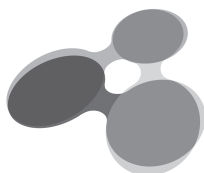

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If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Regent Pacific Group Limited, you should, without delay, hand this document, together with the accompanying proxy form, to the purchaser or to the stockbroker, bank manager or other agent through whom the sale was effected for transmission to the purchaser.

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This document is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities in the Company.

**REGENT PACIFIC GROUP LIMITED**

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0575)

**Connected transaction:
Proposed issue of Convertible Notes**

**Independent Financial Adviser to
the Independent Board Committee
and the Independent Shareholders:**

ALTUS CAPITAL LIMITED

A notice convening the extraordinary general meeting of Regent Pacific Group Limited is set out in Pages 76 to 79 of this circular. Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company Secretary at the Company's principal place of business in Hong Kong or via email at proxy@regentpac.com as soon as possible but in any event not later than 11:00 am on Sunday, 28 July 2019. Completion and return of the form of proxy will not prevent you from attending and voting in person at the meeting or any adjourned meeting if you so wish.

In order to ascertain the entitlements to attend and vote at the meeting, members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on Wednesday, 24 July 2019 for registration.

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DEFINITIONS

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

| | |
|---------------------------|---|
| “%” | per cent |
| “A\$” | Australian dollars, the lawful currency in Australia |
| “Articles of Association” | the articles of association of the Company |
| “associate(s)” | shall have the meaning defined in Chapter 14A of the HK Listing Rules |
| “Board” | the board of directors of the Company |
| “Business Day(s)” | a day (other than a Saturday or Sunday or public holiday in Hong Kong) on which commercial banks are generally open for business throughout their normal business hours in the Central district of Hong Kong |
| “Calculation Agent” | the Chief Financial Officer of the Company, acting in good faith and in a commercially reasonable manner |
| “Change of Control” | in relation to the Company, means that a person or persons, who previously did not have the capacity to Control the Company, obtains the capacity to Control the Company without the prior written consent of all the Noteholders. However, this definition does not relate to a person or persons obtaining Control of the Company where the person or persons who have obtained Control of the Company or who are deemed or presumed to have obtained Control of the Company are the Directors and employees of the Company, together with the Declared Concert Party Group |
| “Close associate(s)” | shall have the meaning defined in Chapter 1 of the HK Listing Rules |
| “Closing” | closing of the Subscription in accordance with the terms of the Subscription Agreements |
| “Closing Date” | a Business Day no later than five Business Days after the CP Satisfaction Date as determined by the Subscribers (acting together) |
| “Company” | Regent Pacific Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the HK Stock Exchange and are also traded on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange |

DEFINITIONS

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| “connected person(s)” | shall have the meaning defined in Chapter 14A of the HK Listing Rules |
| “Connected Subscription Agreement” | the conditional agreement dated 29 May 2019 and entered into between the Company, as issuer, and Galloway, James Mellon, Jamie Gibson and David Church, as Subscribers, in respect of the Subscription |
| “Control” | means, with respect to any person: <ul style="list-style-type: none">(a) the power (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) to appoint and/or remove all or such of the members of the board of directors or other governing body of such Person as is able to cast a majority of the votes capable of being cast by the members of that board or body on all, or substantially all, matters, or otherwise to control or have the power to control the policies and affairs of such person; or(b) the holding and/or the possession of the beneficial interest in and/or the ability to exercise the voting rights applicable to shares or other securities of any person which confer in aggregate on the holders thereof more than 50% of the total voting rights exercisable at general meetings of such person on all, or substantially all, matters |
| “Conversion Date” | the conversion date in respect of a Convertible Note, on which a Noteholder submits an irrevocable notice of conversion to the Company as explained in paragraph (4) headed “Subscription Price of the Convertible Notes” under the “Subscription Agreements” in this circular |
| “Conversion Notice” | a duly completed and signed notice of conversion |
| “Conversion Period” | the period from and including the issue date up to the close of business (at the place where the certificate(s) evidencing a Convertible Note is deposited for conversion) on the date falling one day prior to the Maturity Date (both days inclusive), or, if a Convertible Note has been called for redemption by the Company before the Maturity Date, then the period from and including the issue date up to and including the close of business (at the place aforesaid) on the date no later than three Business Days (at the place aforesaid) prior to the date fixed for redemption of the Convertible Note |

DEFINITIONS

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| “Conversion Price” | HK\$0.2125 per Share, subject to adjustment as provided in the Subscription Agreements (as summarised in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this circular) |
| “Conversion Share(s)” | the Shares to be allotted and issued upon conversion of the Convertible Notes |
| “Convertible Note(s)” or “Notes” | the 4% coupon unlisted Convertible Notes due 2022 in principal amount of US\$17.50 million (or approximately HK\$136.50 million) to be issued by the Company in accordance with the terms of the Subscription Agreements |
| “CP Satisfaction Date” | the date on which all the conditions precedent as set out under the Subscription Agreements are satisfied |
| “Current Market Price” | <p>in respect of a Share on a particular date, the arithmetic average of the daily closing price of one Share on each of the 10 consecutive Trading Days ending on and including the Trading Day immediately preceding such date; provided that if at any time during such 10 Trading Day period, the closing price shall have been based on a price ex-dividend (or ex-any other entitlement) and during some other part of that period the closing price shall have been based on a price cum-dividend (or cum-any other entitlement) then:</p> <ul style="list-style-type: none">(i) if the Shares to be issued or transferred and delivered do not rank for the dividend (or entitlement) in question, the closing price on the dates on which the Shares shall have been based on a price cum-dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Share; or(ii) if the Shares to be issued or transferred and delivered rank for the dividend or entitlement in question, the closing price on the dates on which the Shares shall have been based on a price ex dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of any such dividend or entitlement per Share; |

DEFINITIONS

and provided that if on each of the said 10 Trading Days, the closing price shall have been based on a price cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Shares to be issued or transferred and delivered do not rank for that dividend (or other entitlement), the closing price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Share

- “David Church”** consultant to the Group and a director of a number of “insignificant subsidiaries” of the Group
- “Declared Concert Party Group”** the group of shareholders of the Company, comprising: (i) James Mellon; and (ii) Jayne Sutcliffe, both being Directors as at the date of this circular, and (iii) Anderson Whamond (a former Director but not being a Director as at the date of this circular), who are regarded as acting in concert for the purpose of The Codes on Takeovers and Mergers and Share Repurchases of Hong Kong (as amended) and have registered their aggregate holding as at 19 October 2001 as a “concert party group” pursuant to the transitional provisions in Rule 26.6 of such codes
- “Director(s)”** the directors of the Company
- “Distribution”** on a per Share basis, any distribution of assets in specie by the Company (excluding any cash dividend or distribution) for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes, without limitation, an issue of Shares or other securities credited as fully or partly paid (excluding Shares credited as fully paid by way of capitalisation of reserves, or a Scrip Dividend, in case adjusted for pursuant to the circumstance set out in sub-paragraph (2)(ii) (Capitalisation of profits or reserves) (under “Conversion Price” in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this circular) but including any purchase or redemption of Shares by or on behalf of the Company)
- “EGM Notice”** the notice convening the extraordinary general meeting as set out in Pages 76 to 79 of the circular
- “EU”** the European Union, a political and economic union of 28 member states that are located primarily in Europe

DEFINITIONS

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| “EUR” | Euros, the lawful currency adopted by the 19 member States (the Eurozone) of the European Union |
| “Extraordinary General Meeting” | the extraordinary general meeting of the Company to be held and convened for the Shareholders to consider and, if thought fit, approve the Subscription Agreements, the issuance of the Convertible Notes and the transactions contemplated thereunder and the increase in the Company’s authorised share capital |
| “Event(s) of Default” | shall have the meaning given to it in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this circular |
| “Fair Market Value” | with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by the Calculation Agent, provided that: (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by the Calculation Agent), the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded |
| “Financial Indebtedness” | shall have the meaning given to it in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this circular |
| “Frankfurt Stock Exchange” | stock exchange owned and operated by Deutsche Börse AG and Börse Frankfurt Zertifikate AG |
| “Galloway” | Galloway Limited, which is a private limited liability company incorporated in the British Virgin Islands indirectly wholly owned by James Mellon |
| “Galloway Loan” | has the meaning set out in paragraph (4) headed “Subscription Price of the Convertible Notes” under the “Subscription Agreements” in this circular |
| “Gibson Loans” | has the meaning set out in paragraph (4) headed “Subscription Price of the Convertible Notes” under the “Subscription Agreements” in this circular |

DEFINITIONS

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| “Group” | the Company and its subsidiaries |
| “HK Listing Rules” | The Rules Governing the Listing of Securities on the HK Stock Exchange, as amended from time to time |
| “HK Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HK Takeovers Code” | The Hong Kong Code on Takeovers and Mergers issued by the Hong Kong Securities and Futures Commission, as amended from time to time |
| “HK\$” | Hong Kong dollars, the lawful currency in Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | the board committee established by the Company, comprising only the independent non-executive Directors of the Company, namely David Comba, Julie Oates and Mark Searle, to, having taken account the recommendation of the Independent Financial Adviser, advise the Independent Shareholders on the Connected Subscription Agreement and the issuance of the Convertible Notes thereunder |
| “Independent Directors” | David Comba, Julie Oates and Mark Searle |
| “Independent Financial Adviser” | Altus Capital Limited, a licence corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders on the Connected Subscription Agreement and the issuance of the Convertible Notes thereunder |
| “Independent Shareholders” | Shareholders other than the Declared Concert Party Group, Jamie Gibson and David Church (and their respective associates) |
| “Independent Third Party(ies)” | third parties independent of and not connected with the Company and its connected persons |
| “Independent Third Party Subscribers” | Subscribers to the Third Party Subscription Agreement other than Abony Enterprises, LLC and MAC Financial Pension Trustees Ltd |
| “James Mellon” | non-Executive Chairman of the Company holding, by himself and his associates, 21.11% of the total issued share capital of the Company |

DEFINITIONS

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|------------------------------------|---|
| “Jamie Gibson” | executive Director and Chief Executive Officer of the Company currently holding, by himself, 3.77% of the total issued share capital of the Company |
| “Latest Practicable Date” | Friday, 5 July 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular |
| “Lock-up Period” | shall have the meaning given to it in paragraph (5) headed “Subscription of the Convertible Notes” under the “Subscription Agreements” in this circular |
| “Main Board” | the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange |
| “Maturity Date” | the date falling on the third anniversary of the Closing Date |
| “Maximum Number of Shares” | the maximum total number of Shares to be issued pursuant to the exercise of conversion rights attached to the Convertible Notes, which shall be 719,435,294 Shares, subject to adjustment, assuming the Notes are exercised at maturity and that all interest that has accrued thereon has been capitalised |
| “Mellon Loans” | has the meaning set out in paragraph (4) headed “Subscription Price of the Convertible Notes” under the “Subscription Agreements” in this circular |
| “MGO” | shall have the meaning given to it in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this circular |
| “Model Code” | The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the HK Listing Rules |
| “Money Laundering Laws” | shall have the meaning given to it in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this circular |
| “Open Market (Freiverkehr)” | regulated exchange market of Frankfurt Stock Exchange and not an organised market in the meaning of the German Securities Trading Act (section 2 para. 5 WpHG), which is subject to private law |
| “New Drug Application” | the formal final step taken by a drug sponsor, which involves applying to the Food and Drug Administration to get approval required to market a new drug in the US |

DEFINITIONS

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| “New Funds” | has the meaning set out in paragraph (4) headed “Subscription Price of the Convertible Notes” under the “Subscription Agreements” in this circular |
| “Noteholder(s)” | any person who is the registered holder of any Convertible Notes then outstanding |
| “Person” | shall have the meaning given to it in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this circular |
| “PRC” | The People’s Republic of China |
| “Premature Ejaculation Bothersome Evaluation Questionnaire” | a simple test for doctors and patients to diagnose and manage premature ejaculation, which was developed by Plethora in accordance with FDA guidelines |
| “Previously Advanced Funds” | has the meaning set out in paragraph (4) headed “Subscription Price of the Convertible Notes” under the “Subscription Agreements” in this circular |
| “Prescription Drug User Fee Act” | an Act to amend the Federal Food, Drug, and Cosmetic Act to authorize human drug application, prescription drug establishment, and prescription drug product fees and for other purposes |
| “Relevant Cash Dividend” | the aggregate cash dividend or distribution declared by the Company, including any cash dividend in respect of which there is any Scrip Dividend |
| “Relevant Event(s)” | shall have the meaning given to it in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this circular |
| “Sanctions” | shall have the meaning given to it in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this circular |

DEFINITIONS

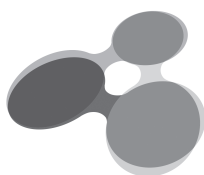
| | |
|---|--|
| “Scrip Dividend” | any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received (and for the avoidance of doubt, to the extent that an adjustment is made pursuant to the circumstance set out in sub-paragraph (3) (Distributions) (under “Conversion Price” in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this circular) in respect of the Relevant Cash Dividend, an adjustment may also be made for the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof under sub-paragraph (2)(ii) (Capitalisation of profits or reserves) (under “Conversion Price” in paragraph (9) headed “Principal terms of the Convertible Notes” under the “Subscription Agreements” in this circular) |
| “SFO” | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Share(s)” | the ordinary shares, with voting rights, of US\$0.01 each in the capital of the Company, which are listed on the HK Stock Exchange and are also traded on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange |
| “Specific Mandate” | the specific mandate to be sought by the Company at the Extraordinary General Meeting for allotment and issue of the Conversion Shares |
| “Subscriber(s)” | all the subscribers of the Convertible Notes pursuant to the Subscription Agreements |
| “Subscription” | the subscription for the Convertible Notes by the Subscribers pursuant to the Subscription Agreements |
| “Subscription Agreements” | The Connected Subscription Agreement and the Third Party Subscription Agreement |
| “Third Party Subscription Agreement” | the conditional agreement dated 29 May 2019 and entered into between the Company, as issuer, and Independent Third Parties (and MAC Financial Pension Trustees Ltd), as Subscribers, in respect of the Subscription |

DEFINITIONS

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| “ Trading Day(s) ” | a day when the HK Stock Exchange is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing |
| “ Volume Weighted Average Price ” | volume weighted average price calculated by reference to trading within the regular trading session of the HK Stock Exchange (including the closing auction session, if any), as published by Bloomberg at 5:00 pm (Hong Kong time) on the relevant Trading Day on the Bloomberg page “ VWAP ” (or any successor thereto) |
| “ UK ” | the United Kingdom of Great Britain and Northern Ireland |
| “ US ” | The United States of America, including its territories and possessions and all areas subject to its jurisdiction |
| “ US\$ ” | United States dollars, the lawful currency in the United States |

Note: Unless otherwise specified herein: (i) amounts denominated in A\$ have been translated, for the purpose of illustration only, into US\$ using the exchange rate of A\$1.00 = US\$0.7085; and (ii) amounts denominated in US\$ have been translated, for the purpose of illustration only, into HK\$ using the exchange rate of US\$1.00 = HK\$7.800.

LETTER FROM THE BOARD



REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0575)

Executive Director:

Jamie Gibson (*Chief Executive Officer*)

Registered office:

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

Non-Executive Directors:

James Mellon (*Chairman*)
David Comba[#]
Julie Oates[#]
Mark Searle[#]
Jayne Sutcliffe

Principal place of business in Hong Kong:

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

[#] *Independent Non-Executive Directors*

11 July 2019

To the shareholders of Regent Pacific Group Limited

Dear Sir or Madam

Connected transaction: Proposed issue of Convertible Notes

1 INTRODUCTION

The Company announced on 29 May 2019 that it entered into two conditional Subscription Agreements with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Notes in the principal amount of US\$17.50 million (approximately HK\$136.50 million).

The Connected Subscription Agreement and the issuance of Convertible Notes as it relates to James Mellon, Galloway and Jamie Gibson constitute connected transactions of the Company under Chapter 14A of the HK Listing Rules and are therefore subject to, among other things, approval of Independent Shareholders in a general meeting of the Company.

LETTER FROM THE BOARD

The Company proposes to seek from the Shareholders at the Extraordinary General Meeting an approval of the Subscription Agreements and a specific mandate for the issuance of Convertible Notes and, upon their conversion, the Conversion Shares to be issued thereunder.

Given their interests held in the Subscription Agreements and the issuance of Convertible Notes thereunder, James Mellon (and Galloway), Jamie Gibson, David Church, Anderson Whamond (and MAC Financial Pension Trustees Ltd) and Jayne Sutcliffe (being a member of the Declared Concert Party Group) (and their respective associates) will be required to abstain from voting in respect of the proposed resolutions to be presented at the Extraordinary General Meeting approving the Subscription Agreements and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholder has a material interest in the Subscription Agreements and no other Shareholder will be required to abstain from voting on such resolutions at the Extraordinary General Meeting.

The Independent Board Committee has been established by the Company, comprising the Company's three Independent Non-Executive Directors, namely David Comba, Julie Oates and Mark Searle, to, having taken account the recommendation of the Independent Financial Adviser, advise the Independent Shareholders on the Subscription Agreements and the issuance of Convertible Notes thereunder. Altus Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee on the Subscription Agreements and the issuance of Convertible Notes thereunder.

Further, in order to provide for the issue and allotment of the Conversion Shares and to provide the Company with greater flexibility to raise future equity capital, the Directors also propose an increase in the Company's authorised share capital, which is also subject to the approval by the Shareholders by way of an ordinary resolution at the Extraordinary General Meeting.

This circular provides Shareholders with all the information reasonably necessary to enable them to make an informed decision as to whether to vote in favour of the resolutions proposed at the Extraordinary General Meeting to approve the Subscription Agreements and the issuance of Convertible Notes and, upon their conversion, the Conversion Shares to be issued thereunder and the increase in the Company's authorised share capital, as set out in details in the EGM Notice. Letters from the Independent Board Committee and the Independent Financial Adviser setting out their advice and recommendations to the Independent Shareholders are included in this circular.

LETTER FROM THE BOARD

2 SUBSCRIPTION AGREEMENTS

(1) Date:

29 May 2019 (after trading hours)

(2) Parties:

- (i) The Company as issuer
- (ii) The Subscribers as subscribers

(3) The Subscribers

The Subscribers are:

- (i) Galloway (Note 1);
- (ii) James Mellon (Note 1);
- (iii) Jamie Gibson (Note 1);
- (iv) David Church (Note 1);
- (v) Abony Enterprises, LLC (Note 2);
- (vi) MAC Financial Pension Trustees Ltd (Note 3); and
- (vii) Independent Third Party Subscribers (Note 4).

Notes:

- (1) Galloway, Jamie Gibson and David Church are Subscribers pursuant to the Connected Subscription Agreement, which is a separate Subscription Agreement to the Third Party Subscription Agreement. However, David Church is a connected person of the Group only by means of directorships held with “insignificant subsidiaries” and is consequently not a connected person for the purposes of Rules 14A.09(1) to (3) of the HK Listing Rules.
- (2) Abony Enterprises, LLC is an Independent Third Party who has subscribed pursuant to the Third Party Subscription Agreement, further details of which are set out below.

LETTER FROM THE BOARD

- (3) MAC Financial Pension Trustees Ltd is the trustee of a pension fund, of which Anderson Whamond (a member of the Declared Concert Party Group) is the sole beneficiary, who has subscribed pursuant to the Third Party Subscription Agreement.
- (4) The other Subscribers to the Third Party Subscription Agreement are all Independent Third Parties.

Both James Mellon and Jamie Gibson are Directors and, in the case of James Mellon, a substantial Shareholder of the Company and, as such, the execution of the Connected Subscription Agreement with and the issuance of the Convertible Notes to these individuals (including Galloway, an associate of James Mellon) constitutes a connected transaction of the Company pursuant to Chapter 14A of the HK Listing Rules. David Church is a consultant to the Group and is a connected person only by means of directorships held with “insignificant subsidiaries” and is consequently not a connected person for the purposes of Rules 14A.09(1) to (3) of the HK Listing Rules.

Abony Enterprises, LLC is a Delaware LLC, beneficially owned by a family trust of Lorne Abony structured as a partnership, of which Lorne Abony is the general partner. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, James Mellon and Lorne Abony are directors of FastForward Innovations Limited (“**FastForward**”), whose shares are listed on the Alternative Investment Market (“**AIM**”), a market operated by the London Stock Exchange plc. Mr Mellon is the non-executive chairman, while Mr Abony is the chief executive officer of FastForward, with each of them holding (directly or indirectly) approximately 10.08% and 9.80% of FastForward’s issued and outstanding shares, respectively. Mr Mellon and Mr Abony have a shareholding interest in three other companies whose shares are not publicly listed on any exchange and in which they have no directorships or management roles.

Save as disclosed above, Abony Enterprises, LLC is an Independent Third Party.

MAC Financial Pension Trustees Ltd is the trustee of a pension fund, of which Anderson Whamond (a member of the Declared Concert Party Group) is the sole beneficiary, who has subscribed for Convertible Notes pursuant to the Third Party Subscription Agreement. Anderson Whamond is not a connected person of the Group.

There are seven (7) other Subscribers, all of whom are Independent Third Parties, with six (6) of them being institutional (or corporate) investors (two (2) of which have the same ultimate beneficial owner), having confirmed their sophisticated, professional or accredited investor status, as appropriate. The remaining Independent Third Party Subscriber is a high net worth individual.

The names of the Independent Third Party Subscribers, together with their ultimate beneficial owners, are as follows:

1. Subscriber name: Caravel DS Fund Ltd. Beneficial owner (100%): Ron Schmeichel
2. Subscriber name: 2464344 Ontario Inc. Beneficial owner (100%): James Eaton

LETTER FROM THE BOARD

3. Subscriber name: Edsel Holdings, LLC. Beneficial owner (100%): Jim Edsel
4. Subscriber name: Antonio Costanzo. Private person (high net worth individual)
5. Subscriber name: LOSC Holdings, LLC. Beneficial owner (100%): Leon Ojalvo
6. Subscriber name: Rhinshore Holding GmbH. Beneficial owner (100%): Erik Hamrén-Larsson
7. Subscriber name: Nismo Ventures, LLC. Beneficial owner (100%): Leon Ojalvo

The Company came to identify these Independent Third Party Subscribers through its various business connections and prior fund raising efforts, during which process it became apparent that such Subscribers were investors potentially interested in the existing and contemplated business direction of the Company as stated herein and as publicly stated previously. The Company will issue the Convertible Notes to these Independent Third Party Subscribers as they are sophisticated, accredited or high net worth investors, as the case may be, familiar with and supportive of the Company's business strategy, with many of them having invested in and supported similar businesses previously. The Company is very appreciative of their support at a time when it has had difficulty raising funds elsewhere.

The Company can confirm that, save as already disclosed above in respect of Abony Enterprises, LLC and MAC Financial Pension Trustees Ltd, there is no relationship between: (a) the Independent Third Party Subscribers, their ultimate beneficial owners and their connected persons; and (b) the Company and its connected persons.

The Company can further confirm that, save as already disclosed above in respect of MAC Financial Pension Trustees Ltd, there is no arrangement, agreement, negotiation, understanding or undertaking between: (a) the Independent Third Party Subscribers, their ultimate beneficial owners and their connected persons; and (b) the Company and its connected persons, in respect of the Subscription other than the Subscription Agreements.

To the best of the Directors' knowledge, having made reasonable enquiry, none of the Independent Third Party Subscribers (ignoring, for these purposes, MAC Financial Pension Trustees Ltd, who is the trustee of a pension fund, of which Anderson Whamond (a member of the Declared Concert Party Group) is the sole beneficiary) has any intention of entering into any kind of formal or informal arrangement between themselves or with the existing Shareholders (including the Declared Concert Party Group) to actively cooperate to obtain or consolidate control of the Company (i.e. the definition of "acting in concert" under the HK Takeovers Code).

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(4) Subscription price of the Convertible Notes

The aggregate subscription price for the Notes pursuant to the Third Party Subscription Agreement will comprise US\$10.80 million (or approximately HK\$84.24 million), which will be transferred into a designated bank account of the Company (together with the new funds to be subscribed for by Jamie Gibson and David Church under the Connected Subscription Agreement, the “**New Funds**”).

The aggregate subscription price for the Notes pursuant to the Connected Subscription Agreement will comprise: (i) US\$3 million (or approximately HK\$23.40 million), in respect of which Galloway (an associate of James Mellon) has advanced or has agreed to and will advance (prior to Closing) the same to the Company pursuant to a loan agreement dated 28 May 2019 (the “**Galloway Loan**”); (ii) US\$1.65 million (or approximately HK\$12.87 million), in respect of which James Mellon has already advanced the same to the Company pursuant to loan agreements during the period from 20 December 2018 to 29 April 2019 and deferred salary for the period from February to May 2019 (together with the Galloway Loan, the “**Mellon Loans**”); (iii) US\$0.85 million (or approximately HK\$6.63 million), in respect of which Jamie Gibson has already advanced or has agreed to and will advance (prior to Closing) the same to the Company pursuant to loan agreements during the period from 20 December 2018 to 28 May 2019 and deferred salary for the period from February to May 2019 (together, the “**Gibson Loans**”) (hereinafter the Mellon Loans and the Gibson Loans shall be collectively referred to as the “**Previously Advanced Funds**”); and (iv) US\$1.20 million (or approximately HK\$9.36 million), which will be transferred into a designated bank account of the Company to be apportioned between Jamie Gibson and David Church in the manner set out under paragraph (8) headed “Closing” below.

Following the recategorization of the Previously Advanced Funds as subscriptions for the Notes under the Connected Subscription Agreement and the subscription of all New Funds under both Subscription Agreements to complete the subscription for the Notes, each Subscriber shall be issued with Notes for which it has successfully subscribed for. Subject to the Company’s right of rejection or, as the case may require, obligation to reject a conversion request, the Notes will be convertible, following the submission to the Company of an irrevocable notice of conversion (the “**Conversion Date**”) by and at the option of the holder thereof into fully paid Shares at a conversion price which is equal to HK\$0.2125, representing:

- (a) a 15% discount to closing price of HK\$0.25 of the Shares as quoted on the HK Stock Exchange on the date immediately preceding the date of the Subscription Agreement; and
- (b) a 15.5% discount to the Volume Weighted Average Price of approximately HK\$0.2514 per Share as quoted on the HK Stock Exchange over the five consecutive Trading Days ending on and including the date immediately preceding the date of the Subscription Agreement.

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(5) Subscription of the Convertible Notes

Subject to the terms and conditions of the Subscription Agreements, the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Notes with a total principal amount of up to US\$17.50 million (or approximately HK\$136.50 million), bearing a 4% coupon per annum due 2022.

The Subscribers shall not be entitled to exercise any conversion right if the Shares of the Company held by the public, after the Conversion Shares are issued on the intended conversion of Convertible Notes, would be less than the minimum public shareholding requirement under the HK Listing Rules.

In addition, notwithstanding any other provision of the Subscription Agreements, a Subscriber shall not be entitled to exercise any conversion right if the Conversion Shares to be issued pursuant to a Conversion Notice results in the Subscriber (and/or persons with whom that Subscriber might then be acting in concert, presumed or otherwise, under HK Takeover Code) having to make a mandatory general offer (“MGO”) for the Shares pursuant to the HK Takeover Code. In such circumstances, the Company must exclude or ignore all or part of the Notes, the subject of the Conversion Notice, so that no such MGO will result with that portion of the Conversion Notice being so excluded or ignored being deemed null and void. Such Notes that are so excluded or ignored will remain outstanding, to be made the subject of notices to redeem or convert at such date or dates thereafter in accordance with their terms and conditions and at all times ensuring that no MGO will result from any such action.

Each of the Subscribers pursuant to both Subscription Agreements has also undertaken with the Company that it will not dispose of or agree to dispose of any of the Conversion Shares that may be issued to it upon conversion of any Notes or any interest (as defined in Part XV of the SFO) therein for a period of 6 months (the “Lock-up Period”) from the Closing Date without the prior written consent of the Board and, if given, provided that any such disposal shall only be carried out through the Company’s preferred broker or brokers and in such a manner so as to preserve what the Board considers to be an orderly market of the Company’s securities.

(6) Conditions precedent

The obligations of the Subscribers to subscribe and pay for the Convertible Notes on the Closing Date are conditional on:

- (a) the Subscribers being satisfied with the results of their due diligence investigations with respect to the Company;
- (b) at the CP Satisfaction Date:
 - (i) the representations and warranties given by the Company in the Subscription Agreements being true, accurate and correct at, and as if made on such date;

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- (ii) the Company having performed all of its obligations under the Subscription Agreements to be performed on or before such date; and
 - (iii) there having been delivered to each Subscriber a certificate confirming no material adverse change in the specified form, dated as of such date, of a duly authorised officer of the Company to such effect;
- (c) after the date of the Subscription Agreements up to and at the CP Satisfaction Date, there shall not have occurred any change (nor any development or event involving a prospective change) in the condition (financial or other), prospects, results of operations or general affairs of the Company, which, in the opinion of the Subscribers (acting together), is material and adverse in the context of the issue and offering of the Convertible Notes;
- (d) on or prior to the CP Satisfaction Date, there shall have been delivered to the Subscribers copies of all consents and approvals required in relation to the issue of the Convertible Notes and the performance of the Company's obligations under the Subscription Agreements (including, to the extent required and applicable, the consents and approvals required from the HK Stock Exchange and the Shareholders in respect of both the Specific Mandate to be obtained for the issuance of all Conversion Shares contemplated under the Convertible Notes, together with Independent Shareholders' approval of the connected transaction under Chapter 14A of the HK Listing Rules in respect of the issuance of Notes to Galloway, James Mellon and Jamie Gibson pursuant to the Connected Subscription Agreement). For the avoidance of any doubt, if either: (i) the Specific Mandate to issue the Conversion Shares under both Subscription Agreements; or (ii) Independent Shareholders' approval of the connected transaction under Chapter 14A of the HK Listing Rules in respect of the issuance of Notes to Galloway, James Mellon and Jamie Gibson, has not been obtained, this condition will not have been satisfied and none of the Convertible Notes can or will be issued to any of the Subscribers under either Subscription Agreement;
- (e) on the CP Satisfaction Date, a certificate of no default in the specified form, dated as of such date, of a duly authorised officer of the Company having been delivered to the Subscribers;
- (f) the HK Stock Exchange having granted approval of listing of, and permission to deal in, all the Conversion Shares which may fall to be allotted and issued upon exercise of the rights attaching to all Convertible Notes (or the Subscribers being reasonably satisfied that such approval will be granted);
- (g) there having been delivered to the Subscribers such other resolutions, consents, authorities and documents relating to the issue of the Convertible Notes, as the Subscribers may reasonably require; and
- (h) the completion of the other Subscription Agreement (subject only to "Closing" (as defined therein)) in accordance with its terms.

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The obligations of the Company to issue the Convertible Notes on the Closing Date are conditional on the representations and warranties given by the Subscribers in the Subscription Agreements being true, accurate and correct at, and as if made on such date and the Subscribers having performed all of his/her/its obligations under the Subscription Agreements to be performed on or before such date.

Save in respect of condition (d) above, the Subscribers may (acting together with the other Subscribers to such Subscription Agreement), at their discretion and upon such terms as they think fit, waive all or any of the conditions precedent as set out in the Subscription Agreement to which they are a party. The Company may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of its conditions stated above.

(7) Termination

The Subscribers may (acting together with the other Subscribers to such Subscription Agreement), by notice to the Company given at any time prior to payment of the New Funds for the Convertible Notes (as described in paragraph (8) headed “Closing” immediately below) to the Company, terminate the Subscription Agreement to which they are a party in any of the following circumstances:

- (a) if there shall have come to the notice of the Subscribers any material breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties and representations contained in the Subscription Agreement to which they are a party or any material failure to perform any of the Company’s undertakings or agreements in the Subscription Agreement to which they are a party;
- (b) if there shall have occurred any change (or any development or event involving a prospective change) in the condition (financial or other), prospects, results of operations or general affairs of the Company, which is material and adverse in the context of the issue and offering of the Convertible Notes;
- (c) if any of the conditions precedent has not been satisfied or waived by the Subscribers (acting together with the other Subscribers to such Subscription Agreement) on or prior to 31 August 2019;
- (d) if, in the opinion of the Subscribers (acting together with the other Subscribers to such Subscription Agreement), there shall have been, since the date of the Subscription Agreement to which they are a party, any change, or any development involving a prospective change, in local, national or international monetary, financial, political or economic conditions (including any disruption to or restriction on trading generally,

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or trading in any securities of the Company on the HK Stock Exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in its view, be likely to prejudice materially:

- (i) the success of the offering and distribution of the Convertible Notes or dealings in the Convertible Notes in the secondary market; or
 - (ii) the conversion of the Convertible Notes or the issuance of Conversion Shares or dealings in the Shares; and
- (e) if, in the opinion of the Subscribers (acting together with the other Subscribers to such Subscription Agreement), there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in its view, be likely to prejudice materially:
- (i) the success of the offering and distribution of the Notes or dealings in the Notes in the secondary market; or
 - (ii) the conversion of the Notes or the issuance of Conversion.

The above termination rights of the Subscribers were negotiated on an arm's length basis and are typical termination rights of subscribers in subscription agreements of this nature, as they seek to provide the Subscribers with termination rights in circumstances where the Company has: (i) materially breached any of its representations or warranties in the Subscription Agreements; (ii) materially failed to satisfy its undertakings and agreements in the Subscription Agreements; (iii) failed to satisfy the conditions precedent in the Subscription Agreements; or (iv) suffered either internally or externally motivated events that have rendered the Company as something different to what it was at the time the Subscription Agreements were entered into. Conceding these termination rights to the Subscribers is fair and reasonable and therefore in the interests of the Company and the Shareholders.

The Company may, by notice to the relevant Subscriber, given at any time, terminate that subscription (but, for the avoidance of doubt, not the entire Subscription Agreement) in the event that the Company is informed or otherwise becomes aware that: (i) any of its conditions (stated above) has not been satisfied or waived by the Company on or prior to 31 August 2019; or (ii) any proposed or actual subscription is or should have been prevented or precluded for any reason due to the securities or other applicable laws of the jurisdiction in which the relevant Subscriber is resident or is otherwise bound or subject to.

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(8) Closing

Subject to the satisfaction or waiver (as the case may be) of the conditions precedent set out in the Subscription Agreements described above, the Company shall issue to the Subscribers, and the Subscribers shall subscribe and pay for, the Notes on the Business Day that is no later than five Business Days after the CP Satisfaction Date.

Payment: By 4:00 pm (Hong Kong time) on the Closing Date, the Subscribers will send or cause to be sent to the Company: (i) in the case of Galloway, James Mellon and Jamie Gibson under the Connected Subscription Agreement, an acknowledgement and agreement acknowledging and agreeing that the Previously Advanced Funds are now to be recategorized as subscriptions for the Notes and, in so doing, will extinguish the Previously Advanced Funds and any claim that Galloway, James Mellon or Jamie Gibson or any entity controlled by them may have or may have had against the Company in respect of the same; and (ii) in the case of all Subscribers under both Subscription Agreements (other than Galloway and James Mellon), the payment instruction of the New Funds as subscription moneys for the Notes, in each case in the amounts set out in the table immediately below:

| Subscriber | Previously Advanced Funds (US\$) | New Funds (US\$) | TOTAL SUBSCRIPTION (US\$) |
|------------------------------------|--|---------------------|---------------------------------|
| James Mellon | 1,650,000 | Not applicable | 1,650,000 |
| Galloway | 3,000,000 | Not applicable | 3,000,000 |
| Jamie Gibson | 850,000 | 1,000,000 | 1,850,000 |
| David Church | Not applicable | 200,000 | 200,000 |
| Abony Enterprises, LLC | Not applicable | 1,500,000 | 1,500,000 |
| MAC Financial Pension Trustees Ltd | Not applicable | 200,000 | 200,000 |
| Other Third Parties | Not applicable | 9,100,000 | 9,100,000 |

* At Closing, the Previously Advanced Funds will be recategorized as subscriptions for the Notes in the amounts set out in this column and, in so doing, will extinguish the Mellon Loans and the Gibson Loans and any claim that James Mellon (including Galloway) or Jamie Gibson or any entity controlled by them may have or may have had against the Company in respect of the same.

Such payment of New Funds shall be made in US dollars in immediately available funds for value on the Closing Date to the account designated by the Company.

Issue of the Notes: By 6:00 pm (Hong Kong time) on the Closing Date, the Company will issue the Notes and procure the entry in the register of Noteholders of the name of the Subscribers to be the holders of such Notes. The Company will be responsible for keeping the register of Noteholders.

It is expected that the CP Satisfaction Date shall be before the end of July 2019. The Closing Date will be at the same time in respect of both Subscription Agreements.

Closing is subject to the fulfilment of the conditions precedent of the Subscription Agreements and the Subscription Agreements and the transactions contemplated

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thereunder may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

(9) Principal terms of the Convertible Notes

| | |
|------------------|---|
| Issuer | : The Company. |
| Principal amount | : US\$17,500,000, in one tranche (which includes the Convertible Notes to be issued against relinquishment of the Previously Advanced Funds). |
| Denomination | : The Convertible Notes are in registered form in the denomination of US\$50,000 each. |
| Issue price | : 100% of the principal amount of the Convertible Notes. |
| Maturity date | : The date falling on the third anniversary of the Closing Date. |
| Interest | : The Convertible Notes shall bear interest at the rate of 4% per annum. |
| Status | : The Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by mandatory provisions of applicable laws or regulations, at all times rank at least equally with all of its other present and future unsubordinated and unsecured obligations. |
| Redemption | : (i) Redemption on Maturity Date: the Company will redeem each Convertible Note at 100% of its principal amount, together with any accrued interest thereon on the Maturity Date, unless previously redeemed, converted or purchased and cancelled as provided by the terms and conditions of the Convertible Notes. |

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- (ii) Early redemption at the option of the Company: on giving not less than seven Business Days' notice to the Noteholders, the Convertible Notes may be redeemed by the Company in whole or in part (if in part, in authorised holdings only), at 100% of their principal amount, together with interest accrued to the date fixed for redemption.
- (iii) Redemption for Relevant Event: following the occurrence of any of the following events (the “**Relevant Event(s)**”), each Noteholder will have the option to require the Company to redeem all or in part (if in part, in authorised holdings only) of its Convertible Notes at 100% of their principal amount, together with interest accrued to the date fixed for redemption, on giving not less than seven Business Days' notice to the Company:
 - (a) the trading of the Shares is suspended, or has been suspended on the HK Stock Exchange for at least 10 consecutive Trading Days at any time, during the previous 60 days, unless such suspension is related to a positive event for the Company, as determined by the Calculation Agent^[1];
 - (b) the Shares cease to be listed on the HK Stock Exchange;
 - (c) there has been a Change of Control of the Company; or
 - (d) the Company fails to deliver any of the Shares converted in accordance with the terms and conditions of the Convertible Notes.

Conversion : Subject to and upon compliance with the terms and conditions of the Convertible Notes and the Subscription Agreements made between the Subscribers and the Company, each Convertible Note entitles the Noteholder to convert the Convertible Note into Conversion Shares at any time during the Conversion Period at the Conversion Price.

¹ Such positive events that may have a positive effect on the financial or prospects of the Company may include positive profit alert or announcement of a new project to be determined on a case by case basis.

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The Conversion Price will be HK\$0.2125, representing:

- (i) a 15% discount to closing price of HK\$0.25 of the Shares as quoted on the HK Stock Exchange on the date immediately preceding the date of the Subscription Agreement; and
- (ii) a 15.5% discount to the Volume Weighted Average Price of approximately HK\$0.2514 per Share as quoted on the HK Stock Exchange over the five consecutive Trading Days ending on and including the date immediately preceding the date of the Subscription Agreement.

Notwithstanding the above, if:

- (i) the Convertible Notes have become due and payable prior to the Maturity Date by reason of the occurrence of any Event of Default; or
- (ii) any Convertible Note is not redeemed on the Maturity Date in accordance with the terms and conditions of the Convertible Notes,

the conversion rights attached to the Convertible Notes will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the certificate(s) evidencing the Convertible Notes are deposited for conversion) on the date upon which the full amount of the moneys payable in respect of the Convertible Notes have been duly received by the Noteholders, in each case and at all times subject to the conditions set out in the Subscription Agreements made between the Subscribers and the Company.

A Subscriber may not request a conversion if:

- (i) the number of Conversion Shares to be issued pursuant to a Conversion Notice results in a Subscriber (and/or persons with whom that Subscriber might then be acting in concert, presumed or otherwise, under HK Takeovers Code) having to make a MGO for the Shares pursuant to the HK Takeovers Code; or

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- (ii) the Shares of the Company held by the public, after Conversion Shares are issued on the intended conversion of Convertible Notes, would be less than the minimum public shareholding requirement under the HK Listing Rules.

Conversion Price : The Conversion Price is HK\$0.2125 per Share, representing:

- (i) a 15% discount to closing price of HK\$0.25 of the Shares as quoted on the HK Stock Exchange on the date immediately preceding the date of the Subscription Agreement; and
- (ii) a 15.5% discount to the Volume Weighted Average Price per Share of approximately HK\$0.2514 per Shares as quoted on the HK Stock Exchange over the five consecutive Trading Days ending on and including the date immediately preceding the date of the Subscription Agreement.

The Conversion Price will be subject to adjustment as follows:

- (1) *Consolidation, subdivision or reclassification:*

If and whenever there shall be a consolidation, subdivision or reclassification of the Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A = the number of Shares in issue immediately before such alteration; and

B = the number of Shares in issue immediately after such alteration.

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Such adjustment shall become effective on the date the alteration takes effect.

(2) *Capitalisation of profits or reserves:*

- (i) If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves including, Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend) and which would not have constituted a distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the day on which the Shares are traded ex-entitlement on the HK Stock Exchange.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price on the date of announcement of the terms of such issue of Shares multiplied by the number of Shares issued exceeds the amount of the Relevant Cash Dividend or the relevant part thereof, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

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A = the number of Shares in issue immediately before such issue;

B = the number of Shares which the Relevant Cash Dividend would purchase at such Current Market Price; and

C = the number of Shares to be issued pursuant to such Scrip Dividend;

or by making such other adjustment as the Calculation Agent shall certify to the Noteholders is fair and reasonable.

Such adjustment shall become effective on the day on which the Shares are traded ex-entitlement on the HK Stock Exchange.

(3) *Distributions:*

If and whenever the Company shall pay or make any Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under (2) (Capitalisation of profits or reserves) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A-B}{A}$$

Where:

A = the Current Market Price of one Share on the Trading Day immediately prior to the first Trading Day on which such Share is traded ex-dividend or ex-distribution; and

B = the Fair Market Value on such Trading Day of the portion of the Distribution attributable to one Share.

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Such adjustment shall become effective on the day on which the Shares are traded ex-entitlement on the HK Stock Exchange or if later, the first date upon which the Fair Market Value of the distribution is capable of being determined.

In making any calculation pursuant to this condition (*Distributions*), such adjustments (if any) shall be made as the Calculation Agent may consider appropriate to reflect: (a) any consolidation or subdivision of the Shares; (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event; (c) the modification of any rights to dividends of Shares; or (d) any change in the fiscal year of the Company.

(4) *Rights issues of Shares or options over Shares:*

If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than 95% of the Current Market Price per Share on the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A = the number of Shares in issue immediately before such announcement;

B = the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

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C = the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

(5) *Rights issues of other securities:*

If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A-B}{A}$$

Where:

A = the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and

B = the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

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(6) *Issues at less than Current Market Price:*

If and whenever the Company shall issue (otherwise than as mentioned in (4) (*Rights issues of Shares or options over Shares*) above) any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in (4) (*Rights issues of Shares or options over Shares*) above) options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares in each case at a price per Share which is less than 95% of the Current Market Price on the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{C}$$

Where:

A = the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

B = the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and

C = the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue or grant of such options, warrants or other rights.

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Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights or if a record date is set, the day on which the Shares are traded ex-entitlement on the HK Stock Exchange.

(7) *Other issues at less than Current Market Price:*

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this condition, if and whenever the Company or any of its subsidiaries (otherwise than as mentioned in (4) (*Rights issues of Shares or options over Shares*), (5) (*Rights issues of other securities*) or (6) (*Issues at less than Current Market Price*) above), or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity shall issue any securities (other than the Notes) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95% of the Current Market Price on the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A = the number of Shares in issue immediately before such issue;

B = the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

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C = the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities or if a record date is set, the day on which the Shares are traded ex-entitlement on the HK Stock Exchange.

(8) *Modification of rights of conversion etc.:*

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in (7) (*Other issues at less than Current Market Price*) above (*other than in accordance with the terms of such securities*) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) has been reduced and is less than 95% of the Current Market Price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A = the number of Shares in issue immediately before such modification;

B = the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

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C = the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as the Calculation Agent consider appropriate (if at all) for any previous adjustment under this condition (*Modification of Rights of Conversion etc.*) or (7) (*Other issues at less than Current Market Price*) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities or if a record date is set, the day on which the Shares are traded ex-entitlement on the HK Stock Exchange.

(9) *Other offers to Shareholders:*

If and whenever the Company or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under (2) (*Capitalisation of profits or reserves*), (3) (*Distributions*), (4) (*Rights issues of Shares or options over Shares*), (5) (*Rights issues of other securities*), (6) (*Issues at less than Current Market Price*) or (7) (*Other Issues at less than Current Market Price*) above (or, where applicable, would fall to be so adjusted if the relevant issue or grant was at less than 95% of the Current Market Price per Share on the relevant Trading Day)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A-B}{A}$$

Where:

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A = the Current Market Price of one Share on the date on which such issue is publicly announced; and

B = the Fair Market Value on the date of such announcement (less any consideration payable for the same by the Shareholders) of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities or if a record date is set, the day on which the Shares are traded ex-entitlement on the HK Stock Exchange.

The Company undertakes and agrees not to do any corporate actions other than those listed in (1) (*Consolidation, subdivision or reclassification*) to (9) (*Other offers to Shareholders*) above.

If a Conversion Date falls on the date on which an adjustment becomes effective, but the relevant adjustment has not been reflected in the then Conversion Price, the Conversion Price in respect of the Conversion Date shall be adjusted by using the same formulae and methods as set out in (4) (*Consolidation, subdivision or reclassification*) to (9) (*Other offers to Shareholders*) above. References to Conversion Price in adjustment related provisions in these Conditions shall be deemed to include such Conversion Price as appropriate. In such case, for the avoidance of doubt, the Conversion Price in respect of such conversion and Conversion Date shall be the resultant Conversion Price after adjustment.

The Company shall, in consultation with the Calculation Agent, adjust the Maximum Number of Shares accordingly in a similar manner as it adjusts the Conversion Price, with a view to maintaining the economics of the Notes.

Events of Default
 (“**Event(s) of Default**”)

: If, among others, any of the following events occurs and is continuing, the Noteholders at their discretion may give notice to the Company that the Convertible Notes are, and they shall accordingly thereby become, immediately due and payable at their principal amount:

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- (1) Non-payment: the Company fails to pay the principal of any of the Convertible Notes when due and such failure continues for a period of 10 Business Days; or
- (2) Failure to deliver Shares: any failure by the Company to deliver any Shares as and when the Shares are required to be delivered following conversion of Convertible Notes where such failure is not remedied within five Business Days of the delivery of the relevant Conversion Notice; or
- (3) Breach of other obligations: the Company does not perform or comply with any one or more of its other obligations in the Convertible Notes which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Company by the Noteholders; or
- (4) Cross-default:
 - (a) any financial indebtedness (“**Financial Indebtedness**”, as defined in the terms and conditions of the Convertible Notes) of the Company is declared to be or otherwise becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or
 - (b) any Financial Indebtedness of the Company is not paid when due or, as the case may be, within any applicable grace period; or
 - (c) any commitment for any Financial Indebtedness of the Company is cancelled or suspended by a creditor of the Company as a result of an event of default (howsoever described); or
 - (d) any creditor of the Company becomes entitled to declare any Financial Indebtedness of the Company due and payable prior to its specified maturity as a result of an event of default (howsoever described), provided that the aggregate amount of the Financial Indebtedness or commitment for Financial Indebtedness in respect of which one or more of the events mentioned above have occurred equals or exceeds HK\$50,000,000 or its equivalent; or

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- (5) Enforcement proceedings: a distress, expropriation, attachment, sequestration, execution or other legal process is levied, enforced or sued out on or against or otherwise affects any substantial part of the property, assets or revenues of the Company and is not discharged or stayed within 30 days; or
- (6) Security enforced: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company in respect of any substantial part of the property, assets or revenues of the Company becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
- (7) Winding-up: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company, or the Company ceases to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Noteholders; or
- (8) Insolvency: the Company is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a substantial part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Company; an administrator or liquidator of the Company or the whole or, in the opinion of the Noteholders, any substantial part of the assets and turnover of the Company is appointed; or
- (9) Authorisation and consents: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order:

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- (a) to enable the Company lawfully to exercise its rights and perform and comply with its obligations under the Convertible Notes;
 - (b) to ensure that those obligations are legally binding and enforceable; and
 - (c) to make the Convertible Notes admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (10) Illegality: it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Convertible Notes, or any obligation or obligations of the Company under the Convertible Notes are not or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Noteholders; or
- (11) Anti-money laundering:
- (a) the operations of the Company and its subsidiaries are not conducted at any time in compliance with applicable financial recordkeeping and reporting and other requirements of the anti-money laundering statutes of any jurisdiction, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the “**Money Laundering Laws**”): or
 - (b) any action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any its subsidiaries with respect to the Money Laundering Laws occurs or is pending or threatened; or

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(12) Sanctions:

- (a) any of the Company, its subsidiaries or affiliates, its directors, officers or employees, or its agents or representatives is or becomes an individual or entity (a “**Person**”) that is, or is or becomes owned or controlled by a Person that is, subject to any sanctions administered or enforced by the United States Government, including, without limitation, by the Office of Foreign Assets Control of the U.S. Department of the Treasury or any sanctions or measures imposed by the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority (collectively, the “**Sanctions**”); or
- (b) the Company or any of its subsidiaries is or becomes located, resident, organised or operating in a country or territory that is the subject of such Sanctions; or
- (c) the Company directly or indirectly uses the proceeds of any Convertible Notes, or lends, contributes or otherwise makes available all or part of such proceeds to, any subsidiary, affiliate, joint venture partner or other Person, for the purpose of financing or facilitating the activities of or business with any Person that, at the time of such funding or facilitation, is subject to any Sanctions or operating in any country or territory that is the subject of Sanctions where such operations are in violation of such Sanctions or in any other manner that would result in a violation by any Person of such Sanctions; or

- (13) Environmental and social risk: the Company engages in any activity in the mining, agriculture, tobacco, gambling, nuclear, adult entertainment or military sectors, or is not in compliance with any laws, rules, principles and standard required of it (including environmental, gaming, securities and human rights related laws, rules, principles and standards) to conduct its businesses or has received any notice of any actual or potential liability under any such laws, rules, principles or standards^[2]; or

² The Company has no intention or any current plan to engage in the mining, agriculture, tobacco, gambling, nuclear, adult entertainment or military sectors. As such, the Company considers that such restriction will not affect its business development.

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- (14) Analogous events: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs (5) to (9).

(10) Conversion Price

The Shares closed at HK\$0.250 on the date of the Subscription Agreements.

The Conversion Price is equal to HK\$0.2125 per Share, representing:

- (a) a 15% discount to closing price of HK\$0.25 of the Shares as quoted on the HK Stock Exchange on the date immediately preceding the date of the Subscription Agreement; and
- (b) a 15.5% discount to the Volume Weighted Average Price of approximately HK\$0.2514 per Share as quoted on the HK Stock Exchange over the five consecutive Trading Days ending on and including the date immediately preceding the date of the Subscription Agreement.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers, after taking into account the matters set out under the section headed "Reasons for the Subscription Agreements" below. In particular, the Conversion Price is set at a discount to prevailing market prices, at 15% of the closing price of the Shares as quoted on the HK Stock Exchange on the Trading Day immediately preceding the date of the Subscription Agreement. As such, the Directors (including the Independent Directors) are of the view that such discount and incentive are fair and reasonable. The Directors (including the Independent Directors) consider that the Conversion Price and the terms and conditions of the Subscription Agreements and the Convertible Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In the event that the Conversion Price requires event-driven adjustment under the terms and conditions of the Notes, the Company shall, in consultation with the Calculation Agent, adjust the Conversion Price in the manner aforesaid and it will make commensurate adjustments to the Maximum Number of Shares accordingly, with a view to maintaining the economics of the Convertible Notes.

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The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares. Save in respect of the Lock-up Period, there are no restrictions which would apply to the subsequent sale of the Conversion Shares.

(11) Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the Extraordinary General Meeting.

(12) Application for listing

Application will be made by the Company to the HK Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for listing of, or permission to deal in, the Convertible Notes on the HK Stock Exchange or any other stock exchange.

3 REASONS FOR THE SUBSCRIPTION AGREEMENTS

The Company 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. Its wholly-owned subsidiary, Plethora Solutions Holdings plc, is a specialty pharmaceutical company whose core product Fortacin™ is the first EU approved topical prescription treatment for Premature Ejaculation that does not act on the central nervous system.

The Directors consider that the Subscription Agreements, by virtue of it recategorizing prior contributions and by raising new funds, through issuing Convertible Notes can provide an opportunity to the Company to enhance its working capital and strengthen its capital base and financial position for the future development of the Group as elaborated below.

The Directors have duly considered the terms of the subscription and the Convertible Notes. It is noted that:

- (i) the size of the Convertible Notes is US\$17.50 million (or approximately HK\$136.50 million), of which US\$12 million (or approximately HK\$93.60 million) is new funds which will provide a good level of potential capital raising for the Company;
- (ii) the 4% coupon on the Convertible Notes is substantially lower than the Hong Kong benchmark lending rate; and
- (iii) the Convertible Notes are redeemable during the tenor of the Convertible Notes which provides more flexibility to the Company as explained further below.

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The Company estimates that the annual operating cash expenses of the Group for the financial year ended 31 December 2019 will be approximately US\$8.77 million (or approximately HK\$68.41 million). As shown in the Company's audited final results announcement for the year ended 31 December 2018, the Group had cash and bank balances and listed securities of approximately US\$6.52 million (or approximately HK\$50.86 million) and liabilities of US\$4.49 million (or approximately HK\$35.02 million), excluding non-cash deferred tax liabilities. It is also noted that, from the announcement issued on 18 March 2019, that the Group had agreed a settlement of its Australian taxation litigation of A\$9.5 million (or approximately US\$6.73 million or HK\$52.49 million), which will become due and payable (as extended, as announced on 27 May 2019) by 1 August 2019.

In view of the Company's net tangible liabilities of US\$10.5 million as at 31 December 2018, its loss-making position of US\$31 million for the financial year ended 31 December 2018 and its limited cash resources, the Group has an imminent need to arrange a sizeable fund-raising exercise in order to strengthen the financial position of the Group. It is the Company's intention to utilise the net proceeds of the New Funds under the Subscription of approximately US\$11.90 million (or approximately HK\$92.82 million), together with existing resources available to the Company, towards: (a) facilitating funding of the settlement of Australian taxation litigation in the amount of A\$9.5 million (or approximately US\$6.73 million or HK\$52.49 million) on or before 1 August 2019; (b) completing the ongoing clinical study of Fortacin™ in the United States for the purposes of submitting an application for obtaining a New Drug Approval with the Food and Drug Administration of the United States, which is estimated to cost approximately US\$3.5 million (or approximately HK\$27.3 million) over the course of the next 12 months; and in respect of utilising the balance of approximately US\$1.67 million (or approximately HK\$13.03 million); (c) for (i) pursuing already identified and significantly diligenced acquisition and investment opportunities, including Yooya (the possible acquisition of which was announced on 29 May 2019); (ii) meeting its general corporate purposes; and (iii) working capital, in each case for the remainder of 2019. In respect of the items listed under (c) above, these items (which include anticipated acquisition and investment costs) are expected to amount to approximately US\$7.4 million (or approximately HK\$57.72 million) over the remainder of 2019 and will be funded through the net proceeds of the New Funds under the Subscription in respect of US\$1.67 million (or approximately HK\$13.03 million), together with existing resources available to the Group in respect of the balance. The Directors consider that such application of funds will be in the interests of the Company and its Shareholders as a whole.

The Conversion Price of HK\$0.2125 per Conversion Share represents:

- (i) a discount of 15% to the closing price of the Shares of HK\$0.2500 as quoted on the HK Stock Exchange on the Trading Day immediately preceding the date of the Subscription Agreement;
- (ii) a discount of approximately 15.5% to the Volume Weighted Average Price of approximately HK\$0.2514 per Share as quoted on the HK Stock Exchange for the five consecutive trading days ending with the Last Trading Day;

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- (iii) a discount of approximately 14% to the Volume Weighted Average Price of approximately HK\$0.2471 per Share quoted on the HK Stock Exchange for the 10 consecutive trading days ending with the Last Trading Day;
- (iv) a discount of approximately 16.7% to the closing price of HK\$0.255 of the Shares as quoted on the HK Stock Exchange on the Last Practicable Date; and
- (v) a discount of approximately 60.5% over the consolidated equity per Share attributable to the shareholders of the Company of approximately HK\$0.5375 as at 31 December 2018.

The Conversion Price was determined after arm's length negotiation between the Company and the Subscribers which represents a discount of 15% to the closing price of the Shares as quoted on the HK Stock Exchange on the Trading Day immediately preceding the date of the Subscription Agreements.

In assessing the fairness and reasonableness of the Conversion Price, in particular the discount of 15%, the Company had considered and made reference to, among other matters: (a) the prevailing market prices of the Shares, together with the historical performance of the Shares, both in terms of declining market prices and limited liquidity; (b) the initial feedback and advice received from several securities brokerage firms as to the likely discount that would be necessary to attract interested subscribers should a convertible loan note offering be considered and given that no security or collateral could be offered, with such advice favouring a discount closer to 20% to current trading levels; (c) the average discount rate offered by comparable companies listed on the main board of the HK Stock Exchange that had recorded net losses during their last three financial years; (d) the size of the Subscription, which is relatively large compared to the Company's market capitalisation and the market liquidity of the Shares; and (e) the Group's imminent funding requirements that are set out above. In respect of item (c) above, in assessing the fairness and reasonableness of the Conversion Price, the Company considered it to be more appropriate to compare the Conversion Price with that offered by comparable issuers with a similarly prolonged history of losses, with corresponding discounts offered ranging from 12% to 21% in respect of convertible loan note offerings that were completed from April 2018 to January 2019 (please refer to the announcements of issuers TUS International Limited (872) on 11 January 2019, Ko Yo Chemical (Group) Limited (827) on 19 July 2018 and TUS International Limited (872) on 17 April 2018).

In light of the foregoing, the Company considers that the discount of 15% of the closing price of the Shares as traded on the HK Stock Exchange on the Trading Day immediately preceding the date of the Subscription Agreement is fair and reasonable, as it strikes a reasonable and considered balance between minimising dilution as best as possible, while preserving investor demand. Despite the imminent need for funds, the Company has been able to secure a financing on better terms (to the Company and its Shareholders) than forecast by the several securities brokerage firms its previously engaged to consider such a financing, with the financing negotiated directly with the Subscribers, thereby eliminating any brokerage or commission expenses, which are typically significant.

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As noted above, the terms also provide the Company with a right to early redeem the Convertible Notes. This flexibility will assist the Company to react to potential future changes in market conditions. The Company would decide at its discretion at the relevant time by considering the relevant factors including general market conditions, historical and expected performance of the Share price and the remaining tenor of the Convertible Notes.

It is expected that the Subscription will enhance the working capital of the Group over a period of time.

In planning for this capital raising, the Company has considered its own business nature, business size, and the general market conditions. The Company has also considered a range of alternative methods of raising equity or debt, including bank borrowings, placement of shares to independent third parties, rights issues, open offer and convertible bonds. In respect of bank borrowings as the Company does not have any property or other assets for providing security/collateral, it is understood that bank borrowings are currently unavailable to the Group. As regards equity fund raising exercises (such as placement of shares to third parties, rights issues/open offers), the Company signed mandates with several securities brokerage firms with them acting as a placing agent on a best efforts basis for placing shares at up to a 20% discount, however, with the current negative market sentiment it was not possible to raise the exact amount of the proceeds that the Company required. In respect of a pre-emptive rights issue or open offer, the Company considered this form or equity raising exercise, however, ruled against this form of fund raising as it was unable to secure an underwriter and even where it might have been possible to do so (which it was not) such exercise would most likely result in greater dilution than the Convertible Notes.

By considering and ultimately approving the Galloway, Mellon and Gibson Loans, the Board has conducted a rigorous review process, pursuant to which it has closely monitored the prime lending rate currently levied by the leading banks in Hong Kong, being between 5.125% to 5.5% per annum. In conducting this review, the Board has also been mindful that finance offered by these banks at these rates was also typically secured by assets of the borrower, with a higher rate levied where less than desirable security could be offered. In addition, the Board was aware of annual coupon rates offered by comparable companies for similarly structured finance, with such coupons ranging from nil to 8% based on the 11 comparable companies it analysed, with an average coupon rate of 3.3%. The Company therefore believes that the coupon falls within the range of the comparable companies and given that the Group is unable to obtain bank borrowings given its lack of security/collateral, the Company believes that the coupon rate of 4% is fair and reasonable to the Company and its Shareholders. Further, it should be noted that if the Group could obtain bank borrowings (which the Group understands would currently be unavailable for the reasons aforementioned), the interest rate would be significantly higher than the 4% coupon rate under the Convertible Notes.

Alternate methods of raising equity, such as a placement or rights issue of new Shares, would likely be conducted at a deeper discount to the market price.

As such, the Company considers that the overall terms and conditions of the Convertible Notes are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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The Maximum Number of Shares that may be issued upon conversion of the Convertible Notes represents approximately 39.16% of the existing issued share capital of the Company and approximately 28.14% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Maximum Number of Shares, in each case assuming that full conversion only takes place at Maturity and that all accrued interest has been capitalised. The aggregate value of the Maximum Number of Shares will be US\$7,194,353 (or approximately HK\$56,115,953). The issuance of the Convertible Notes has been arranged directly by and between the Company and the various Subscribers and, as such, no brokerage or commissions will be payable. However, the Company will pay certain other expenses associated with the offering which are estimated at US\$100,000 (or approximately HK\$780,000), including the fees of the Independent Financial Adviser, legal counsel and other minor costs. The gross proceeds of the New Funds under the Subscription are US\$12 million (or approximately HK\$93.60 million) and the net proceeds of the New Funds under the Subscription are approximately US\$11.90 million (or approximately HK\$92.82 million).

The Directors (including the Independent Directors) consider that the Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms and conditions of the Subscription Agreements are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned. The Directors (including the Independent Directors) also consider that the Subscription will strengthen the financial position of the Group.

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4 CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as at the Latest Practicable Date and upon the Maximum Number of Shares being issued on conversion (assuming no Shares issued or repurchased prior to the conversion of the Convertible Notes) are as follows:

| Shareholder | At the date of the Latest Practicable Date | | Immediately after the Maximum number of Shares are issued | |
|---------------------------------|--|----------------|---|----------------|
| | Number of Shares | Approximate % | Number of Shares | Approximate % |
| James Mellon (Notes 1 & 2) | 387,816,211 | 21.11% | 578,980,447 | 22.65% |
| Jayne Sutcliffe (Note 2) | 1,716,046 | 0.09% | 1,716,046 | 0.07% |
| Anderson Whamond (Note 2) | 1,400,000 | 0.08% | 9,622,117 | 0.38% |
| Jamie Gibson | 69,208,513 | 3.77% | 145,263,101 | 5.68% |
| David Church (Note 3) | 5,530,000 | 0.30% | 13,752,117 | 0.54% |
| Other Directors | 4,170,292 | 0.23% | 4,170,292 | 0.16% |
| Abony Enterprises, LLC | 0 | 0.00% | 61,665,883 | 2.41% |
| Other Independent Third Parties | 0 | 0.00% | 374,106,353 | 14.63% |
| Public Shareholders | 1,367,410,120 | 74.42% | 1,367,410,120 | 53.48% |
| | <u>1,837,251,182</u> | <u>100.00%</u> | <u>2,556,686,476</u> | <u>100.00%</u> |

Notes:

- At the Latest Practicable Date, 25,791,905 Shares are held by a company indirectly wholly owned by James Mellon, and an aggregate of 430,000 Shares are held by the parents of James Mellon.

Immediately after the Maximum Number of Shares are issued: (i) 25,791,905 Shares are held by a company indirectly wholly owned by James Mellon, and an aggregate of 430,000 Shares are held by the parents of James Mellon; and (ii) 552,758,542 Shares are held by James Mellon and Galloway, which are the Conversion Shares to be issued upon conversion of the Convertible Notes pursuant to the Connected Subscription Agreement.

- James Mellon and Jayne Sutcliffe (both Directors), together with Anderson Whamond, constitute the Declared Concert Party Group. MAC Financial Pension Trustees Ltd, the trustee of a pension, of which Anderson Whamond is the sole beneficiary, is also subscribing US\$200,000 (or approximately HK\$1,560,000) for Convertible Notes under the Third Party Subscription Agreement and his putative interests are also included here assuming the Maximum Number of Shares are issued.
- David Church is a consultant to the Group and is a director of a number of “insignificant subsidiaries” of the Group and is consequently not a connected person for the purposes of Rules 14A.09(1) to (3) of the HK Listing Rules.

5 EQUITY FUND RAISING ACTIVITIES IN THE PAST 12-MONTH PERIOD

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

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6 CONNECTED TRANSACTION

Given that: (i) James Mellon (Non-Executive Chairman of the Company holding, by himself and his associates, 21.11% of the total issued share capital of the Company); (ii) Galloway (an associate of James Mellon); and (iii) Jamie Gibson (Executive Director and Chief Executive Officer of the Company currently holding, by himself, 3.77% of the total issued share capital of the Company) are all connected persons of the Group, the Connected Subscription Agreement and the issuance of Convertible Notes as it relates to them constitute connected transactions of the Company under Chapter 14A of the HK Listing Rules and are therefore subject to written agreement, announcement, shareholders' circular and Independent Shareholders' approval and annual reporting requirements under Chapter 14A of the HK Listing Rules. As noted, David Church is a consultant to the Group and is a director of a number of "insignificant subsidiaries" of the Group and is consequently not a connected person for the purposes of Rules 14A.09(1) to (3).

Abony Enterprises, LLC is a Delaware LLC, beneficially owned by a family trust of Lorne Abony structured as a partnership, of which Lorne Abony is the general partner. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, James Mellon and Lorne Abony are directors of FastForward, whose shares are listed on AIM, a market operated by the London Stock Exchange plc. Mr Mellon is the non-executive chairman, while Mr Abony is the chief executive officer of FastForward, with each of them holding (directly or indirectly) approximately 10.08% and 9.80% of FastForward's issued and outstanding shares, respectively. Mr Mellon and Mr Abony have a shareholding interest in three other companies whose shares are not publicly listed on any exchange and in which they have no directorships or management roles.

Save as disclosed above, Lorne Abony is an Independent Third Party.

MAC Financial Pension Trustees Ltd is the trustee of a pension fund, of which Anderson Whamond (a member of the Declared Concert Party Group), who has subscribed for Convertible Notes pursuant to the Third Party Subscription Agreement. Anderson Whamond is not a connected person of the Group.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, all remaining Subscribers to the Subscription Agreements are Independent Third Parties of the Group.

Completion of the Connected Subscription Agreement and the issuance of the Convertible Notes thereunder is conditional upon, *inter alia*, the approval by a simple majority of the Independent Shareholders present and voting (in person or by proxy) at the Extraordinary General Meeting.

In respect of the loan agreements entered into between Galloway, James Mellon and Jamie Gibson, as lenders, and the Company, as borrower, referred to in this circular as being part of the Previously Advanced Funds, the Board, on each occasion, gave due and careful consideration to their respective terms and conditions, in light of the then prevailing market rates and other terms in Hong Kong for the same or similar unsecured debt instruments, and concluded that such

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loan agreements were entered into after arm's length negotiations between the connected persons and the Company and were conducted on normal commercial terms or better. In addition, it is relevant that the loans are not secured by any asset of the Group. As such, it was and remains the view of the Board, after due and careful consideration, that the entering into of the loan agreements was fully exempt from the reporting, annual review, announcement and Independent Shareholder approval requirements under Rule 14A.90 of the Listing Rules.

7 INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An independent board committee has been established by the Company, comprising David Comba, Julie Oates and Mark Searle, all Independent Non-Executive Directors, who will, having taken account the recommendation of the Independent Financial Adviser, advise the Independent Shareholders on the Connected Subscription Agreement and the issuance of the Convertible Notes thereunder to Galloway, James Mellon and Jamie Gibson.

Altus Capital Limited has been appointed by the Company as its independent financial adviser to advise the Independent Board Committee on the Connected Subscription Agreement and the issuance of the Convertible Notes thereunder to Galloway, James Mellon and Jamie Gibson. A letter from the Independent Financial Adviser setting out their advice and recommendations to the Independent Shareholders will be included in the circular.

8 INCREASE IN AUTHORISED SHARE CAPITAL

In order to provide for the issue and allotment of the Conversion Shares and to provide the Company with greater flexibility to raise future equity capital under a share issue general mandate to be sought from the Shareholders at general meeting, which will empower the Directors to issue, allot or otherwise deal with additional Shares up to a maximum of 20% of the issued Shares as at the date when the relevant resolution is passed, the Directors propose that the authorised share capital of the Company be increased from US\$23,550,000 to US\$143,550,000 by the addition of US\$120,000,000 divided into 12,000,000,000 new Shares.

The increase in the Company's authorised share capital is subject to the approval by the Shareholders by way of an ordinary resolution at the Extraordinary General Meeting.

9 PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

The Company is a limited liability company incorporated under the laws of the Cayman Islands whose Shares are listed on the HK Stock Exchange and are also traded on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange. The Company is a diversified investment group currently holding various corporate and strategic investments across the healthcare, wellness and life sciences sectors, which has become its core focus, as well as legacy investments in the natural resources sector. Earlier in 2016, the Company acquired Plethora Solutions Holdings plc, a UK-based speciality pharmaceutical company whose principal product is Fortacin™, a prescription treatment for male premature ejaculation.

LETTER FROM THE BOARD

10 GENERAL

The Extraordinary General Meeting will be held to consider and, if thought fit, pass the resolutions to approve the Subscription Agreements and the transactions contemplated thereunder (including, but not limited to, the issue of the Convertible Notes and the allotment and issue of the Conversion Shares upon conversion of the Convertible Notes) and the increase in the Company's authorised share capital.

Given their interests in the Subscription Agreements, James Mellon (and Galloway), Jamie Gibson, David Church, Anderson Whamond (and MAC Financial Pension Trustees Ltd) and Jayne Sutcliffe (being a member of the Declared Concert Party Group) (and their respective associates) will be required to abstain from voting in respect of the resolution(s) to be presented at the Extraordinary General Meeting approving the Subscription Agreements and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholder has a material interest in the Subscription Agreements and no other Shareholder will be required to abstain from voting on such resolution(s) at the Extraordinary General Meeting.

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the Extraordinary General Meeting. Application will be made by the Company to the HK Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

Closing is subject to the fulfillment of the conditions precedent of the Subscription Agreements and the Subscription Agreements and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

11 THE EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting is convened by the Company for the Shareholders to consider and, if thought fit, approve the Subscription Agreements and the transactions contemplated thereunder (including, but not limited to, the issue of the Convertible Notes and the allotment and issue of Conversion Shares upon conversion of the Convertible Notes) and the increase in the Company's authorised share capital.

As noted above, given their interests in the Subscription Agreements, James Mellon (and Galloway), Jamie Gibson, David Church, Anderson Whamond (and MAC Financial Pension Trustees Ltd) and Jayne Sutcliffe (being a member of the Declared Concert Party Group) (and their respective associates) will be required to abstain from voting in respect of the resolutions to be presented at the Extraordinary General Meeting approving the Subscription Agreements and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholder has a material interest in the Subscription Agreements and no other Shareholder will be required to abstain from voting on such resolution(s) at the Extraordinary General Meeting.

LETTER FROM THE BOARD

The EGM Notice is set out in Pages 76 to 79 of this circular. Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it, 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 of attorney, to the Company Secretary at the Company's principal place of business in Hong Kong or via email at proxy@regentpac.com as soon as possible but in any event not later than 11:00 am on Sunday, 28 July 2019. Completion and return of the form of proxy will not prevent you from attending and voting in person at the meeting or any adjourned meeting if you so wish.

In order to ascertain the entitlements to attend and vote at the Extraordinary General Meeting, members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on Wednesday, 24 July 2019 for registration.

Under Article 66 of the Articles of Association, subject to any special rights or restrictions as to voting for the time being attached to any Shares by or in accordance with the Articles of Association, at any general meeting on a show of hands every member present in person (or being a corporation, present by a representative duly authorised) or by proxy shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid Share of which he is the holder but so that no amount paid up or credited as paid up on a Share in advance of calls or instalments is treated for the foregoing purposes as paid up on the Share. Where a member is, under the HK Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

According to Rule 13.39(4) of the HK Listing Rules, the chairman of the Extraordinary General Meeting will demand a poll on all resolutions proposed at the meeting.

12 DIRECTORS' RECOMMENDATION

Shareholders are encouraged to study the information contained in this circular relevant to the resolutions proposed at the Extraordinary General Meeting so as to make decision as to whether to vote in favour of the resolutions.

The Directors consider that the Subscription Agreement and the issuance of the Convertible Notes thereunder and the increase in the Company's authorised share capital are in the best interests of the Group and the shareholders of the Company as a whole. Accordingly, the Directors recommend that all shareholders vote in favour of Ordinary Resolutions numbered 1, 2 and 3 proposed at the Extraordinary General Meeting.

LETTER FROM THE BOARD

13 TYPHOON OR BLACK RAINSTORM WARNING ARRANGEMENTS

If at any time after 7:00 am on the date of the Extraordinary General Meeting: (i) Typhoon Signal Number 8 or above remains hoisted or a “Black” Rainstorm Warning Signal is in force; or (ii) the service of the ferry between Hong Kong and Macau is suspended, the Extraordinary General Meeting will be postponed to a later date and/or time as determined by the Company. If the Extraordinary General Meeting is so postponed, the Company will post an announcement on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (www.hkexnews.hk) to notify shareholders of the date, time and place of the re-scheduled meeting. At least seven clear days’ notice shall be given for the re-scheduled meeting.

Yours faithfully
On behalf of the Board of
Regent Pacific Group Limited

James Mellon
Chairman

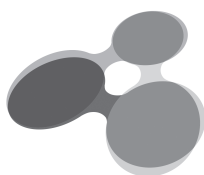
Forward Looking Statements

This circular, including any information included or incorporated by reference in this circular, contains statements about the Company that are or may be forward looking statements. Such forward looking statements involve risks and uncertainties that could significantly affect expect results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward looking statement. Much of the risk and uncertainty relates to factors that are beyond the Company’s abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. Neither the Company nor any of its associates or directors, officers, employees, managers, agents, representatives, partners, members, consultants or advisers: (i) provide any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statement will actually occur; nor (ii) assume any obligation to, and do not intend to, revise or update these forward looking statements, except as required pursuant to applicable law, the HK Listing Rules or other applicable regulation. The Company disclaims any obligation to update any forward looking or other statements contained herein, except as required by applicable law, the HK Listing Rules or other applicable regulation.

No Profit Forecasts or Estimates

No statement in this circular is intended as a profit forecast or estimate for any period and no statement in this circular should be interpreted to mean that earnings or earnings per share for the Company for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for the Company. Regent Pacific does not undertake to update information contained in this circular, except as required by applicable law, the HK Listing Rules or other applicable regulation.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0575)

11 July 2019

To the Independent Shareholders

Dear Sir or Madam

CONNECTED TRANSACTION: PROPOSED ISSUE OF CONVERTIBLE NOTES

We refer to the circular issued by the Company on 11 July 2019 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been established to advise the Independent Shareholders as to, in our opinion: (i) whether the terms and conditions of the Connected Subscription Agreement and the issuance of Convertible Notes thereunder, details of which are set out in the “Letter from the Board” in pages 11 to 50 of the Circular, are fair and reasonable so far as the Company and the Independent Shareholders are concerned; (ii) whether the Connected Subscription Agreement and the issuance of Convertible Notes thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) whether the Connected Subscription Agreement and the issuance of Convertible Notes thereunder are in the interests of the Company and the Shareholders as a whole; and (iv) how to vote on the Connected Subscription Agreement and the issuance of Convertible Notes thereunder. Altus Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Connected Subscription Agreement and the issuance of Convertible Notes thereunder.

Having taken into account the terms and conditions of the Connected Subscription Agreement and the issuance of Convertible Notes thereunder and taken into account the recommendation and advice from the Independent Financial Adviser in relation thereto as set out in pages 53 to 68 of the Circular, we are of the view that:

- the terms and conditions of the Connected Subscription Agreement and the issuance of Convertible Notes thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

- the Connected Subscription Agreement and the issuance of Convertible Notes thereunder are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote at the Extraordinary General Meeting in favour of the resolution approving the Connected Subscription Agreement and the issuance of Convertible Notes thereunder.

Yours faithfully
On behalf of the Board of
Regent Pacific Group Limited

Independent Board Committee
(comprising David Comba,
Julie Oates and Mark Searle)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscription Agreement and the issuance of the Convertible Notes, which has been prepared for the purposes of incorporation in this circular.

ALTUS

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong
11 July 2019

To the Independent Board Committee and the Independent Shareholders

Regent Pacific Group Limited

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

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ISSUE OF CONVERTIBLE NOTES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Connected Subscription Agreement and issuance of the Convertible Notes, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 11 July 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 29 May 2019 (after trading hours), the Company entered into two conditional Subscription Agreements, being the Connected Subscription Agreement and the Third Party Subscription Agreement, with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Notes in the principal amount of US\$17.5 million (approximately HK\$136.5 million).

The Connected Subscription Agreement was entered into between the Company, as issuer, and Galloway (an associate of James Mellon), James Mellon, Jamie Gibson and David Church, as Subscribers. The Third Party Subscription Agreement was entered into between the Company, as issuer, and Independent Third Parties (and MAC Financial Pension Trustees Ltd), as Subscribers. The two Subscription Agreements are inter-conditional upon one another and the principal terms of the two agreements are the same.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IMPLICATIONS UNDER THE LISTING RULES

As (i) James Mellon (Non-Executive Chairman of the Company holding, by himself and his associates, 21.11% of the total issued share capital of the Company); (ii) Galloway (an associate of James Mellon); and (iii) Jamie Gibson (Executive Director and Chief Executive Officer of the Company currently holding, by himself, 3.77% of the total issued share capital of the Company) are all connected persons of the Group, the Connected Subscription Agreement and the issuance of the Convertible Notes to them constitute connected transactions of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the HK Listing Rules.

David Church is a consultant to the Group and is a director of a number of "insignificant subsidiaries" of the Group and is consequently not a connected person for the purposes of Rules 14A.09(1) to (3).

Given their interests in the Connected Subscription Agreements, James Mellon (and Galloway), Jamie Gibson, David Church and their respective associates will be required to abstain from voting in respect of the resolution(s) to be presented at the EGM approving the Subscription Agreements and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

An independent board committee has been established by the Company, comprising all Independent Non-Executive Directors, namely David Comba, Julie Oates and Mark Searle, who will, having taken into account the recommendation of the Independent Financial Adviser, advise the Independent Shareholders as to (i) whether the terms of the Subscription Agreements are fair and reasonable and in the interest of the Company and the Shareholders as a whole; (ii) whether the issuance of Convertible Notes pursuant to the Connected Subscription Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) how to vote in respect of the ordinary resolutions to be proposed at the EGM approving the Subscription Agreements and the issuance of Convertible Notes contemplated thereunder.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Connected Subscription Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole; (ii) whether the issuance of the Convertible Notes pursuant to the Connected Subscription Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) our recommendation as to how the Independent Shareholders should vote at the EGM in respect of the ordinary resolutions relating to the Connected Subscription Agreement and the issuance of Convertible Notes contemplated thereunder.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Group in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Rules, and given that remuneration for our engagement to opine on the Connected Subscription Agreement and the issuance of Convertible Notes thereunder is at market level and not conditional upon successful passing of the resolution, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have reviewed, amongst others, (i) the Subscription Agreements; (ii) the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”); (iii) the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”); and (iv) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the EGM. The Independent Shareholders will be informed as soon as practicable when we are aware of any material change in all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the Management.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts, the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

1.1 *Background of the Group*

The Company is a limited liability company incorporated under the laws of the Cayman Islands whose shares are listed on the Main Board of HK Stock Exchange and are also traded on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange. The Company’s principal activities consist of investments in biopharma companies and other corporate investments.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's healthcare and life sciences investments portfolio remain its core focus and the Directors believe that investments in this sector will create substantial returns for shareholders in the medium to longer term. Following the acquisition of Plethora Solutions Limited (“**Plethora**”) in 2016, much of the Group's attention and resources has been allocated towards pursuing the successful commercialisation of Fortacin™, the first EU approved topical prescription treatment for premature ejaculation that does not act on the central nervous system. Plethora is a UK-based specialty pharmaceutical company founded in 2004 and dedicated to the development and marketing of products for the treatment and management of urological disorders. The Group's efforts are now starting to bear fruit, having successfully teamed with Recordati S.p.A. (“**Recordati**”), the commercial partners for the launch by Plethora of Fortacin™ in France, Germany, Italy, Spain and Portugal in the first quarter of 2018, ahead of schedule.

1.2 *Financial overview of the Group*

Set out below is a summary of the financial information of the Group for each of the two years ended 31 December 2018 and 2017 (“**FY2018**” and “**FY2017**”, respectively) as extracted from the 2018 Annual Report.

| | For the year ended 31 December | |
|---|---------------------------------------|-----------------|
| | 2018 | 2017 |
| | <i>US\$'000</i> | <i>US\$'000</i> |
| Revenue | 6,139 | 5,237 |
| Amortisation of intangible asset, Fortacin™ | (28,047) | (28,047) |
| Operating loss | (33,971) | (29,278) |
| Loss for the year | (31,093) | (27,363) |

Profit and loss

The Group's revenue was generated from (i) signature payment (from the Group's out licencing of Fortacin™, its patented intellectual property, to licencees); (ii) milestone payment (from achievement of certain milestones of the Group's products); and (iii) royalty income (based on performances of the Fortacin™) from Recordati, Wanbang Pharmaceutical Marketing and Distribution Co., Ltd. (“**Wanbang Pharmaceutical**”) and Orient EuroPharma Co., Ltd (“**Orient EuroPharma**”). Revenue for FY2018 grew by approximately 17.2% from approximately US\$5.2 million for FY2017 to approximately US\$6.1 million for FY2018. The increase was mainly attributable to upfront payments received from out licencing the rights of Fortacin™ to Wanbang Pharmaceutical and Orient EuroPharma in FY2018.

Operating loss increased by approximately 16.0% to approximately US\$34.0 million in FY2018 from approximately US\$29.3 million in FY2017. The increase in operating loss was mainly due to a marked-to-market loss in financial assets at fair value through profit or loss in FY2018 of approximately US\$3.3 million, while the Group recorded a marked-to-market gain of approximately US\$4.3 million in FY2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded a loss in FY2018 of approximately US\$31.1 million, which was mainly attributable to: (i) an amortisation charge of approximately US\$28.1 million on its intangible asset, being Fortacin™; (ii) operating expenses of US\$8.8 million; and (iii) the abovementioned marked-to-market loss of US\$3.3 million in respect of the Group's equity portfolio.

| | For the year ended 31 December | |
|---|---------------------------------------|-----------------|
| | 2018 | 2017 |
| | <i>US\$'000</i> | <i>US\$'000</i> |
| Cash and bank balances | 1,022 | 2,251 |
| Financial assets at fair value through profit or loss | 5,501 | 8,778 |
| Current assets | 7,318 | 11,710 |
| Current liabilities | (4,487) | (3,543) |
| Net current assets | 2,831 | 8,167 |
| Net assets | 126,567 | 158,775 |
| Intangible asset - Fortacin™ | 137,084 | 165,131 |
| Net tangible liabilities | (10,517) | (6,356) |
| Net cash used in operating activities | (1,882) | (2,747) |

Liquidity and financial resources

The current assets of the Group as at 31 December 2018 was approximately US\$7.3 million, representing a drop of approximately 37.5% from approximately US\$11.7 million as at 31 December 2017. Such decrease was mainly attributable to the decrease in both cash and bank balances and financial assets at fair value through profit or loss. The decrease in financial assets at fair value through profit or loss was mainly a result of the correction experienced in the global stock markets in the latter half of 2018.

The Group's net assets decreased from approximately US\$158.8 million as at 31 December 2017 to approximately US\$126.6 million as at 31 December 2018, representing a drop of approximately 20.3%. Such decrease was primarily due to the amortisation of Fortacin™ of approximately US\$28.1 million in FY2018.

As the Group's assets mainly comprised an intangible asset, being Fortacin™, which amounted to approximately US\$165.1 million and US\$137.1 million in as at 31 December 2017 and 2018 respectively, the Group has net tangible liabilities of approximately US\$6.4 million and US\$10.5 million as at the respective year ends.

The decrease of cash balance from approximately US\$2.3 million as at 31 December 2017 to US\$1.0 million as at 31 December 2018 was mainly due to the net operating cash out-flow of approximately US\$1.9 million in FY2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 *Recent business development of the Group*

The first commercial sale of Fortacin™ took place in the first quarter of 2018 in Italy, France, Spain, Germany and Portugal. A total of EUR 4.1 million (approximately US\$4.7 million) was duly received by the Group from Recordati during FY2018. The Group now looks forward to working towards receiving further payments under its licence agreement with Recordati, pursuant to which the Group is eligible to receive remaining payments of up to EUR 33.0 million (approximately US\$37.8 million) plus royalties after achieving certain milestones related to the European roll-out.

New out licencing deals were also signed in December 2018 in respect of out licencing Fortacin™ to (i) Wanbang Pharmaceutical; and (ii) Orient EuroPharma in respect of the rights to commercialise Fortacin™ in selected territories in Asia. Pursuant to these licencing agreements, the Group will be eligible to receive payments of up to a total amount of US\$39.5 million, excluding royalties after achieving certain milestones related to the roll-out.

Subsequent to year ended 31 December 2018, Recordati launched Fortacin™ in the United Kingdom in February 2019, with planned launches in Romania and Greece to follow later in 2019 and it will be rolled out in the other countries over the coming years.

In parallel with the European and Asian roll-out efforts of Fortacin™, the Group has further progressed the approval process with The Food and Drug Administration of the United States Department of Health and Human Services (the “FDA”). In this respect, the Phase II validation study of Fortacin™ in respect of the FDA approval process was officially registered in July 2018, with the phase II clinical trial estimated to complete by first quarter of 2020. On the assumption that the trial is sufficient to convince the FDA that the Premature Ejaculation Bothersome Evaluation Questionnaire serves as an appropriate measure for support of a label claim, pivotal Phase III work could commence in the first quarter of 2021, with New Drug Application submission possible in first quarter of 2022, giving a Prescription Drug User Fee Act date in 2022.

According to the Management, while Fortacin™ has only now been in the market for a relatively short period of time, the Group sees its potential to create a steady stream of recurring cash flow leading to profitability for the Group in the coming years and remains excited about the future prospects for the Group and the Shareholders. The Group will (i) continue to pursue the successful commercialisation of Fortacin™ as quickly as possible, with the European roll-out with Recordati successfully launched in March 2018, as well as in the remaining key markets for out licencing Fortacin™ in the US, the Middle East and Latin America; and (ii) continue with its existing strategy of pursuing strategic and value-led investments in the healthcare and life sciences sectors.

While the commercialisation effort on Fortacin™ progresses, the Group has been and is expected to record operational cash outflow pending receipt of further royalty payments when the aforesaid milestones are achieved. This is evident by the net operating cash outflow recorded by the Group of US\$2.7 million (approximately HK\$21.0 million) and US\$1.9 million (approximately HK\$14.8 million) during FY2017 and FY2018. For the time being, besides the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

progressive royalty payments received, the Group has been sustaining its working capital needs through advances and loans from connected persons and by deferring certain payments due to them. These sums made up the Galloway Loan, Mellon Loans and Gibson Loans. Against such backdrop, the Management has been exploring various ways of fund raising as further elaborated below.

2. The Connected Subscription Agreement and the related issuance of the Convertible Notes

On 29 May 2019, the Company announced the proposed issue of the Convertible Notes with the principal amount of approximately US\$17.5 million (approximately HK\$136.5 million). Based on our discussion with the Management, we understand the issue of the Convertible Notes is an essential fund raising plan of the Company, having considered its current financial position as well as its current and future working capital needs as described above. The proceeds from the Convertible Notes will be applied towards meeting the general corporate purposes and for providing working capital to the Group.

The Company has been planning for fund raising of this scale since January 2019 and has been in discussions with several financial institutions on possible avenues. The Company has also considered a range of alternative methods of raising equity or debt, including bank borrowings, placement of shares to independent third parties, rights issues, open offer and convertible bonds. However, the outcome of these discussions have not been fruitful. The Company understands that bank borrowings are unavailable as the Group lacks property or assets to provide as security / collateral. In relation to equity fund raising exercises (such as placement of shares to third parties, rights issues or open offers), the Company signed mandates with several securities brokerage firms with them acting as placing agents on a best efforts basis for placing of shares at up to a 20% discount; however, with the current negative market sentiment, it was not possible to raise the exact amount of the proceeds that the Company required. The Company had also considered pre-emptive rights issue or open offer; however, it ruled against this form of fund raising as it was unable to secure an underwriter and even where it might have been possible to do so (which it was not) such exercise would most likely result in greater dilution than the Convertible Notes for Shareholders who do not have the financial resources to participate in such rights issue. It was not until the Company approached the Independent Third Party Subscribers whom have expressed interests in the Convertible Notes that made the planned fund raising of such scale possible.

During the course of discussions with the Independent Third Party Subscribers, the Management noted that to facilitate the subscriptions by such Independent Third Party Subscribers, it is necessary to settle the amount owing to connected persons by way of methods which will not at the same time deplete the Group's working capital. To instil confidence to the Independent Third Party Subscribers, it is also important to demonstrate commitment of the Management towards the long-term development of the Group. The Connected Subscription Agreement, of which the principal terms are the same as those of the Third Party Subscription Agreement, is therefore considered to be able to achieve the above objectives.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

More specifically, out of the aggregate subscriptions for the Convertible Notes pursuant to the Connected Subscription Agreement of approximately US\$6.7 million (approximately HK\$52.3 million), US\$5.5 million (approximately HK\$42.9 million) will be to offset and settle the Galloway Loan, Mellon Loans and Gibson Loans through the issuance of new shares. This will entirely settle the amount owing to connected persons as at the date hereof and in doing so, it will extinguish any claim that Galloway, James Mellon or Jamie Gibson or any entity controlled by them may have or may have had against the Company in respect of the same. The interests of the Independent Third Party Subscribers can hence be safeguarded.

The remaining portion of the subscription of US\$1.2 million (approximately HK\$9.4 million) will be new capital in the form of cash to be injected by certain members of the Management, being Jamie Gibson (an Executive Director and Chief Executive Officer of the Company) and David Church (a consultant of the Group). Such subscription can serve to demonstrate to the Independent Third Party Subscribers the Management's commitment to the Group, while enhancing the Company's capital base.

In summary, the Connected Subscription Agreement can thus be viewed as incidental to the Third Party Subscription Agreement; both of which are on same principal terms that were negotiated between the Company and the Third Party Subscribers on an arm's length basis. The Connected Subscription Agreement and Third Party Subscription Agreement are inter-conditional, hence the subscription by James Mellon, Jamie Gibson and David Church will only occur if the Independent Third Party Subscribers complete their subscriptions. The Connected Subscription Agreement therefore facilitates the entire Subscription which is in the interests of the Company and Shareholders as a whole.

3. Intended use of proceeds from the Convertible Notes

Out of the total US\$17.5 million (approximately HK\$136.5 million) of Convertible Notes, an amount of US\$5.5 million (approximately HK\$42.9 million) will be offset against the Galloway Loan, Mellon Loans and Gibson Loans. After taking into account also the related expenses, the net proceeds available for development is therefore US\$11.9 million (approximately HK\$92.8 million), which will be applied to (a) facilitate funding of the settlement of Australian taxation litigation in the amount of A\$9.5 million (or approximately US\$6.7 million or HK\$52.5 million) on or before 1 August 2019; (b) complete the ongoing clinical study of Fortacin™ in the United States for the purposes of submitting an application for obtaining a New Drug Approval with the FDA, which is estimated to cost approximately US\$3.5 million (or approximately HK\$27.3 million) over the course of the next 12 months; and (c) the balance of approximately US\$1.7 million (or approximately HK\$13.3 million) towards partially funding of the: (i) already identified and significantly diligenced acquisition and investment opportunities, including Yooya; (ii) general corporate purpose; and (iii) working capital, in each case for the remainder of 2019. In respect of the items listed under (c) above, these items (which include anticipated acquisition and investment costs) are expected to amount to approximately US\$7.4 million (or approximately HK\$57.7 million) over the remainder of 2019 and will be funded through the net proceeds of the New Funds under the Subscription in respect of US\$1.7 million (or approximately HK\$13.3 million), together with existing resources available to the Group in respect of the balance.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the 2018 Annual Report, as at 31 December 2018, the cash and bank balances of the Group amounted to approximately US\$1.0 million (approximately HK\$7.8 million). Meanwhile, we noted from the Company's announcements on 18 March 2019 and 27 May 2019 that the Company entered into a settlement agreement with the Australian Taxation Office in respect of the dispute with the Australian Taxation Office in connection with a disposal by the Group of an investment in BC Iron Limited, a company whose securities are listed on the Australian Securities Exchange for an amount of A\$9.5 million (approximately US\$6.7 million or HK\$52.5 million), which will become due and payable by 1 August 2019.

As discussed in section "1.3 Recent business development of the Group", the Group will continue to pursue the successful commercialisation of Fortacin™ in key markets, including the United States. The approval process with the FDA has been in progress, with the Phase II validation study of Fortacin™ officially registered in July 2018 and the phase II clinical trial estimated to complete by first quarter of 2020. New Drug Application submission is targeted by the Group to be in first quarter of 2022, giving a Prescription Drug User Fee Act date in 2022. In order to complete the ongoing clinical study, so as to obtain the New Drug Approval with the FDA to facilitate commercialisation of Fortacin™ in the United States, operational cash outflow of US\$3.5 million (or approximately HK\$27.3 million) over the course of the next 12 months is expected by the Company.

Moreover, the Company announced on 29 May 2019 that the Company entered into a non-legally binding, indicative offer with Yooya in respect of the possible acquisition of Yooya by the Company. Following this transaction, Yooya will focus on expanding its content-driven e-commerce platform business. We noted that based on our discussions with the Management, to finance the roll out of Yooya's e-commerce platform after its acquisition, the Company will require not less than US\$5.0 million (or approximately HK\$39.0 million) over the next 12 months, which is expected to be funded partially by the net proceeds from the Convertible Notes together with the Group's existing resources.

The Company estimates that annual operating cash expenses of the Group for the financial year ended 31 December 2019 will be approximately US\$8.8 million (approximately HK\$68.4 million). We understand from the Management that with uncertainties in the expected timing of receiving the aforementioned remaining milestone and royalty payments of up to approximately US\$37.8 million and US\$39.5 million related to the European and Asian roll-out respectively, there is an ongoing funding need in fulfilling the Group's general working capital.

In light of the Group's limited cash resources and given the imminent timing of the above tax payment obligation, completion of clinical study of Fortacin™ in the United States, possible acquisition of Yooya and other investment opportunities and general working capital, we concur with the Directors that the application of funds, first towards the aforesaid tax payments and then for fulfilling its business development and expansion needs, is fair and reasonable. In this respect, the issue of the Convertible Notes (including those under the Connected Subscription Agreement) for this purpose is in the interests of the Company and its Shareholders as a whole, despite it not being in the ordinary and usual course of business of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Principal terms of the Connected Subscription Agreement and the Convertible Notes

The Conversion Price is HK\$0.2125 per Conversion Share, and the Convertible Notes will carry an interest of 4.0% per annum and will mature on the third anniversary of the Issue Date. For further details of the principal terms of the Convertible Notes, please refer to the section headed “Subscription Agreements” in the Letter from the Board.

4.1 *Conversion Price*

The Conversion Price was determined after arm’s length negotiations between the Company and the Subscribers, taking into account of, among others, the recent trading performance of the Shares.

The Conversion Price of HK\$0.2125 per Conversion Share, represents:

- (i) a discount of approximately 15.0% to the closing price of HK\$0.2500 of the Shares as quoted on the HK Stock Exchange on the date immediately preceding the date of the Subscription Agreement; and
- (ii) a discount of approximately 15.5% to the Volume Weighted Average Price of approximately HK\$0.2514 per Share as quoted on the Stock Exchange for the five consecutive Trading Days ending on and including the date immediately preceding the date of the Subscription Agreement.

To assess the fairness and reasonableness of the Conversion Price, we have performed a comparable analysis. We have identified 11 comparable companies (“**Comparables**”) based on the following criteria: (i) companies listed on the HK Stock Exchange; (ii) companies that had published announcements in relation to issuance of convertible bonds/notes under specific mandate (which the transactions had not been subsequently terminated as at the date of this letter) during the nine months prior to 29 May 2019, being the date of the Subscription Agreements (the “**Review Period**”); and (iii) companies that had recorded net losses during their last two financial years (which is the case of the Group) as we are of the view that a company’s recent financial position and performance will affect its ability to raise funds from the market and its bargaining power for terms of the fund raising. We are of the view that the Review Period covering the nine months preceding the date of the Subscription Agreements can reflect the recent market sentiment for transactions of similar nature, while providing a reasonable sample size for comparison.

We believe the identified Comparables listed below to be exhaustive and is sufficient for us to form a view on the reasonableness of the Conversion Price.

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| Date of announcement | Name of company (Stock code) | Maturity period (years) | Premium/(discount) of conversion price over/to closing price on the last trading day (%) (approx.) | Premium/(discount) of volume weighted average closing price for the five consecutive trading days ending on and including the date immediately preceding the date of agreement (%) (approx.) | Interest rate per annum (%) (approx.) |
|----------------------|---|-------------------------|--|--|---------------------------------------|
| 29-May-19 | Hong Kong Resources Holdings Company Limited (2882) ^{Note 1} | 3.0 | 2.7 | 1.6 | 4.0 |
| 27-Jan-19 | i-Cable Communciations Limited (1097) | 10.0 | 8.7 | 11.4 | 2.0 |
| 25-Jan-19 | ShiFang Holding Limited (1831) | 3.0 | 9.1 | 5.7 | 3.0 |
| 13-Jan-19 | TUS International Limited (0872) | 6.0 | (14.3) | (8.6) | — |
| 3-Jan-19 | China City Infrastructure Group limited (2349) ^{Note 1} | 3.0 | 63.9 | 62.6 | 3.0 |
| 18-Dec-18 | Shougang Concord Century Holdings Limited (0103) | 3.0 | 83.3 | 84.9 | 4.0 |
| 13-Nov-18 | Evershine Group Holdings Limited (8022) | 2.0 | (18.0) | (17.2) | 3.0 |
| 12-Nov-18 | Moody Technology Holdings Limited (1400) ^{Note 2} | 2.0 | (20.0) | (17.5) | 8.0 |
| 26-Oct-18 | Huajun International Group Limited (0377) | 5.0 | 100.0 | 90.7 | 1.5 |
| 8-Oct-18 | China Healthwise Holdings Limited (0348) | 2.0 | 69.5 | 68.8 | 6.0 |
| 21-Sep-18 | Huajun International Group Limited (0377) | 1.5 | 72.7 | 74.9 | 1.5 |
| | <i>Average</i> | 3.7 | 32.5 | 32.5 | 3.30 |
| | <i>Median</i> | 3.0 | 9.1 | 11.4 | 3.00 |
| | The Company | 3.0 | (15.0) | (15.5) | 4.0 |

Source: website of the Stock Exchange (www.hkex.com.hk)

Note 1: These transactions have yet to be approved by shareholders as at the Latest Practicable Date.

Note 2: This transaction had been approved by shareholders but had yet to be completed as at the Latest Practicable Date. The conditions precedent of this transaction have not been fulfilled according to its original timetable and the long stop date has been extended.

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As presented in the table above, the conversion prices of the Comparables, as compared to their closing share prices on their respective last trading day, range from a discount of approximately 20.0% to a premium of approximately 100.0%, with an average premium of approximately 32.5% and median of approximately 9.1%. When comparing the conversion price of the Comparables to their average closing share prices of their respective last five trading days up to and including the last trading day/date of agreement, the range is from a discount of approximately 17.5% to a premium of approximately 90.7%, with an average premium of approximately 32.5% and median of approximately 11.4%.

In the case of the Company, the Conversion Price represents a discount of approximately (i) 15.0% to the closing price per Share as quoted on the HK Stock Exchange on the date immediately preceding the date of the Subscription Agreement; and (ii) 15.5% to the Volume Weighted Average Price per Share as quoted on the HK Stock Exchange over the five consecutive Trading Days ending on and including the date immediately preceding the date of the Subscription Agreement. Such discounts of the Conversion Price are within the ranges of the Comparables, while falling on the lower end. To assess the reasonableness of the Conversion Price being on the lower end of the Comparables, we have considered the Company's ongoing funding needs to develop and expand its business and its financial resources as well as capability to conduct fund raising exercises to meet such needs.

In terms of the Company's ongoing funding needs, we noted that the Group (i) has been relying on stop-gap measures to sustain its working capital needs through advances and loans from connected persons and by deferring certain payments due to them; (ii) has an imminent tax payment obligation; (iii) requires funds for the aforementioned possible acquisition of Yooya; and (iv) has current and future working capital needs to continue to develop FortacinTM as abovementioned. However, based on the current financial condition of the Group, it has difficulties in fulfilling such funding needs due to the following.

- (a) It has limited cash resources and that its net asset position of approximately US\$126.6 million (approximately HK\$987.5 million) was largely made up of an illiquid intangible asset of approximately US\$137.1 million (approximately HK\$1,069.4 million), resulting in a net tangible liabilities position of approximately US\$10.5 million (or approximately HK\$81.9 million) as at 31 December 2018;
- (b) Based on the Group's financial position, it is unable to borrow from banks as the Group does not have any property or other assets for providing security / collateral; and
- (c) Other equity fund raising methods with similar scale of the Subscription have not been feasible despite continuous efforts (i.e. (i) the Company approached several securities brokerage firms for placing of shares at up to 20% discount but with the current negative market sentiment, it was not possible to raise the Subscription amount; and (ii) the Company was unable to secure an underwriter to conduct pre-emptive rights issue or open offer).

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As a result, despite the Conversion Price is at the lower end of the range of the Comparables, considering the above and that the Subscribers can provide immediate funding to Company to meet its imminent and ongoing funding needs, we are of the view that the discount of Conversion Price (which is the same under the Connected Subscription Agreement and Third Party Subscription Agreement) is acceptable and justifiable.

4.2 *Interest rate*

As presented in the table above, the Comparables offer annual interest rates ranging from nil to 8%, with an average of approximately 3.3% and median of approximately 3%. In comparison, the Convertible Notes will bear interest of 4.0% per annum, which (i) falls within the range of the Comparables with an average of approximately 3.3% and median of approximately 3%; and (ii) is lower than the Hong Kong benchmark lending rates in general. Having weighed the Management's feedback that the Group would not be able to obtain bank borrowings at reasonable terms given its current financial position and lack of security that could be provided while taking in account the right to conversion of the Convertible Notes afforded to the Subscribers, we concur with the Management that the 4.0% coupon on the Convertible Note is fair and reasonable.

4.3 *Maturity*

As presented in the table above, the maturity period of the Comparables ranges from 1.5 years to 10 years with an average of approximately 3.7 years and median of approximately 3 years, while the Convertible Notes will have a maturity of 3 years. As the maturity period of 3 years of the Convertible Notes falls within range of the Comparables with an average of approximately 3.7 years and median of approximately 3 years, we consider the maturity period to be fair and reasonable.

4.4 *Conversion terms*

The Convertible Notes have an early redemption clause, which provides the Company with an option to early redeem the Convertible Notes in whole or in part during the tenure of the notes. As this enables the Group to maintain a degree of flexibility, providing the Group the option to early redeem the Convertible Notes should the cash flow situation of the Group permits. We concur with the Management that such redemption clause is advantageous to the Company.

4.5 *Termination rights*

The Subscribers may, by notice to the Company given at any time prior to payment of the New Funds for the Convertible Notes to the Company, terminate the Subscription Agreements to which they are a party under circumstances as specified in the section headed "Subscription Agreements" in the Letter from the Board. The termination rights serve the purpose of protecting the Subscribers in circumstances where the Company has: (i) materially breached any of its representations or warranties in the Subscription Agreements; (ii) materially failed to satisfy its undertakings and agreements in the Subscription Agreements; (iii) failed to satisfy the conditions precedent in the Subscription Agreements; or (iv) suffered either internally or externally

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motivated events that have rendered the Company as something different to what it was at the time the Subscription Agreements were entered into. As these termination rights are typical termination rights of subscribers in subscription agreements of this nature, we are of the view that the concession of these termination rights to the Subscribers by the Company is on normal commercial terms and fair and reasonable.

4.6 *Events of default*

Please refer to the section headed “Subscription Agreements” in the Letter from the Board for further details. The Convertible Notes will become immediately due and payable at their principal amount upon certain specified scenarios and notice from Noteholders to the Company. We noted that these terms are common for subscription agreements of transactions of this nature and therefore we are of the view that such terms are on normal commercial terms and are fair and reasonable.

4.7 *Adjustments on Conversion Price*

Please refer to the section headed “Subscription Agreements” in the Letter from the Board for further details. We noted that these adjustment mechanisms on Conversion Price are customary for subscription agreements of transactions of this nature and therefore we are of the view that the price adjustments mechanisms are on commercial terms and are fair and reasonable.

4.8 *Conclusion*

Having considered that (i) the principal terms as laid out in the Connected Subscription Agreement are fair and reasonable and are in the interest of the Company and Shareholders as a whole; (ii) the Connected Subscription Agreement is inter-conditional with the Third Party Subscription Agreement and the principal terms of the Convertible Notes are the same in both Subscription Agreements; and (iii) the Connected Subscription Agreement facilitates the entire Subscription, we are of the view that such arrangement under the Connected Subscription Agreement and the issuance of the Convertible Notes thereunder are fair and reasonable, are on normal commercial terms and are in the interest of the Company and the Independent Shareholders as a whole.

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5. Potential dilution effect on the shareholding interests of the existing public Shareholders

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the issue and allotment of the Conversion Shares upon full conversion of the Convertible Notes is as follows:

| | At the Latest Practicable Date | | Immediately after the Maximum Number of Shares are issued | |
|---|-----------------------------------|---------------|---|---------------|
| | <i>Number of Shares (approx.)</i> | <i>%</i> | <i>Number of Shares (approx.)</i> | <i>%</i> |
| Shareholders | | | | |
| James Mellon | 387,816,211 | 21.11 | 578,980,447 | 22.65 |
| Jayne Sutcliffe | 1,716,046 | 0.09 | 1,716,046 | 0.07 |
| Anderson Whamond | 1,400,000 | 0.08 | 9,622,117 | 0.38 |
| Jamie Gibson | 69,208,513 | 3.77 | 145,263,101 | 5.68 |
| David Church | 5,530,000 | 0.30 | 13,752,117 | 0.54 |
| Other directors | 4,170,292 | 0.23 | 4,170,292 | 0.16 |
| Abony Enterprises, LLC | — | — | 61,665,883 | 2.41 |
| Other Independent Third Party Subscribers | — | — | 374,106,353 | 14.63 |
| Public Shareholders | 1,367,410,120 | 74.42 | 1,367,410,120 | 53.48 |
| Total | <u>1,837,251,182</u> | <u>100.00</u> | <u>2,556,686,476</u> | <u>100.00</u> |

Please refer to the Letter from the Board for details of the shareholding structure, including information on certain shareholders.

As shown in the above table, the shareholding interests of the existing public Shareholders would be diluted from approximately 74.42% as at the Latest Practicable Date to approximately 53.48% immediately after the full conversion of the Convertible Notes.

Despite the potential dilution of approximately 20.94% to the shareholding interests of the existing public Shareholders, as a result of the net proceeds from the issuance of Convertible Notes and immediately after the full conversion of the Convertible Notes, their interests in the Company would change from a net tangible liabilities per Share of approximately US\$0.006 (approximately HK\$0.047) to a net tangible assets per Share of approximately US\$ 0.003 (approximately HK\$0.023). In addition, proceeds from the Convertible Notes provides the necessary capital to fund the Group's businesses, which may potentially enhance the Group's profitability. Therefore, the potential dilutive effect to the shareholding interests of the existing public Shareholders would be offset by the immediate enhancement in tangible asset backing while providing the potential of enhanced future share of profits.

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Taking into account the above, we are of the view that the level of potential dilution to the shareholding interests of existing public Shareholders is acceptable as the benefits of the issue of the Convertible Notes (including those under the Connected Subscription Agreement) outweigh its potential dilution effect.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Connected Subscription Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole; (ii) the issuances of the Convertible Notes pursuant to the Connected Subscription Agreement are on normal commercial terms despite it is not being in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution in respect of the entering into of the Connected Subscription Agreement to be proposed at the EGM.

Yours faithfully
For and on behalf of
Altus Capital Limited

Chang Sean Pey
Executive Director

Leo Tam
Assistant Director

Mr. Chang Sean Pey (“Mr. Chang”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities); Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investment Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 20 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Mr. Leo Tam (“Mr. Tam”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over four years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

1 RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the HK 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 is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2 DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS

As at the Latest Practicable Date, the Directors of the Company had the following beneficial interests in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company or of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code:

1. Securities of the Company**a. The Shares**

| Name of Director | Note | Capacity in which the Shares are held | Long/Short position | Number of Shares | Approximate % holding* |
|------------------|------|--|---------------------|------------------|------------------------|
| James Mellon | | Beneficial owner | Long position | 361,594,306 | 19.68% |
| | A | Interests held by controlled corporation | Long position | 25,791,905 | 1.40% |
| Jamie Gibson | | Beneficial owner | Long position | 69,208,513 | 3.77% |
| David Comba | | — | — | — | — |
| Julie Oates | B | Interests held jointly with another person | Long position | 1,000,000 | 0.05% |
| Mark Searle | | Beneficial owner | Long position | 471,228 | 0.03% |
| | C | Beneficiary of a trust | Long position | 2,070,760 | 0.11% |
| | C | Family interest | Long position | 628,304 | 0.03% |
| Jayne Sutcliffe | | Beneficial owner | Long position | 1,716,046 | 0.09% |

* The total issued ordinary share capital of the Company as at the Latest Practicable Date consisted of 1,837,251,182 Shares.

b. Options under Share Option Scheme (2016)

Since the commencement of the Share Option Scheme (2016) on 10 June 2016, no options were granted under the scheme. Accordingly, as at the Latest Practicable Date, none of the Directors of the Company had any personal interests in options granted under the Share Option Scheme (2016), entitling him/her to subscribe for Shares in accordance with, and subject to, the terms of the scheme.

2. Securities of associated corporations

— **Ordinary shares of US\$0.01 of AstroEast.com Limited (Note D)**

| Name of Director | Note | Capacity in which the Shares are held | Long/Short position | Number of Shares | Approximate % holding |
|------------------|------|---------------------------------------|---------------------|------------------|-----------------------|
| James Mellon | — | — | — | — | — |
| Jamie Gibson | — | Beneficial owner | Long position | 225,000 | 0.80% |
| David Comba | — | — | — | — | — |
| Julie Oates | — | — | — | — | — |
| Mark Searle | — | — | — | — | — |
| Jayne Sutcliffe | — | Beneficial owner | Long position | 150,000 | 0.54% |

Notes:

- A. The 25,791,905 Shares are held by a company indirectly by James Mellon.
- B. The 1,000,000 Shares are held by Julie Oates for the beneficial interests jointly with Alan Clucas Oates (her spouse).
- C. The 2,070,760 Shares are held to the order of a pension fund, of which Mark Searle is the sole beneficiary.

The 628,304 Shares are held by Juliet Mary Druce Searle (the spouse of Mark Searle).

- D. AstroEast.com Limited is an indirect 50.99% owned subsidiary of the Company.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any beneficial interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or of any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

3 DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Directors, except for the Independent Non-Executive Directors who are not subject to the disclosure requirement under Rule 8.10 of the HK Listing Rules, have declared that they (and their respective close associates) are not interested in any business (either being its director or its substantial shareholder) apart from the Company's business, which competes or is likely to complete, either directly or indirectly, with the Company's business save that the following companies may pursue investment opportunities that may compete against the Company:

- (1) Agronomics Limited (formerly known as "Port Erin Biopharma Investments Limited" and changed its name on 16 April 2019)

Agronomics Limited ("**Agronomics**", AIM: ANIC) is an AIM-listed company, which has just changed its investing policy, so that the company will invest in opportunities within the life science section, concentrating on, but not limited to, environmentally friendly alternatives to the traditional production of meat and plant-based nutrition sources (clean food).

James Mellon is a non-executive director of Agronomics (having stepped down as the chairman of its board on 31 May 2019 and remaining as a non-executive director), and as at the Latest Practicable Date:

- The Company did not hold any interests in its total issued share capital; and
- James Mellon (himself and through his associate) held approximately 29.01 per cent of its total issued share capital.

As at the Latest Practicable Date, Agronomics held approximately 1.17 per cent of the total issued share capital of Diabetic Boot (as referred to above).

- (2) Bradda Head Holdings Limited (formerly known as "Life Science Developments Limited")

Bradda Head Holdings Limited ("**Bradda Head Holdings**") is a company making investments and/or acquisitions in the natural resources sector.

James Mellon is a non-executive director of Bradda Head Holdings, and as at the Latest Practicable Date:

- The Company did not hold any interests in its total issued share capital; and
- James Mellon (himself and through his associate) held approximately 22.68 per cent of its total issued share capital.

(3) Condor Gold plc

Condor Gold plc (“**Condor Gold**”, AIM: CNR; TSX: COG; and FSX: W5XA) is a UK based exploration company listed on AIM, the Toronto Stock Exchange and the Frankfurt Stock Exchange, focused on developing and further proving a large commercial reserve on its 100 per cent owned La India Project in Nicaragua.

James Mellon is a non-executive director of Condor Gold, and as at the Latest Practicable Date:

- The Company did not hold any interests in its total issued share capital; and
- James Mellon (himself and through his associate) held approximately 10.51 per cent of its total issued share capital.

(4) The Diabetic Boot Company Limited (“**Diabetic Boot**”)

Diabetic Boot 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:

- The Company did not hold any interests in its total issued share capital; and
- James Mellon (himself and through his associate) held approximately 37.71 per cent of its total issued share capital and loan notes in an aggregate amount of £5,524,511 which were being converted into shares of Diabetic Boot.

And, as at the Latest Practicable Date:

- Agronomics (as referred to above) held approximately 1.17 per cent of the total issued share capital of Diabetic Boot; and
- FastForward Innovations (as referred to below) held approximately 4.29 per cent of the total issued share capital of Diabetic Boot.

(5) FastForward Innovations Limited

FastForward Innovations Limited (“**FastForward Innovations**”, AIM: FFWD) is an AIM-listed company, aiming to bring investment opportunities often reserved for the private market of venture capital firms to the public market. FastForward Innovations invests in visionary entrepreneurs developing innovative technologies that solve problems in their industries.

James Mellon is the non-executive chairman of the board of Fast Forward Innovations, and as at the Latest Practicable Date:

- The Company did not hold any interests in its total issued share capital; and
- James Mellon (through his associate) held approximately 10.08 per cent of its total issued share capital.

As at the Latest Practicable Date, Fast Forward Innovations held approximately 4.29 per cent of the total issued share capital of Diabetic Boot (as referred to above).

(6) Portage Biotech Inc

Portage Biotech Inc (“**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.

James Mellon is a non-executive director of Portage Biotech, and as at the Latest Practicable Date:

- The Company did not hold any interests in its total issued share capital; and
- James Mellon (himself and through his associates) held approximately 28.63 per cent of its total issued share capital.

(7) Venturex Resources Limited

Venturex Resources Limited (ASX: VXR) is a base metals exploration and development company listed on the Australian Securities Exchange, focused on progressing its two promising zinc/copper projects in the Pilbara region of Western Australia.

As at the Latest Practicable Date:

- The Company holds approximately 12.34 per cent of its total issued share capital; and
- James Mellon (through his associate) holds less than 5 per cent of its total issued share capital, which is not disclosable under the rules of the relevant regulator(s).

Currently, the existing businesses of above companies do not compete against the Company’s existing businesses. Should the Company and any of the above companies come into competition in the future, no Director of the Company shall vote on any board resolution of the Company approving any contract or arrangement or any other proposal in which they or any of their associates have a material interest, nor shall they be counted in the quorum present in the meeting, in each case if, and to the extent, required under Rule 13.44 of the HK Listing Rules.

Note:

SalvaRx Group Plc (AIM: SALV), which was disclosed under the “Directors’ Interests in Competing Businesses” in the Company’s annual report for the year ended 31 December 2018, was an AIM-listed drug development company, focused on cancer immunotherapy and complementary areas of oncology. Following a group restructuring in March 2017, all the company’s investments and business interests were held by its subsidiary, namely SalvaRx Limited. In January 2019:

- (i) SalvaRx Limited was disposed of to Portage Biotech (as referred to above); and
- (ii) the new shares issued by Portage Biotech as the consideration for the acquisition were distributed to the shareholders of SalvaRx Group Plc.

SalvaRx Group Plc is therefore classified as an AIM Rule 15 cash shell.

4 DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any unexpired service contract with the Company or any of its subsidiaries, which was not determinable by the employing company within one year without payment (other than statutory compensation), except that: (i) the advisory agreement of James Mellon specified that his appointment as an adviser of the Company might be terminated by either party giving one year’s notice; and (ii) the service agreement of Jamie Gibson might be terminated by either party giving one year’s notice.

5 DIRECTORS’ INTERESTS IN CONTRACTS

As far as the Directors are aware, there were no contacts or arrangements subsisted as at the Latest Practicable Date, in which any Director was materially interested and which were significant in relation to the business of the Group.

6 MATERIAL ADVERSE CHANGE

Based on the preliminary review of the unaudited consolidated management accounts of the Group for the period from 1 January to 31 May 2019, the Company is expected to record a greater loss attributable to equity holders of the Company for the period ended 31 May 2019, as compared to the loss of US\$14.29 million (or approximately of HK\$111.46 million) for the period ended 30 June 2018. Based on the information available to the Board, such loss for the period ended 31 May 2019 was mainly due to: (i) an amortisation charge of US\$11.60 million (or approximately of HK\$90.48 million); (ii) the operating expenses of US\$3.86 million (or approximately of HK\$30.11 million); and (iii) a settlement amount of A\$9.50 million (or approximately of US\$6.73 million or HK\$52.49 million) with the Australian Tax Office in respect of a capital gain tax dispute.

Save as those disclosed above, the Directors were not aware of any other material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7 EXPERT AND CONSENT

- (a) Set out below is the qualification of the expert who has given opinion and advice, which is included in this circular:

| Name | Qualification |
|-----------------------|--|
| Altus Capital Limited | a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO |

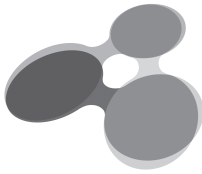
- (b) As at the Latest Practicable Date, the expert set out above did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) The expert set out above has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter (as of the 11 July 2019, being dates specified in its letter) and/or the references to its name and/or its opinion in the form and context in which it is included.
- (d) As at the Latest Practicable Date, the expert set out above did not have any interests, whether direct or indirect, in any assets which had been, since 31 December 2018 to which the Company's latest audited financial statements 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.

8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong during the normal business hours up to and including Monday, 29 July 2019 and at the Extraordinary General Meeting:

- (a) the Connected Subscription Agreement;
- (b) the Third Party Subscription Agreement; and
- (c) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0575)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting of the Company will be held at Salons 1 and 2, Level 1, MGM Macau *, Avenida Dr. Sun Yat Sen, NAPE, Macau on Tuesday, 30 July 2019 at 11:00 am for the following purposes (*Shuttle buses of MGM Macau will depart from the New Macau Maritime Ferry Terminal from time to time):

1. As special business, to consider and, if thought fit, pass (with or without amendments) the following resolution:

As an Ordinary Resolution

“THAT:

- (a) conditional upon the passing of Ordinary Resolution numbered (2) below, the issue of an aggregate of US\$6,700,000 4% coupon convertible notes due 2022 (“**Connected Convertible Note(s)**”), which are convertible into ordinary shares of US\$0.01 each of the Company (“**Share(s)**”), pursuant to the conditional subscription agreement dated 29 May 2019 (the “**Connected Subscription Agreement**”) entered into between the Company, as issuer, and Galloway Limited, James Mellon, Jamie Gibson and David Church, as subscribers (collectively, the “**Connected Subscribers**”) (as detailed in the shareholders’ circular issued by the Company on 11 July 2019, a copy of which is produced at the meeting and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder or incidental to the Connected Subscription Agreement and the issue of the Convertible Notes thereunder be and are hereby approved;
- (b) conditional upon the passing of Ordinary Resolution numbered (3) below and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, up to 275,440,941 Shares (“**Connected Conversion Shares**”), which are to be issued and allotted to the Connected Subscribers upon conversion of the Connected Convertible Notes, the issue of up to 275,440,941 Connected Conversion Shares be and is hereby approved; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any one of the Independent Non-Executive Directors or the Company Secretary or the Chief Financial Officer of the Company be and is hereby authorised to do all such acts and things, including, but not limited to, the execution of all documents, for and on behalf of the Company, which they deem necessary, appropriate or desirable or expedient to implement and give effect to any matters relating to or in connection with the transactions contemplated under the Connected Subscription Agreement and/or the issue of the Connected Convertible Notes thereunder.”
2. As special business, to consider and, if thought fit, pass (with or without amendments) the following resolution:

As an Ordinary Resolution

“THAT:

- (a) conditional upon the passing of Ordinary Resolution numbered (1) above, the issue of an aggregate of US\$10,800,000 4% coupon convertible notes due 2022 (“**Third Party Convertible Note(s)**”), which are convertible into ordinary shares of US\$0.01 each of the Company (“**Share(s)**”), pursuant to the conditional subscription agreement dated 29 May 2019 (the “**Third Party Subscription Agreement**”) entered into between the Company, as issuer, and independent third parties and MAC Financial Pension Trustees Ltd., as subscribers (collectively, the “**Third Party Subscribers**”) (as detailed in the shareholders’ circular issued by the Company on 11 July 2019, a copy of which is produced at the meeting and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder or incidental to the Third Party Subscription Agreement and the issue of the Convertible Notes thereunder be and are hereby approved;
- (b) conditional upon the passing of Ordinary Resolution numbered (3) below and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, up to 443,994,353 Shares (“**Third Party Conversion Shares**”), which are to be issued and allotted to the Third Party Subscribers upon conversion of the Third Party Convertible Notes, the issue of up to 443,994,353 Third Party Conversion Shares be and is hereby approved; and
- (c) any one of the Independent Non-Executive Directors or the Company Secretary or the Chief Financial Officer of the Company be and is hereby authorised to do all such acts and things, including, but not limited to, the execution of all documents, for and on behalf of the Company, which they deem necessary, appropriate or desirable or expedient to implement and give effect to any matters relating to or in connection with the transactions contemplated under the Third Party Subscription Agreement and/or the issue of the Third Party Convertible Notes thereunder.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. As special business, to consider and, if thought fit, pass (with or without amendments) the following resolution:

As an Ordinary Resolution

“**THAT** conditional upon the passing of Ordinary Resolutions numbered (1) and (2) above, the authorised share capital of the Company be increased from US\$23,550,000 comprising: (a) 2,300,000,000 ordinary shares of US\$0.01 each (“**Share(s)**”); and (b) 55,000,000 unclassified shares of US\$0.01 each (which may be issued as ordinary shares or non-voting convertible deferred shares (“**Deferred Share(s)**”)) to US\$143,550,000 by the creation of 12,000,000,000 additional Shares so that the share capital comprises: (i) 14,300,000,000 Shares; and (ii) 55,000,000 unclassified shares of US\$0.01 each (which may be issued as Shares or Deferred Shares).”

By Order of the Board of
Regent Pacific Group Limited

Jamie Gibson
Director

Directors of the Company:

James Mellon (*Chairman*)*
Jamie Gibson (*Chief Executive Officer*)
David Comba#
Julie Oates#
Mark Searle#
Jayne Sutcliffe*

* Non-Executive Directors

Independent Non-Executive Directors

Hong Kong, 11 July 2019

Notes:

1. Shareholders are recommended to read the shareholders’ circular dated 11 July 2019 issued by the Company (the “**Circular**”), which contains important information concerning the resolutions proposed at the extraordinary general meeting being convened by this notice (the “**Extraordinary General Meeting**”).

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. A member of the Company entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. Completion and return of an instrument appointing a proxy will not preclude a member from attending and voting in person at the meeting or any adjourned meeting if he so wishes.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. In order for it to be valid, the form of proxy, 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 Secretary at the Company's principal place of business in Hong Kong at 8th Floor, Henley Building, 5 Queen's Road Central, Hong Kong or via email at proxy@regentpac.com not later than 11:00 am on Sunday, 28 July 2019.
4. In order to ascertain the entitlements to attend and vote at the Extraordinary General Meeting, members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on Wednesday, 24 July 2019 for registration.
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 holder(s). For this purpose, seniority shall be determined by the order in which the names of the holders stand in the Register of Members of the Company in respect of such joint holding.
6. According to Rule 13.39(4) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the chairman of the Extraordinary General Meeting will demand a poll on all resolutions proposed at the meeting.
7. In the case of a conflict between the English text of this notice and its Chinese translation, the English text will prevail.
8. If at any time after 7:00 am on the date of the Extraordinary General Meeting: (i) Typhoon Signal Number 8 or above remains hoisted or a "Black" Rainstorm Warning Signal is in force; or (ii) the service of the ferry between Hong Kong and Macau is suspended, the Extraordinary General Meeting will be postponed to a later date and/or time as determined by the Company. If the Extraordinary General Meeting is so postponed, the Company will post an announcement on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (www.hkexnews.hk) 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.