b>100.00</b>	<b>2,468,728,881</b>	<b>100.0</b>	<b>4,937,457,762</b>	<b>100.0</b>	<b>4,937,457,762</b>	<b>100.0</b>	<b>4,545,120,256</b>	<b>100.0</b>

**Notes:**

- Both Galloway and Indigo are wholly-owned by Mr Mellon.
- Jamie Gibson is an executive Director and the chief executive officer of the Company.
- Julie Oates and Mark Searle are independent non-executive Directors.
- Jayne Sutcliffe is a non-executive Director. She is also regarded as acting in concert for the purpose of the Takeovers Code with Mr Mellon.
- Anderson Whamond is a former Director. He is also acting in concert for the purpose of the Takeovers Code with Mr Mellon.
- Each of Jamie Gibson, Julie Oates and Mark Searle is a Director and is presumed to be acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" under the Takeovers Code until completion of the Rights Issue. This class (6) presumption will cease to apply after completion of the Rights Issue. Other than such presumption, none of Jamie Gibson, Julie Oates and Mark Searle is a party acting in concert with the Underwriter or Mr Mellon under the definition of "acting in concert" under the Takeovers Code.
- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed therein are due to rounding adjustments.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

#### Rights Issue

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue, if proceeded with, will increase the issued share capital of the Company by more than 50% within a 12-month period immediately preceding the Latest Practicable Date, the Rights Issue will be subject to the approval by the Independent Shareholders (comprising both the Qualifying Shareholders and the Non-Qualifying Shareholders) at the EGM by way of poll at which the controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the EGM. As such, the Directors (excluding independent non-executive Directors) and their associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder at the EGM.

#### Connected Transactions

As Mr Mellon is a substantial shareholder of the Company and both the Underwriter and Indigo are wholly-owned by Mr Mellon, therefore Mr Mellon, the Underwriter and Indigo are regarded as connected persons of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement and the Set Off constitute connected transactions for the Company under the Listing Rules which are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Shareholders with a material interest in the transactions contemplated under the Underwriting Agreement and the Set Off are required to abstain from voting on the relevant resolution at the EGM.

As Mr Mellon and Jayne Sutcliffe who is a concert party of Mr Mellon are materially interested in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, they were required to abstain from voting at the Board resolutions approving such matters.

### TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

Assuming (i) there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of close of the Rights Issue; (ii) no Rights Shares are taken up by the Qualifying Shareholders (other than Mr Mellon who takes up or procure to take up the entitlements under the Irrevocable Undertakings); and (iii) none of the Unsubscribed Rights Shares have been taken up under the Compensatory Arrangements, the aggregate shareholding of the Underwriter and parties acting in concert with it in the Company upon the close of the Rights Issue will increase from the current level of approximately 25.15% to approximately 59.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. The Underwriter will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all issued Shares not already owned or agreed to be acquired by it and parties acting in concert with it pursuant to Rule 26 of the Takeovers Code. **If the Whitewash Waiver is approved by the Independent Shareholders, the maximum potential holding of voting rights of the Company held by the Underwriter and parties acting in concert with it as a result of the underwriting of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement will exceed 50% of the voting rights of the Company. The Underwriter may further increase its holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.**

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## LETTER FROM THE BOARD

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An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver, and if granted, the Whitewash Waiver will be subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Set Off, and the transactions contemplated thereunder.

**The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the EGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Set Off and the transactions contemplated thereunder and the Whitewash Waiver. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, the Rights Issue will not proceed.**

The Underwriter and parties acting in concert with it and any Shareholders who are involved in or interested in the Rights Issue, the Underwriting Agreement, the Set Off, the Placing Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the EGM.

The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Set Off and the transactions contemplated thereunder and the Whitewash Waiver does not comply with other applicable rules and regulations. As of the Latest Practicable Date, the Company is not aware of any non-compliance with such other applicable rules and regulations.

### GENERAL

#### EGM

The register of members of the Company will be closed from Friday, 18 November 2022 to Thursday, 24 November 2022 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the EGM.

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the EGM.

In accordance with the Listing Rules and the Takeovers Code, the Directors and the chief executive of the Company (but excluding the independent non-executive Directors) and their respective associates; the Underwriter, its associates and parties acting in concert with the Underwriter; any Shareholders with a material interest in the Rights Issue, the Underwriting Agreement, the Set Off, the Placing Agreement and the transactions contemplated thereunder; and Shareholders who are involved in, or interested in (other than by being a Shareholder), the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Set Off and/or the Whitewash Waiver will be required to abstain from voting on the relevant resolution(s).

Save as disclosed in this circular, no other Shareholder is required to abstain from voting on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Set Off and the transactions contemplated thereunder and/or the Whitewash Waiver at the EGM.

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## LETTER FROM THE BOARD

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### THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all independent non-executive Directors, will be established in compliance with Chapter 14A of the Listing Rules and Rule 2.8 of the Takeovers Code to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned, in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. The only two non-executive Directors, namely Mr Mellon and Jayne Sutcliffe, are not included as members of the Independent Board Committee due to Mr Mellon's direct interests in the Rights Issue, the Underwriting Agreement, the Set Off, the Whitewash Waiver and the transactions contemplated thereunder and the fact that Jayne Sutcliffe is a concert party of Mr Mellon.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned, in the interests of the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

### DESPATCH OF PROSPECTUS DOCUMENTS

Subject to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Set Off and the transactions contemplated thereunder and the Whitewash Waiver having been approved by the Independent Shareholders at the EGM, the Prospectus Documents or the Prospectus, whichever is appropriate, will be despatched to the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders in due course. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the EGM.

### RECOMMENDATION

The Directors (other than the members of the Independent Board Committee whose opinion is set forth in this circular after considering the advice from the Independent Financial Adviser) consider that the terms of the Rights Issue, the Set Off, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE RIGHTS SHARES

**Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among other things, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed "Termination of the Underwriting Agreement" in this circular). Accordingly, the Rights Issue may or may not proceed.**

**The Rights Issue is only partially underwritten. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.**

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## LETTER FROM THE BOARD

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In the event the Rights Issue is undersubscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or otherwise subscribed by the Underwriter or other subscribers procured by it pursuant to the Underwriting Agreement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 29 November 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 15 December 2022 to Thursday, 22 December 2022. Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and the nil-paid Right Shares.

### FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 38 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from the Independent Financial Adviser set out on pages 39 to 78 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Set Off, the Underwriting Agreement and the Whitewash Waiver.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Endurance RP Limited**  
**Jamie Gibson**  
*Executive Director*

\* *For identification purposes only*



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# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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## Endurance RP Limited

壽康集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 575)**

31 October 2022

*To the Independent Shareholders*

Dear Sir or Madam,

- (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE;**  
**(II) CONNECTED TRANSACTIONS IN RELATION TO THE UNDERWRITING AGREEMENT AND SET OFF OF SHAREHOLDER'S LOANS;**  
**(III) APPLICATION FOR WHITEWASH WAIVER;**  
**(IV) POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEME; AND**  
**(V) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 31 October 2022 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Set Off, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Maxa Capital Limited has been appointed as the Independent Financial Adviser to advise you and us in this respect.

We wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser as set out on pages 39 to 78 of the Circular; and (ii) the letter from the Board as set out on pages 13 to 37 of the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser, we are of the opinion that the Rights Issue, the Set Off, the Placing Agreement and the Underwriting Agreement are on normal commercial terms, are in the interests of the Company and the Independent Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned, despite the transactions contemplated under the Underwriting Agreement and the Set Off are not in the Company's ordinary and usual course of business. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Set Off, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver.

Yours faithfully,  
For and on behalf of  
Independent Board Committee of  
**Endurance RP Limited**

**David Comba**  
*Independent non-executive  
Director*

**Julie Oates**  
*Independent non-executive  
Director*

**Mark Searle**  
*Independent non-executive  
Director*

\* For identification purposes only

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Maxa Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders setting out its advice in respect of the terms of the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder, and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.*



Unit 1908, Harbour Center  
25 Harbour Road  
Wan Chai  
Hong Kong

31 October 2022

*To: The Independent Board Committee and the Independent Shareholders of Endurance RP Limited*

Dear Sir or Madam,

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARE  
HELD ON THE RECORD DATE;  
(II) CONNECTED TRANSACTIONS  
IN RELATION TO THE UNDERWRITING AGREEMENT AND  
SET OFF OF SHAREHOLDER'S LOANS; AND  
(III) APPLICATION FOR WHITEWASH WAIVER**

### 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 terms of the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder, and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 31 October 2022 (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 otherwise requires.

Reference is made to the announcement of the Company dated 26 September 2022 (the “**Announcement**”). As set out in the Announcement, on 26 September 2022, the Company proposed to implement the Rights Issue on the basis of one Rights Share for every one Existing Share held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.0785 per Rights Share, to raise gross proceeds of up to (i) approximately HK\$188.43 million (or approximately US\$24.00 million) before the Set Off and expenses by issuing 2,400,347,881 Rights Shares (assuming no change in the issued share capital of the Company on or before the Record Date); or (ii) approximately HK\$193.80 million (or approximately US\$24.69 million) before the Set Off and expenses by issuing 2,468,728,881 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to full exercise of all Share Options but otherwise no other change in the issued share capital of the Company on or before the Record Date). Galloway, indirectly wholly-owned by Mr Mellon who is a substantial shareholder of the Company and interested in 506,680,329 Shares, representing approximately 21.11% of the issued share capital of the Company as at the Latest Practicable Date, has conditionally agreed to subscribe for up to 1,569,711,046 Rights Shares, being all the Underwritten Rights Shares, pursuant to the terms and subject to the conditions set out in the Underwriting Agreement.

Pursuant to the Set Off under the Underwriting Agreement, the Underwriter, Mr Mellon, Indigo and the Company agreed that the total amount of subscription monies payable by the Underwriter, Mr Mellon and Indigo for the Rights Shares to which they are entitled to and/or are required to subscribe for (if any) under the Rights Issue and the Underwriting Agreement, respectively, would be set off on a dollar-to-dollar basis against the equivalent amount of the Shareholder's Loans and accrued interest thereon on the completion date of the Rights Issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue, if proceeded with, will increase the issued share capital of the Company by more than 50% within a 12-month period immediately preceding the date of the Announcement, the Rights Issue will be subject to the approval by the Independent Shareholders (comprising both the Qualifying Shareholders and the Non-Qualifying Shareholders) at the EGM by way of poll at which the controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the EGM. As such, the Directors (excluding independent non-executive Directors) and their associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder at the EGM.

As Mr Mellon is a substantial shareholder and the non-executive Chairman of the Company and both the Underwriter and Indigo are wholly-owned by Mr Mellon, therefore Mr Mellon, the Underwriter and Indigo are regarded as connected persons of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement and the Set Off constitute connected transactions for the Company under the Listing Rules which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Shareholders with a material interest in the transactions contemplated under the Underwriting Agreement and the Set Off are required to abstain from voting on the relevant resolution at the EGM.

Assuming (i) there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of close of the Rights Issue; (ii) none of the Qualifying Shareholders (other than Mr Mellon who takes up or procure to take up the entitlements under the Irrevocable Undertakings); and (iii) none of the Unsubscribed Rights Shares have been taken up under the Compensatory Arrangements, the aggregate shareholding of the Underwriter and parties acting in concert with it in the Company upon the close of the Rights Issue will increase from the current level of approximately 25.15% to approximately 59.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. The Underwriter will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all issued Shares not already owned or agreed to be acquired by it and its concert parties pursuant to Rule 26 of the Takeovers Code. If the Whitewash Waiver is approved by the Independent Shareholders, the maximum potential holding of voting rights of the Company held by the Underwriter and parties acting in concert with it as a result of the underwriting of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement will exceed 50% of the voting rights of the Company. The Underwriter may further increase its holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has agreed to grant the Whitewash Waiver subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Set Off, and the transactions contemplated thereunder.

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the EGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Set Off and the transactions contemplated thereunder, and the Whitewash Waiver. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, the Rights Issue will not proceed.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee, comprising all independent non-executive Directors, namely, Mr David Comba, Mrs Julie Oates and Mr Mark Searle, has been established in compliance with Chapter 14A of the Listing Rules and Rule 2.8 of the Takeovers Code to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned, in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote. The only two non-executive Directors, namely Mr Mellon and Mrs Jayne Sutcliffe, are not included as members of the Independent Board Committee due to Mr Mellon's direct interests in the Rights Issue, the Underwriting Agreement, the Set Off, the Whitewash Waiver and the transactions contemplated thereunder and the fact that Mrs Jayne Sutcliffe is a concert party of Mr Mellon.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company and any of the Company's associates that could reasonably be regarded as relevant to our independence and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders. Saved for our appointment as the Independent Financial Adviser, there was no other engagement between the Company and us in the past two years immediately preceding the date of the Announcement and up to the Latest Practicable Date. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code.

### BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things: (i) the Underwriting Agreement; (ii) the Placing Agreement; (iii) the Circular; (iv) the annual reports of the Company for the years ended 31 December 2020 (the "2020 AR") and 2021 (the "2021 AR"); and (v) the interim reports of the Company for the six months ended 30 June 2021 (the "2021 IR") and 2022 (the "2022 IR"). We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required 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 in the Circular and the information and representations provided to us by the Directors and the management of the Group (the "Management"). We have also reviewed, inter alia, 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 the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely 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. With the information provided, we have also discussed and reviewed the information provided to us by the Company, the Directors and the Management regarding the business and outlook of the Group. We have also assumed that all statements of belief, opinion, intention and expectation 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 representation and opinions expressed by the Company, its advisers, the Directors and the Management. 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 of the information included 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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

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, we have taken into consideration the following principal factors and reasons:

#### 1 Background information of the Group

The Company is an exempted company incorporated under the laws of 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 2020 (“**FY2020**”) and 31 December 2021 (“**FY2021**”) as extracted from the 2020 AR and 2021 AR and the six months ended 30 June 2021 (“**1H2021**”) and 30 June 2022 (“**1H2022**”) as extracted from the 2021 IR and 2022 IR:

	For the year ended				For the six months ended			
	31 December		31 December		30 June		30 June	
	2020		2021		2021		2022	
	US\$'000	% of revenue	US\$'000	% of revenue	US\$'000	% of revenue	US\$'000	% of revenue
	(audited)		(audited)		(unaudited)		(unaudited)	
Revenue	1,691	100.0	3,442	100.0	3,743	100.0	88	100.0
– Royalty income	112	6.6	54	1.6	74	2.0	13	14.8
– Milestone income	1,212	65.1	3,254	93.0	3,200	85.5	–	0.0
– Corporate investment income	108	6.4	(288)	(8.4)	–	0.0	–	0.0
– Other income	371	21.9	476	13.8	469	12.5	75	85.2
Exchange gains/(losses), net	–		–		54		(464)	
Fair value gains/(losses) on financial instruments	458		14,793		15,240		(5,043)	
<b>Total revenue and fair value gains/(losses) on financial instruments</b>	<b>2,149</b>		<b>18,235</b>		<b>19,037</b>		<b>(5,419)</b>	
<b>Operating (loss)/profit</b>	<b>(24,880)</b>		<b>(13,873)</b>		<b>2,503</b>		<b>(20,770)</b>	
<b>(Loss)/profit for the year/period</b>	<b>(24,396)</b>		<b>(12,598)</b>		<b>2,661</b>		<b>(20,062)</b>	

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***FY2020 VS FY2021***

As disclosed in the 2021 AR, the total revenue of the Group was approximately US\$3.44 million for FY2021, representing an increase of approximately US\$1.75 million or approximately 103.55% as compared to approximately US\$1.69 million for FY2020. Such increase was primarily attributable to the increase in the revenue derived from the milestone and royalty income from approximately US\$1.21 million for FY2020 to approximately US\$3.25 million for FY2021. Senstend™ (the marketing name for Fortacin™ in China) obtained clinical trial approval from the Centre of Drug Evaluation in China on 5 February 2021, and consequently a milestone payment of US\$3.20 million (or US\$2.88 million net of PRC withholding tax) was triggered and received in full on 31 March 2021 from the Company's commercial strategic partner in China – Wanbang Biopharmaceutical Group Co., Ltd. ("**Wanbang Biopharma**"), which has the rights to Senstend™ in China. Fortacin™ product is a treatment for male premature ejaculation that obtained marketing authorisation from the European Medicines Agency ("**EMA**") 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™. Currently, the Group has entered into licence agreements with its commercial partners for the sale and distribution of Fortacin™/Senstend™ in the European Union, the United Kingdom, China, the Russian Federation and the Commonwealth of Independent States (CIS), certain countries in North Africa, the Israel region, and certain countries in the Balkan and Asia Pacific region. Pursuant to these license agreements, the Group will be eligible to receive payments from its commercial partners after achieving certain milestones related to the respective roll outs of Fortacin™ and royalty income from the commercial sale of Fortacin™. For FY2020, the milestone and royalty income received by the Group mainly represented milestone income of US\$0.80 million from Wanbang Biopharma and US\$0.30 million from Orient EuroPharma Co., Ltd. ("**Orient EuroPharma**"), the Group's commercial partner for Taiwan, Hong Kong, Macau and certain other countries in South East Asia. The Group only recorded minimal royalty income for FY2020 and FY2021 due to (i) the limited supply of Fortacin™ to Recordati Ireland Ltd ("**Recordati**"), the Group's licensee partner for Fortacin™ in the European Union, the United Kingdom, The Commonwealth of Independent States and certain other territories (the "**Recordati's Territories**"), and Orient EuroPharma, the Group's licensee partner for Hong Kong, Macau, Taiwan, Singapore and certain other territories in South East Asia as certain manufacturing issues were experienced by the manufacturer of Fortacin™ since 2019, which had led to the delay of Fortacin™ being delivered in a timely manner; and (ii) the sales of Fortacin™ were irrevocably impacted by the continual outbreak of the COVID-19 pandemic in Europe and the COVID-19 zero tolerance policies being implemented in Hong Kong and Macau.

The Group recorded a loss for FY2021 of approximately US\$12.60 million, representing a decrease of approximately US\$11.80 million or 48.36%, as compared to approximately US\$24.40 million for FY2020. Such reduction in loss was primarily attributable to (i) increase in revenue derived from the milestone and royalty income by approximately US\$2.04 million as mentioned above; (ii) increase in unrealised and realised gains on the financial assets at fair value through profit or loss ("**FAFVPL**") by approximately US\$13.13 million mainly derived from its investment in DEVELOP Global Limited ("**DVP**"), formerly known as Venturix Resources Limited, a public listed company incorporated in Australia, whose shares are listed on the Australian Securities Exchange (the "**ASX**"); and was partially offset by (iii) an increase in amortisation of intangible assets by approximately US\$4.36 million mainly because the base amount for calculating the amortisation on the intangible asset, the patent (Fortacin™) for FY2021 increased by approximately US\$6.13 million as a result of reversal of impairment loss on intangible asset for FY2020 due to the expected early launch date and increase in the selling price of Senstend™ in the PRC market.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 14 December 2020, the Company completed the acquisition of all the issued and outstanding securities in Deep Longevity (“**DLI**”) at a total consideration of approximately US\$3.79 million, which was satisfied by the issue and allotment by the Company of an aggregate of 422,687,680 Shares (the “**DLI Acquisition**”). The DLI Acquisition serves as a key platform for the Group’s expansion into the health and wellness sector, namely the emerging field of longevity medicine. DLI is developing explainable and user-friendly artificial intelligence (“**AI**”) systems to track the rate of aging at the molecular, cellular, tissue, organ, system, physiological and psychological levels. It is also developing systems for the emerging field of longevity medicine enabling physicians to make better decisions on the interventions that may slow down or reverse the aging processes. DLI has also developed a Longevity as a Service (LaaS)<sup>®</sup> solution to integrate multiple deep biomarkers of aging dubbed “deep aging clocks” to provide a universal multifactorial measure of human biological age. During FY2021, the Group continued to integrate and further identify and execute commercialisation opportunities in respect of DLI’s patented technology to help identify individual biological aging markers. As advised by the Management, DLI did not record any revenue during FY2020 and generated approximately US\$8,000, which was categorised as other income under revenue during FY2021.

### ***1H2021 VS 1H2022***

As disclosed in the 2022 IR, the total revenue of the Group for 1H2022 was approximately US\$0.09 million, representing a decrease of approximately US\$3.66 million or 97.64% as compared to approximately US\$3.74 million for 1H2021. Such decrease was primarily attributable to the significant decrease in the revenue derived from the milestone and royalty income by approximately US\$3.26 million, resulting from the facts that (i) no milestone was triggered pursuant to the Company’s licence agreements for 1H2022; and (ii) the Group only recorded royalty income of approximately US\$0.01 million which was due to no supply of Fortacin<sup>™</sup> to Recordati and Orient EuroPharma during 1H2022 as certain manufacturing issues were experienced by the manufacturer. As disclosed in the 2022 IR, Recordati engaged with an alternative European third-party manufacturer for manufacturing Fortacin<sup>™</sup> to source alternative commercial supply for Fortacin<sup>™</sup>. In June 2022, Recordati submitted a variation to the EMA for adding this European manufacturer to the marketing dossier as an alternative manufacturer, which was approved by the EMA on 15 September 2022. It is expected that commercial supply of Fortacin<sup>™</sup> will resume for Recordati’s Territories in the first quarter of 2023. The Group expects that this new manufacturer will be able to offer continuous supply of Fortacin<sup>™</sup> to Recordati and all of its commercial partners in the countries or regions outside the European Union bringing in royalty revenue for the Group subject to the annual production capacity of the manufacturer.

The Group recorded a loss for the period of approximately US\$20.06 million for 1H2022 as compared to profit for the period of approximately US\$2.66 million for 1H2021. The change from profit to loss was primarily attributable to (i) decrease in the revenue derived from the milestone and royalty income by approximately US\$3.66 million as mentioned above; (ii) the Group recorded unrealised and realised losses on FAFVPL of approximately US\$4.35 million, which were mainly derived from its investment in the listed shares of DVP (the “**DVP shares**”) for 1H2022 whereas unrealised and realised gains on FAFVPL of approximately US\$12.19 million was recognised for 1H2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	As at 31 December 2020	2021	As at 30 June 2022
	US\$'000	US\$'000	US\$'000
	(audited)	(audited)	(unaudited)
Non-current assets	73,627	49,439	36,857
Current assets	6,683	12,790	4,569
<b>Total assets</b>	<b>80,310</b>	<b>62,229</b>	<b>41,426</b>
Non-current liabilities	(20,900)	(12,537)	(6,685)
Current liabilities	(9,105)	(10,923)	(15,480)
<b>Total liabilities</b>	<b>(30,005)</b>	<b>(23,460)</b>	<b>(22,165)</b>
<b>Net current (liabilities)/assets</b>	<b>(2,422)</b>	<b>1,867</b>	<b>(10,911)</b>
<b>Net assets</b>	<b>50,305</b>	<b>38,769</b>	<b>19,261</b>

The Group's total assets decreased from approximately US\$80.31 million as at 31 December 2020 to approximately US\$62.23 million as at 31 December 2021, which was mainly attributable to the combined effects of (i) a decrease in the intangible assets by approximately US\$23.76 million resulting from the amortisation of the intangible assets, the patent (Fortacin™) and the intellectual properties ("IP") (Deep Longevity) of DLI; (ii) an increase in the carrying amount of FAFVPL by approximately US\$8.00 million, which was primarily attributable to the significant increase in share price of the DVP shares during FY2021; and (iii) the decrease in cash and bank balances by approximately US\$2.09 million, which was mainly due to the net effects of (a) the operating expenses of approximately US\$8.35 million; (b) the income tax paid of approximately US\$3.76 million in respect of the Capital Gains Tax Payment (as defined below); (c) the receipt of milestone and royalty income of approximately US\$3.25 million; and (d) the proceeds of approximately US\$5.89 million received from the disposal of FAFVPL during FY2021. The Group's total assets decreased from approximately US\$62.23 million as at 31 December 2021 to approximately US\$41.43 million as at 30 June 2022, which was mainly attributable to the combined effects of (i) the decrease in the intangible assets by approximately US\$12.34 million resulting from the amortisation of the intangible assets, the patent (Fortacin™) and the IP (Deep Longevity) of DLI; and (ii) the decrease in the carrying amount of FAFVPL by approximately US\$7.25 million, which was primarily attributable to the decrease in share price of and partial disposal of the DVP shares during 1H2022.

As at 30 June 2022, the Group's total assets mainly comprised of intangible assets of approximately US\$36.31 million and FAFVPL of approximately US\$3.27 million. The carrying value of the intangible assets in respect of the patent (Fortacin™) and the IP (Deep Longevity) of DLI was approximately US\$34.23 million and US\$2.08 million, respectively, as at 30 June 2022. The patent (Fortacin™) has an estimated useful life of 8 years and covered a period up to 2023, whereas the IP (Deep Longevity) of DLI has an estimated useful life of 7 years and covered a period up to 2027. FAFVPL mainly represented the Group's investment in the DVP shares with marked-to-market value of approximately US\$3.25 million as at 30 June 2022. We note that, on 28 January 2022, the Company announced a possible major transaction in relation to disposal mandate for the possible future disposal of all the DVP shares. The principal activities of DVP are resources exploration, focusing on base metals, and the progression towards becoming a mid-tier base metals business. The Company considers that the disposal of the DVP shares is consistent with the Group's stated strategy of disposal of non-core assets and represents a good opportunity for the Group to realise its remaining investment in the DVP shares. On 14 March 2022, the Company obtained the specific mandate from the Shareholders to make partial or full disposal of the DVP shares held by the Company (the "Disposal Mandate"). We note that, subsequent to 30 June 2022, the Group disposed of (i) an aggregate of 1,072,876 DVP shares on the open market on the ASX during the period between 8 July 2022 to 16 August 2022 for an aggregate consideration of approximately A\$2.51 million in cash (or approximately US\$1.74 million) and is expected to generate a net realised loss of approximately US\$1.26 million (or approximately HK\$9.83 million) for the year ending 31 December 2022; and (ii) an aggregate of 1,287,414 DVP shares on the open market on ASX during the period between 23 August 2022 to 27 September 2022 for an aggregate consideration of approximately A\$3.17 million in cash (or approximately US\$2.08 million) and is expected to generate a net realised loss of approximately US\$0.75 million (or approximately HK\$5.85 million) for the year ending 31 December 2022.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group's current liabilities increased from approximately US\$9.11 million as at 31 December 2020 to US\$10.92 million as at 31 December 2021 which was mainly due to (i) the reclassification of the shareholder's loans from non-current to current portion of approximately US\$3.60 million; and (ii) the reclassification of the convertible notes of US\$2.34 million as current liabilities; and was partially offset by the repayment of tax payable of approximately US\$3.80 million during FY2021. The Group's total liabilities decreased from approximately US\$30.01 million as at 31 December 2020 to approximately US\$23.46 million as at 31 December 2021, which was mainly attributable to the combined effects of (i) the decrease in tax payable by approximately US\$3.80 million as the Group made tax payment of A\$5.00 million (or approximately US\$3.75 million) to the Australian Taxation Office during FY2021 as full and final settlement of the capital gains tax payable on the disposal in 2013 of an investment in BC Iron Limited (the "**Capital Gains Tax Payment**"); and (ii) the decrease in the deferred tax liabilities by approximately US\$2.39 million, which related to tax credit recognised in the income statement arising on the amortisation charge of the intangible assets for FY2021. The Group's current liabilities increased from approximately US\$10.92 million as at 31 December 2021 to US\$15.48 million as at 30 June 2022 which was mainly due to the increase in current portion of the shareholder's loans by approximately US\$4.33 million during 1H2022. The Group's total liabilities decreased from approximately US\$23.46 million as at 31 December 2021 to approximately US\$22.17 million as at 30 June 2022. Such decrease was mainly attributable to the decrease in deferred tax liabilities by approximately US\$1.29 million, which related to the tax credit recognised in the income statement arising on the amortisation charge of the intangible assets for 1H2022.

As at 30 June 2022, the Group's total liabilities mainly comprise of (i) deposits received, accruals and other payables of approximately US\$4.38 million, which consisted of the interests accrued on the shareholder's loans of approximately US\$1.12 million; (ii) the convertible notes of approximately US\$2.57 million; and (iii) the shareholder's loans of approximately US\$10.87 million. The convertible notes bear interest at the rate of 4% per annum and were fully repaid by the Company by cash on 23 August 2022. The shareholder's loans, which represents loans from Galloway, bearing interest rates at the range of 0.00% to 5.00%. As at 30 June 2022, approximately US\$3.62 million of the shareholder's loans will fall due in the second half of 2022 and the remaining balance of approximately US\$7.25 million will fall due in 2023. On 18 August 2022, a shareholder's loan agreement was entered into between the Company and Galloway with a principal amount of US\$2.52 million (the "**August 2022 Loan Agreement**"). The loan is unsecured, interest bearing at 5.50% per annum and repayable on the date falling six months after the date of the August 2022 Loan Agreement.

Based on our analysis on the financial information of the Group for FY2020, FY2021, 1H2021 and 1H2022 (collectively, the "**Relevant Period**"), we note that the Group's revenue relies heavily on the milestone and royalty income generated from Fortacin™, which accounted for approximately 71.67%, 94.54%, 87.47% and 14.77% of the Group's total revenue for FY2020, FY2021, 1H2021 and 1H2022, respectively. As a result of manufacturing issues encountered by the manufacturer of Fortacin™ during the Relevant Period, the Group's commercial partners have experienced continued supply disruptions, which significantly impacted their ability to supply Fortacin™ to their territories. As disclosed in the Company's announcement dated 3 October 2017, the Group entered into the amended and restated licence agreement with Recordati, of which the Group, as at the Latest Practicable Date, will be eligible to receive further payments of up to approximately EUR33.00 million (approximately US\$38.89 million or approximately HK\$303.34 million) plus royalties after hitting certain milestones related to the European roll-out of Fortacin™. However, lacking stable and consistent cash inflow generated from royalty income, we note that the Group's revenue had fluctuated significantly during the Relevant Period as the milestone income generated from Fortacin™ is dependent upon, among other things, outcome of the clinical trials and progress in respect of regulatory approvals of Fortacin™ in different territories. As extracted from the 2021 AR and 2022 IR, the unrealised and realised gains/losses on financial instruments contributed approximately 21.31%, 81.12%, 80.05% and 93.06% of the Group's total revenue and fair value gains/losses on financial instruments during the Relevant Period, which in turn primarily depended on the price performance of the DVP shares. Due to the uncertainty of the milestone and royalty

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income generated from Fortacin™ and the significant amount of amortisation of intangible assets recognised during the Relevant Period, the Group had recorded losses from operations for FY2020, FY2021 and 1H2022. There was a decreasing trend in the Group's total assets during the Relevant Period, which was mainly related to decrease in the carrying value of the intangible assets arising from the patent (Fortacin™) and the IP (Deep Longevity) of DLI. Although the Group had made partial disposal of the DVP shares during the Relevant Period in order to replenish its working capital, we note that the Group's cash and bank balances had decreased from approximately US\$2.70 million as at 31 December 2020 to approximately US\$0.22 million as at 30 June 2022. The Group's liquidity position was deteriorating during the Relevant Period as the net debts (calculated by the aggregate amount of bank borrowings, convertible notes and shareholder's loans, net of cash and bank balances) and net debts to equity ratio (calculated by net debts divided by total equity) increased from approximately US\$10.10 million and 20.08% as at 31 December 2020 to approximately US\$13.25 million and 68.79% as at 30 June 2022. In light of the above, we consider that the Group has imminent funding need to strengthen its capital base and improve its liquidity position.

### *Trading prospect*

To evaluate the prospect of the Group, we have reviewed the 2022 IR and note that uncertain factors such as the war in Ukraine, Europe's energy crisis, COVID-19 lockdowns/restrictions in China and tighter monetary policy due to increased inflationary pressures, all of which have resulted in an overall slowing of global growth and remained as challenges and uncertainties for the Group performance in the near future.

As advised by the Management, Fortacin™/Senstend™ remains to be the Company's highly-focused biopharmaceutical product. Wanbang Biopharma registered in December 2021 with the Centre of Drug Evaluation three drug trials that are required in support of the new drug application (the "NDA") to the National Medical Products Administration (the "NMPA"). During 1H2022, two Phase 1 studies have been successfully completed and the remaining Phase 3 study remains ongoing. Despite certain COVID-19 lockdowns and restrictions being experienced in China, Wanbang Biopharma has advised that the Phase 3 study has completed the enrolment of all 285 subjects in October 2022. Given that the treatment period once a subject is randomised into the study is approximately three months, the last subjects is expected to complete treatment by the end of January 2023. The Company, its regulatory consultant and Wanbang Biopharma have commenced the preparatory phase for preparing the NDA to the NMPA with the aim of submitting the NDA by the end of second quarter of 2023. If the clinical study meets its endpoints and the NMPA grants an import licence for Senstend™, US\$5 million (before deduction of PRC withholding tax), will be payable to the Group from Wanbang Biopharma. In addition, upon first commercial sale of Senstend™ in China, US\$2 million (before deduction of PRC withholding tax) shall be payable to the Group from Wanbang Biopharma. In respect of the progress being made with Fortacin™ in the US, the Company's clinical research organisation completed the Phase 3 study protocol, together with a "Type C" meeting request, with the Food and Drug Administration of the United States (the "FDA") for the product development of Fortacin™. The Company is hopeful that after providing a fulsome reply to the FDA's advice and request letter and incorporating the FDA's recommendations and suggestions into the Phase 3 study protocol, that the Company can proceed with its Phase 3 study shortly after the "Type C" meeting, which is scheduled at the end of third quarter of 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In respect of Europe, Recordati has engaged with an alternative European third-party manufacturer for manufacturing Fortacin™ over the last 18 months to source alternative commercial supply for Fortacin™. This manufacturer has completed the necessary process validation batches and at the 3-month time point the product remained within specification. Recordati has submitted a type II variation to the EMA for adding the European manufacturer to the marketing dossier as an alternative manufacturer and received approval on 15 September 2022. It is expected that commercial supply will resume for Recordati's key territories in the European Union in the first quarter of 2023. The Company is hopeful that this new manufacturer will be able to offer continuous supply of Fortacin™ to Recordati and its other commercial strategic partners bringing in royalty revenue for the Group. In respect of the other territories, once commercial supply of Fortacin™ has resumed, Orient EuroPharma will be in the position to place new orders and continue sales in Taiwan, Hong Kong and Macau. As advised by the Management, Orient EuroPharma has obtained marketing authorisation approval on 5 July 2022 from the Singaporean Health Sciences Authority and is submitting (or has submitted) marketing approval in Philippines, Malaysia, Brunei, Thailand and Vietnam. In the second quarter of 2022, K.S. KIM International (SK-Pharma) Ltd. ("**SK-Pharma**") submitted its marketing authorisation in Israel and is hopeful that it will receive approval by the fourth quarter of 2023. The Company, its regulatory consultant and SK-Pharma are now preparing the marketing authorisation for certain countries in the Balkan region. The Group is in discussions for "out licencing" the rights to Fortacin™ to (i) a Japanese pharmaceutical company for Japan, and (ii) a pharmaceutical company based in the United Arab Emirates for the Gulf Cooperation Council region (Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman).

In respect of the business development of DLI, the Group has continued to implement and integrate DLI with its existing business. DLI is continuing its growth journey with multiple initiatives around building out the team, product, technology and commercial models. Deep Longevity is committed to building and commercialising various aging clocks using its AI led deep learning models. Due to the fact that the abovementioned models are currently in the research and development stage, consequently no revenue has been generated during the Relevant Period.

We note from the 2022 IR that, due to the complex and constantly evolving situation around the COVID-19 pandemic and the impacts of the heightened inflation and dampened global growth, it is not possible to predict the possible future impacts to the Group, including any further negative impacts on the Group's efforts to achieve a timely and successful commercialization of Fortacin™/Senstend™ in China and elsewhere, as well as any subsequent impact on the Group's cash flow, revenue and prospects. With a streamlined focus, the Company will (i) continue to pursue the successful commercialisation of Fortacin™/Senstend™ in the remaining key markets of the US, China, Asia, Latin America and the Middle East; (ii) commercialise its deep learning aging clock technology and MindAge® offering, which was launched in July 2021, together with partnering with clinics, laboratories and insurance companies by offering its AgeMetric™ reports, which was launched in 2020, and access to its online platform. The Group has not generated any revenue from its MindAge® and AgeMetric™ products during the Relevant Period; (iii) continue monitoring its investments in DVP; and (iv) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

In view of the above and further taking into account of (i) the financial position of the Group as at 30 June 2022; (ii) the financial performance of 1H2022 has shown no sign of recovery; (iii) the liquidity position of the Group would be significantly improved upon the completion of the Rights Issue; (iv) the funding need of the Group as further discussed in the section headed "2.1 Background and reasons for the Rights Issue" below; and (v) the prospect of the Group, we consider the Rights Issue is beneficial to the Company and the Shareholder as a whole.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## 2 Reasons for and benefits of the Rights Issue

### 2.1 Background and reasons for the Rights Issue

As disclosed in the Letter from the Board, in light of the recent financial performance of the Group that included the material adverse impact brought on by the: (i) slower than anticipated progress in respect of regulatory approvals of Senstend™ in China and Fortacin™ in the United States, which has delayed the receipt of further milestone and other potential licencing payments; (ii) continued outbreak of COVID-19 Pandemic on the roll-out of Fortacin™ across currently untapped jurisdictions; and (iii) manufacturing issues experienced by the manufacturer of Fortacin™ together with the repayment obligations of the Group, the financial position of the Group has been deteriorating. The Board considers that it is vital for the Group to have access to additional funding and working capital in order to maintain its competitiveness in the market by (i) recapitalising its balance sheet; (ii) reducing future financing costs; and (iii) allowing for sufficient working capital to achieve the short-to-medium plan on business development of the Group.

As advised by the Management, due to the Group's loss-making positions and persistently high net debts position, there are practical difficulties for the Group to secure new banking or credit facilities from financial institutions. In order to replenish the Group's working capital and prevent disruption to the Group's operation, the Company approached Mr Mellon for financial assistance. With a view to provide support for the Group's business development and in order to ensure the Group has sufficient liquidity to meet its short-term working capital needs, Galloway, wholly-owned by Mr Mellon, as the lender and the Company as the borrower, entered into various loan agreements during the period from September 2019 to December 2020 pursuant to which Galloway advanced unsecured loans in different tranches to the Company. The outstanding principal amount of the shareholder's loans was approximately US\$10.87 million as at 30 June 2022, of which approximately US\$0.73 million is interest free and approximately US\$10.14 million bears interest at rate of 5.00% per annum.

As at 30 June 2022, the Group had cash and bank balances of approximately US\$0.22 million, while the outstanding debts of the Group comprised of bank borrowings of approximately US\$0.03 million, convertible notes of approximately US\$2.57 million which will be due on 23 August 2022 and shareholder's loans of approximately US\$10.87 million (of which approximately US\$0.73 million and US\$2.90 million will be due in the third and fourth quarter of 2022, respectively). As disclosed in the 2022 IR, the Group had incurred a loss of approximately US\$20.06 million for 1H2022 and net current liabilities of approximately US\$10.91 million as at 30 June 2022. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. In light of the above, we note that the Group has taken the following measures and steps in order to replenish the Group's working capital and improve its liquidity position: (i) partial disposal of the DVP shares on the open market between 8 July 2022 to 16 August 2022 for an aggregate consideration of approximately A\$2.51 million in cash (or approximately US\$1.74 million); (ii) entered into the August 2022 Loan Agreement, which is unsecured, interest bearing at 5.50% per annum and repayable on the date falling six months after the date of the agreement; and (iii) obtained an undertaking from Galloway to defer repayment of the shareholder's loans with a total principal amount of approximately US\$6.48 million until the Group is in a position to meet all its obligation. Notwithstanding the above measures taken by the Group, we note that the Company's financial position continued to deteriorate as the Group's cash and bank balances maintained at a relatively low level of approximately US\$0.79 million as at 31 August 2022. In addition, as at 31 August 2022, the Group's total outstanding Shareholder's Loans amounted to approximately US\$13.40 million, of which (i) approximately US\$9.00 million will be repayable in the first quarter of 2023; (ii) approximately US\$1.45 million will be repayable in the second quarter of 2023; (iii) approximately US\$1.54 million will be repayable in the third quarter of 2023; and (iv) approximately US\$1.41 million will be repayable in the fourth quarter of 2023, and the interests accrued on the outstanding Shareholder's Loans as at 30 September 2022 amounted to approximately US\$1.25 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In light of (i) the unsatisfactory financial performance of the Group as discussed in the section headed “1 Background information of the Group” above; and (ii) deteriorating financial position and imminent funding requirements of the Group, we consider that the Rights Issue would enable the Group to have access to additional funding, strengthen its capital base and improve its liquidity position.

The estimated net proceeds from the Rights Issue before the Set Off and after deducting all necessary expenses will be approximately HK\$182.15 million (or approximately US\$23.20 million) by issuing 2,400,347,881 Rights Shares (assuming (i) full acceptance by the Qualifying Shareholders under the Rights Issue; and (ii) no change in the issued share capital of the Company on or before the Record Date). The Group intends to apply the net proceeds for the following purposes: (i) approximately 63.63% of the net proceeds (up to approximately HK\$115.90 million (or approximately US\$14.76 million)) will be used for the Set Off upon completion of the Rights Issue; (ii) approximately 26.37% of the net proceeds (up to approximately HK\$48.04 million (or approximately US\$6.12 million)) will be used for implementation of business development plan as described under the paragraph headed “Business Development” in the Letter from the Board, of which approximately 70% will be utilised for the developments of Fortacin™/Senstend™ mainly involving the phase III study protocol with the FDA and approximately 30% will be mainly used for the development of DLI’s Branded SaaS® platform called JuvAge™, commercial offerings of Blood Age, Mind Age and Epigenetic Age and continual research and developments on DLI’s existing and new aging clocks, Transcriptomic Age and Microbiomic Age over the 12-month period following completion of the Rights Issue; and (iii) the remaining 10.00% of the net proceeds (up to approximately HK\$18.21 million (or approximately US\$2.32 million)) will be used as general working capital of the Group following completion of the Rights Issue. In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

As advised by the Management, the part of the net proceeds will be applied for implementing the business development plan of Fortacin™/Senstend™, including, among other things, progressing the phase III study protocol with the FDA and commencement of the study with the view to submitting the NDA in 2023. Part of the net proceeds will be allocated to DLI for building and commercialising various aging clocks using AI led deep learning models. DLI is applying special focus to, among other things, the following areas: (i) building the software as a service (SaaS®) platform called JuvAge™ which Longevity clinics, hospitals and medical doctors will be able to generate a variety of biological reports; (ii) commercially offering and expanding the aging clocks through JuvAge™ with an aim of building more features and functionality into JuvAge™ over 2023; (iii) conducting business development activities to launch JuvAge™ and offer DLI’s aging clocks to Provider universe; (iv) expanding the research and IP base by adding more aging clocks as well as collaborating with academic institutions and enterprises to make existing clocks robust and relevant; and (v) at this stage, considering the creation of an enterprise grade MindAge® offering directed at large and mid-sized employers in the United States, United Kingdom and Europe.

Based on the breakdown prepared by the Management, the net proceeds of approximately US\$2.32 million being allocated to general working capital purpose will be mainly used to settle employee benefits expenses, rental and offices expenses and other overhead costs for the next six to nine months.

### **2.2 Fund raising alternatives**

As disclosed in the Letter from the Board, the Directors have evaluated various debt and/or equity fund raising alternatives before resolving to the Rights Issue, the final selection of Rights issue is principally considered with respect to cost, accessibility and timing. The Company has considered (i) borrowings from banks and/or financial institutions; (ii) placing of new Shares; (iii) disposal of assets; and (iv) open offer as fund raising alternatives. To our best effort, we do not identify any other alternative options, other than the alternatives which have been mentioned above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Regarding debt financing, the Management advises that it usually requires security of properties and other tangible assets, which is not feasible to the Company, given that the Company does not possess any material tangible assets that can be offered as collateral for borrowing. We have reviewed the 2022 IR and note that the Group's total assets as at 30 June 2022 mainly comprised of intangible assets of approximately US\$36.31 million, representing the patent (Fortacin™) and the IP (Deep Longevity) of DLI, which are typically not accepted by financial institutions as collaterals for borrowing. Given the unsatisfactory financial performance of the Group and the reluctance to accept intangible assets as collaterals for secured lending by creditors, the Group has been facing difficulties in negotiations with its main commercial bank for obtaining business loans. Regarding placing of new Shares, in light of the current bearish market sentiment which adversely affects the willingness of potential investors to participate in equity placements and given the scale of the proposed fund-raising exercise, we consider that the material dilution on the shareholding of the existing Shareholders resulting from the placing of new Shares to new investors or one or few existing Shareholders, would be unfair to the other existing Shareholders as they will not be able to participate in the placing of new Shares. Regarding the disposal of assets, as discussed in the section headed "1 Background information of the Group" above, the Company obtained the Disposal Mandate in March 2022 and had made partial disposals of the DVP shares in 2022. However, given that the carrying value of the DVP shares was approximately US\$3.25 million as at 30 June 2022, we consider that the proceeds from the full disposal of the DVP shares would not be sufficient to fully settle the Company's outstanding borrowings as at 30 June 2022. Lastly, although an open offer is similar to a rights issue which provides the Qualifying Shareholders with equal opportunity to participate in proportion to their existing shareholder interest, an open offer is less favourable to the shareholders compared to a rights issue due to the flexibility of the shareholders being able to sell their entitled nil-paid rights when they do not wish to take up the entitlements under the rights issue.

After taking into account all of the above factors and considerations, we consider that the current fund-raising method by way of the Rights Issue, which would, among other things, significantly improves the financial position and gearing ratio of the Group by turning the Company into an essentially debt free enterprise, facilitates the Group in reducing its future financing costs by early repayment of its outstanding debts, and gives the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interest in the Company and to continue to participate in the future development of the Company, is appropriate and acceptable for the Company and its Shareholders as a whole.

### 3 The Set Off

As mentioned in the section headed "2.1 Background and reasons for the Rights Issue" above, the Company is indebted to Galloway, which is also the Underwriter, a principal amount of approximately US\$13.40 million (or approximately HK\$105.19 million) and accrued interests of approximately US\$1.25 million (or approximately HK\$9.81 million) as at the date of the Announcement. The Shareholder's Loans were made by Galloway to the Group at the material time in order to meet the Group's short-time working capital needs. From the Company's perspective, by assuming that completion of the Rights Issue will take place in February 2023, the Directors noted that (i) approximately 86.0% of the total outstanding Shareholder's Loans will become due within six months after the completion of the Rights Issue; (ii) the Group will be able to save estimated interest expenses of approximately US\$0.65 million (or approximately HK\$5.10 million) per annum in the event that it repays the full amount of the outstanding Shareholder's Loans immediately after the completion of the Rights Issue; and (iii) any savings in interest expense on Shareholder's Loans can be redeployed to support the continuous business development of the Group, and accordingly, the Directors consider that the proposed Set Off is justifiable and beneficial to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note that the maturity dates of the Shareholder's Loans shall fall due within 10 months from the expected completion date of the Rights Issue in February 2023. However, given the limited fund-raising options as discussed in the section headed "2.2 Funding raising alternatives" above and the prevailing market condition, the Directors consider that the Rights Issue is the most viable option for the Company to raise funds. In addition, as mentioned in the section headed "Reasons for and benefits of the Rights Issue, the Set Off, the Underwriting Agreement and intended use of proceeds" in the Letter from the Board, the Company approached three different independent securities brokers in respect of the proposed underwriting of the Unsubscribed Rights Shares without success mainly due to the prevailing poor market conditions, recent financial performance of the Group, thin trading volume of the Shares and/or demand for high underwriting fees. Therefore, we consider that the Company had difficulties in identifying any independent securities brokers that were willing to act as the underwriter for the Rights Issue. In the event of the absence of the Set Off arrangement, it will affect the willingness of Galloway to act as underwriter for the Rights Issue. We consider that the Set Off is part of the arrangement under the Rights Issue which incentivises Galloway to act as the Underwriter to partially underwrite the Rights Shares.

We concur with the Directors' view that the Company's financial position will be strengthened by the Set Off by way of reduction in the Group's liabilities and increase in its equity. As a result of the Set Off, the role of Galloway, being wholly-owned by Mr Mellon, will, through subscription of the Rights Shares, change from a creditor of the Shareholder's Loans to a Shareholder by extinguishment of the Shareholder's Loans and increase its equity interests in the Company. Through conversion into Shareholder, Galloway is giving up its right as a creditor in terms of relative certainty of the right to interest repayment (as compared to shareholder's right to dividend payment), and claims over the Group's assets upon winding up (as compared to shareholder's right to surplus assets (if any) upon liquidation). Instead, in light of the deterioration in the Group's financial position, the Set Off signifies the continued support by Mr Mellon, through his interest in Galloway, to the Group as Galloway is still willing to increase its equity investment in the Company through the Set Off arrangement which helps to improve the liquidity position of the Group upon completion of the Rights Issue. As discussed in the section headed "4.3.1 Principal terms of the Underwriting Agreement" below, given the thin trading volume of the Shares, we consider that the commission rate of 1.00% charged by Galloway on partially underwriting the Rights Issue is comparatively beneficial to the Company should the Company appoint an independent broker to act as underwriter for the Rights Issue. In view of the above, we consider that both the Set Off and the Underwriting Agreement are part of the terms to facilitate the Company to conduct the fund-raising activity by way of the Rights Issue in order to alleviate the Group's financial pressure.

Having considered that (i) the Set Off, is part of the terms of the Underwriting Agreement, arrived at based on arm's length negotiation between the Company and the Underwriter and, as mentioned in the Letter from the Board, the Set Off in the Rights Issue was one of the key factors affecting the willingness of Galloway to act as the Underwriter for the Rights Issue; and (ii) the Set Off and underwriting the Rights Issue demonstrate Mr Mellon's continued support for the Group's development in the long run by extinguishment of the Shareholder's Loans and increasing his investment in the equity of the Company through the Rights Issue, we consider that the Set Off is fair and reasonable as far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4 Principal terms of the Rights Issue and the Underwriting Agreement

#### 4.1 Rights issue statistics

Set out below are the summary of the principal terms of the Rights Issue:

Basis of the Rights Issue	:	One Rights Share for every one Existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.0785 per Rights Share
Net price per Rights Share (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)	:	Approximately HK\$0.076 per Rights Share
Aggregate nominal value of the Rights Shares	:	HK\$188.43 million (or approximately US\$24.00 million) (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)  HK\$193.80 million (or approximately US\$24.69 million) (assuming new Shares are allotted and issued on or before the Record Date pursuant to full exercise of all Share Options, except Mr Mellon who has provided an undertaking not to exercise his Share Options under the Irrevocable Undertakings, but otherwise no other change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)
Number of Shares in issue at the Latest Practicable Date	:	2,400,347,881 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 2,400,347,881 Rights Shares (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Share in full)  Up to 2,468,728,881 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to full exercise of all Share Options, except Mr Mellon who has provided an undertaking not to exercise his Share Options under the Irrevocable Undertakings, but otherwise no other change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)



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- Number of Rights Shares underwritten : Up to 1,569,711,046 Rights Shares, being the maximum number of Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
- Gross proceeds from the Rights Issue (before the Set Off and expenses) : Up to approximately HK\$188.43 million (or approximately US\$24.00 million) (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)
- Up to approximately HK\$193.80 million (or approximately US\$24.69 million) (assuming new Shares are allotted and issued on or before the Record Date pursuant to the exercise of all Share Options, except Mr Mellon who has provided an undertaking not to exercise his Share Options under the Irrevocable Undertakings, but otherwise no other change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)
- Net proceeds from the Rights Issue (before the Set Off and after deducting the estimated expenses of approximately HK\$6.28 million (or approximately US\$0.80 million)) : Approximately HK\$182.15 million (or approximately US\$23.20 million) (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)
- Approximately HK\$187.52 million (or approximately US\$23.89 million) (assuming new Shares are allotted and issued on or before the Record Date pursuant to full exercise of all Share Options, except Mr Mellon who has provided an undertaking not to exercise his Share Options under the Irrevocable Undertakings, but otherwise no other change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full)

As at the Latest Practicable Date, the Company had an outstanding aggregate of 70,218,000 Share Options granted to the grantees which comprised: (i) 6,000,000 Share Options with exercisable period up to 30 April 2023 at the exercise price of HK\$0.149 per Share; (ii) 43,718,000 Share Options with exercisable period up to 13 October 2030 at the exercise price of HK\$0.149 per Share; (iii) 18,000,000 Share Options with exercisable period up to 16 December 2030 at the exercise price of HK\$0.183 per Share; and (iv) 2,500,000 Share Options with exercisable period up to 6 June 2031 at the exercise price of HK\$0.185 per Share. Save as disclosed in the Letter from the Board, as at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

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Assuming no change in the issued share capital of the Company on or before the Record Date, the 2,400,347,881 Rights Shares (assuming no change in the issued share capital of the Company on or before the Record Date) proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 100% of the total number of existing issued Shares and (ii) 50% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue.

### *Subscription Price*

The Subscription Price is HK\$0.0785 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a premium of approximately 6.08% over the closing price of HK\$0.074 per Share as quoted on the Stock Exchange on the Last Practicable Date;
- (ii) a discount of approximately 21.50% to the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 25.24% to the average closing prices of the Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.105 per Share;
- (iv) a discount of approximately 27.98% to the average closing prices of the Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$0.109 per Share;
- (v) a discount of approximately 15.59% to the theoretical ex-rights price (assuming no change in the issued share capital of the Company on or before the Record Date) of approximately HK\$0.093 per Share as adjusted for the effect of the Rights Issue, based on the average of the closing price as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 13.89%, which is a function of both the price discount of the Rights Share and the offer basis of the Rights Issue, to the existing Shareholders if they elect not to participate in the Rights Issue, and is calculated based on the theoretical diluted price of approximately HK\$0.093 per Share and the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.108 per Share;
- (vii) a discount of approximately 38.19% to the audited consolidated net asset value (“NAV”) per Share of the Group of approximately HK\$0.127 per Share, which is calculated by dividing the audited consolidated NAV attributable to equity holders of the Company of approximately US\$38.77 million (or approximately HK\$304.34 million) as at 31 December 2021 as shown in the 2021 AR by the number of Shares in issue as at the Latest Practicable Date (i.e. 2,400,347,881 Shares); and
- (viii) a premium of approximately 24.60% over the unaudited consolidated NAV per Share of the Group of approximately HK\$0.063 per Share, which is calculated by dividing the unaudited consolidated NAV attributable to equity holders of the Company of approximately US\$19.26 million (or approximately HK\$151.19 million) as at 30 June 2022 as shown in the 2022 IR by the number of Shares in issue as at the Latest Practicable Date (i.e. 2,400,347,881 Shares).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The net Subscription Price per Rights Share (after deducting the relevant expenses) will be approximately HK\$0.076 per Rights Share.

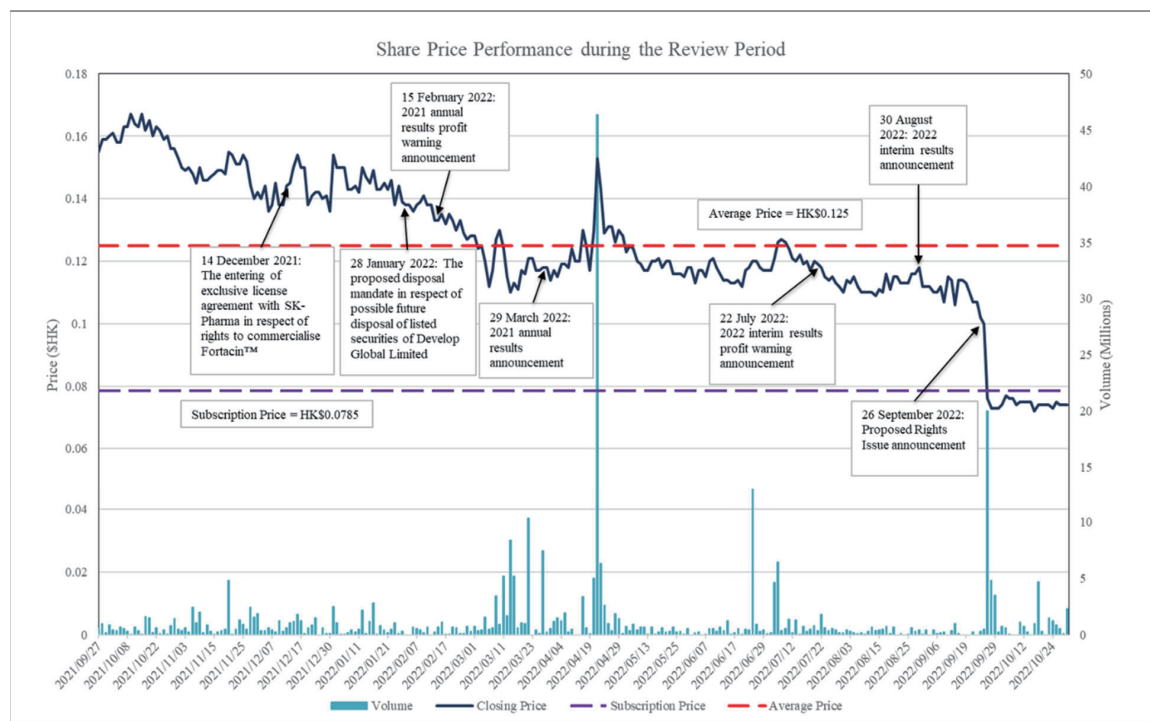
As stated in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter, having considered various factors including (i) deteriorating financial condition and imminent funding requirements of the Group; (ii) the recent market price of the Shares under the prevailing market conditions; (iii) the recent volatility of the capital market in Hong Kong which adversely affects investors' confidence in the market; (iv) the necessity to increase the attractiveness of the Rights Issue by offering Qualifying Shareholders the opportunity to participate at a considerable discount to the price of the shares of the Company as at the Last Trading Day; and (v) the equal opportunity being offered to each of the Qualifying Shareholders for the subscription of the Rights Shares at the Subscription Price in proportion to his/her/its existing shareholding in the Company.

### 4.2 Analysis on the terms of the Rights Issue

In order to assess the fairness and reasonableness of the terms of the Rights Issue, we have considered the following principal factors based on the Subscription Price:

#### 4.2.1 Review of the historical share price performance

We have reviewed the daily closing prices of the Shares for the period from 26 September 2021 to 25 September 2022 (being the 12-month period prior to the Last Trading Day) and up to the Latest Practicable Date (the "Review Period"). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing price prior to the Last Trading Day and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the Share price before the Last Trading Day represents a fair market value of the Company which the Shareholders expected. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



Source: The Stock Exchange

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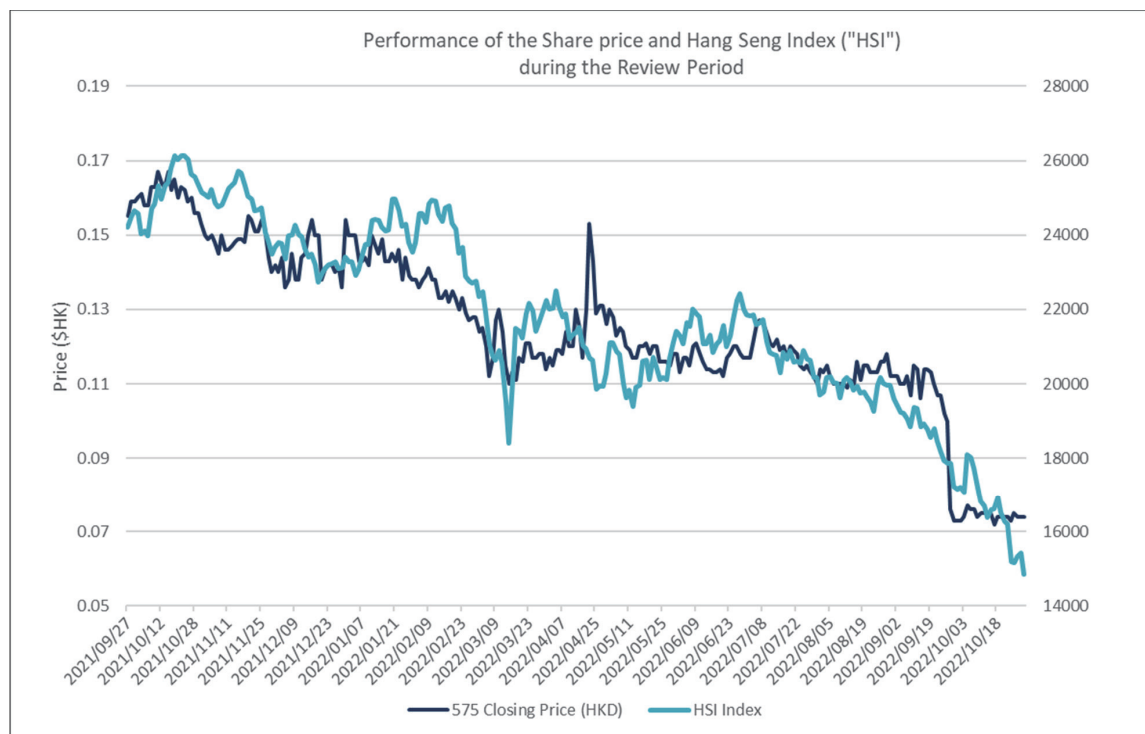
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated in the chart above, during the Review Period, the closing Share price traded at an average of approximately HK\$0.125, with the highest and lowest closing prices of the Share, being approximately HK\$0.167 recorded on 11 and 18 October 2021 and HK\$0.072 recorded on 17 October 2022, respectively. We note that the Share price demonstrated a general declining trend since the beginning of the Review Period. On 14 December 2021, the Company announced the entering into of an exclusive licence agreement between the Group and SK-Pharma for the sale and distribution of Fortacin™ in the Israeli and Balkan regions. Subsequent to the abovementioned announcement, the Share prices fluctuated within the region of HK\$0.136 to HK\$0.154 between mid-December 2021 and end of January 2022. On 28 January 2022, the Company announced a possible major transaction in relation to the Disposal Mandate. On 15 February 2022, the Company issued a profit warning announcement of the annual results for FY2021 as the Group expected to record a substantial decrease in the loss attributable to the equity holders of the Company of between approximately US\$11.50 million to approximately US\$14.00 million for FY2021 as compared to the loss attributable to the equity holders of the Company of approximately US\$24.40 million for FY2020. Subsequent to the abovementioned profit warning announcement, the Share price continued its downward trend and reached HK\$0.110 on 15 March 2022. We note that, shortly after the Company issued its annual results announcement for FY2021 on 29 March 2022, the Share price surged to HK\$0.153 together with the trading volume increased to approximately 46.34 million Shares on 21 April 2022. We have reviewed the announcements and notices published by the Company on the Stock Exchange website during April 2022 and are not aware of any material information that might trigger such price surge. In this regard, we have enquired with the Management for the reason behind such price surge and understand from the Management that save for the financial information and the trading prospect already disclosed in the annual and interim reports of the Company, they are not aware of any material change in the financial or business outlook of the Group. Subsequent to such price surge, the Company issued the profit warning announcement of its interim results for 1H2022 and interim results announcement for 1H2022 on 22 July 2022 and 30 August 2022 respectively, and the Share price continued to demonstrate a declining trend and reached HK\$0.100 on the date of the Announcement.

The Subscription Price represents (i) discount of approximately 37.29% to the average closing price; (ii) discount of approximately 52.99% to the highest closing price; and (iii) premium of approximately 9.03% to the lowest closing prices of the Shares during the Review Period. Immediately after publication of the Announcement, there was a drop in the Share price, which traded in the region of HK\$0.077 to HK\$0.072, and decreased by approximately 50.32% and 53.55% as compared to the Share price at the beginning of the Review Period. We consider such decrease in the Share price subsequent to the publication of the Announcement is mainly due to the weak market sentiments as the Hang Seng Index fell to 14,863 points on 28 October 2022, the lowest level since May 2009. Although the Share price was traded at discount of the Subscription Price during the post-Announcement period, we consider that the Subscription Price is fair and reasonable having taken into account: (i) the genuine and imminent funding needs of the Group as discussed in the section headed “2.1 Background and reasons for the Rights Issue” and the Subscription Price, which was determined at discounts to the prevailing market prices of the Share before the Last Trading Day, ensures that the Company would raise sufficient funding from the Rights Issue to improve its overall liquidity position and fulfill its working capital requirements; and (ii) our analysis set out in the section headed “4.2.3 Comparison with recent rights issues” below.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



Source: The Stock Exchange

As illustrated in the chart above, during the Review Period, the Hang Seng Index (the “**HSI**”) reached its highest and lowest points of 26,136 and 14,863 in October 2021 and October 2022, respectively, representing an increase and decrease of approximately 7.96% and 38.60% as compared to the HSI at the beginning of the Review Period. The declining trend of the HSI began from October 2021. In particular, we note that there was a sharp drop in the HSI from 24,793 points to 18,415 points, representing a decrease of approximately 25.72%, between 17 February to 15 March 2022, which we believe is mainly attributable to, among other things, the unfavourable business environment resulting from the resurgence of COVID-19 pandemic, the lockdown in various cities in the PRC which hinders its economic development, Russia-Ukraine war, the uncertainties arising from the increase of the US inflation rates and interest rates, etc. Although the HSI bounced back to 21,501 points on 17 March 2022, the overall market sentiment remained weak and the HSI fluctuated at the region of 14,863 points to 22,502 points from 16 March 2022 up to the Latest Practicable Date (the “**Post HSI-Decline Period**”).

While we note that both the Share price and the HSI demonstrated a general declining trend since October 2021, the Share price was relatively weak and underperformed against the HSI. As at the Latest Practicable Date, the Share price decreased by approximately 52.26% whereas the HSI decreased by approximately 38.60% as compared to the beginning of the Review Period. We consider that the weak performance of the Share price was mainly due to the unsatisfactory financial performance of the Group for 1H2022 announced by the Company on 30 August 2022.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## 4.2.2 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 issued Shares (Note 2)	Percentage of average daily trading volume to total number of Shares held by public Shareholders (Note 3)
2021						
September (26th to 30th)	2,399,421,215	2,576,772	4	644,193	0.0268%	0.0359%
October	2,399,421,215	9,881,729	18	548,985	0.0229%	0.0306%
November	2,399,421,215	21,331,495	22	969,613	0.0404%	0.0540%
December	2,399,421,215	17,471,606	22	794,164	0.0331%	0.0442%
2022						
January	2,399,421,215	11,775,291	21	560,728	0.0234%	0.0312%
February	2,399,421,215	6,997,254	17	411,603	0.0172%	0.0229%
March	2,399,421,215	51,611,714	23	2,243,988	0.0935%	0.1249%
April	2,399,421,215	74,282,013	18	4,126,779	0.1720%	0.2297%
May	2,399,421,215	7,665,613	20	383,281	0.0160%	0.0213%
June	2,399,421,215	20,302,828	21	966,801	0.0403%	0.0538%
July	2,400,347,881	21,428,643	20	1,071,432	0.0446%	0.0596%
August	2,400,347,881	6,436,087	23	279,830	0.0117%	0.0156%
		32,358,463		1,540,879		
September	2,400,347,881		21		0.0642%	0.0858%
October (1st to 28th)	2,400,347,881	15,904,776	19	837,093	0.0349%	0.0466%
<b>Minimum</b>					<b>0.0117%</b>	<b>0.0156%</b>
<b>Maximum</b>					<b>0.1720%</b>	<b>0.2297%</b>
<b>Average</b>					<b>0.0458%</b>	<b>0.0611%</b>

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. 1,796,554,466.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 issued Shares and the total issued Shares held by the public Shareholders during the Review Period are 0.0458% and 0.0611% respectively. Due to the thin trading volume of the Share, we consider that the Company is unlikely to raise fund by way of placing without substantial discount. Even if the Company is able to conduct a placing of new Shares to new investors or one or few existing Shareholders with a substantial discount, it may not be able to raise a sufficient level of funds as compared to the Rights Issue. Also, we consider that it would be unfair to other existing Shareholders as they will not be able to participate in the placing of new Shares. In view of the declining trend of the Share price and thin trading liquidity of the Share during the Review Period, we are of the view that the Rights Issue is an appropriate and equitable way of equity financing for both the Company and the Shareholders.

### *4.2.3 Comparison with recent rights issues*

In assessing the fairness and reasonableness of the Subscription Price, we have conducted a search of recent proposed rights issue transactions based on the following selection criteria: (i) the company listed on the Stock Exchange; (ii) the rights issue transaction with gross proceeds less than HK\$500 million having regard to the fund raising size of the Rights Issue of approximately US\$24.00 million (or approximately HK\$188.43 million); (iii) the exclusion of proposed rights issue transaction of A-Shares and H-Shares; and (iv) the rights issue transaction announced since 26 March 2022, being six months prior to the Last Trading Day and up to the Latest Practicable Date (the “**Comparable Review Period**”), to understand the trend of the recent market practice. Based on our research, we have identified an exhaustive list of 23 comparable rights issue transactions (the “**Comparable Rights Issue**”) during the Comparable Review Period. We consider the Comparable Review Period of approximately six months 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 Announcement under the prevailing market conditions and weak capital market sentiment during the Post HSI-Decline Period; and (ii) we are able to identify sufficient and reasonable samples size for selection of Comparable Rights Issue within the Comparable Review Period. We note that the Comparable Rights Issue may have different principal activities and none of them are engaged in corporate and strategic investments focusing on the healthcare, wellness and life science sectors. However, we consider that the terms of the rights issue depend on various factors, including the dilution effect to shareholding, funding needs and use of proceeds, discounts to share price, etc., but are often influenced by the recent market trends for rights issue. Notwithstanding that the Comparable Rights Issue include issuers which engaged in different business or with different financial performance, we consider that the Comparable Rights Issue are acceptable to serve as reference for assessing the Subscription Price as (i) all of the Comparable Rights Issue are listed on the Stock Exchange; and (ii) our analysis is mainly focused on the comparison of the subscription price, theoretical ex-rights price and discounts to NAV per share, and maximum dilution on the shareholding, we are of the view that the Comparable Rights Issue are fair, representative and exhaustive samples for our assessment of the Subscription Price.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## Comparable Rights Issue

Date of announcement	Company name (stock code)	Nature of business	Market Capitalisation (Note 1) HK million	Basis of entitlement	Gross proceeds HK million	Premium/ (Discount) of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issue (Note 2) approximate (%)	Premium/ (Discount) of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issues (Note 3) approximate (%)	Theoretical dilution effect (Note 3) approximate (%)	Underwriting commission (Note 4) (%)	Excess application (Yes/No)
21-Oct-22	C&N Holdings Limited (8430)	principally engaged in offering various transport and storage services to the logistics industry in Singapore, primarily trucking and hubbing services.	12.5	3 for 1	32.5	(13.30)	(3.70)	(10.00)	N/A	No
21-Oct-22	E. Bon Holdings Limited (599)	principally engaged in the importing, wholesale, retail and installation of architectural builders' hardware, bathroom, kitchen collections and furniture and provision of interior design services, project and contract management in Hong Kong and the PRC.	144.1	1 for 4	28.8	(20.00)	(17.60)	(4.12)	2.50	Yes
20-Oct-22	Crocodile Garments Limited (122)	principally engaged in the sale of garments and property investment and letting.	208.5	1 for 2	47.4	(66.10)	(56.50)	(22.80)	N/A	Yes
18-Oct-22	International Limited (1094) ("Cherish Sunshine")	principally engaged in the provision of (i) corporate IT solutions business; and (ii) the trading business.	214.0	5 for 8	119.6	(13.70)	(11.27)	(6.64)	N/A (Note 5)	No
18-Oct-22	China Zenith Chemical Group Limited (362)	principally engaged in (i) generation and supply of heat and power; (ii) manufacture and sale of calcium carbide and lime powder; and (iii) construction and monitor of public facilities construction.	42.2	5 for 2	79.5	(28.57)	(9.10)	(21.43)	1.00	Yes
13-Oct-22	Great Wall Terror Holdings Limited (524)	principally engaged in (i) telecommunication services; and (ii) IT & distribution services.	75.6	1 for 4	17.7	(6.30)	(5.10)	N/A (Note 12)	N/A	No
11-Oct-22	AMCO United Holding Limited (630)	principally engaged in (i) manufacture and sale of medical devices products and plastic molding products; (ii) provision of construction services; (iii) provision of money lending; and (iv) investment in securities.	58.1	1 for 1	48.4	(16.70)	(9.10)	(8.33)	N/A	No
10-Aug-22	Easy Repay Finance & Investment Limited (8079)	principally engaged in money lending business, financial instruments and quoted shares investment, retail and wholesale business.	43.5	1 for 2	14.4	(44.95)	(35.14)	(16.09)	N/A	No



# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Nature of business	Market Capitalisation (Note 1) HK million	Basis of entitlement	Gross proceeds HK million	Premium/ (Discount) of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issue approximate (%)	Premium/ (Discount) of the subscription price to the consolidated NAV per share (Note 2) approximate (%)	Theoretical dilution effect (Note 3) approximate (%)	Underwriting commission (Note 4) %	Excess application (Yes/No)
5-Aug-22	Jia Yao Holdings Limited (1626)	principally engaged in design, printing, and distribution of paper cigarette packages in China.	210.0	1 for 1	180.0	(14.29)	(7.69)	(7.14)	5.00	Yes
3-Aug-22	Kwan On Holdings Limited (1559)	principally engaged in construction related business, property development in Hong Kong and Southeast Asia and trading of chemical materials.	232.8	1 for 4	57.5	0.00%	(0.42)	(0.13)	N/A	Yes
28-Jul-22	China Financial Leasing Group Limited (2312)	principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities.	31.0	2 for 1	43.9	(29.10)	(12.10)	(19.60)	1.00 (Note 6)	Yes
14-Jul-22	Wai Cheng Metal Packaging Company Limited (8291)	principally engaged in manufacturing and sales of tinplate packaging products in the PRC and Hong Kong.	83.1	1 for 1	24.0	(25.00)	(14.30)	(16.50)	N/A	No
12-Jul-22	Besunyen Holdings Company Limited (926)	principally engaged in the research and development, production, sale and promotion of therapeutic teas and medicines.	83.1	2 for 1	140.2	(14.22)	(5.91)	(10.58)	1.00 (Note 7)	Yes
17-Jun-22	Ocean Star Technology Group Limited (8297)	principally engaged in the designing, manufacturing and sales of core lingerie products.	96.4	1 for 2	31.5	(41.20)	(32.00)	(13.90)	1.00	Yes
13-Jun-22	China Water Industry Group Limited (1129)	principally engaged in (i) provision of water supply, sewage treatment and construction services; (ii) exploitation and sale of renewable energy; and (iii) property investment and development.	450.2	1 for 2	165.8	(31.37)	(23.25)	(10.46)	N/A	Yes

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Nature of business	Market Capitalisation (Note 1) HK'million	Basis of entitlement	Gross proceeds HK'million	Premium/ (Discount) of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issue approximate (%)	Premium/ (Discount) of the subscription price to the consolidated NAV per share (Note 2) approximate (%)	Theoretical dilution effect (Note 3) approximate (%)	Underwriting commission (Note 4) (%)	Excess application (Yes/No)
10-Jun-22	Gameone Holdings Limited (8282)	principally engaged in the development, operating, publishing and distribution of online and mobile games.	70.4	1 for 2	22.4	(40.40)	(31.20)	(13.50)	1.5	Yes
25-May-22	F8 Enterprises (Holdings) Group Limited (8347)	Principally engaged in the sale and transportation of diesel oil and related products.	348.8	1 for 2	17.1	(5.56)	(3.68)	(1.94)	5.0	Yes
24-May-22	Progressive Path Group Holdings Limited (1581)	principally engaged in (i) construction works; and (ii) the provision of construction machinery rental services.	406.7	1 for 1	54.0	(42.22)	(26.76)	(21.11)	N/A	No
18-May-22	K Group Holdings Limited (8475)	principally engaged in restaurant operations, sale of food ingredients and sub-franchising, licensing/sub-licensing businesses.	35.2	2 for 1	50.2	(28.80)	(12.30)	(20.40)	3.0	Yes
12-May-22	Koala Financial Group Limited (8226)	principally engaged in securities brokerage, share placements, underwriting services and money lending service.	40.8	2 for 1	8.5	(4.76)	(1.64)	(4.70)	3.0	Yes
28-Apr-22	Life Concepts Holdings Limited (8056)	principally engaged in operating restaurant, interior design proposals, consulting services in relation to organic vegetables and financial intermediation services in the PRC.	31.6	3 for 2	48.6	(6.98)	(2.91)	(9.28)	1.0	Yes
21-Apr-22	Vixel Technologies Holdings Limited (1782)	principally engaged in (i) the provision of integrated application performance management ("APM") system solutions; (ii) the provision of software development services; (iii) the provision of technical services of full-chain of internet application; and (iv) the sales of embedded hardware and standard APM software.	367.8	1 for 2	137.0	(34.50)	(26.00)	(13.60)	1.50	Yes

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Nature of business	Market Capitalisation (Note 1) HK million	Basis of entitlement	Gross proceeds HK million	Premium/ (Discount) of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issue approximate (%)	Premium/ (Discount) of the subscription price to the consolidated NAV per share (Note 2) approximate (%)	Theoretical dilution effect (Note 3) approximate (%)	Underwriting commission (Note 4) %	Excess application (Yes/No)
12-Apr-22	CA Cultural Technology Group Limited (1566)	principally engaged in the business of sales of animation-derived products featuring a wide range of popular third-party owned animation characters, including general plastic toys and food-grade toys.	292.0	1 for 2	84.5	(42.11)	(32.50)	(14.00)	7.07	Yes
				Maximum		0.00%	(0.42)	(0.13)	7.07	
				Minimum		(66.10)	(56.50)	(22.80)	0.00	
				Average		(24.79)	(16.53)	(12.10)	2.24	
				Median		(25.00)	(12.10)	(12.04)	1.50	
	The Company	principally engaged in corporate and strategic investments focusing on the healthcare, wellness and life science sectors		1 for 1		(21.50)	(15.59)	(13.89)	1.00	No

Source: The Stock Exchange

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. The market capitalization is calculated by multiplying the closing price per share on the last trading day prior to announcement in relation to the respective rights issue by the number of total issued shares as at its the respective date of the announcement.
2. The NAV per share is calculated based on the latest published audited/unaudited consolidated NAV and total number of shares in issue as at the date of the respective announcements.
3. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Listing Rules.
4. "N/A" denotes that the rights issue was conducted on a non-underwritten basis and therefore the underwriting commission is not applicable.
5. Based on our research, the underwriter of Cherish Sunshine International Limited was a connected person; whereas the underwriters of the remaining Comparable Rights Issue were independent third parties.
6. China Financial Leasing Group Limited shall pay to the underwriter an amount equals to 1.0% of the subscription price multiplied by the number of the underwritten shares, being up to approximately HK\$400,000 in maximum.
7. Besunyen Holdings Company Limited shall pay to the underwriter the higher of (i) HK\$150,000; and (ii) 1.0% of the sum resulting from multiplying the subscription price by the number of underwritten shares actually procured by the underwriter or its sub-underwriters for subscription.
8. The unaudited consolidated NAV per share of the Group is calculated based on the latest published unaudited consolidated NAV attributable to equity holders of the Company of approximately US\$19,260,000 (or approximately HK\$151,190,000) as at 30 June 2022 and 2,400,347,881 shares in issue as at the date of the Announcement.
9. The Company shall pay to the Underwriter approximately HK\$1.23 million (or approximately US\$0.16 million), being 1.0% of the aggregate subscription amount in respect of the maximum number of Underwritten Shares (i.e. 1,569,711,046 Rights Shares) committed to be underwritten, subscribed for or procured subscription for by the Underwriter.
10. According to the annual reports of Ocean Star Technology Group Limited ("**Ocean Star**") for the years ended 31 March 2021 and 31 March 2022, we note that (i) Ocean Star has consistently been in net liabilities positions as at 31 March 2020 and 31 March 2021 due to continual low level of cash and bank balances resulting from the consistent outbreak of the COVID-19 pandemic, and (ii) Ocean Star was in net assets position to approximately HK\$6.6 million as at 31 March 2022 due to the improvement in cash and bank balances resulting from its completion of placing of new shares in March 2022. Ocean Star has just recovered to net assets position in March 2022, as such the premium of its subscription price to its consolidated NAV per share remains to be an extreme outlier compared to other comparable companies, which in turn provide an abnormal maximum value and average value for comparison, thus does not provide a meaningful analysis.
11. For Life Concepts Holdings Limited, given that the issuer had consolidated net deficits per share and therefore was excluded for comparison and analysis purpose.
12. There was no disclosure of the theoretical dilution effect in the announcement of Great Wall Terroir Holdings Limited dated 13 October 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

- (i) the subscription prices to the share price on the last trading day of the Comparable Rights Issue ranged from discounts of 0.00% to approximately 66.10% (the “**Comparable LTD Range**”), with average and median discounts of approximately 24.79% and 25.00%, respectively. The discount of approximately 21.50% to the closing price per Share on the Last Trading Day as represented by the Subscription Price is within the Comparable LTD Range, lower than the average and median discounts of the Comparable Rights Issue;
- (ii) the subscription prices to the theoretical ex-rights price per share based on the last trading day of the Comparable Rights Issue ranged from discounts of approximately 0.42% to 56.50% (the “**Comparable TERP Range**”), with average and median discounts of approximately 16.53% and 12.10%, respectively. The discount of 15.59% to the theoretical ex-rights price per Share on the Last Trading Day as represented by the Subscription Price is within the Comparable TERP Range, higher than the average and median discounts of the Comparable Rights Issue;
- (iii) the subscription prices to the consolidated NAV per share of the Comparable Rights Issue ranged from discounts of approximately 93.70% to premium of approximately 29.30% (the “**Comparable NAV Range**”), with average and median discounts of approximately 45.51% and 57.90%, respectively. The premium of 24.60% to the unaudited consolidated NAV per Share as represented by the Subscription Price is within the Comparable NAV Range and outweighs the average and median discounts of the Comparable Rights Issue; and
- (iv) the theoretical dilution effect of the Comparable Rights Issue ranged from approximately 0.13% to 22.80% (the “**Comparable Dilution Range**”), with average and median dilution effects of approximately 12.10% and 12.04%, respectively. The theoretical dilution effect of the Rights Issue of approximately 13.89% is within the Comparable Dilution Range, higher than the average and median dilution effects of the Comparable Rights Issue.

While we note that, based on the above comparison analysis:

- (i) the discount of the Subscription Price to the theoretical ex-rights price per Share on the Last Trading Day is higher than the median discount to the theoretical ex-rights price per share of the Comparable Rights Issue by approximately 3.49%;
- (ii) the Subscription Price is at a premium of approximately 24.60% to the unaudited consolidated NAV per Share as compared to the average and median discounts of approximately 45.51% and 57.90% to the consolidated NAV per share of the Comparable Rights Issue; and
- (iii) theoretical dilution effect of the Rights Issue is higher than the average and median dilution effects of the Comparable Rights Issue by 1.79% and 1.85%, respectively,

we consider that the (i) the relatively higher level of discounts of the Subscription Price to the prevailing market price of the Share before the date of the Announcement; (ii) the premium of the Subscription Price to the consolidated NAV per Share; and (iii) the relatively higher level of dilution effect of the Rights Issue are justifiable having taken into account the following factors:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (i) the Subscription Price was determined at relatively higher discounts to the prevailing market prices of the Share before the Announcement which would increase the attractiveness and encourage Shareholders to participate in the Rights

Issue;

- (ii) the Group was in loss-making position for FY2020, FY2021 and 1H2022 and the Group's liquidity position was deteriorating as the cash and bank balances of the Group decreased from approximately US\$2.70 million as at 31 December 2020 to approximately US\$0.22 million as at 30 June 2022 and the net current liabilities position increased from approximately US\$2.42 million as at 31 December 2020 to approximately US\$10.91 million as at 30 June 2022;
- (iii) the net proceeds from the Right Issues would provide greater financial flexibility for the Group to cope with its working capital needs and improve the Group's overall liquidity position; and
- (iv) the Rights Issue will offer the Qualifying Shareholders an equal opportunity to subscribe for their Rights Shares to maintain their respective pro-rata shareholding interests in the Company.

In light of the above, we consider that the Subscription Price and the offer basis of the Rights Issue are fair and reasonable as far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4.3 The Underwriting Arrangement for the Rights Issue

#### 4.3.1 Principal terms of the Underwriting Agreement

The Rights Shares will be partially underwritten by Galloway as the Underwriter in accordance with the terms of the Underwriting Agreement. The principal terms of the Underwriting Agreement as extracted from the Letter from the Board are set out below:

Date : 26 September 2022

Parties : (1) The Company;  
(2) Galloway as the Underwriter;  
(3) Mr Mellon; and  
(4) Indigo

Underwriter : Galloway is indirectly wholly-owned by Mr Mellon who is a substantial shareholder of the Company and directly and indirectly through Galloway and Indigo interested in an aggregate of 506,680,329 Shares, representing approximately 21.11% of the issued share capital of the Company as at the Latest Practicable Date. It is not in the ordinary course of business of Galloway to underwrite securities. The Underwriter confirmed that it has complied with Rule 7.19(1)(b) of the Listing Rules.

Number of Rights Shares to be underwritten by the Underwriter : Up to 1,569,711,046 Rights Shares, being all the Underwritten Rights Shares excluding the 506,680,329 Shares under the Irrevocable Undertakings.

Underwriting commission : Approximately HK\$1.23 million (or approximately US\$0.16 million), being 1% of the aggregate subscription amount in respect of the maximum number of Underwritten Shares (i.e., 1,569,711,046 Rights Shares) committed to be underwritten, subscribed for or procured subscription for by the Underwriter.

The underwriting commission of approximately US\$0.16 million, accounted for approximately 20.25% of the Group's cash and bank balance of approximately US\$0.79 million as at 31 August 2022.

For further details of the terms and conditions of the Underwriting Agreement, please refer to the paragraph headed "The Underwriting Agreement" in the Letter from the Board.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, the terms of the Underwriting Agreement were determined after arm's length negotiations between the parties with reference to the financial position of the Group, the size of the Rights Issue, the current and expected market conditions, taking into consideration the prevailing market rates of underwriting commission in over 10 rights issue exercises undertaken by listed issuers in Hong Kong during the six months prior to the date of the Announcement which were underwritten with an average commission at 3.0% and rates ranging from 1.0% to 7.1%, trading liquidity and risks associated with the underwriting, the intention of the Underwriter to facilitate the Company's fundraising efforts for its business development and working capital requirements, and the relationship between the Underwriter, Mr Mellon and Indigo. We consider the assumption and selection criteria considered by the Directors in respect of the market comparables for determining the terms of the Underwriting Agreement are fair and reasonable given that the six-months period prior to the date of the Announcement is able to capture the prevailing market practices of the recent right issue exercises conducted by issuers listed on the Stock Exchange having regarded to the prevailing market conditions and bearish market sentiment during the Post HSI-Decline Period.

Based on the table set out in the section headed "4.2.3 Comparison with recent rights issues" above, we note that the commission rates received by underwriters of the Comparable Rights Issue ranged from nil to approximately 7.07%, with an average and median underwriting commission rates of approximately 2.24% and 1.50% respectively. Having considered that there is only one Comparable Right Issue which was underwritten by a connected person, we have conducted further research on the proposed rights issue transactions to understand the market practice for the connected person to act as the underwriter by extending our review period to include the twelve months period prior to the Last Trading Day, while all other selection criteria remained the same as disclosed in section "4.2.3 Comparison with recent rights issues" above. Based on our research, we have identified an additional 18 comparable rights issue transactions, and among which two of them are underwritten by a connected person. The table below set out the basic information of the aforementioned transactions and their respective underwriting commission arrangements.

Date of announcement	Company name (stock code)	Nature of business	Market Capitalisation	Basis of entitlement	Gross Proceeds	Underwriting commission
15-Mar-22	Success Dragon International Holdings Limited (1182)	principally engaged in the business of processing gold-laden carbon and sale of gold and other precious metals, outsourced business process management and money lending business.	HK\$48.9 million	3 for 2	HK\$71.3 million	1%
23-Nov-21	Tongda Hong Tai Holdings Limited (2363)	principally engaged in the manufacture and sale of the casings of notebook and tablet.	HK\$43.1 million	2 for 1	HK\$60.4 million	HK\$300,000 or 2%



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note from the above transactions and the Comparable Rights Issue (i.e., Cherish Sunshine) that the underwriting commission rate to be received by underwriters who are connected persons ranged from nil to 2% (the “**Connected Comparable Rights Issue Range**”). Pursuant to the Underwriting Agreement, the Underwriter will charge the underwriting commission of 1.00% of the aggregate subscription amount in respect of the maximum number of the Underwritten Shares, which is at the low end of the Comparable Rights Issue and within the Connected Comparable Rights Issue Range. As mentioned in the section headed “3 The Set Off” above, in view of the difficulty in securing an underwriter for the Rights Issue, the Company then approached its substantial shareholder, Mr Mellon, for acting as the underwriter for the Rights Issue. Although Mr Mellon is not engaged in the underwriting business, he nominated his wholly-owned entity, Galloway, to act as the Underwriter of the Unsubscribed Rights Shares in accordance with the terms and conditions of the Underwriting Agreement to show his strong support towards the Group and confidence in its future prospects.

Having considered that (i) the underwriting commission rate of 1.00% charged by the Underwriter is generally in line with the market and at the lower end of the underwriting commission rates being charged by the underwriters of the Comparable Rights Issue and within the Connected Comparable Rights Issue Range; and (ii) the Company had encountered difficulty in securing independent securities brokers to act as underwriters of the Rights Issue, we concur with the Directors’ view that the Underwriting Agreement is on normal commercial terms and is fair and reasonable as far as the Shareholders are concerned.

### *4.3.2 Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements*

As stated in the Letter from the Board, pursuant to Rule 7.21(2) of the Listing Rules, as the Underwriter is wholly-owned by Mr Mellon who is a substantial shareholder of the Company, the Company must make arrangements to dispose of the Unsubscribed Rights Shares, comprising the Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares, by offering the Unsubscribed Rights Shares to independent places who are not Shareholders by way of a placing for the benefit of the relevant No Action Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(2)(a) of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As further mentioned in the Letter from the Board, the Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the “**Net Gain**”) will be paid to those No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than the Latest Placing Time, acquirers who are not Shareholders for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the No Action Shareholders as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL; and
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS.

It is proposed that if the Net Gain to any of the No Action Shareholder(s) mentioned above (i) is more than HK\$100, the entire amount will be paid to them; or (ii) is HK\$100 or less, such amount will be retained by the Company for its own benefit.

Principal terms of the Placing Agreement are summarised below:

Date : 26 September 2022

Placing Agent : The Placing Agent was appointed to place, or procure the placing of, a maximum of 1,893,667,552 (assuming no change in the issue share capital of the Company on or before the Record Date) or 1,962,048,552 (assuming new shares are allotted and issued on or before the Record Date pursuant to full exercise of all Share Options, except Mr Mellon who has provided an undertaking not to exercise his Share Options under the Irrevocable Undertakings) Unsubscribed Rights Shares, on a best effort basis, to the Placee(s).

As at the Latest Practicable Date, the Placing Agent has confirmed that it and its ultimate beneficial owner(s) are independent of and not acting in concert with the Underwriter and parties acting in concert with it.

Placing commission payable to the Placing Agent : (i) A fixed fee of HK\$150,000 (or approximately US\$19,000) or (ii) 2% of the gross proceeds, whichever is higher, from the successful placement of Unsubscribed Rights Shares.

Placing price of the Unsubscribed Rights Shares : The placing price of the Unsubscribed Rights Shares shall not be less than the Subscription Price.

The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- Placees : The Unsubscribed Rights Shares shall only be offered by the Placing Agent to Placee(s) who and whose ultimate beneficial owner(s) are not Shareholders and are Independent Third Party(ies) and not acting in concert with the Underwriter and its concert parties and/or any of the Company's connected person.
- Ranking of Unsubscribed Rights Shares : The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Placing condition : The Placing is conditional upon the fulfillment of the following conditions on or before the Latest Time for Termination (or such later date as may be agreed in writing between the Placing Agent and the Company): (i) the Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares; (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and (iii) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement.
- Placing period : The period from Wednesday, 4 January 2023 up to 4:00 p.m. on Thursday, 5 January 2023, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to affect the Compensatory Arrangements.

For further details of the terms and conditions of the Placing Agreement, please refer to the paragraph headed "The Placing Agreement" in the Letter from the Board.

We understand that the Compensatory Arrangements is at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Rights Issue. The placing of the Unsubscribed Rights Shares may be placed to independent placees under the Compensatory Arrangements which will expand the shareholders' base. As there will be no excess application arrangement in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules, the Company has put in place the Compensatory Arrangements as required by Rule 7.21(1)(b) of the Listing Rules. Given that the Compensatory Arrangements would (i) provide a distribution channel of the Unsubscribed Rights Shares for the Company; (ii) broaden the diversity and base of the Shareholders; (iii) potentially offer monetary benefits to the No Action Shareholders under the Net Gain arrangement; (iv) facilitate the implementation of the Rights Issue; and (v) the expenses of the Placing Agent to be incurred during the placing of the Shares are borne by the Company, we are of the view that the Compensatory Arrangements are fair and reasonable to the Independent Shareholders.

Taking into account the principal terms of the Rights Issue as highlighted above, we consider that the terms of the Rights Issue, the Underwriting Agreement and the Placing Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## 4.4 Potential dilution effect on the interests of the Independent Shareholders

The table below illustrates the possible shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Rights Issue.

Scenario 1: Assuming no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date

Shareholders	As at the Latest Practicable Date		Full acceptance of the Rights Shares by all Qualifying Shareholders		Nil acceptance of the Rights Shares by the Qualifying Shareholders except for Mr Mellon pursuant to the Irrevocable Undertakings and all of the Unsubscribed Rights Share are placed to the Places under the Compensatory Arrangements		Nil acceptance of the Rights Shares by the Qualifying Shareholders except for Mr Mellon pursuant to the Irrevocable Undertakings, none of the Unsubscribed Rights Shares are placed and 1,569,711,046 of the Underwritten Rights Shares are taken up by the Underwriter	
	Approx.		Approx.		Approx.		Approx.	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr Mellon	403,806,071	16.82	807,612,142	16.82	807,612,142	16.82	807,612,142	18.04
Galloway <i>(Note 1)</i>	77,082,353	3.21	154,164,706	3.21	154,164,706	3.21	1,723,875,752	38.51
Indigo <i>(Note 1)</i>	25,791,905	1.08	51,583,810	1.08	51,583,810	1.08	51,583,810	1.15
Mr Mellon's parents	430,000	0.01	860,000	0.01	430,000	0.01	430,000	0.01
Jamie Gibson <i>(Note 2 and 6)</i>	89,396,748	3.73	178,793,496	3.73	89,396,748	1.86	89,396,748	2.00
Julie Oates <i>(Note 3 and 6)</i>	1,000,000	0.04	2,000,000	0.04	1,000,000	0.02	1,000,000	0.02
Mark Searle <i>(Note 3 and 6)</i>	3,170,292	0.13	6,340,584	0.13	3,170,292	0.07	3,170,292	0.07
Jayne Sutcliffe <i>(Note 4)</i>	1,716,046	0.07	3,432,092	0.07	1,716,046	0.03	1,716,046	0.04
Anderson Whamond <i>(Note 5)</i>	1,400,000	0.06	2,800,000	0.06	1,400,000	0.03	1,400,000	0.03
<b>Mr Mellon and parties acting in concert or presumed acting in concert with him</b>	<b>603,793,415</b>	<b>25.15</b>	<b>1,207,586,830</b>	<b>25.15</b>	<b>1,110,473,744</b>	<b>23.13</b>	<b>2,680,184,790</b>	<b>59.87</b>
Places	-	-	-	-	1,893,667,552	39.45	-	-
Other public Shareholders	1,796,554,466	74.85	3,593,108,932	74.85	1,796,554,466	37.42	1,796,554,466	40.13
<b>Total</b>	<b>2,400,347,881</b>	<b>100.00</b>	<b>4,800,695,762</b>	<b>100.00</b>	<b>4,800,695,762</b>	<b>100.00</b>	<b>4,476,739,256</b>	<b>100.00</b>

Scenario 2: Assuming new Shares are allotted and issued on or before the Record Date pursuant to full exercise of all Share Options but otherwise no other change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date

Shareholders	As at the Latest Practicable Date		Immediately after full exercise of all Share Options except for Mr Mellon but otherwise no other change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date		Full acceptance of the Rights Shares by all Qualifying Shareholders		Nil acceptance of the Rights Shares by the Qualifying Shareholders except for Mr Mellon pursuant to the Irrevocable Undertakings and all of the Unsubscribed Rights Share are placed to the Places under the Compensatory Arrangements		Nil acceptance of the Rights Shares by the Qualifying Shareholders except for Mr Mellon pursuant to the Irrevocable Undertakings, none of the Unsubscribed Rights Shares are placed and 1,569,711,046 of the Underwritten Rights Shares are taken up by the Underwriter	
	Approx.		Approx.		Approx.		Approx.		Approx.	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr Mellon	403,806,071	16.82	403,806,071	16.36	807,612,142	16.36	807,612,142	16.36	807,612,142	17.77
Galloway <i>(Note 1)</i>	77,082,353	3.21	77,082,353	3.12	154,164,706	3.12	154,164,706	3.12	1,723,875,752	37.93
Indigo <i>(Note 1)</i>	25,791,905	1.08	25,791,905	1.05	51,583,810	1.05	51,583,810	1.05	51,583,810	1.13
Mr Mellon's parents	430,000	0.01	430,000	0.02	860,000	0.02	430,000	0.01	430,000	0.01
Jamie Gibson <i>(Note 2 and 6)</i>	89,396,748	3.73	107,766,748	4.36	215,533,496	4.36	107,766,748	2.18	107,766,748	2.37
Julie Oates <i>(Note 3 and 6)</i>	1,000,000	0.04	2,837,000	0.12	5,674,000	0.12	2,837,000	0.06	2,837,000	0.06
Mark Searle <i>(Note 3 and 6)</i>	3,170,292	0.13	5,007,292	0.20	10,014,584	0.20	5,007,292	0.10	5,007,292	0.11
Jayne Sutcliffe <i>(Note 4)</i>	1,716,046	0.07	3,553,046	0.14	7,106,092	0.14	3,553,046	0.07	3,553,046	0.08
Anderson Whamond <i>(Note 5)</i>	1,400,000	0.06	1,400,000	0.06	2,800,000	0.06	1,400,000	0.03	1,400,000	0.03
<b>Mr Mellon and parties acting in concert or presumed acting in concert with him</b>	<b>603,793,415</b>	<b>25.15</b>	<b>627,674,415</b>	<b>25.43</b>	<b>1,255,348,830</b>	<b>25.43</b>	<b>1,134,354,744</b>	<b>22.97</b>	<b>2,704,065,790</b>	<b>59.49</b>
Places	-	-	-	-	-	-	1,962,048,552	39.74	-	-
Other public Shareholders	1,796,554,466	74.85	1,841,054,466	74.57	3,682,108,932	74.57	1,841,054,466	37.29	1,841,054,466	40.51
<b>Total</b>	<b>2,400,347,881</b>	<b>100.00</b>	<b>2,468,728,881</b>	<b>100.00</b>	<b>4,937,457,762</b>	<b>100.00</b>	<b>4,937,457,762</b>	<b>100.00</b>	<b>4,545,120,256</b>	<b>100.00</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. Both Galloway and Indigo are wholly-owned by Mr Mellon.
2. Jamie Gibson is an executive Director and the chief executive officer of the Company.
3. Julie Oates and Mark Searle are independent non-executive Directors.
4. Jayne Sutcliffe is a non-executive Director. She is also acting in concert for the purpose of the Takeovers Code with Mr Mellon.
5. Anderson Whamond is a former Director. He is also acting in concert for the purpose of the Takeovers Code with Mr Mellon.
6. Each of Jamie Gibson, Julie Oates and Mark Searle is a Director and is presumed to be acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" under the Takeovers Code until completion of the Rights Issue. This class (6) presumption will cease to apply after completion of the Rights Issue. Other than such presumption, none of Jamie Gibson, Julie Oates and Mark Searle is a party acting in concert with the Underwriter or Mr Mellon under the definition of "acting in concert" under the Takeovers Code.
7. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed therein are due to rounding adjustments.

All Qualifying Shareholders are entitled to subscribe for the Right Shares, and for those who take up their full provisional allotments under the Rights Issue, their shareholding interest in the Company remain the same after the Rights Issue. As illustrated above, if (i) no Qualifying Shareholders takes up the Rights Issue; (ii) no Unsubscribed Rights Shares can be placed to independent places; and (iii) all the Underwritten Rights Shares are taken up by the Underwriter, the shareholding of the public Shareholders would be reduced (a) assuming no change in the issued share capital of the Company on or before the Record Date, from approximately 74.85% to 40.13%, representing a possible dilution of approximately 34.72% in their shareholding interests arising from Rights Issue, and the shareholding of Mr Mellon and parties acting in concert or presumed acting in concert with him would be increased from approximately 25.15% as at the Latest Practicable Date to approximately 59.87%; and (b) assuming new Shares are allotted and issued on or before the Record Date pursuant to full exercise of all Share Options but otherwise no other change in the issued share capital of the Company on or before the Record Date, from approximately 74.85% to 40.51%, representing a possible dilution of approximately 34.34% in their shareholding interests arising from Rights Issue, and the shareholding of Mr Mellon and parties acting in concert or presumed acting in concert with him would be increased from approximately 25.15% as at the Latest Practicable Date to approximately 59.49% upon the completion of the Rights Issue.

Taking into account: (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and that the Qualifying Shareholders have their choice of whether to accept the Rights Issue or not; (ii) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the Subscription Price; (iii) 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; (iv) the inherent dilutive nature of rights issue in general if the existing shareholders do not subscribe in full for their assured entitlements; (v) the Rights Issue would enable the Group to improve its financial position; and (vi) the Compensatory Arrangements will provide a compensatory mechanism at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Rights Issue to address the concern that the Underwriter has the potential to increase its equity interests in the Company at a lower cost because the Subscription Price is at discounts to the recent prevailing market price, we are of the view that the potential dilution effect of the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are of the view that the implementation of the Rights Issue is beneficial to the Company and the Shareholders as a whole despite the potential dilution impact to the shareholding interests of the existing public Shareholders, who do not participate fully or partly in the Rights Issue, having regard to the potential mitigating measure such as the Compensatory Arrangements.

### **5 Financial effects of the Rights Issue and the Set Off**

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible liabilities, before any adjustments, of the Group attributable to the equity holders of the Company was approximately US\$17.05 million as at 30 June 2022.

#### **5.1 Net assets**

Assuming 2,399,421,215 Rights Shares are issued on the basis of one Rights Share for every one Share in issue as at 30 June 2022 at the Subscription Price of HK\$0.0785 per Rights Share, upon completion of the Rights Issue, (i) the unaudited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company would improve from approximately US\$17.05 million (or approximately HK\$133.85 million) to unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company of approximately US\$6.14 million (or approximately HK\$48.22 million) as at 30 June 2022; (ii) the unaudited consolidated net tangible liabilities per Share would decrease from approximately US\$0.0071 (or approximately HK\$0.056) to unaudited consolidated net tangible assets per Share of approximately US\$0.0013 (or approximately HK\$0.010) as at 30 June 2022; (iii) the unaudited consolidated NAV of the Group attributable to the equity holders of the Company would improve from approximately US\$19.26 million (or approximately HK\$151.20 million) to unaudited consolidated NAV of the Group attributable to the equity holders of the Company of approximately US\$42.46 million (or approximately HK\$333.27 million) as at 30 June 2022; and (iv) the unaudited consolidated NAV per Share would increase from approximately US\$0.0080 (or approximately HK\$0.063) to approximately US\$0.0088 (or approximately HK\$0.069) as at 30 June 2022.

#### **5.2 Liquidity**

According to the 2022 IR, as at 30 June 2022, the Group had cash and bank balances of approximately US\$0.22 million (or approximately HK\$1.73 million), current assets of approximately US\$4.57 million (or approximately HK\$35.87 million) and current liabilities of approximately US\$15.48 million (or approximately HK\$121.52 million). Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 30 June 2022 was approximately 0.30 times. Assuming 2,400,347,881 Rights Shares are issued on the basis of one Rights Share for every one existing Share on the Record Date at the Subscription Price of HK\$0.0785 per Rights Share, the outstanding amount of the Shareholder's Loans of approximately US\$10.87 million (or approximately HK\$85.35 million) and accrued interest of approximately US\$1.11 million (or approximately HK\$8.69 million) as at 30 June 2022 were being Set Off, the cash and bank balances and current assets of the Group after the Set Off is expected to increase by the expected net proceeds from the Rights Issue of approximately US\$11.22 million (or approximately HK\$88.10 million) and the Group's current liabilities after the Set Off is expected to decrease by approximately US\$9.03 million (or approximately HK\$70.89 million) upon the completion of the of the Rights Issue. The current ratio of the Group, upon completion of the Rights Issue and the Set Off, would increase to approximately 2.45 times as at 30 June 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **5.3 Gearing ratio**

According to the 2022 IR, as at 30 June 2022, the gearing ratio of the Company was approximately 13.55% (being long-term debts over total equity and long-term debts). Assuming 2,400,347,881 Rights Shares are issued on the basis of one Rights Share for every one existing Share on the Record Date at the Subscription Price of HK\$0.0785 per Rights Share, upon the completion of the Rights Issue and the Set Off, the long-term debts are expected to decrease by approximately US\$2.95 million (or approximately HK\$23.16 million) and the total equity of the Company will increase by approximately US\$23.20 million (or approximately HK\$182.15 million). As a result, the gearing ratio of the Group is expected to reduce to 0.16% upon completion of the Rights Issue and the Set Off.

Having considered that the Rights Issue will (i) decrease the unaudited consolidated net tangible liabilities per Share from approximately US\$0.0071 (or approximately HK\$0.056) to unaudited consolidated net tangible assets per Share of approximately US\$0.0013 (or approximately HK\$0.010) as at 30 June 2022; (ii) improve the unaudited consolidated NAV per Share from approximately US\$0.0080 (or approximately HK\$0.063) to approximately US\$0.0088 (or approximately HK\$0.069) as at 30 June 2022; and (iii) improve the overall liquidity position and gearing level of the Group, we are of the view that the Rights Issue are fair and reasonable as far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue and due to its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of: (i) the financial position of the Company as at 30 June 2022 or any future date; or (ii) the unaudited consolidated net tangible assets per Share of the Company as at 30 June 2022 or any future date.

## **6 Whitewash Waiver**

Assuming (i) there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of close of the Rights Issue; (ii) none of the Qualifying Shareholders (other than Mr Mellon who takes up or procure to take up the entitlements under the Irrevocable Undertakings); and (iii) none of the Unsubscribed Rights Shares have been taken up under the Compensatory Arrangements, the aggregate shareholding of the Underwriter and parties acting in concert with it in the Company upon the close of the Rights Issue will increase from the current level of approximately 25.15% to approximately 59.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. The Underwriter will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all issued Shares not already owned or agreed to be acquired by it and its concert parties pursuant to Rule 26 of the Takeovers Code. If the Whitewash Waiver is approved by the Independent Shareholders, the maximum potential holding of voting rights of the Company held by the Underwriter and parties acting in concert with it as a result of the underwriting of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement will exceed 50% of the voting rights of the Company. The Underwriter may further increase its holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has agreed to grant the Whitewash Waiver subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Set Off, and the transactions contemplated thereunder.

Based on our analysis of the benefits and terms of the Rights Issue, we consider that the Rights Issue is in the interests of the Company and the Independent Shareholders. If the Whitewash Waiver is not approved by the Independent Shareholders at the EGM, the Rights Issue will not proceed and the Company will lose all the benefits that are expected to be brought by the Rights Issue. Accordingly, we consider that the Whitewash Waiver, which is to facilitate the implementation of the Rights Issue, is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable as far as the Independent Shareholders are concerned for the purpose of proceeding with the Rights Issue.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above and summarised below:

- (i) the unsatisfactory financial performance of the Group for 1H2022 and the deteriorating liquidity position of the Group as the Group had net current liabilities of approximately US\$10.91 million and net debts of approximately US\$13.25 million as at 30 June 2022 and the trading prospect of the Group as discussed under the section headed “1 Background information of the Group”;
- (ii) the Rights Issue, which the net proceeds of approximately HK\$115.90 million (or approximately US\$14.76 million) would be contributed to the Set Off while approximately HK\$66.25 million (or approximately US\$8.44 million) would be contributed to the implementation of business development plan and general working capital of the Group, is expected to have a positive financial effect on the net assets, liquidity and gearing ratio of the Group, more specially it is expected to lower the liabilities of the Group while increase it equity capital;
- (iii) taking into account the benefits and costs of each of the alternatives, the Rights Issue represents an appropriate means for fund raising to improve the Group’s financial position as discussed under the section headed “2.2 Fund raising alternatives” above;
- (iv) although the Subscription Price may be higher than the trading price of the Share as at Latest Practicable Date, the Subscription Price, which was determined at discounts to the prevailing market prices of the Share before the Last Trading Day, ensures that the Company would raise sufficient funding from the Rights Issue to improve its overall liquidity position and fulfill its working capital requirements;
- (v) the Subscription Price and the dilution effects of the Rights Issue are reasonable as discussed in the section headed “4.2 Analysis on the terms of the Rights Issue” above;
- (vi) the terms of the Underwriting Agreement are fair and reasonable as discussed in the section headed “4.3.1 Principal terms of the Underwriting Agreement” above;
- (vii) the Rights Issue is conducted on the basis that all the Qualifying Shareholders have been offered the equal opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares; and



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(viii) the analysis on the fairness and reasonableness of the Whitewash Waiver as discussed in the section headed “6 Whitewash Waiver” above,

we are of the opinion that (i) the terms of the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder, and the Whitewash Waiver are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (ii) the Set Off and the Underwriting Agreement, although not in the Company’s ordinary and usual course of business, are 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 resolution(s) on the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Set Off and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Maxa Capital Limited**  
**Michael Fok**                      **Sammy Leung**  
*Managing Director*              *Managing Director*

*Mr. Michael Fok 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 20 years of experience in the corporate finance industry.*

*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 10 years of experience in the corporate finance industry.*

## 1. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the consolidated financial results of the Group for each of the three years ended 31 December 2019, 2020 and 2021 as extracted from the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021, and the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 and 2022 as extracted from the interim report of the Company for the six months ended 30 June 2021 and 2022.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June		For the year ended 31 December		
	2022 US\$'000 (unaudited)	2021 US\$'000 (unaudited)	2021 US\$'000 (audited)	2020 US\$'000 (audited)	2019 US\$'000 (audited)
Total income and fair value (loss)/ gain on financial instruments	<u>(5,419)</u>	<u>19,037</u>	<u>18,235</u>	<u>2,149</u>	<u>(313)</u>
Income less expenses before impairment					
losses and provision	(20,770)	2,503	(13,873)	(24,880)	(38,114)
Reversal of impairment	-	-	-	6,126	-
Impairment losses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,700)</u>	<u>(26,000)</u>
Operating loss after impairment					
losses and provision	(20,770)	2,503	(13,873)	(24,454)	(64,114)
Finance costs	<u>(580)</u>	<u>(645)</u>	<u>(1,218)</u>	<u>(1,706)</u>	<u>(620)</u>
Loss before taxation	(21,350)	1,858	(15,091)	(26,160)	(64,734)
Tax credit/(taxation)	<u>1,288</u>	<u>803</u>	<u>2,493</u>	<u>1,764</u>	<u>(1,265)</u>
Loss for the period/year	(20,062)	2,661	(12,598)	(24,396)	(65,999)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>(49)</u>
Loss attributable to shareholders of the Company	<u>(20,062)</u>	<u>2,661</u>	<u>(12,598)</u>	<u>(24,395)</u>	<u>(66,048)</u>

	For the six months ended 30 June		For the year ended 31 December		
	2022	2021	2021	2020	2019
	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (audited)	US\$'000 (audited)	US\$'000 (audited)
(Loss)/profit for the period/year attributable to:					
Owners of the Company	(20,062)	2,661	(12,598)	(24,395)	(66,048)
Non-controlling interests	-	-	-	(1)	49
	<u>(20,062)</u>	<u>2,661</u>	<u>(12,598)</u>	<u>(24,396)</u>	<u>(65,999)</u>
Total comprehensive income attributable to:					
Owners of the Company	(19,636)	2,852	(12,064)	(24,877)	(66,808)
Non-controlling interests	-	-	-	(1)	49
	<u>(19,636)</u>	<u>2,852</u>	<u>(12,064)</u>	<u>(24,878)</u>	<u>(66,759)</u>
(Loss)/earnings per share attributable to owners of the Company:					
- basic (US cent(s))	<u>(0.836)</u>	<u>0.111</u>	<u>(0.525)</u>	<u>(1.312)</u>	<u>(3.594)</u>
- diluted (US cent(s))	<u>(0.836)</u>	<u>0.110</u>	<u>(0.525)</u>	<u>(1.312)</u>	<u>(3.594)</u>
- basic (HK cent(s))	<u>(6.542)</u>	<u>0.862</u>	<u>(4.120)</u>	<u>(10.176)</u>	<u>28.128</u>
- diluted (HK cent(s))	<u>(6.542)</u>	<u>0.854</u>	<u>(4.120)</u>	<u>(10.176)</u>	<u>28.128</u>

For each of the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, no dividend or dividend per share has been declared by the Group. Save as disclosed in the consolidated financial statements of the Group for each of the three years ended 31 December 2019, 2020 and 2021 and the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 and 2022, there were no material items of income or expense for each of the three years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

## 2. AUDITED FINANCIAL INFORMATION

The Company is required to set out or refer to in this circular the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes of equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”); (iv) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2021 (the “**2021 Interim Financial Statements**”); and (v) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022 (the “**2022 Interim Financial Statements**”), together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2019 Financial Statements are set out on pages 110 to 200 of the annual report of the Company for the year ended 31 December 2019, which was published on 29 April 2020 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042900423.pdf>

The 2020 Financial Statements are set out on pages 114 to 208 of the annual report of the Company for the year ended 31 December 2020, which was published on 26 April 2021 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042600310.pdf>

The 2021 Financial Statements are set out on pages 124 to 265 of the annual report of the Company for the year ended 31 December 2021, which was published on 26 April 2022 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042600812.pdf>

The 2021 Interim Financial Statements are set out on pages 24 to 74 of the interim report of the Company for the six months ended 30 June 2021, which was published on 23 September 2021 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0923/2021092300767.pdf>

The 2022 Interim Financial Statements are set out on pages 22 to 76 of the interim report of the Company for the six months ended 30 June 2022, which was published on 27 September 2022 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0927/2022092700275.pdf>

### 3. NO MATERIAL CHANGE

The Directors confirm that, save as disclosed below and in the paragraph headed “6. Business Review and Financial and Trading Prospects” below in this Appendix and as disclosed in the 2022 Interim Financial Statements, there has been no material change in the financial or trading positions or outlook of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date:

- (i) the Group’s revenue for the six months ended 30 June 2022 (“**1H2022**”) was approximately US\$0.09 million, representing a decrease of approximately US\$3.65 million or 97.59%, as compared to revenue for the six months ended 30 June 2021 (“**1H2021**”) of approximately US\$3.74 million. The decrease in revenue was mainly due to (a) the Group recognised milestone payment of US\$3.20 million for 1H2021 whereas there was no milestone payment recognised for 1H2022 as a result of slower than anticipated progress in respect of regulatory approvals of Senstend™ in China and Fortacin™ in the United States, which has delayed the milestone and other licensing payments; and (b) the Group recorded royalty income of approximately US\$0.01 million for 1H2022, decreased by approximately US\$0.06 million or approximately 82.43% as compared to 1H2021, due to no supply of Fortacin™ during the period as certain manufacturing issues were experienced by the manufacturer. The Group recorded net loss attributable to shareholders of the Company of approximately US\$20.06 million for 1H2022 as compared net profit attributable to shareholders of the Company of approximately US\$2.66 million for 1H2021, which was mainly due to (i) decrease in the Group’s revenue for 1H2022 by approximately US\$3.66 million as mentioned above; and (ii) realised and unrealised marked-to-market loss in respect of the Company’s financial assets at fair value through profit or loss (“**FAFVPL**”) of approximately US\$4.35 million recorded for 1H2022 (realised and unrealised marked-to-market gain on FAFVPL of approximately US\$12.19 million recorded for 1H2021);
- (ii) the Group recorded net current liabilities of approximately US\$10.91 million as at 30 June 2022 as compared to net current assets of approximately US\$1.87 million as at 31 December 2021. The change from net current assets to net current liabilities position was mainly due to the decrease in the carrying value of FAFVPL and increase in short-term shareholder’s loans;
- (iii) on 18 August 2022, the Company and Galloway entered into a shareholder’s loan agreement with a principal amount of US\$2.52 million. The shareholder’s loan was unsecured, interest bearing at 5.50% per annum and repayable on the date falling six months after the date of the agreement; and
- (iv) on 23 August 2022, the Company fully repaid the outstanding convertible notes and accrued interests of approximately US\$2.72 million by cash.

#### 4. INDEBTEDNESS

As at the close of business on 31 August 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, apart from the intra-group liabilities:

- a) the Group had outstanding (i) principal of Galloway Loans and accrued interests owing to Galloway Limited (a private limited liability company indirectly wholly-owned by Mr Mellon, a substantial shareholder who is also a Director and Chairman of the Company, amounting to approximately US\$13,402,000, which comprised an unsecured, interest-free loan amounting to approximately US\$729,000 and repayable in September 2022 and a series of unsecured loans amounting to approximately US\$12,673,000 bearing interest rate ranging from 5% to 5.5% per annum and repayable from October 2022 to December 2023, and approximately US\$1,201,000 respectively; (ii) lease liabilities of approximately US\$464,000, representing the present value of the remaining lease payments of certain premises; and (iii) bank borrowing, which is supported by the Bounce Back Loan Scheme managed by the British Business Bank, amounting to approximately GBP 24,000 (or approximately US\$28,000), with interest bearing at 2.5% per annum and repayable in May 2026. None of the Galloway Loans, lease liabilities or bank borrowing are guaranteed or secured;
- b) the Group had a bank deposit amounting to US\$32,000 held by the bank as security for the corporate credit cards provided to a subsidiary;
- c) the Group did not have any material outstanding liabilities in respect of mortgage, charges, bank overdrafts, loans or similar indebtedness or hire purchase commitments; and
- d) the Group did not have material contingent liabilities or guarantees.

#### 5. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, taking into account the financial resources available to the Group, including internally generated funds, credit facilities, cash and cash equivalents on hand and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital to satisfy its requirements for at least 12 months from the date of this circular.

#### 6. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

The economic rebound, post-COVID-19 Pandemic, has continued with global gross domestic product (“GDP”) in Q1 around 4.8% above its pre-COVID-19 level and only 1.5% below its pre-COVID-19 Pandemic trend. However, high inflation, the war in Ukraine and tighter monetary conditions, along with Chinese lockdowns, have combined to cause the underlying pace of expansion to moderate significantly. The fall was largely contributed to by China, where the lockdowns likely saw GDP fall by around 2% for the period. In the rest of the world, growth was also weak, with GDP expected to be up only a modest 0.25%. In the United States, much of the weakness is attributable to a softer pace of inventories accumulation and falling exports, with domestic demand generally remaining robust. We are also beginning to witness a more fundamental slowdown in the United Kingdom and Europe, where high energy prices, and the resultant fall in real wages, are beginning to impact on growth prospects.

Into next year the outlook is bleak, exacerbated by elevated inflation. Many of the world’s major economies, including the United States, United Kingdom, Europe and Japan, are likely to enter recession over the next 12-18 months, as strong inflation weighs on real incomes and sentiment, and as monetary policy moves from being highly accommodative to contractionary.

Over the remainder of 2022, risks are skewed towards the downside given the possibility that falling risk assets will drive the advanced economies into recession sooner than expected. A sharper slowdown is more likely than a soft landing. Energy markets remain a key risk and if Russia were to weaponize the flow of energy commodities to Europe, further dramatic price increases would follow almost certainly pushing Europe and the rest of the world into a deeper recession. With China and Hong Kong planning to stick with the zero COVID-19 Pandemic policy for the foreseeable future, it is likely that China will have further outbreaks and lockdowns, which, given the large contribution China makes to global growth, will likely drive further output volatility and supply disruption. Finally, with the Federal Reserve Board (the “**Fed**”) planning to reduce the size of its balance sheet from September 2022, the risks of significant financial volatility and poor market liquidity will build as the year progresses, potentially forcing the Fed to pause at some stage.

Given the complex and constantly evolving situation around the COVID-19 Pandemic and the impacts of heightened inflation and dampened global growth, it is not possible to predict the possible future impacts to the Group, including any further negative impacts on the Group’s efforts to achieve a timely and successful commercialisation of Fortacin™ in China and elsewhere, as well as any subsequent impact on the Group’s cash flow, revenue and prospects. It is therefore reasonable to assume that stock exchanges over the world will remain very volatile and shares may be subject to extraordinary swings. There is thus a risk that the price of the Company’s shares might follow general market volatility, regardless of results and performance of the Group and decline significantly in value.

In light of the recent financial performance of the Group that included the adverse impact brought on by the: (i) slower than anticipated progress in respect of regulatory approvals of Senstend™ in China and Fortacin™ in the United States, which has delayed the receipt of further milestone and other potential licensing payments; (ii) continued outbreak of COVID-19 Pandemic on the roll-out of Fortacin™ across currently untapped jurisdictions; and (iii) manufacturing issues experienced by the manufacturer of Fortacin™ together with the repayment obligations of the Group, the consolidated financial position of the Group as shown in the Condensed Consolidated Statement of Financial Position contained in the interim report of the Company dated 27 September 2022 has been deteriorating as the Group recorded net current liabilities as at 30 June 2022. The Board considers that it is vital for the Group to have access to additional funding and working capital in order to maintain its competitiveness in the market by (i) recapitalising its balance sheet; (ii) reducing its financing costs; and (iii) allowing for sufficient working capital to achieve the short to medium plan on business development of the Group.

The Directors consider that the Rights Issue would be in the best interests of the Company and the Shareholders as a whole because it: (i) offers certainty as to the fund raising size by the Company as it is partially underwritten; (ii) allows the Group to recapitalise its balance sheet by repaying in full the Shareholder’s Loans from the proceeds received and the Set Off to be implemented; (iii) significantly improves the financial position and gearing ratio of the Group by turning the Company into an essentially debt free enterprise; (iv) facilitates the Group in reducing its future financing costs by early repayment of its outstanding debts; (v) provides sufficient working capital to the Group for its on-going requirements and business development requirements; and (vi) gives 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.

With a streamlined focus and a debt free balance sheet (on the assumption that the set off is completed), the Company remains excited about the future prospects for the Group and the Shareholders. The Group will continue to pursue its stated business development objectives of its two main subsidiaries, in summary being:

**Plethora Solutions Holdings plc**

- Assisting Wanbang Biopharmaceutical Co., Ltd. in completion of its randomised clinical trial and the submission of the study data to the National Medical Products Administration (NMPA) for approval of the New Drug Application (“NDA”) in China
- Progressing the phase 3 study protocol with The Food and Drug Administration of the United States (FDA) and commencement of the study with the view to submitting the NDA in 2023
- Assisting Recordati S.p.A with the re-launch of Fortacin™ in its key territories in the European Union
- Assisting K.S. KIM International (SK-Pharma) Ltd with its regulatory approval for Fortacin™/Senstend™ in Israel and the Balkan region
- Commercialising Fortacin™/Senstend™ in our other key areas as mentioned above

**Deep Longevity**

Building and commercialising various aging clocks using its artificial intelligence (“AI”) led deep learning models. Deep Longevity (“DL”) is applying special focus to the following areas:

- Branded SaaS platform called JuvAge™ which longevity clinics, hospitals and medical doctors will be able to generate a variety of biological reports containing biological age prediction versus chronological age as well as recommendations towards better health and wellness
- Commercially offering Blood Age, Mind Age, Epigenetic Age predictions through the JuvAge™ which will expand to include Transcriptomic Age and Microbiomic Age by the end of 2022, with the aim of building more features and functionality into the JuvAge™ over 2023
- Business Development activities to launch JuvAge™ into the Provider universe
- Building the technology ecosystem that will deliver all DL aging clocks via JuvAge™ as well as white-labelled application programming interfaces (APIs) as the opportunity arises
- Building traction with life insurance companies to transform underwriting through API based deliver of Blood Age and mortality predictions
- Offering Mind Age to life insurance companies, employers as an enabler for mental health and wellbeing
- Providing its MindAge® offering as it seeks to tap into the robust demand seen in the virtual mental health care market
- Expanding the research & intellectual properties (IP) base by adding more aging clocks, Transcriptomic Age and Microbiomic Age, as well as collaborating with academic institutions and enterprises to make existing clocks robust and relevant

The Group will also continue monitoring its investments in DEVELOP Global Limited and continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.



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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.*

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants to illustrate the effect of the Rights Issue under two scenarios on the unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as if the Rights Issue had taken place on 30 June 2022.

The Unaudited Pro Forma Financial Information is prepared under two scenarios for illustrative purposes only, based on the judgements, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the equity holders of the Company had the Rights Issue been completed as at 30 June 2022 or at any future date. The two scenarios are (A) assuming all Qualifying Shareholders subscribe for their entitlements under the Rights Issue and (B) no Qualifying Shareholders take up their entitlements under the Rights Issue except for Mr Mellon pursuant to the Irrevocable Undertakings, none of the Unsubscribed Rights Shares are placed and all of the Underwritten Rights Shares are taken up by Galloway as the Underwriter. Under this scenario, Galloway, which has signed the Underwriting Agreement with the Company, will take up the Underwritten Rights Shares, as set out in the Underwriting Agreement.

The Unaudited Pro Forma Financial Information of the Group is prepared by the Directors based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022, as extracted from the Group's published interim report for the six months ended 30 June 2022, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

	Unaudited consolidated net tangible (liabilities) of the Group attributable to the equity holders of the Company as at 30 June 2022 <i>(Note 1)</i> <i>US\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note 2)</i> <i>US\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2022 immediately after completion of the Rights Issue <i>US\$'000</i>	Unaudited consolidated net tangible (liabilities) of the Group attributable to the equity holders of the Company as at 30 June 2022 per Share <i>(Note 3)</i> <i>US\$</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2022 immediately after completion of the Rights Issue per Share <i>(Note 4)</i> <i>US\$</i>
Scenario A – Based on 2,399,421,215 Rights Shares to be issued at the Subscription Price of HK\$0.0785 per Rights Share	(17,051)	23,194	6,143	(0.0071)	0.0013
Scenario B – Based on 2,076,391,375 Rights Shares to be issued at the Subscription Price of HK\$0.0785 per Rights Share	<u>(17,051)</u>	<u>19,964</u>	<u>2,913</u>	<u>(0.0071)</u>	<u>0.0007</u>

*Notes:*

- The unaudited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at 30 June 2022 is based on the unaudited consolidated net assets attributable to the equity holders of the Company as at 30 June 2022 of approximately US\$19,261,000 after deducting intangible assets of approximately US\$36,312,000, as extracted from the published interim report of the Group for the six months ended 30 June 2022.

**2. Scenario A**

Assuming all Qualifying Shareholders take part in the Rights Issue, the estimated net proceeds from the Rights Issue are based on 2,399,421,215 Rights Shares to be issued on the basis of one Rights Share for every one Share in issue as at 30 June 2022 at the Subscription Price of HK\$0.0785 (or translated into US\$ at exchange rate of US\$1: HK\$7.85 of approximately US\$0.01) each per Rights Share, after deduction of the total estimated related expenses including, among others, professional fees, of approximately US\$800,000 and without taking into account of any additional Shares to be issued, if any, upon the exercise of any Share Options and any share awards become fully vested. The estimated net proceeds are approximately US\$23,194,000.

**Scenario B**

As explained above, Scenario B assumes none of the Qualifying Shareholders takes up their entitlements under the Rights Issue except for Mr Mellon pursuant to the Irrevocable Undertakings, none of the Unsubscribed Rights Shares are placed and all of the Underwritten Rights Shares are taken up by Galloway as the Underwriter. In addition, under the Underwriting Agreement, Galloway is obligated to take up the Underwritten Rights Shares equivalent to approximately US\$15,697,000 at HK\$0.0785/Rights Share or US\$0.01/Rights Share. Accordingly, under Scenario B, Mr Mellon pursuant to the Irrevocable Undertakings and Galloway pursuant to the Underwriting Agreement will take up 506,680,329 and 1,569,711,046 Rights Shares respectively, giving rise to proceeds on subscription at HK\$0.0785 (or US\$0.01)/Rights Share of approximately US\$5,067,000 and US\$15,697,000 respectively. After deduction of the total estimated related expenses including, among others, professional fees, of approximately US\$800,000 and without taking into account of any additional Shares to be issued, if any, upon the exercise of any Share Options and any share awards become fully vested, the estimated net proceeds are approximately US\$19,964,000.

- The unaudited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at 30 June 2022 per Share was approximately US\$0.0071 which was based on the unaudited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at 30 June 2022 of approximately US\$17,051,000 divided by 2,399,421,215 Shares in issue as at 30 June 2022.

**4. Scenario A**

Assuming all Qualifying Shareholders take part in the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2022 immediately after completion of the Rights Issue per Share is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2022 immediately after completion of the Rights Issue of approximately US\$6,143,000, divided by 4,798,842,430 Shares deemed to be in issue, being the total of 2,399,421,215 Shares in issue as at 30 June 2022 and 2,399,421,215 Rights Shares that would have been issued under the Rights Issue assuming the Rights Issue has been completed on 30 June 2022 but takes no account of any Shares to be issued, if any, upon the exercise of any Share Options and any share awards become fully vested.

**Scenario B**

Assuming only Mr Mellon and Galloway will subscribe in the Rights Issue pursuant to the Irrevocable Undertakings and the Underwriting Agreement as described in Scenario B of Note 2 above, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2022 immediately after completion of the Rights Issue per Share is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2022 immediately after completion of the Rights Issue of approximately US\$2,913,000, divided by 4,475,812,590 Shares deemed to be in issue, being the total of 2,399,421,215 Shares in issue as at 30 June 2022, 506,680,329 Rights Shares and 1,569,711,046 Rights Shares that would have been issued to Mr Mellon pursuant to the Irrevocable Undertakings and Galloway pursuant to the Underwriting Agreement respectively under the Rights Issue assuming the Rights Issue has been completed on 30 June 2022 but takes no account of any Shares to be issued, if any, upon the exercise of any Share Options and any share awards become fully vested.

5. No adjustment has been made to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company to reflect any trading or other transactions of the Group entered into subsequent to 30 June 2022.
6. Subsequent to 30 June 2022 and up to the date of issuing this Unaudited Pro Forma Financial Information, 926,666 share awards to two consultants of the Group were vested and 926,666 Shares were issued upon vesting which were not issued to Mr Mellon, Indigo and Galloway.

**Scenario A**

Assuming all Qualifying Shareholders take part in the Rights Issue and the number of existing Shares entitled to the Rights Issue also increased by 926,666, the estimated net proceeds from the Rights Issue will be increased by approximately US\$9,000 which are based on the additional 926,666 Rights Shares to be issued at the Subscription Price described in Note 2 above, less any further related expenses which are estimated to be immaterial. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company immediately after the completion of Rights Issue, and taking into account of additional 926,666 Shares, per Share will be approximately US\$0.0013.

**Scenario B**

Assuming those holders of 926,666 Shares will not subscribe in the Rights Issue and only Mr Mellon pursuant to the Irrevocable Undertakings and Galloway pursuant to the Undertaking Agreement will subscribe in the Rights Issue as described in Scenario B of Note 2 above, the estimated net proceeds from the Rights Issue will be the same as described in Scenario B of Note 2 above, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company immediately after the completion of Rights Issue, per Share will be approximately US\$0.0007.

**B.    REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

*The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group.*



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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the directors of Endurance RP Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Endurance RP Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2022 and related notes as set out in Section A of Appendix II to the circular of the Company dated 31 October 2022 (the “**Circular**”) in connection with the proposed rights issue on the basis of one rights share for every one existing share of the Company (the “**Rights Issue**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Section A of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group’s financial position as at 30 June 2022 as if the Rights Issue had taken place at 30 June 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s condensed consolidated financial information for the six months ended 30 June 2022, on which no auditor’s report or review report has been published.

**Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**BDO Limited**  
*Certified Public Accountants*  
Hong Kong

31 October 2022

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than the information relating to the Underwriter and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein (other than the information relating to the Underwriter and parties acting in concert with it) or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to Galloway and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the sole director of Galloway) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of Galloway and Indigo, namely Denham Eke, accepts full responsibility for the accuracy of the information pertaining to Galloway and Indigo contained in this circular (other than that relating to the Group) and confirms, having made all reasonable enquiries, to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts concerning Galloway and Indigo not contained in this circular, the omission of which would make any statement in this circular misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue (assuming there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date of close of the Rights Issue); and (iii) immediately after completion of the Rights Issue (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options but otherwise no other change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) is set out as follows:

**(i) as at the Latest Practicable Date**

<i>Authorised capital:</i>		<i>US\$</i>
14,300,000,000	Shares	143,000,000
<u>55,000,000</u>	Unclassified shares	<u>550,000</u>
<u>14,355,000,000</u>		<u>143,550,000</u>
 <i>Issued and fully paid or credited as fully paid:</i>		 <i>US\$</i>
<u>2,400,347,881</u>	Shares	<u>24,003,478.81</u>

- (ii) immediately after completion of the Rights Issue (assuming there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date of close of the Rights Issue):

<i>Authorised capital:</i>		<i>US\$</i>
14,300,000,000	Shares	143,000,000
<u>55,000,000</u>	Unclassified shares	<u>550,000</u>
<u><u>14,355,000,000</u></u>		<u><u>143,550,000</u></u>
<i>Issued and fully paid or credited as fully paid:</i>		<i>US\$</i>
2,400,347,881	Shares as at the Latest Practicable Date	24,003,478.81
<u>2,400,347,881</u>	Number of Rights Shares to be issued	<u>24,003,478.81</u>
<u><u>4,800,695,762</u></u>	Shares upon completion of the Rights Issue	<u><u>48,006,957.62</u></u>

- (iii) immediately after completion of the Rights Issue (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options but otherwise no other change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date):

<i>Authorised capital:</i>		<i>US\$</i>
14,300,000,000	Shares	143,000,000
<u>55,000,000</u>	Unclassified shares	<u>550,000</u>
<u><u>14,355,000,000</u></u>		<u><u>143,550,000</u></u>
<i>Issued and fully paid or credited as fully paid:</i>		<i>US\$</i>
2,400,347,881	Shares as at the Latest Practicable Date	24,003,478.81
68,381,000	Shares to be allotted and issued upon the full exercise of all Share Options (except for Mr Mellon)	683,810.00
<u>2,468,728,881</u>	Number of Rights Shares to be issued	<u>24,687,288.81</u>
<u><u>4,937,457,762</u></u>	Shares upon completion of the Rights Issue	<u><u>49,374,577.62</u></u>

All of the Rights Shares to be issued will rank pari passu in all respects with all the Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.



As at the Latest Practicable Date, the Company had an outstanding aggregate of 70,218,000 Share Options granted to the grantees which comprised: (i) 6,000,000 Share Options with exercisable period up to 30 April 2023 at the exercise price of HK\$0.149 per Share; (ii) 43,718,000 Share Options with exercisable period up to 13 October 2030 at the exercise price of HK\$0.149 per Share; (iii) 18,000,000 Share Options with exercisable period up to 16 December 2030 at the exercise price of HK\$0.183 per Share; and (iv) 2,500,000 Share Options with exercisable period up to 6 June 2031 at the exercise price of HK\$0.185 per Share. Save as disclosed above, as at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares and there was no capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option.

The Company issued and allotted 926,666 new Shares on 14 July 2022 under general mandate pursuant to the relevant consulting agreements as disclosed in the Company's announcements dated 14 July 2021 and 26 July 2021. Save as disclosed above, the Company had not issued any Shares since 31 December 2021, being the date on which the latest audited financial statements of the Group were made up and up to the Latest Practicable Date. The Company will apply to the Stock Exchange for the listing of and permission to deal in the Rights Shares. The Company's shares are listed on the Stock Exchange and are also traded on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange. Save as disclosed above, no part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

There is no arrangement under which future dividends are/will be waived or agreed to be waived.

### 3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange (i) on the last trading day in the Shares took place at the end of each of the calendar months during the Relevant Period, (ii) on the Last Trading Day, and (iii) on the Latest Practicable Date:

	<b>Closing price per Share HK\$</b>
31 March 2022	0.117
29 April 2022	0.130
31 May 2022	0.118
30 June 2022	0.117
29 July 2022	0.112
31 August 2022	0.112
26 September 2022 (the Last Trading Date)	0.100
30 September 2022	0.073
28 October 2022 (the Latest Practicable Date)	0.074

The lowest and highest closing prices per Share recorded on the Stock Exchange during the period commencing on 27 March 2022 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK\$0.072 on 17 October 2022 and HK\$0.153 on 21 April 2022 respectively.

## 4. DISCLOSURE OF INTERESTS

## (a) Interests in Galloway Limited

As at the Latest Practicable Date, the Company did not have any interest in the equity share capital or any convertible securities, warrants, options or derivatives of Galloway, and the Company had not dealt in the equity share capital or any convertible securities, warrants, options or derivatives of Galloway during the Relevant Period.

## (b) Interests in the Company

(i) *Director's and chief executive's interests in the Company or its associated corporations*

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules; or (iv) which were to be disclosed under the Takeovers Code, were as follows:

*Long positions in the Shares and underlying Shares of the Company*

## a. Shares

Name of Director	Capacity	Number of Shares held <sup>(note 1)</sup>	Approximate percentage of the Company's issued share capital <sup>(note 2)</sup>
James Mellon <sup>(note 3)</sup>	Beneficial owner	807,612,142	18.04%
	Interests held by controlled corporations	1,775,459,562	39.66%
Jamie Gibson	Beneficial owner	89,396,748	3.72%
Julie Oates <sup>(note 4)</sup>	Interests held jointly with another person	1,000,000	0.04%
Mark Searle <sup>(note 5)</sup>	Beneficial owner	471,228	0.02%
	Family interest	628,304	0.03%
	Beneficiary of a trust	2,070,760	0.09%
Jayne Sutcliffe	Beneficial owner	1,716,046	0.07%

*Notes:*

1. Directors' personal interests in Shares as stated above are long positions interests. There are no short position interests held by any Director.
2. These numbers do not include the number of Shares to be issued upon exercise of Share Options held by the Directors as disclosed below. As at the Latest Practicable Date, the total number of issued Shares was 2,400,347,881 Shares.
3. An aggregate of 1,775,459,562 Shares are held by Indigo and Galloway which are beneficially wholly-owned by Mr Mellon, each holding 51,583,810 Shares and 1,723,875,752 Shares respectively. These numbers took into account: (i) the aggregate number of Rights Shares to be subscribed by Mr Mellon (together with the subscription by Indigo and Galloway to be procured by Mr Mellon) under the Irrevocable Undertakings; and (ii) the number of all Underwritten Rights Shares under the Underwriting Agreement to be taken up by Galloway as the Underwriter, assuming that there is no acceptance of the Rights Shares by the Qualifying Shareholders and no Rights Shares are placed. The approximate percentage shown here reflects the approximate percentage held by Mr Mellon, Galloway and Indigo, further illustrations are set out on page 32 of this circular.
4. The 1,000,000 Shares are held by Julie Oates for the beneficial interests jointly with her spouse, Alan Clucas Oates.
5. The 2,070,760 Shares are held to the order of a pension fund, of which Mark Searle is the sole beneficiary and the 628,304 Shares are held by his spouse, Juliet Mary Druce Searle.

## b. Share Options

Name of Director	Date of grant	Exercise price per share (HK\$)	Outstanding as at 1 January 2022	Number of Options			Outstanding as at the Latest Practicable Date
				Granted during the period	Exercised during the period	Lapsed/Cancelled during the period	
James Mellon	14.10.2020	0.149	1,837,000	-	-	-	1,837,000
Jamie Gibson	14.10.2020	0.149	18,370,000	-	-	-	18,370,000
Julie Oates	14.10.2020	0.149	1,837,000	-	-	-	1,837,000
Mark Searle	14.10.2020	0.149	1,837,000	-	-	-	1,837,000
Jayne Sutcliffe	14.10.2020	0.149	1,837,000	-	-	-	1,837,000

*Notes:*

1. Details of the Share Options Scheme of the Company are set out in the Company's annual report for the year ended 31 December 2021 and the interim report for the six months ended 30 June 2022.
2. Subsequent to the six months ended 30 June 2022 and up to and including the Latest Practicable Date: (i) there was no change in Directors interest in respect of the above Share Options; and (ii) the number of total outstanding Share Options was 70,218,000.
3. As at the Latest Practicable Date, the total number of issued Shares was 2,400,347,881 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; or (iv) which were to be disclosed under the Takeovers Code.

**(ii) *Substantial shareholder's and other persons' interests in Shares and underlying Shares***

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, no other person other than Mr Mellon and Galloway, whose interests are set out in the section "Director's and chief executive's interests in the Company or its associated corporations" of this circular, had any interests or short positions in the Shares or the underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Stock Exchange and the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, none of the Directors or a proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation), except that: (i) Mr Mellon had entered into an advisory agreement with the Company dated 16 April 2012 regarding his appointment as an adviser of the Company. The fixed remuneration under the advisory agreement was US\$157,500 (or approximately HK\$1.24 million) per annum, but it has been reduced by 30% to US\$110,250 (or approximately HK\$0.87 million) per annum since 1 April 2020. The advisory agreement may be terminated by either party giving one year's written notice; and (ii) Jamie Gibson had entered into a service agreement with the Company dated 4 May 2012 regarding his appointment as Chief Executive Officer of the Company. The fixed remuneration under the service agreement was US\$1.50 million (or approximately HK\$17.66 million) per annum, and it has been reduced by 40% to US\$0.90 million (or approximately HK\$7.07 million) per annum since 1 April 2022. The service agreement may be terminated by either party giving one year's written notice.

**6. DIRECTORS' INTEREST IN ASSETS**

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**7. DIRECTORS' INTEREST IN CONTRACT OR ARRANGEMENT**

As at the Latest Practicable Date, save for the Set Off, the Underwriting Agreement and the Irrevocable Undertakings, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

**8. DIRECTORS' INTEREST IN COMPETING BUSINESSES**

As at the Latest Practicable Date, none of the Directors or their respective close associates (within the meaning of the Listing Rules) had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group, save that the following companies may pursue investment opportunities that may compete against the Company:

**(1) Compedica Holdings Limited (“Compedica”)**

Compedica is a private single product medical device company based near Oxford, in the United Kingdom, focusing on the treatment of diabetic foot ulcers, which are a comorbidity of diabetic mellitus.

As at the Latest Practicable Date, (i) Mr Mellon and through his associate hold approximately 47.6% of the total issued share capital of Compedica; (ii) as a non-executive director and chairman of Compedica, Jamie Gibson holds approximately 8.2% of the total issued share capital of Compedica; and (iii) the Company does not hold any interests in the total issued share capital of Compedica.

**(2) Juvenescence Limited (“Juvenescence”)**

Juvenescence is a private and multinational healthcare science company based in the Isle of Man that focuses in human ageing and longevity, aiming to build a platform and pipeline of affordable quality products targeting ageing, age-related issues and cell regeneration.

As at the Latest Practicable Date, (i) as a director and chairman of the board of Juvenescence, Mr Mellon and through his associate hold approximately 18.60% of the total issued share capital of Juvenescence; and (ii) the Company does not hold any interests in the total issued share capital of Juvenescence.

**(3) Portage Biotech Inc (“Portage Biotech”)**

Portage Biotech (CSE: PBT.U and OTCBB: PTGEF) is dually listed on the Over-the-Counter Bulletin Board of NASDAQ of the United States and the Canadian Securities Exchange, focusing on discovering and developing innovative cell permeable peptide therapies and developing drug therapies.

As at the Latest Practicable Date, (i) as a non-executive director of Portage Biotech, Mr Mellon and through his associates hold approximately 17.89% of the total issued share capital of Portage Biotech; and (ii) the Company does not hold any interests in the total issued share capital of Portage Biotech.

Currently, the existing businesses of the above companies do not compete against the Company's existing businesses.

**9. ADDITIONAL DISCLOSURE OF DEALINGS AND INTEREST IN THE SECURITIES OF THE COMPANY**

As at the Latest Practicable Date, the Underwriter and any parties acting in concert with it:

- (a) do not own, control or have control or direction over any voting rights and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, save for the Shares as set out in the section headed “Effects on the Shareholding Structure of the Company” in this circular;

- (b) have not received any irrevocable commitment to vote for or against the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Set Off, and/or the Whitewash Waiver;
- (c) have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Company in connection with the Rights Issue and the Underwriting Agreement, save for the Rights Shares to be subscribed and underwritten by the Underwriter and the Set Off;
- (e) do not have any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Rights Issue and/or the Underwriting Agreement, the Set Off, and/or the Whitewash Waiver, with any other persons, save for the Underwriting Agreement and the Irrevocable Undertakings therein given by Mr Mellon;
- (f) do not have any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue, the Underwriting Agreement, the Set Off, and/or the Whitewash Waiver, except that the Rights Issue and the Underwriting Agreement are conditional upon, among other things, obtaining of the Whitewash Waiver by the Underwriter as set out in the paragraph headed “Conditions of the Underwriting Agreement” under the section headed “The Underwriting Agreement” of this circular ;
- (g) have not dealt in any securities of the Company during the Relevant Period; or
- (h) have not entered into any derivative in respect of the securities in the Company which are outstanding.

As at the Latest Practicable Date:

- (a) apart from the Underwriting Agreement and the Irrevocable Undertakings therein and the Set Off, there is no other understanding, arrangement or special deal between the Group on the one hand, and the Underwriter and parties acting in concert with it on the other hand;
- (b) apart from the Underwriting Agreement and the Irrevocable Undertakings therein and the Set Off, there is no understanding, arrangement or agreement or special deal between (a) any Shareholder; and (b) (i) the Underwriter and parties acting in concert with it; or (ii) the Company, its subsidiaries or associated companies;
- (c) there was no agreement, arrangement or understanding (including any compensation arrangement) between Galloway and any parties acting in concert with it/them and other persons in relation to the transfer, charge or pledge of the Shares that may be allotted and issued to Galloway, its ultimate beneficial owners and parties acting in concert with it/them under the Rights Issue or as a result of the obligations under the Underwriting Agreement;
- (d) there was no arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Rights Issue, the Set Off, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver, with any other persons;

- (e) save as disclosed in the paragraph headed “4. Disclosure of Interests” in this appendix, none of the Directors was interested in any Shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (f) save for the shares in Galloway beneficially wholly-owned by Mr Mellon, none of the Company and the Directors had owned or controlled, or had dealt for value in, any shares or any securities, convertible securities, warrants, options or derivatives in respect of the shares or securities of Galloway;
- (g) none of the director(s) of Galloway, were interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the director(s) of Galloway had dealt in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (h) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who was an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code had owned or controlled, or had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (i) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Rights Issue, the Placing Agreement, the Set Off, the Underwriting Agreement and the Whitewash Waiver;
- (j) there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) Galloway and parties acting in concert with it and (ii) any of the Directors, recent Directors, Shareholders or recent Shareholders, having any connection with or dependence upon the Rights Issue, the Placing Agreement, the Set Off, the Underwriting Agreement and/or the Whitewash Waiver;
- (k) save for the Set Off, the Underwriting Agreement and the Irrevocable Undertakings, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the Rights Issue, the Set Off, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver or otherwise connected therewith;
- (l) save for the Set Off, the Underwriting Agreement and the Irrevocable Undertakings, there was no material contract entered into by Galloway and parties acting in concert with it in which any Director had a material personal interest;
- (m) save for the Set Off, the Placing Agreement, the Underwriting Agreement and the Irrevocable Undertakings, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code, and none of them had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;

- (n) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (o) save for the Irrevocable Undertakings given by Mr Mellon, none of the Directors has expressed his/her intention, in respect of his/her own beneficial shareholdings, to accept or reject the Rights Issue; and
- (p) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares.

## 10. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

## 11. EXPERTS AND CONSENTS

The following are the qualification of the experts who have given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Maxa Capital Limited	a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified Public Accountants

Each of Maxa Capital Limited and BDO Limited have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letter, report and/or references to their name in the form and context in which they respective appear.

As at the Latest Practicable Date, each of Maxa Capital Limited and BDO Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Maxa Capital Limited and BDO Limited did not have any direct or indirect interests in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

## 12. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

- (a) the Underwriting Agreement; and
- (b) the Placing Agreement.



**13. EXPENSES**

The expenses in connection with the Rights Issue, including placing commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to amount approximately US\$0.8 million (or approximately HK\$6.28 million), which are payable by the Company.

**14. CORPORATE INFORMATION**

<b>Registered office</b>	P.O. Box 309, Uglan House Grand Cayman, KY1-1104 Cayman Islands
<b>Head office and principal place of business in Hong Kong</b>	8th Floor, Henley Building 5 Queen's Road Central Hong Kong
<b>Authorised representatives</b>	Jamie Gibson Lui Mei Yan Winnie
<b>Company secretary</b>	Lui Mei Yan Winnie
<b>Legal adviser to the Company</b>	<i>As to Hong Kong laws:</i> Zhong Lun Law Firm LLP 4/F., Jardine House 1 Connaught Place Central Hong Kong  <i>As to Cayman Islands laws:</i> Ogier 11/F, Central Tower 28 Queen's Road Central Hong Kong
<b>Financial adviser</b>	Grande Capital Limited Room 2701, 27/F, Tower 1, Admiralty Center 18 Harcourt Road, Admiralty Hong Kong
<b>Independent financial adviser to the Independent Board Committee in relation to the Rights Issue, the Set Off, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver</b>	Maxa Capital Limited Unit 1908 Harbour Center 25 Harbour Road Wanchai Hong Kong
<b>Reporting accountant</b>	BDO Limited 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
<b>Placing agent</b>	Eddid Securities and Futures Limited 21/F, Citic Tower 1 Tim Mei Avenue Central Hong Kong

<b>Underwriter</b>	Galloway Limited Craigmuir Chambers PO Box 71 Road Town, Tortola, VG1110 British Virgin Islands
<b>Principal share registrar</b>	Maples Corporate Services Limited P.O. Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
<b>Hong Kong branch share registrar</b>	Tricor Tengis Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
<b>Principal bankers</b>	Citibank, N.A. 50/F., Champion Tower, 3 Garden Road Central, Hong Kong

## 15. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

### Directors

#### *Executive Director*

**Jamie Alexander Gibson**, Executive Director and Chief Executive Officer, aged 56, British, joined the Group in April 1996 and was appointed as an Executive Director and Chief Operating Officer of the Company in January 2002. In May 2002, he became Chief Executive Officer of the Company. Mr Gibson has spent most of his professional career with the Company specialising in corporate finance, direct equity investments and structuring emerging market investment products. Prior to joining the Company, he worked at Clifford Chance, Coopers & Lybrand and KPMG. Mr Gibson has a law degree from Edinburgh University. He is also a director of a number of subsidiaries of the Company, including: (i) Amerinvest Coal Industry Holding Company Limited, which in turn holds a 25% equity interest in West China Coking & Gas Company Limited; (ii) Plethora; and (iii) Deep Longevity, Mr Gibson is a non-executive director and chairman of Compedica, a private company of which he holds approximately 8.2% interest and Galloway is the major shareholder.

#### *Non-Executive Directors*

**James Mellon (alias: Jim Mellon)**, Non-Executive Director and Chairman of the Board, aged 65, British, was appointed as an Executive Director of the Company in July 1991, and was re-designated as a Non-Executive Director in May 2002, and is currently Non-Executive Chairman of the Board of Directors. He holds a Master's degree in Politics, Philosophy and Economics from Oxford University and, since graduating in 1978, his entire career has been spent in asset management. Mr Mellon worked for GT Management Plc from 1978 to 1984. In July 1984, he joined the Thornton Group where he was Managing Director of the Asian operation. From 1988 to 1990, he was an executive director of Tyndall Holdings Plc responsible for business expansion and corporate development. In 1990, Mr Mellon co-founded and became Chief Executive of the Company. In 1994, he became Chairman of the Company. Mr Mellon has over 20 years' investment experience in Asia. He specialises in the development and restructuring of international investment vehicles, and travels extensively across the region on company visits and fact-finding missions. He is also director of certain subsidiaries of the Company. Mr Mellon is also: (i) the non-executive director of Agronomics Limited (having stepped down as the chairman of its board on 31 May 2019 and remaining as a non-executive director), a non-executive director of Condor Gold plc and the executive chairman of the board of Manx Financial Group plc, all of which are listed on the London Stock Exchange AIM ("AIM"); (ii) a non-executive director of Bradda Head Holdings Limited (which was de-listed from AIM on 6 October 2017 and readmitted to trading as of 19 July 2021); and (iii) the non-executive

chairman of the board of Speymill Deutsche Immobilien Company plc (which was de-listed from AIM on 31 May 2011). He was formerly: (i) the non-executive chairman of the board of FastForward Innovations Limited (an AIM-listed company); (ii) the non-executive chairman of the board of Rivington Street Holdings Limited (which was de-listed from ICAP Securities and Derivatives Exchange (ISDX) in the United Kingdom on 3 April 2014 and was dissolved on 20 October 2017); (iii) the non-executive chairman of the board of SalvaRx Group Plc (which was de-listed from AIM on 9 January 2020), which, following a group re-structuring in March 2017, disposed of all its investments and business interests to its subsidiary, namely SalvaRx Limited; (iv) the executive chairman of the board of Speymill plc (which was de-listed from AIM on 2 February 2015 and was dissolved on 20 October 2017); (v) a non-executive director of West African Minerals Corporation (then an AIM-listed company, and now listed on the London Stock Exchange Standard as Okyo Pharma Limited), resigned on 13 November 2017; and (vi) a non-executive director of Portage Biotech (which is dually listed on the Over-the-Counter Bulletin Board of NASDAQ of the United States and the Canadian Securities Exchange), resigned on 14 August 2020. Mr Mellon re-joined the board of Portage Biotech on 15 February 2022.

**Jayne Allison Sutcliffe (maiden name: Jayne Allison Wigley)**, Non-Executive Director, aged 59, British, was appointed as the Group Corporate Finance Director in August 1991 and was re-designated as a Non-Executive Director in June 2000. Mrs Sutcliffe has spent most of her professional career in the fund management industry specialising in sales and marketing initially at Thornton Management and then at Tyndall Holdings Plc. Mrs Sutcliffe co-founded the Group in 1990 where she established, and was responsible for, the Group's corporate finance activities. She has a Master's degree in Theology from Oxford University. Mrs Sutcliffe is a non-executive director and chairperson of WHEB Asset Management LLP, which is a boutique asset management company. She was formerly the Group Chief Executive of Charlemagne Capital Limited ("CCL", which was de-listed from AIM on 15 December 2016 upon completion of the 100% acquisition of CCL by Fiera Capital Corporation (which is listed on the Toronto Stock Exchange) by a scheme of arrangement on 14 December 2016).

#### ***Independent Non-Executive Directors***

**Charles David Andrew Comba**, Independent Non-Executive Director, aged 79, Canadian, has been an Independent Non-Executive Director of the Company since October 2005. Until his retirement in May 2005, he held senior staff positions as Director Issues Management and more recently as Director of Regulatory Affairs with the Prospectors and Developers Association of Canada. Mr Comba obtained two geological degrees from Queen's University, Kingston, Ontario, Canada, an MSc (1975) and a Hon BSc (1972). He served on or led mineral exploration teams that have made eleven significant discoveries of base and precious metals, primarily for Falconbridge Group companies. Five discoveries were taken to production. Mr Comba was formerly a director of CR Capital Corp, a Canadian company listed on the NEX board of Toronto Venture Exchange.

**Julie Oates (former name: Julie Nixon; and maiden name: Julie Wild)**, Independent Non-Executive Director, aged 60, British, has been an Independent Non-Executive Director of the Company since September 2004. She trained with PKF (Isle of Man) LLC and qualified in 1987 as a member of The Institute of Chartered Accountants in England and Wales. Mrs Oates later joined the international firm of Moore Stephens, and was appointed partner in the Isle of Man firm in 1997. In 2002, she joined a local trust company as Managing Director and in 2003 established her own accountancy practice. Mrs Oates has experience in both the general practice areas of accounting and business assurance as well as offshore corporate and trust administration. Mrs Oates acts as director for a number of regulated financial services companies.

**Stawell Mark Searle (alias: Sam Searle)**, Independent Non-Executive Director, aged 79, British, has been an Independent Non-Executive Director of the Company since October 2001. He has over 30 years' experience in the investment management industry. Having trained with Jardine Matheson, the Far Eastern trading house in London, he was seconded to Samuel Montagu where he worked for two years in their Investment Department. Subsequently, Mr Searle joined Investment Intelligence Limited becoming Investment Director responsible for management of a stable of open ended funds. Between 1982 and 1987, he was Managing Director of Richards Longstaff Limited, a privately owned investment consultancy. In the following ten years, he was Investment Director of Gerrard Asset Management. Mr Searle has been a director of a number of closed-ended funds during his career.

#### ***Senior Management***

**David Samuel Church**, Head of Mergers and Acquisitions and General Counsel, aged 48, Australian, joined the Group in 2008. He is also a director of a number of subsidiaries of the Group. Mr Church has more than 22 years' experience in mergers and acquisitions and corporate finance in Australia, the United Kingdom, Europe and Asia with expertise across multiple sectors. Mr Church has worked on domestic and international corporate transactions as well as major international equity offerings for corporates and investment banks. He has over 17 years' experience in Asia including transactions in Hong Kong, Korea, the PRC, Singapore, Indonesia, Malaysia and the Philippines. Mr Church has acted and advised on some of the most high profile mergers and acquisitions transactions in Europe and Asia. He is qualified and has practiced as a solicitor in Australia, with Clayton Utz, and in the United Kingdom and Hong Kong, with Linklaters.

**Paul Eric Jones**, Investment Director, aged 58, Canadian, has 30 years of experience in the energy industry and corporate finance. This has included various professional disciplines encompassing fund management, banking and business development. Before joining the Group in April 2011, Mr Jones was employed for six years with a Canadian private equity fund, where he was principally engaged in evaluating investment opportunities on behalf of the firm's investors and managing a portfolio of public and private securities. Prior thereto, Mr Jones was a Director in the energy lending group at the Canadian Imperial Bank of Commerce (CIBC) where he specialised in debt financing and providing advisory services to oil and gas producers. Previous to his banking career, Mr Jones was a financial analyst with TC Energy Corp. (a Canadian power generation and energy transmission company), where he was responsible for initiatives related to bond issuance, project finance, capital budgeting and investor relations. Mr Jones holds a Bachelor of Arts and a Master of Business Administration (Finance), both from the University of Calgary.

**Professor Michael Grant Wyllie (alias: Mike Wyllie)**, Chief Scientific Officer, aged 71, British, has particular responsibility for the process of securing approvals of the product, regulatory compliance and assisting the Chief Executive Officer in the commercial development of Fortacin™ of Plethora. Prof Wyllie is a co-founder of Plethora. He has over 30 years of experience in senior management level positions within the pharmaceutical industry, with Wyeth and Pfizer. He has considerable hands-on experience in all aspects of the drug discovery and development process, and has been involved with new project inception, drug discovery and safety testing, early and late stage clinical development, regulatory filing, and the successful commercialisation of products, including Cardura® (doxazosin), Enablex® (darifenacin) and Viagra® (sildenafil). Prof Wyllie sits on the Clinical Trial Design and Future Therapies in BPH Committees of the World Health Organisation International Consultations on Urological Disease and the International Advisory Panel to The University of Strathclyde. He is an assistant editor of the British Journal of Urology in the Sexual Medicine Section. He has over 200 publications and is the named inventor of over 80 patents.

**Wong Yui Fui, Frankie**, Chief Financial Officer, aged 48, Chinese, joined the Group in July 2000 and was promoted as Chief Financial Officer in 2011. Mr Wong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. He has the degree of Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University. Prior joining the Company, he has gained extensive experience in auditing and accounting with Deloitte Touche Tohmatsu.

**Lui Mei Yan Winnie**, Company Secretary, aged 48, Chinese, joined the Group in May 2021. Ms Lui is a Chartered Secretary, a Chartered Governance Professional, and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She holds a Bachelor's degree in Business Administration and a Master's degree in Business Administration. Ms Lui has extensive experience in the company secretarial field and corporate governance practices with listed companies. She formerly acted as the company secretary of a number of listed companies on the Stock Exchange.

#### **Business address of the Directors and senior management**

The business address of the Directors and senior management is the same as the Company's principal place of business in Hong Kong at 8th Floor, Henley Building, 5 Queen's Road Central, Hong Kong.

#### **16. MISCELLANEOUS**

- (i) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits from Hong Kong or repatriation of capital of the Company into Hong Kong.
- (ii) The English text of this circular shall prevail over Chinese text in case of any inconsistency.
- (iii) The name, address, ultimate beneficial owner and director(s) of each of the Underwriter and the principal member of the parties acting concert with it (which are companies) are as follows:

<b>Name</b>	<b>Address</b>	<b>Ultimate beneficial owner</b>	<b>Director(s)</b>
The Underwriter	Craigmuir Chambers PO Box 71, Road Town, Tortola, VG1110 British Virgin Islands	Mr Mellon	Mr Denham Eke
Indigo Securities Limited	P.O. Box 438, Palm Grove House, Road Town, Tortola, VG 1110, British Virgin Islands	Mr Mellon	Mr Denham Eke

#### **17. DOCUMENTS ON DISPLAY**

Pursuant to paragraph 43 of Appendix 1B to the Listing Rules, the issuer shall set out in the listing document the details of a reasonable period of time (being not less than 14 days) during which the documents as required under the paragraph are published on the Stock Exchange's website and the issuer's own website.

Accordingly, copies of the following documents will be published on the websites of the Company ([www.endurancerp.com](http://www.endurancerp.com)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the SFC ([www.sfc.hk](http://www.sfc.hk)) between the period from the date of this circular up to and including the date of the EGM:

- (a) the amended and re-stated memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of Galloway;
- (c) the letter from the Board, the text of which is set out on pages 13 to 37 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 38 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 39 to 78 of this circular;
- (f) the annual reports of the Company for each of the years ended 31 December 2019, 2020 and 2021 and the interim reports of the Company for each of the six months ended 30 June 2021 and 30 June 2022;
- (g) the report from BDO Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (h) the written consents referred to in the paragraph headed “11. Experts and Consents” in this appendix;
- (i) the material contracts as referred to in the paragraph headed “12. Material Contracts” in this appendix;
- (j) the service contracts as referred to in the paragraph headed “5. Directors’ Service Contracts” in this appendix; and
- (k) this circular.

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## NOTICE OF EGM

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# Endurance RP Limited

壽康集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 575)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Endurance RP Limited (the “**Company**”) will be held at 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on Thursday, 24 November 2022 at 3:00 p.m. to consider and, if thought fit, pass with or without amendments, the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 31 October 2022 (the “**Circular**”)):

#### ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon fulfillment of the conditions of the Underwriting Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved:
  - (a) for the purpose of these resolutions, “Rights Issue” means the proposed issue by way of rights issue of up to 2,468,728,881 shares (the “**Rights Share(s)**”) of US\$0.01 each in the capital of the Company at the subscription price of HK\$0.0785 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear in the register of members of the Company on the date by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Non-Qualifying Shareholders**”) with registered addresses outside Hong Kong whom the directors (the “**Directors**”) of the Company, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of one (1) Rights Share for every one share (the “**Share(s)**”) of the Company held on the Record Date subject to the fulfilment of the conditions and terms set out in the Underwriting Agreement (as defined below);
  - (b) the placing agreement dated 26 September 2022 (the “**Placing Agreement**”) (copy of which, signed by the Chairman of the Meeting for the purposes of identification, has been produced to the Meeting marked “**A**”) entered into between the Company and Eddid Securities and Futures Limited in relation to the placing of the Rights Shares on a best effort basis and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
  - (c) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient to having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

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## NOTICE OF EGM

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- (d) the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.”

2. **“THAT:**

- (a) the entering into of the underwriting agreement dated 26 September 2022 (the **“Underwriting Agreement”**) (copy of which, signed by the Chairman of the Meeting for the purposes of identification, has been produced to the Meeting marked **“B”**) entered into between the Company and the Underwriter in relation to the Rights Issue and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the Underwritten Rights Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Underwriting Agreement; and
- (b) the Subscription Price payable by Galloway Limited for the Rights Shares to which he is entitled under the Rights Issue and the Underwritten Shares to be taken up by Galloway Limited as underwriter in the Rights Issue to be settled by way of (i) the set off (the **“Set Off”**) against the shareholder’s loans (the **“Shareholder’s Loans”**) in the total principal amount of approximately US\$13.40 million (or approximately HK\$105.19 million), indebted by the Company to Galloway Limited, in first place; and (ii) the remaining balance of the Subscription Price, if any, in cash and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Set Off.”

### SPECIAL RESOLUTION

3. **“THAT** the terms of the application for a waiver (the **“Whitewash Waiver”**) granted or to be granted by the Executive to the Underwriter pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code from an obligation to make a mandatory general offer for all the issued Shares not already owned by Galloway Limited and the parties acting in concert with it/him as a result of the underwriting of the Rights Shares by Galloway Limited pursuant to the Underwriting Agreement be and are hereby approved and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver.”

By order of the Board  
**Endurance RP Limited**  
**Jamie Gibson**  
*Executive Director*

Hong Kong, 31 October 2022

*Registered office:*  
P.O. Box 309, Ugland House, Grand Cayman  
KY1-1104, Cayman Islands

*Principal place of business in Hong Kong:*  
8th Floor, Henley Building  
5 Queen’s Road Central, Hong Kong



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## NOTICE OF EGM

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*Notes:*

1. Shareholders are recommended to read the Shareholders' circular dated 31 October 2022 issued by the Company (the "**Circular**"), which contains important information concerning the resolutions proposed at the EGM being convened by this notice. Unless the context requires otherwise, capitalised terms used in this notice shall have the same meaning given to them in the Circular, of which this notice forms part.
2. Due to the recent development of the COVID-19 Pandemic and in view of the latest Prevention and Control of Disease (Prohibition on Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) and Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Chapter 599F of the Laws of Hong Kong), Shareholders are reminded to refer to section "Precautionary Measures for the EGM" on page i of the Circular for details.
3. In order to be valid, the proxy form, accompanied by the power of attorney (if applicable) or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event no later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude a Shareholder from attending and voting in person at the EGM or at any adjournment thereof (as the case may be) if he/she so wishes.
4. In order to ascertain the entitlements to vote at the EGM, all relevant transfer document(s) and share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 17 November 2022.
5. In the case of joint registered holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint registered holder(s). For this purpose, seniority shall be determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the relevant holding.
6. The voting on the proposed resolutions as set out in this notice will be taken by poll at the EGM.
7. If at any time after 7:00 a.m. on the date of the EGM, Typhoon Signal Number 8 or above or a Black Rainstorm Warning is hoisted or remains hoisted, the EGM will be postponed or adjourned. The Company will post an announcement on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.endurancecorp.com](http://www.endurancecorp.com)) to notify Shareholders of the date, time and place of the re-scheduled meeting. At least seven clear days' notice shall be given of the re-scheduled meeting.
8. In the case of any discrepancy, the English version of this notice shall prevail over the Chinese version.
9. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the Board of Directors comprises of six Directors:

*Executive Director:*

Jamie Gibson (*Chief Executive Officer*)

*Non-Executive Directors:*

James Mellon (*Chairman*)

Jayne Sutcliffe

*Independent Non-Executive Directors:*

David Comba

Julie Oates

Mark Searle

\* *For identification purposes only*