



MERDEKA CORPORATE FINANCE LIMITED

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17 November 2025

*To: The Independent Board Committee and
the Independent Shareholders of
Innovax Holdings Limited*

Dear Sirs or Madams,

**CONNECTED AND DISCLOSEABLE TRANSACTION
INVOLVING DISPOSAL OF INNOVAX CREDIT AND
INNOVAX MANAGEMENT
AND SPECIAL DEAL**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular of the Company dated 17 November 2025 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 25 September 2025 (after trading hours), the Vendor (as vendor) and the Offeror (as purchaser) entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Offeror has conditionally agreed to purchase, 110 Sale Shares, representing the entire issued share capital of Billion Shine as at the date of the Sale and Purchase Agreement. Immediately upon Completion, the Offeror (through Billion Shine) and parties acting in concert with him will own an aggregate of 45,000,000 Shares, representing 75% of the entire issued share capital of the Company as at the Latest Practicable Date.

On the same day, CPL, a wholly-owned subsidiary of the Company, and MSL, which is wholly-owned by the Vendor, entered into the Disposal Agreement, pursuant to which MSL has conditionally agreed to acquire and CPL has conditionally agreed to sell, or procure the sale of, the entire issued share capital of Innovax Credit and Innovax Management for a total consideration of HK\$58.2 million (subject to adjustment).

LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

The Disposal Agreement and the transactions contemplated thereunder constitute a Special Deal. The Disposal Agreement and the transactions contemplated thereunder are therefore subject to the approval of the Independent Shareholders in general meeting and require the consent of the Executive. An application has been made to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Disposal Agreement and the transactions contemplated thereunder.

Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion the Disposal Agreement and the transactions contemplated thereunder are fair and reasonable; and (ii) the approval of the Disposal Agreement and the transactions contemplated thereunder by the Independent Shareholders by way of a poll at the general meeting of the Company. The Offeror and parties acting in concert with him and shareholders including the Vendor and parties acting in concert with him, those Shareholders who are involved in and/or interested in the Disposal, their respective associates and parties acting in concert with any of them, will be required to abstain from voting on the resolution in respect of the Disposal Agreement at the EGM.

In addition, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 5% but less than 25%, the entering into of the Disposal Agreement and the transaction contemplated thereunder constitute a discloseable transaction on the part of the Company.

CPL is a wholly-owned subsidiary of the Company. MSL is wholly-owned by Mr. Chung. Mr. Chung (through Billion Shine) is a controlling Shareholder holding 45,000,000 Shares, representing 75% of the entire issued share capital of the Company. As such, Mr. Chung is a connected person of the Company as defined under the Listing Rules and hence, the Disposal Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Disposal Agreement and the transaction contemplated thereunder is subject to reporting, announcement) and Independent Shareholders' approval requirements.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Wu Kwun Hing, Mr. Kwong Hon Nan, Eric and Ms. Chan Ka Lai, Vanessa, has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders as to whether the terms of the Disposal Agreement, the Special Deal and the transactions contemplated thereunder are fair and reasonable and as to the voting action at the EGM. We, Merdeka, have been appointed as the Independent Financial Adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee as to whether the terms of the Special Deal are fair and reasonable so far as the Independent Shareholders are concerned.

OUR INDEPENDENCE

We are independent of and not connected with the Vendor, the Offeror, CPL, MSL, and any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Special Deal, there were no other engagements between Merdeka and the Group. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to advise the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any of their respective substantial shareholders or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Disposal Agreement and the Disposal contemplated thereunder, pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Disposal Agreement; (ii) the annual report of the Company for the year ended 28 February 2025 (the “**2024/25 Annual Report**”); (iii) the interim results announcement of the Company for the six months ended 31 August 2025 (the “**2025 Interim Results Announcement**”); (iv) the audited financial statements of Innovax Credit for the year ended 28 February 2025; (v) the audited financial statements of Innovax Management for the year ended 28 February 2025; and (vi) other relevant information as set out in the Circular.

We have also 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 the 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 will continue to be so up to the Latest Practicable Date. The Company will notify the Shareholders of any material changes to information contained or referred to in the Circular as soon as practicable in accordance with Rule 9.1 of the Takeovers Code up to the date of the EGM. Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date.

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 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 information relating to the Group provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group positions, and if in any doubt, should consult their own professional adviser.

This letter is issued for the information of the Independent Board Committee solely in connection with their consideration of the Disposal, and except for its inclusion in this Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreement and the transactions

contemplated thereunder, we have considered the principal factors and reasons as set out below:

1. Background information on the Group

1.1 Principal business

The Company is incorporated in the Cayman Islands with limited liability and its issued shares have been listed on the Stock Exchange since 14 September 2018. The Company is an investment holding company and its subsidiaries are principally engaged in provision of financial and securities services including corporate finance advisory services, placing and underwriting services, securities dealing and brokerage services, securities financing services, asset management services and money lending services. The Group is an integrated financial and securities services provider licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and money lending business under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

1.2 Historical financial information

Set out below is a summary of (i) the audited consolidated financial statements of the Group for the years ended 29 February 2024 (“FY23/2024”) and 2025 (“FY24/2025”) as extracted from the 2024/25 Annual Report and (ii) the unaudited consolidated financial statements of the Group for the six months ended 31 August 2024 (“HY2024”) and 2025 (“HY2025”) as extracted from the 2025 Interim Results Announcement.

	For the six months ended		For the year ended	
	31 August 2025	31 August 2024	28 February 2025	29 February 2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(audited)	(audited)
Revenue				
– Corporate finance advisory services	4,815	4,347	8,495	11,734
– Placing and underwriting services	1,441	85,701	151,467	10,913
– Securities dealing and brokerage services	2,581	1,270	2,866	3,002
– Asset management services	1,202	205	492	427
– Interest income from securities financing services	896	1,409	2,611	5,525
– Interest income from money lending services	1,058	772	1,746	1,126
Total revenue	11,993	93,704	167,677	32,727
Other income	1,910	2,445	5,408	4,638
Other (losses) and gains	24,092	(18,301)	(26,088)	22,424
Total income	37,995	77,848	146,997	59,789
(Loss)/profit before tax	18,279	(22,889)	(35,287)	1,775
(Loss)/profit and total comprehensive income/(expense) for the period/year	18,279	(22,889)	(35,287)	1,775

For the six months ended 31 August 2024 and 2025

During HY2025, the Group’s total revenue was approximately HK\$12.0 million, representing a decrease of approximately 87.2%, as compared to HY2024. Notwithstanding that the revenue derived from the Group’s corporate finance advisory business, securities dealing and brokerage business, asset management business and money lending business increased by approximately 10.8%, 103.2%, 485.4% and 37.0% respectively, as compared to HY2024, the decrease in the Group’s total revenue was mainly attributable to (i) that due to investors becoming more selective and demanding higher yields and stronger credit profiles to compensate for rising risks, the Group did not participate in the underwriting for issue of bonds during HY2025, resulting in the significant decrease in the income generated from the placing and underwriting business, and (ii) the decrease in the interest income generated from the securities financing business given the Group’s continuous prudent approach and strategy to reduce its risk exposure under the highly volatile market conditions during HY2025.

During HY2025, the Group recorded a profit and total comprehensive income of approximately HK\$18.3 million, as compared with a loss and total comprehensive expense of approximately HK\$22.9 million for HY2024. The change from loss to profit was mainly attributable to the total net realised gain and unrealised gain on financial assets at fair value through profit or loss of approximately HK\$24.1 million for HY2025, as compared with the total net realised loss and unrealised loss on financial assets at fair value through profit or loss of approximately HK\$18.3 million for HY2024.

For the years ended 29 February 2024 and 28 February 2025

During FY24/2025, the Group's total revenue was approximately HK\$167.7 million, representing an increase of approximately 412.4%, as compared to FY23/2024. Such increase was mainly attributable to successfully (i) expanding the product and service coverage of its placing and underwriting business to include debt capital markets; (ii) engaging as investment manager for more investment funds and increasing the size of asset under its management; and (iii) increasing secured personal loan services and corporate loan services under its money lending business, resulting in the increase in the revenue derived from the Group's placing and underwriting business, asset management business and money lending business of approximately 1,288%, approximately 15.2% and approximately 55.1% respectively, as compared to FY23/2024, notwithstanding that the revenue derived from the Group's corporate finance business, securities dealing and brokerage business and securities financing business decreased by approximately 27.6%, approximately 4.5% and approximately 52.7% respectively, as compared to FY23/2024. As referred to the above, we noted that the substantial increase in the revenue for FY24/2025 is mainly attributable to the substantial increase in revenue generated from placing and underwriting business to include debt capital markets. As advised by the Management, such increased participation in debt capital markets also resulted in a substantial increase in related operating expenses (i.e. sub-underwriting expenses arising from the Group's participation in bond underwriting during FY24/2025).

During FY24/2025, the Group recorded a loss and total comprehensive expense of approximately HK\$35.3 million, as compared with a profit and total comprehensive income of approximately HK\$1.8 million for FY23/2024. The change from profit to loss was mainly attributable to the net unrealised loss on financial assets at fair value through profit or loss of approximately HK\$16.3 million and the net realised loss on financial assets at fair value through profit or loss of approximately HK\$9.8 million for FY24/2025, as compared with the net unrealised gain on financial assets at fair value through profit or loss of approximately HK\$2.6 million and the net realised gain on financial assets at fair value through profit or loss of approximately HK\$19.8 million for FY23/2024.

Financial position as at 29 February 2024 and 28 February 2025 and 31 August 2025

	As at 31 August 2025 <i>HK\$'000</i> <i>Unaudited</i>	As at 28 February 2025 <i>HK\$'000</i> <i>Audited</i>	As at 29 February 2024 <i>HK\$'000</i> <i>Audited</i>
Total non-current assets	2,474	2,544	1,509
Total current assets	354,079	350,483	282,091
Total assets	356,553	353,027	283,600
Current liabilities	151,146	165,905	73,111
Non-current liabilities	255	249	–
Total liabilities	151,401	166,154	73,111
Net assets	205,152	186,873	210,489

Total assets of the Group increased slightly by 1.0% from approximately HK\$353.0 million as at 28 February 2025 to approximately HK\$356.6 million as at 31 August 2025. The total liabilities of the Group amounted to approximately HK\$151.4 million as at 31 August 2025, representing a decrease of approximately 8.9% as compared to approximately HK\$166.2 million as at 28 February 2025. The net assets of the Group amounted to approximately HK\$205.2 million, representing an increase of approximately 9.8% as compared to approximately HK\$186.8 million.

The total assets of the Group increased by 24.5% from approximately HK\$283.6 million as at 29 February 2024 to approximately HK\$353.0 million as at 28 February 2025. As advised by the Management, the increase in the total assets is mainly attributable to the increase in the cash and bank balances – held on behalf of customers. The total liabilities of the Group amounted to approximately HK\$166.2 million as at 28 February 2025, representing an increase of approximately 127.3% as compared to approximately HK\$73.1 million as at 29 February 2024. As advised by the Management, the increase in total liabilities is mainly due to the increase in amount payable by the Group to its clearing house and securities trading clients, representing clients' monies placed in their respective accounts maintained with the Group for the Group's securities dealing and brokerage services. The net assets of the Group decreased to approximately HK\$186.9 million as at 28 February 2025, as compared to approximately HK\$210.5 million as at 29 February 2024.

2. Background information on Innovax Credit and Innovax Management

Innovax Credit was incorporated in Hong Kong with limited liability in 2019 and is a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date. Innovax Credit is principally engaged in money lending business under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The asset of Innovax Credit, on Disposal Completion, will consist of loan receivables. Details and our analysis of the loan receivables are set out in “4.1 Basis of the Disposal Consideration” below in this letter.

Innovax Management was incorporated in the British Virgins Islands with limited liability in 2018 and is an investment holding company. The assets of Innovax Management, on Disposal Completion, will consist of: (a) 11,700,000 H shares of Taizhou Water Group Co., Ltd. (台州市水務集團股份有限公司)(Stock Code: 1542, “**Taizhou Water**”), representing approximately 23.4% and 5.9% of the total number of issued H shares and of all shares of Taizhou Water, respectively; (b) 12,902,058 shares of DreamEast Group Ltd (Stock Code: 593, “**DreamEast Group**”), representing approximately 2.4% of the total number of issued shares of DreamEast Group; (c) 550,000 shares of Clarity Medical Group Holding Ltd (Stock Code: 1406, “**Clarity Medical**”), representing approximately 0.1% of the total number of issued shares of Clarity Medical; and (d) 9.09% equity interests in Element Investment (Hong Kong) Limited (元素投資(香港)有限公司)(“**Element Investment**”). Please refer to the section headed “4. Principal terms of the Disposal Agreement” below this letter for the details of the Innovax Management’s investments.

Set out below is a summary of the key financial data of Innovax Credit based on its audited financial statements for the financial years ended 29 February 2024 and 28 February 2025 are as follows:

	For the year ended	
	28 February 2025	29 February 2024
	<i>HK\$('000)</i>	<i>HK\$('000)</i>
	(audited)	(audited)
Revenue	1,746	1,126
Net (loss) before tax	(600)	(735)
Net (loss) after tax	(600)	(735)
Loss and total comprehensive expenses for the year	(600)	(734)

As at 28 February 2025, the audited net liabilities of Innovax Credit were approximately HK\$1.7 million.

Set out below is a summary of the key financial data of Innovax Management based on its audited financial statements for the financial years ended 29 February 2024 and 28 February 2025 are as follows:

	For the year ended	
	28 February 2025	29 February 2024
	<i>HK\$('000)</i>	<i>HK\$('000)</i>
	(audited)	(audited)
Revenue	–	–
Net (loss)/profit before tax	(25,984)	7,612
Net (loss)/profit after tax	(25,984)	7,612
(Loss)/profit and total comprehensive (expenses)/income for the year	(25,984)	7,612

As at 28 February 2025, the audited net liabilities of Innovax Management were approximately HK\$20.7 million.

3. Reasons for and benefit of the Disposal Agreement

As referred to the paragraph headed “Reasons for and benefits of the Disposal Agreement” of the Board Letter, we understood that the Disposal is a result of the differing intentions of the parties during the negotiation of the Sale and Purchase Agreement, which under which the Offeror expressed its intention to divest the assets held by Innovax Credit and Innovax Management, while the Vendor (through MSL) indicated its intention to retain such assets.

The Disposal Agreement was entered into between CPL and MSL after arm’s length negotiations and on normal commercial terms. The initial Disposal Consideration of HK\$58.2 million (subject to the Adjustment (defined as below)) was determined with reference to (i) the loan receivables of Innovax Credit as at the date of the Disposal Agreement (i.e. 25 September 2025); and (ii) the investments in held by Innovax Management as at the date of the Disposal Agreement, comprising (a) the value of Taizhou Water with reference to the average of the closing prices per share quoted on the Stock Exchange for the last five consecutive trading days prior to and excluding the date of the Disposal Agreement; and the value of DreamEast Group and Clarity Medical with reference to their respective closing price per share quoted as of their respective last trading day before the date of the Disposal Agreement; and (b) the fair value of Element Investment held by Innovax Management as recorded on the Group’s audited consolidated financial statement as at 28 February 2025. The Disposal Consideration will be adjusted based on the Disposal Adjusted Value. Please refer to our analysis on the basis of the Disposal Consideration as set out in the sub-section headed 4.1 Basis of the Disposal Consideration below in this letter.

After the Disposal Completion, the Group will cease to engage in the money lending business and hold the securities held by Innovax Management. The Group will continue to more fully focus on its provision of financial and securities services. The Group intends to enhance its development of the following services:

- (i) Corporate finance advisory services: the Group has been actively maintaining frequent contacts with existing clients to identify business opportunities with them. Leveraging on the resources and network of the Group's senior management, the Group has been proactively approaching new clients from different geographical locations and with demand for different corporate finance advisory services so as to broaden its project reserves. With the continuous improvement in the market sentiment and regulatory enhancements, the Group expects that its corporate finance advisory business, especially the IPO sponsorship services, will continue to improve and record a higher growth in revenue and project pipeline.
- (ii) Placing and underwriting services: the Group will leverage its expertise and extensive industry network to secure more placing and underwriting projects and will continue to further expand its product and service coverage. The anticipated growth in the Group's IPO sponsorship business, coupled with sustained improvements in IPO market sentiment and stock market liquidity in Hong Kong, is expected to fuel the Group's placing and underwriting business in both IPO and secondary fundraising.
- (iii) Securities dealing and brokerage services: the Group is continuously expanding its service range to include discretionary account management services, wealth management services and trading and brokerage services for securities listed in the US or other overseas stock markets. The Group will allocate more resources to expand its client base and is confident that its securities dealing and brokerage business will continue to grow.
- (iv) Securities financing services: the Group has been cautiously expanding its margin loan portfolio since the second quarter of 2025 and will continue to develop this business.
- (v) Asset management services: the Group aims to provide more comprehensive investment solutions by establishing additional investment funds, including hedge funds and private equity funds and venture capital funds. It has also expanded its discretionary management services to cater to evolving client needs, resulting in a continuous increase in the number of discretionary securities accounts and the total value of assets under management.

Having considered the above, we are of the view that the Disposal, though not in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Disposal Agreement

The principal terms of the Disposal Agreement are summarised as follows.

Date:	25 September 2025
Parties:	i) CPL, which is a wholly-owned subsidiary of the Company, as vendor; and ii) MSL, which is wholly-owned by Mr. Chung, as purchaser.
Subject matter of the Disposal:	MSL has conditionally agreed to acquire and CPL has conditionally agreed to sell, or procure the sale of, the entire issued share capital of Innovax Credit and Innovax Management for a total consideration of HK\$58.2 million (subject to adjustment).
Payment:	The Disposal Consideration is payable by MSL to CPL (or its nominees) at the Disposal Completion.
Disposal Consideration:	The Disposal Consideration was initially HK\$58.2 million, which represents the sum of: (a) In respect of Innovax Credit: (i) approximately HK\$33.3 million, being the amount of loan receivables held by Innovax Credit as of the date of the Disposal Agreement; and (b) In respect of Innovax Management: (i) approximately HK\$16.8 million, being the value of 11,700,000 H shares of Taizhou Water held by Innovax Management as of the date of the Disposal Agreement, based on the average closing prices per share as quoted on the Stock Exchange for the last five consecutive trading days prior to and excluding the date of the Disposal Agreement;

- (ii) approximately HK\$2.5 million, being the value of 12,902,058 shares of DreamEast Group held by Innovax Management as of the date of the Disposal Agreement, based on the closing price per share of DreamEast Group as quoted on the Stock Exchange as of the last trading day of the shares of DreamEast Group before the date of the Disposal Agreement;
- (iii) approximately HK\$0.2 million, being the value of 550,000 shares of Clarity Medical held by Innovax Management as of the date of the Disposal Agreement based on the closing price per share of Clarity Medical as quoted on the Stock Exchange as of the last trading day of the shares of Clarity Medical before the date of the Disposal Agreement; and
- (iv) approximately HK\$5.4 million, being the fair value of Innovax Management's 9.09% investment in Element Investment as recorded in the Group's audited consolidated financial statements as of 28 February 2025.

Since the shares of DreamEast Group and Clarity Medical had been under a prolonged suspension as of the Disposal Agreement date, and in the absence of more recent market data, the Company considers their last closing price to be the most recent publicly available market-based value.

The adjustment mechanism on the Disposal Consideration (the **"Adjustment"**):

The Disposal Consideration shall be adjusted on the following basis:

- (a) if the Disposal Adjusted Value is less than the Disposal Consideration, the difference between the Disposal Consideration and the Disposal Adjusted Value shall be paid in cash by CPL to MSL (or its nominees) within seven (7) Business Days of Disposal Completion; and

- (b) if the Disposal Adjusted Value is higher than the Disposal Consideration, the difference between the Disposal Consideration and the Disposal Adjusted Value shall be paid in cash by MSL to CPL (or its nominees) within seven (7) Business Days of Disposal Completion.

The disposal adjusted value (the “**Disposal Adjusted Value**”) represents the sum of:

- (a) In respect of Innovax Credit:
 - (i) the amount of loan receivables held by Innovax Credit as at the Disposal Completion Date, as recorded in the management accounts of Innovax Credit as at the Disposal Completion Date; and
- (b) In respect of Innovax Management:
 - (ii) the number of shares of Taizhou Water held by Innovax Management as of the Disposal Completion Date, multiplied by the average of the closing prices per share of Taizhou Water as quoted on the Stock Exchange for the last five consecutive trading days prior to and excluding the Disposal Completion Date;
 - (iii) the number of shares of DreamEast Group held by Innovax Management as of the Disposal Completion Date, multiplied by the average of the closing prices per share of DreamEast Group as quoted on the Stock Exchange for the last five consecutive trading days prior to and excluding the Completion Date. If the shares of DreamEast Group are suspended from trading on the Stock Exchange on the Disposal Completion Date, no adjustment is required;

- (iv) the number of shares of Clarity Medical held by Innovax Management as of the Disposal Completion Date, multiplied by the average of the closing prices per share of Clarity Medical as quoted on the Stock Exchange for the last five consecutive trading days prior to and excluding the Disposal Completion Date. If the shares of Clarity Medical are suspended from trading on the Stock Exchange on the Disposal Completion Date, no adjustment is required; and
- (v) the fair value of the investment of Innovax Management in Element Investment as of 31 August 2025, as recorded in the Group's unaudited consolidated financial statement as of 31 August 2025.

Disposal Completion:

Upon fulfilment (or, as appropriate, waiver) of all the Disposal Conditions Precedent as set out in the Board Letter, the Disposal Completion shall take place on the day of the Disposal Completion Date. Upon Disposal Completion, the Company will no longer have any interest in Innovax Credit and Innovax Management. Innovax Credit and Innovax Management will cease to be accounted as subsidiaries of the Group.

Please refer to the section headed “2. THE DISPOSAL AGREEMENT” in the Board Letter for more information.

4.1 Basis of the Disposal Consideration

As referred to the Board Letter, we understand that the Disposal Consideration of HK\$58.2 million (subject to the Adjustment) was determined with reference to (i) approximately HK\$33.3 million being the loan receivables of Innovax Credit as at 25 September 2025; and (ii) approximately HK\$24.9 million being the fair value of the investments held by Innovax Management, comprising (a) approximately HK\$16.8 million for 11,700,000 H shares of Taizhou Water; (b) approximately HK\$2.5 million for 12,902,058 shares of DreamEast Group; (c) approximately HK\$0.2 million for 550,000 shares of Clarity Medical; and (d) approximately HK\$5.4 million for its 9.09% equity investment in Element Investment as at 28 February 2025.

The fair value of the listed equities held by Innovax Management valued by reference to their respective market prices quoted on the Stock Exchange as at the last trading day or the average closing price for the last five consecutive trading days before the date of the Disposal Agreement, while the fair value of its unlisted investment was determined with reference to the fair value as recorded in the Group's audited consolidated financial statements as at 28 February 2025.

To assess the fairness and reasonableness of the Disposal Consideration, we have obtained from the Management and reviewed the audited financial statements of each of Innovax Credit and Innovax Management as at 28 February 2025 and their respective management accounts as at 31 August 2025. In terms of assets, we noted that the principal assets of Innovax Credit were loan receivables due from the borrowers, and the principal assets of Innovax Management were its investment in listed equities and the unlisted assets (i.e. Element Investment).

Innovax Credit

To assess the value of the loan receivables of Innovax Credit, we obtained and reviewed its summary list of loan receivables as at 25 September 2025 (the “**Loan List**”) and noted that Innovax Credit had a total of 18 outstanding loans with an aggregate outstanding principal amount of approximately HK\$33,345,000, which were granted to 13 borrowers comprising 2 borrowers who are connected persons borrowers and 11 borrowers who are independent third parties borrowers. Out of the 18 loans, 14 were term loans and 4 were installment loans, with 3 were granted to the two connected persons and the remaining 15 to the 11 independent third parties.

Based on our discussion with the Management and our review of the Loan List, we noted that, as at the Latest Practicable Date, a repayment of approximately HK\$27,000 was overdue for 14 days. The loans have tenures ranging from one to two years, with approximately 22.2%, 66.6% and 11.1% of the loans expected to mature on or before the end of 2025, 2026 and 2027, respectively, and carry interest rates between 3.0% and 10.0%, with 2 loans secured by personal guarantees and property pledges. As confirmed by the Management, save for the late repayment as above-mentioned, none of the loans were in default as at the Latest Practicable Date and the Management also confirmed that, based on the historical repayment record of the borrowers, no significant write-off or write-down of the loans prior to Disposal Completion is expected.

Innovax Management

To assess the value of Innovax Management, we were advised that its principal assets comprised 3 listed equity investments and 1 unlisted investment. The listed equity investments held by Innovax Management consist of (a) 11,700,000 H shares in Taizhou Water; (b) 12,902,058 shares in DreamEast Group; and (c) 550,000 shares in Clarity Medical. Based on our desktop research, we noted that Taizhou Water is currently trading on the Stock Exchange, whereas both DreamEast Group and Clarity Medical have been under prolonged trading suspension. As advised by the Management, the Company determined the fair value of these listed equity investments for the purpose of the Disposal Consideration by referencing the respective last closing prices of DreamEast Group and Clarity Medical as at their last trading day prior to their suspension, and the average 5-day closing price of Taizhou Water immediately preceding the date of the Disposal Agreement.

According to the announcements of DreamEast Group dated 4 March 2024, 11 March 2024, 23 September 2024 and its circular dated 22 August 2025, DreamEast Group has been suspended since 11 March 2024 as (a) a petition was filed against DreamEast Group due to its non-payment of the amount demanded pursuant to a statutory demand issued on 1 November 2023; and (b) on 11 March 2024, DreamEast Group was ordered to be wound up by the High Court with an official receiver and liquidators were appointed accordingly. Meanwhile, as referred to the announcements of Clarity Medical dated 30 May 2025 and 30 June 2025, Clarity Medical has been suspended since 15 April 2025 as the Stock Exchange received various allegations concerning (a) potential material misstatements in the IPO prospectus relating to the track record period, including arrangements involving remuneration, loans and dividend distributions; and (b) allegations of corporate misconduct including unauthorised establishment of a subsidiary, channelling of the Group's funds, undisclosed relationships, failure to discharge fiduciary duties, unauthorised arrangements and deficiencies in corporate governance and internal control.

Given the prolonged suspension status of DreamEast Group and Clarity Medical and the absence of any more recent market quotations or independent valuations, the Company considers that the respective closing price as at their trading day represents the most recent publicly available market-based valuation determined in an open market prior to their suspension. To assess whether such approach is fair and reasonable, we referred to the announcements of DreamEast Group and Clarity Medical as mentioned below.

According to the interim results announcement of DreamEast Group dated 29 August 2025 for the six months ended 30 June 2025, DreamEast Group recorded total unaudited net liabilities of approximately HK\$1.25 billion as at 30 June 2025. Based on the total issued shares of 545,796,038 as at 31 October 2025, the net liability per share amounted to approximately HK\$1.83. We noted that the closing price used by the Company, being HK\$0.19 per share as at DreamEast Group's last trading day before its suspension on 11 March 2024, in comparison to the net liability per DreamEast Group share of approximately HK\$0.19 as at 30 June 2025. We also noted that its average closing price for 5 consecutive trading days before the suspension date on 11 March 2024 is approximately HK\$0.202. Further, as disclosed in DreamEast Group's announcement dated 8 October 2025, the Listing Committee considered that DreamEast Group had not fulfilled all resumption guidance and thereby rejected DreamEast Group's application for an extension of the remedial period. Although DreamEast Group has applied for a review of the decision by the Listing Review Committee, there remains substantial uncertainty as to whether such decision will be overturned and whether trading will resume in the near term. In this regard, after considering (a) the prolonged suspension status of DreamEast Group shares and the uncertainty relating to the resumption of the shares; (b) the net liabilities position as referred to the latest financial statement available to us; and (c) the Listing Committee's rejection of the Group's application for an extension of the remedial period, we are of the view that it is reasonable and justifiable for the Company to adopt such closing price in determining the fair value of Innovax Management's investment in DreamEast Group.

According to the latest results announcement of Clarity Medical dated 27 November 2024, the net asset value per share amounted to approximately HK\$0.32 based on the unaudited net assets of approximately HK\$174.0 million as at 30 September 2024 as mentioned in its interim report dated 19 December 2024 for the six months ended 30 September 2024 and the total issued shares of Clarity Medical of 536,334,496 as at 30 September 2025. The closing price of Clarity Medical as at its last trading day on 14 April 2025 of HK\$0.355 per share, which was adopted by the Company to determine its fair value for the Disposal, represents a premium over its net asset value per share. We also noted that its average closing price for 5 consecutive trading days before the suspension date on 15 April 2025 is approximately HK\$0.366. As the adopted price is above the net asset value per share of Clarity Medical, and given the uncertainty regarding the resumption of Clarity Medical's shares, we are of the view that it is reasonable and justifiable for the Company to adopt such closing price in determining the fair value of Innovax Management's investment in Clarity Medical.

Having considered the above, we concur with the Directors' view that the closing price as at the last trading day of DreamEast Group (12,902,058 shares at HK\$0.190, i.e. HK\$2,451,391) and Clarity Medical (550,000 shares at HK\$0.355 i.e. HK\$195,250) remains a reasonable reference for determining the fair value of DreamEast Group and Clarity Medical for the purpose of assessing the Disposal Consideration. Together with 11,700,000 shares in Taizhou Water at a five consecutive trading days average closing prices per share of HK\$1.438, which is equivalent to a value of HK\$16,824,600, the aggregate fair value of the listed equity investments as at 25 September 2025 amounted to approximately HK\$19,471,000.

The unlisted investment of Innovax Management comprises its investment in the 5,000,000 shares of Element Investment. For the purpose of assessing the fair value of Element Investment, we first obtained the share subscription agreement of Element Investment and the relevant share certificate, which shows Innovax Management holding 5,000,000 Element Investment's shares. We also reviewed the audited financial statements of Innovax Management for the year ended 28 February 2025, prepared by an independent auditor, which indicated that the fair value of the Element Investment held by Innovax Management amounted to approximately HK\$5,355,000 as at 28 February 2025. For our due diligence, we also obtained the latest management account of Innovax Management as at 31 August 2025 and understood that the fair value of the Element Investment amounted to approximately HK\$5,355,000 as at 31 August 2025. As confirmed by the Management, there has been no material change to such fair value up to the Latest Practicable Date.

Based on the foregoing, we noted that the aggregate fair value of the loan receivables held by Innovax Credit and the investments held by Innovax Management amounted to approximately HK\$58,171,000. Accordingly, the Disposal Consideration of HK\$58.2 million is approximately equivalent to the aggregate fair value of assets held by Innovax Credit and Innovax Management as at 25 September 2025.

Having considered that (i) the principal assets of Innovax Credit comprised loan receivables; (ii) the principal assets of Innovax Management consisted of its investments in Taizhou Water, DreamEast Group, Clarity Medical, and Element Investment; (iii) the aggregate fair value of the assets held by Innovax Credit and Innovax Management amounted to approximately HK\$58,171,000 as at 25 September 2025; and (iv) the Disposal Consideration is approximately equivalent to the aggregate fair value of such assets, we consider the Disposal Consideration to be fair and reasonable.

4.2 Adjustment on the Disposal Consideration

As referred to the Board Letter, we noted that the value of the Innovax Credit and Innovax Management as at the Disposal Completion Date will be adjusted with reference to (i) the loan receivables held by Innovax Credit as at the Disposal Completion Date; and (ii) the fair value of the listed and unlisted investments held by Innovax Management on Disposal Completion, based on the average closing prices quoted on the Stock Exchange for the last five consecutive trading days prior to and excluding the Disposal Completion Date (or the last trading day closing prices, as applicable), together with the fair value of its unlisted investment as at 31 August 2025 as recorded in the Group's unaudited consolidated financial statements as at 31 August 2025. And in the event that the shares of DreamEast Group and the shares of Clarity Medical are still suspended from trading on the Stock Exchange on the Disposal Completion Date, no adjustment is required.

The Disposal Consideration of HK\$58.2 million is subject to an Adjustment mechanism whereby (i) if the Disposal Adjusted Value is less than the Disposal Consideration, the difference shall be paid in cash by CPL to MSL (or its nominees); and (ii) if the Disposal Adjusted Value is higher than the Disposal Consideration, the difference shall be paid in cash by MSL to CPL (or its nominees), in each case within seven (7) Business Days following Disposal Completion.

Having considered that (i) the Adjustment mechanism allows the final consideration to be aligned with the value of underlying assets held by Innovax Credit and Innovax Management as at Disposal Completion Date on a dollar-for-dollar basis; and (ii) the Adjustment mechanism ensures that the final consideration will fairly reflect the value of the underlying assets transferred at Disposal Completion Date. Accordingly, we are of the view that the Adjustment mechanism is fair and reasonable and in the interests of the Shareholders as a whole.

5. Financial effect of the Disposal

As described in the Board Letter, it is expected that upon the Disposal Completion, the Disposal will result in the estimated gain of approximately HK\$3.8 million.

This estimation is derived from the difference between (i) the gross proceeds from the Disposal of approximately HK\$58.2 million and (ii) the total of the audited net liabilities of Innovax Credit and Innovax Management of approximately HK\$22.5 million as at 28 February 2025, which have been further adjusted to approximately HK\$54.3 million, as if the following streamlining of the financial positions of Innovax Credit and Innovax Management, which were approved by the Board and completed prior to the Disposal Completion, had taken place as at 28 February 2025: (a) the amount due to the Company of approximately HK\$105.5 million by Innovax Credit and Innovax Management as at 28 February 2025 being waived by the Company; (b) disposal of certain investments held by Innovax Management, the market value as at 28 February 2025 of which was approximately HK\$18.7 million; and (c) repayment of the amount due to the Company by cash and cash equivalent of approximately HK\$10.0 million held by Innovax Management.

RECOMMENDATION

Having considered that:

- (i) the total revenue of the Group for FY24/2025 increased significantly by approximately 412.4% as compared to FY23/2024, primarily attributable to the Group's successful expansion of its placing and underwriting business to cover debt capital market transactions; which resulted in a substantial increase of approximately 1,288% in the revenue derived from placing and underwriting services during FY24/2025 as compared to the previous financial year. The proceeds from the Disposal are intended to be allocated to further develop this core financial and securities business segment, which is expected to enhance the Group's profitability;
- (ii) the Disposal allows the Group to reallocate its resources and strategic focus towards further developing its core financial and securities services business, and the proceeds from the Disposal will be used for the Group's general working capital;
- (iii) the Disposal Consideration is fair and reasonable as detailed in the section headed "4.1 Basis of the Disposal Consideration" in this letter; and
- (iv) the Adjustment mechanism on the Disposal Consideration allows the final consideration to be aligned with the actual value of the assets as at the Disposal Completion Date;

we are of the view that, although the Disposal Agreement, the Special Deal and the transactions contemplated thereunder including the Disposal are not in the ordinary and usual course of business of the Company, they are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend that the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Disposal Agreement, the Special Deal and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Merdeka Corporate Finance Limited

A handwritten signature in black ink, appearing to read 'Wallace So', with a stylized flourish at the end.

Wallace So
Managing Director

Mr. Wallace So is a licensed person registered with the Securities and Futures Commission of Hong Kong, a responsible officer of Merdeka Corporate Finance Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and a licensed representative of Merdeka Investment Management Limited to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Mr. Wallace So has over 13 years of experience in corporate finance industry.