

26 October 2021

Dear Sir/Madam,

CONNECTED TRANSACTIONS

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 Connected Grants, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 26 October 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In order to attract, incentivise and motivate the employees of the Group, the Board has approved the adoption of the 2021 RSU Scheme on 9 September 2021 (the “**RSU Announcement Date**”), subject to the approval by the Shareholders at the EGM. On the even date, the Board has proposed to grant RSUs to the Connected Participants, representing an aggregate of 1,283,490 Shares.

With reference to the Board Letter, the Connected Grants (including the allotment and issue of Shares upon the vesting of the RSUs) to the Connected Participants constitute non-exempt connected transactions and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Heung San Addy FONG, Mr. Chi Fung Leo CHAN, Ms. Jenny CHEN and Mr. Kai Yu Kenneth LIU (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the Connected Grants are on normal commercial terms and conducted in the ordinary and usual course of business of the Group; (ii) whether the terms of the Connected Grants are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Connected Grants at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser in relation to (i) the Company's discloseable and connected transaction, details of which are set out in the Company's circular dated 25 May 2021; and (ii) the Company's discloseable and connected transaction; and continuing connected transactions, detail of which are set out in the Company's announcement dated 14 July 2021.

Notwithstanding the aforesaid engagements, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Besides, apart from the advisory fee and expenses payable to us in connection with our aforesaid engagements and this engagement as the Independent Financial Adviser, there was no arrangement whereby we shall be entitled to receive any other fees or benefits from the Company.

Having considered the above, in particular (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements were only independent financial adviser engagements, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the 2021 RSU Scheme. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the 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 therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and the Connected Participants or their respective associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the adoption of 2021 RSU Scheme and the Connected Grants. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of and reasons for the Connected Grants

Information on the Group

With reference to the Board Letter, the Company is a leading global provider of energy-based medical aesthetic treatment systems, with comprehensive in-house capability to design, develop and produce such systems, which often feature its innovative and proprietary technologies. Alma Lasers Ltd. is the principal operating subsidiary of the Company.

Set out below is a summary of the key audited consolidated financial information of the Group for the five years ended 31 December 2020 as extracted from the annual report of the Company for the year ended 31 December 2020 (the “2020 Annual Report”):

	For the year ended 31 December 2016 US\$'000	For the year ended 31 December 2017 US\$'000	For the year ended 31 December 2018 US\$'000	For the year ended 31 December 2019 US\$'000	For the year ended 31 December 2020 US\$'000
Revenue	118,156	136,887	153,919	173,520	162,095
Gross profit	62,223	73,197	82,297	95,874	90,301
Profit for the year	8,501	11,049	21,831	21,935	14,680

As depicted in the above table, the Group’s revenue, gross profit and profit for the year had been growing from the year ended 31 December 2016 to the year ended 31 December 2019. The Group’s revenue, gross profit and profit for the year decreased by 6.58%, 5.81% and 33.07% respectively for the year ended 31 December 2020 as compared to those of the year ended 31 December 2019. With reference to the 2020 Annual Report, the decrease was primarily attributable to the COVID-19 impact on the global economy, displaying much of the pandemic effect in the first 5 months of 2020.

With reference to the Company’s interim report for the six months ended 30 June 2021, the Company recorded a total revenue of approximately US\$125.3 million for the six months ended 30 June 2021, representing an increase of 74.7% when compared to the corresponding period in 2020. The increase is primarily attributable to the Group’s resilience and long-term planning throughout 2020, amidst the COVID-19 pandemic.

The Company’s profit for the period attributable to owners of the parent for the six months ended 30 June 2021 was approximately US\$16.4 million, representing a significant increase of approximately 197.6% as compared to that for the corresponding period in 2020.

Information on the Connected Participants

With reference to the Board Letter, the Connected Participants include Mr. Yi LIU, Mr. Lior Moshe DAYAN, Mr. Guojun BU and Mr. Doron YANNAL.

The Directors advised us that after finalising the identities of all grantees, the Company further identified if such Participants are connected persons of the Company.

Biographical Details of the Connected Participants are as follows:

Mr. Yi LIU

Mr. Yi LIU (劉毅) was appointed as the chairman of the Company and an executive Director on 14 April 2016.

Mr. Liu joined the Group in April 2016 and has served as a Director since then. Mr. Liu was the chief technology officer of the medical devices division of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (2196 & SH600196) (“Fosun Pharma”) from November 2015 to December 2016, and has been a vice president of Fosun Pharma since January 2017. Mr. Liu became a Fosun Global Partner in January 2021. Prior to joining the Fosun Pharma group, Mr. Liu served as a civil servant at the State Food and Drug Administration of China from July 2000 to August 2004. He served as deputy head of the Beijing Medical Equipment Laboratory* (北京市醫療器械檢驗所) from September 2004 to May 2007 and was responsible for the quality system management and regulatory matters with the State Food and Drug Administration of China. He served as the head of that laboratory from May 2007 to November 2015 and was responsible for the overall management of the institute, including strategic planning, government relations and regulatory matters.

Mr. Lior Moshe DAYAN

Mr. Lior Moshe DAYAN was appointed as chief executive officer of the Company and an executive Director on 6 June 2017. Mr. Dayan has been the senior vice president of global sales and managing director of the German subsidiary of the Group since April 2011. He is responsible for the direction and management of all sales, marketing and business development operations, including market competitiveness, pricing, compensation, distribution and sales channel strategy. He was the senior director in charge of the Asia-Pacific markets of Alma Lasers Ltd. from September 2008 to December 2010 and the vice president of sales and marketing of Alma Lasers Ltd. European and APAC markets from November 2010 to April 2011.

Mr. Dayan has 19 years of experience in the laser industry with operational, logistic, financial and sales expertise, 10 of which were in Asia. Prior to joining the Group, he served in several managing positions at Lumenis Ltd. From September 2001 to September 2008, including sales director of the European and West African markets, sales and marketing regional manager of the countries in South East Asia, director of supply chain and financial director in the medical business unit. Prior to his time in the medical devices industry, Mr. Dayan held several senior financial positions in the hi-tech telecommunications industry from 1996 until 2001, when he acted as the cost of goods and profit controller of ECI Telecom Israel from 1996 to 1998 and the director of cost of goods and inventory control of ECI Telecom Israel from 1998 to 2001.

Mr. Guojun BU

Mr. Guojun BU (步國軍) was appointed as an executive Director and the chief financial officer of the Company on 17 January 2019. Mr. Bu has more than 22 years of financial management experience in medical and healthcare industry, in particular in finance operation, financing and investment activities.

Mr. Bu has been the vice president of Chindex Medical Limited, a controlling shareholder of the Company and a subsidiary of Fosun Pharma, and the vice president of the Medical Technology Division of Fosun Pharma, in charge of finance operation and financing and investment activities for medical device business, since January 2017 and January 2019, respectively. He has also acted as the general manager of the finance department of Chindex Medical Limited from January 2011 to December 2016. Mr. Bu worked with Chindex International, Inc. from January 1997 to December 2010, where he held a number of positions comprising finance manager, senior finance manager, assistant finance director and finance director of China region.

Mr. Doron YANNAI

Mr. Doron YANNAI has been the vice president in charge of financial matters of the Group since February 2014. Mr. Yannai joined the Group in March 2007 and served as director in charge of financial matters of the Group and Human Resources of Alma Lasers Ltd. from March 2007 to February 2014. He is currently responsible for financial operations of the Group.

Mr. Yannai has more than 23 years' experience of financial management in private and public companies in various industries such as software, communications and construction. Prior to joining the Group, he was controller at Tecnomatix/Oshap from January 1991 to May 1995, the chief financial officer at Shaked Group from June 1995 to December 1996, the chief financial officer at NetFormx Ltd. from January 1997 to June 2001, the director of finance at SAP Portals from July 2001 to December 2002, and chief financial officer at WiNetworks from January 2004 to February 2007.

Reasons for the Connected Grants

With reference to the Board Letter, the Connected Grants are intended to increase alignment between interests of the Connected Participants and long-term interests of Shareholders, which would also aid in the retention of employees and reward long-term performance.

Based on our independent research, we noted that it is a common practice for listed companies in Hong Kong to grant share award to their directors, personnel and employees.

Having considered the following factors, including (i) the Connected Grants can motivate the Connected Participants to continue to make contributions to the Group; (ii) no cash outflow is expected through the granting of the RSUs under the Connected Grants should the Company issue new Shares when the RSUs are being vested; and (iii) granting

share award to directors, personnel and employees is a common practice for listed companies in Hong Kong, we are of the view that the Connected Grants are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Proposed RSU Grants

Number of RSUs to be granted

The number of Shares underlying the RSUs to be granted to each of Connected Participants are set out as follows:

Name of Connected Participants	Position	Number of RSUs proposed to be granted	Number of Shares underlying the RSUs	% of Number of Shares underlying the RSUs to total issued shares of the Company as at the Latest Practicable Date
Mr. Yi LIU	Chairman and executive Director	220,000	220,000	0.0472%
Mr. Lior Moshe DAYAN	Chief Executive Officer and executive Director	800,000	800,000	0.1716%
Mr. Guojun BU	Chief Financial Officer and executive Director	80,000	80,000	0.0172%
Mr. Doron YANNAI	Vice president and director of the Company's subsidiaries	183,490	183,490	0.0394%
Total		1,283,490	1,283,490	0.2753%

Bases for determination of number of RSUs proposed to be granted to the Connected Participants are set out under the section headed “(a) Proposed Connected Grants to Connected Participants” in the Board Letter.

To assess the fairness and reasonableness of number of RSUs to be granted to the Connected Participants, we performed following works and analyses:

Comparison with other share awards granted to connected persons

For the purpose of comparing the Connected Grants with other connected transactions undertaken by companies listed on the Stock Exchange involving share awards granted/restricted share units to connected persons by issuance of new shares (issuance of A shares or H shares were exclusive), we identified connected transactions involving share awards granted to connected persons which were announced by companies listed on the Main Board of the Stock Exchange (the “**Comparables**”) during the period from 1 April 2021 up to the RSU Announcement Date (being an approximate five-month period up to and including the RSU Announcement Date). To the best of our knowledge and as far as we are aware of, we found 10 Comparables. Although the business nature and market capitalisation of the Comparables may be different from that of the Company, the analysis below, in our view, demonstrates the recent market practice in relation to grants of restricted share units and/or awarded shares to connected person(s) and therefore an appropriate basis in assessing the fairness and reasonableness of the terms of the Connected Grants.

Date of announcement	Company name (Stock code)	Vesting period	Performance conditions	Percentage of the shares to be granted to individual connected person(s) to the total share capital of the listed company	Minimum percentage of the shares to be granted in any vesting period to individual connected person(s) to the total share capital of the listed company	Grant price	Portion of annual expected return of RSU to chief executive officer to his/her remuneration (Note 3)	Bases for determining the number of award shares/restricted share units to be granted (Note 4)
6 August 2021	Zero2IPO Holdings Inc. (1945)	Not applicable	Not subject to any vesting conditions	Ranged 0.0892% to 0.5352%	from 0.0892% to 0.5352%	Nil	N/A (Note 4)	With reference to, among other things, connected participants' respective roles, responsibilities, years of services, work experience, contributions, remuneration packages and prevailing compensation of similar positions in the market.
27 August 2021	Sincere Pharmaceutical Group Limited (2096)	One third of the restricted share units granted to each connected grantee shall vest on each of 27 August 2022, 27 August 2023 and 27 August 2024	Not specified	Ranged 0.0024% to 0.1145%	from 0.0008% to 0.0382%	Nil	N/A (Note 4)	With reference to, among other things, their respective roles, responsibilities, work experience, contributions, remuneration packages and prevailing compensation of similar positions in the market.



Date of announcement	Company name (Stock code)	Vesting period	Performance conditions	Percentage of the shares to be granted to individual connected person(s) to the total share capital of the listed company	Minimum percentage of the shares to be granted in any vesting period to individual connected person(s) to the total share capital of the listed company	Grant price	Portion of annual expected return of RSU to chief executive officer to his/her remuneration (Note 3) units to be granted	Bases for determining the number of award shares/restricted share units to be granted
2 July 2021	Ocimumion Therapeutics (1477)	(a) 25% on the first anniversary, and 25% in each of the three periods during the second, third and fourth anniversaries which shall be vested in four equal installments for each period; or (b) 10% on the first anniversary, 20%, 30% and 40% in each of the three periods during the second, third and fourth anniversaries which shall be vested in four equal installments for each period.	Not specified	Ranged 0.0238% to 2.0599%	from 0.0024% to 0.5150%	Nil	44%	The background and contribution of the connected grantees, listing and future development of the company, retention and recognition of connected grantees and the average monetary values of the award share granted to directors and/or senior management of other companies in the industry with comparable size.
28 June 2021	Fourace Industries Group Holdings Limited (1455)	Not applicable	Not subject to any vesting conditions	0.305%	0.305%	Nil	93%	The board after taking into consideration the factors such as market practices, years of service, role and responsibilities within the group, performance as well as the salary of the grantees.



Date of announcement	Company name (Stock code)	Vesting period	Performance conditions	Percentage of the shares to be granted to individual connected person(s) to the total share capital of the listed company	Minimum percentage of the shares to be granted in any vesting period to individual connected person(s) to the total share capital of the listed company	Grant price	Portion of annual expected return of RSU to chief executive officer to his/her remuneration (Note 3) units to be granted	Bases for determining the number of award shares/restricted share units to be granted
10 June 2021	YTO Express (International) Holdings Limited (6123)	25% on each of the business day immediately after the 30th day of the date of publication of the annual results announcement for the year ending 31 December 2021, 2022, 2023 and 2024, respectively	50% of award shares are unconditional and 50% of award shares are conditional subject to personal level performance targets	Ranged from 0.1920% to 0.9640%	Ranged from 0.0480% to 0.2410%	HK\$2.37 (Note 1)	450%	The contributions and/or performance of the connected grantees and the financial performance of the group during the latest financial year.
31 May 2021	Semiconductor Manufacturing International Corporation (981)	(i) over a period of four years at the rate of 25%, 25%, 25% and 25% for each 12-month period; (ii) over a period of three years at the rate of 33%, 33% and 34% for each 12-month period; or (iii) on 1 January 2022.	Not specified	Ranged from 0.0001% to 0.0024%	Ranged from 0.00002% to 0.0008%	Nil	10%	Not specified



Date of announcement	Company name (Stock code)	Vesting period	Performance conditions	Percentage of the shares to be granted to individual connected person(s) to the total share capital of the listed company	Minimum percentage of the shares to be granted in any vesting period to individual connected person(s) to the total share capital of the listed company	Grant price	Portion of annual expected return of RSU to chief executive officer to his/her remuneration (Note 3) units to be granted	Bases for determining the number of award shares/restricted share units to be granted
21 May 2021	IGG Inc (799)	In five tranches, each to be vested as soon as reasonably practicable after the end of each of the trading days within the thirty calendar days immediately after the date on which the annual results for each of the five financial years ending 31 December 2025 are published	Achievement of a compound annual growth rate of not less than 10% on the initial benchmark price based on the measurement price for each relevant measurement period	Ranged from 0.06% to 3.22%	Ranged from 0.0120% to 0.6440%	Nil	1.574%	The board may, at its absolute discretion, determine such number of shares to be granted subject to any performance, operating and financial targets and other criteria. The board had in the past granted such number of shares under the share award scheme to the selected grantees based on their performance and financial achievement of the group, for the purpose of rewarding them for past contributions and to retain talents who are beneficial to the long-term growth and development of the group.

Date of announcement	Company name (Stock code)	Vesting period	Performance conditions	Percentage of the shares to be granted to individual connected person(s) to the total share capital of the listed company	Minimum percentage of the shares to be granted in any vesting period to individual connected person(s) to the total share capital of the listed company	Grant price	Portion of annual expected return of RSU to chief executive officer to his/her remuneration (Note 3)	Bases for determining the number of award shares/restricted share units to be granted
20 May 2021	Haitiao International Holding Ltd (6862)	Ten years from the grant date	Specific vesting conditions (mainly including future performance indicators and contributions to innovation fields, etc.)	Ranged from 0.0075% to 0.0375%	Ranged from 0.0008% to 0.0038% (Note 2)	Nil	15%	With reference to their respective roles, responsibilities (especially the restaurants, region or the business segment they are responsible for), years of services, work experience, contributions (especially the operating performance of the restaurants, region or the business segment they are responsible for), remuneration packages and prevailing compensation of similar positions in the market.
20 April 2021	China Environmental Technology and Bioenergy Holdings Limited (1237)	Not applicable	Not subject to any vesting conditions	1.8914%	1.8914%	Nil	89%	The connected persons' experience in the timber industry, their length of service to the group and their contributions to the group over the years.

Date of announcement	Company name (Stock code)	Vesting period	Performance conditions	Percentage of the shares to be granted to individual connected person(s) to the total share capital of the listed company	Minimum percentage of the shares to be granted in any vesting period to individual connected person(s) to the total share capital of the listed company	Grant price	Portion of annual expected return of RSU to chief executive officer to his/her remuneration (Note 3)	Bases for determining the number of award shares/restricted share units to be granted
12 April 2021	BAIJO Family Interactive Limited (2100)	20% vest on 1 July 2022; 20% vest on 1 July 2023; 30% vest quarterly from 1 July 2023 to July 2024; and 30% vest quarterly from 1 July 2024 to July 2025	Not specified	Ranged from 0.3680% to 0.5520%	Ranged from 0.0736% to 0.1104%	Nil	N/A (Note 4)	Key factors such as (i) the business contributions made by the connected grantees since the listing of shares of the company; and (ii) the historical numbers of restricted share units granted by the company to its senior management (other than the directors of the company) and employees.
		Minimum		0.0001%	0.00002%		10%	
		Maximum		3.22%	1.8914%		1,574%	
		Average		0.2577%	0.1163%		325%	



Date of announcement	Company name (Stock code)	Vesting period	Performance conditions	Percentage of the shares to be granted to individual connected person(s) to the total share capital of the listed company	Minimum percentage of the shares to be granted in any vesting period to individual connected person(s) to the total share capital of the listed company	Grant price	Portion of annual expected return of RSU to chief executive officer to his/her remuneration of award shares/restricted share units to be granted	Bases for determining the number of award shares/restricted share units to be granted
9 September 2021	The Company	Four equal instalments in a period of four years after the date of the grant	Company level performance target (Note 5)	Ranged from 0.0172% to 0.1716%	Range from 0.0043% to 0.0429%	Nil	47%	(a) the ratings of the relevant Participants in the annual performance and reviews for the most recent two financial years, (b) the level of remuneration in the form of securities adopted by competitors in medical aesthetic industry listed in the U.S., and (c) the ceiling of Equity-based Compensation pursuant to the proposed Remuneration Policy for Directors and Officers

Notes:

1. The selected participants are required to pay a vesting price of HK\$2.37 per award share to the trustee on or before the applicable vesting date to which the vesting of the relevant award shares relates. The vesting price will be paid to the trustee as trust fund to be held by the trustee for the share award plan. As such, no fund will be raised by the company as a result of the issue and allotment of the award shares.
2. Such percentage is calculated with the assumption that the award shares shall be vested in ten equal instalments.
3. Portion of annual expected return to remuneration = (Total expected return/validity period (in year))/Remuneration for the full financial year immediate before the date of the announcement.
4. Chief executive officer of the company was not a grantee according to the announcement.
5. According to the 2021 RSU Scheme, subject to the Israeli Companies Laws and the Listing Rules, the Board may amend any performance condition that applies to an RSU if there is an event that causes it to consider that the performance condition should be amended.

Sources: Website of the Stock Exchange

As depicted in the above table, the percentage of restricted share units or award shares granted to each individual grantee to total issued shares ranged from approximately 0.0001% to 3.22% (or approximately 0.00002% to 1.8914% (the “**Comparable Percentage Range**”) after taking into account the vesting period). The number of Shares underlying the RSUs to be granted to each Connected Participants represents approximately 0.0172% to 0.1716% (or 0.0043% to 0.0429% per individual vesting period) of the total issued Shares as at the RSU Announcement Date, the number of Shares underlying the RSUs are within the Comparables Percentage Range.

We also noted that number of RSUs to be granted to Mr. Lior Moshe DAYAN, the executive Director and Chief Executive Officer of the Company, (the “**CEO’s RSUs**”) represents approximately 0.1716% to the total issued Shares as at the RSU Announcement Date, which is significantly more than the second largest percentage ratio (i.e. approximately 0.0472%) of Shares underlying the RSUs to be granted to total issued Shares as at the RSU Announcement Date. To assess number of the CEO’s RSUs, we further summarised the portion of annual expected return of RSU to chief executive officer of the Comparables to his/her remuneration (the “**Comparables’ CEO Remuneration Portion**”) and listed in the above table. A higher Comparables’ CEO Remuneration Portion indicated a higher value of incentive securities granted to such chief executive officer comparing to his/her latest available annual remuneration package. As depicted from the above table, the Comparables’ CEO Remuneration Portion ranged from approximately 10% to approximately 1,574% (or approximately 10% to 93%, with average of approximately 50%, excluding outliers). The portion of annual expected return of RSU to Mr. Lior Moshe DAYAN to his remuneration is approximately 47% which falls within the range of Comparables’ CEO Remuneration Portion (excluding outliers) and below the average. We therefore consider the number of CEO’s RSUs to be reasonable.

We noted from the Comparables that the numbers of award share/restricted share units pursuant to certain Comparables were determined with reference to, among other things, the performance and/or contribution of such connected grantees and the prevailing compensation for similar position which the connected grantees held in their respective markets. We therefore consider the bases for determining the number of RSUs proposed to be granted to the Connected Participants to be reasonable.

The vesting period of the Comparables ranged from immediate to ten years (with available information) while majority of the performance conditions of the Comparables (with available information) consist of achievements of certain individual/entity performance target.

In addition, the purpose of the Connected Grants is to closely align the interests between the Connected Participants and the Shareholders. The economic benefits of the Connected Grants are dependent on the market value of the Shares and therefore the Connected Participants can only benefit when all the Shareholders are also in a position to benefit. It indicated that the Connected Grants will align the interests of the Connected Participants with the Company and the Shareholders.

Having considered that the number of Shares underlying the RSUs to be granted to Connected Participants falls within the Comparables Percentage Range and our further analyses on number of CEO's RSUs, we are of the view that the numbers of RSUs to be granted to the Connected Participants are fair and reasonable.

Consideration

The RSUs are to be granted by the Company to the Connected Participants at nil consideration subject to the acceptance of the Connected Participants. As such, no fund will be raised by the Company as a result of the Connected Grants.

According to the Comparables, we noted that it is a common practice for listed companies in Hong Kong to grant restricted share units or award shares to their directors, personnel and employees at nil consideration.

Having considered that (i) the setting of nil consideration for the granting of RSUs is in line with market practice; and (ii) RSUs are granted pursuant to the 2021 RSU Scheme, the purpose of which is to attract skilled and experienced personnel, to incentivize them to remain with the Group and motivate personnel to strive for the future development and expansion of the Group by providing them with the opportunity to hold equity interests in the Company, we consider the nil consideration of the RSUs to be acceptable.

Vesting period

With reference to the Board Letter, the RSUs to the Connected Participants, if granted, will be vested in four equal instalments in a period of four years after the date of grant.

We are of the view that the vesting period with unlocking conditions will strengthen the incentive for the Connected Participants to use their efforts to achieve relevant targets, which will contribute to the growth and development of the Group.

In addition, we also noted from the Comparables that majority of the Comparables set three to four instalments with 20% to 40% in each instalment for the vesting of the relevant restricted share units and/or award shares to grantees.

Having reviewed and considered the terms of the Connected Grants, in particular the key terms as listed above and no abnormal term observed, we are of the view that the terms of the proposed grant of RSUs are on normal commercial terms and are fair and reasonable.

3. Dilution effect on the shareholding interests of the existing Shareholders

Upon vesting of the RSUs, the maximum number of Shares to be issued to the Connected Participants would be 1,283,490 Shares, representing approximately 0.2753% of the issued Shares as at the RSU Announcement Date, assuming all Shares underlying the RSUs to be granted to the Connected Participants have been issued and no further Shares have been issued or repurchased by the Company. Accordingly, the dilution effect on the shareholding interests of the existing Shareholders will be immaterial.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the Connected Grants are on normal commercial terms and are fair and reasonable; (ii) the Connected Grants are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Connected Grants, and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited



Graham Lam
Managing Director

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

* *For identification purpose only*