17LIVE GROUP LIMITED
(Incorporated as an exempted company in the Cayman Islands)
(Company Registration No. 378671)

RESPONSES TO SIAS QUESTIONS ON CIRCULAR TO SHAREHOLDERS DATED 7 NOVEMBER 2024

The Board of Directors of 17LIVE Group Limited (the "**Company**" or "**17LIVE**") wishes to address questions received from the Securities Investors Association (Singapore) ("**SIAS**") on the circular to shareholders dated 7 November 2024, prior to the upcoming Extraordinary General Meeting ("**EGM**") to be held at NUSS Mandalay Guild House, Adam Bukit and Orchard Suite, 2 Mandalay Road, Singapore 308206 on Thursday, 28 November 2024 at 10.00am. The Appendix annexed herein sets out the Company's responses to the substantial questions received from SIAS.

BY ORDER OF THE BOARD
17LIVE GROUP LIMITED

Jiang Honghui
Executive Director & Chief Executive Officer
22 November 2024

DBS Bank Ltd. acted as the sole issue manager for the business combination of Vertex Technology Acquisition Corporation Ltd with 17LIVE Inc.

APPENDIX 1

RESPONSES TO QUESTIONS RECEIVED FROM SIAS

*Capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the circular dated 7 November 2024 issued by 17LIVE Group Limited ("**17LIVE**" or the "**Company**").*

Q1. The maximum number of shares that can be repurchased under the proposed share buyback mandate is 17.74 million, representing 10% of the total number of issued shares.

(i) Has the board conducted an analysis of the potential impact on share liquidity if the company proceeds with the share buyback? How might the reduction in free float affect trading volumes and price volatility?

(ii) How will the share buyback be executed in practice? Who will be the key decision-maker responsible for authorising the repurchases? What specific metrics or valuation benchmarks will the company use to determine the timing and price of share buybacks?

(iii) Could the company clarify if the primary intention of the share buyback is to acquire treasury shares for fulfilling obligations under the employee share option plan (ESOP)? Are there any other strategic purposes for retaining treasury shares?

<u>Company Response:</u>

The Proposed Share Buyback Mandate is in line with the Company's announcement made on 13 August 2024 where we committed to exploring various strategic initiatives to drive shareholder value. Notably, it will serve several strategic objectives including the following:

- Enhancing Return on Equity: Share buybacks can increase return on equity, potentially boosting shareholder value.

- 17LIVE Group Limited Employee Share Option Plan ("**17LIVE ESOP**"): Repurchased Shares may be held as treasury shares to meet obligations under the Amended 17LIVE ESOP, thus offering flexibility in managing employee allocations.

- Efficient Capital Management: This mandate allows the Company to return surplus funds to Shareholders when cash reserves exceed operational and investment needs, optimising capital use.

- Mitigating Market Volatility: Repurchases help counter short-term price fluctuations, reduce speculation, and strengthen shareholder confidence.

The Proposed Share Buyback Mandate complies with the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Rules**") and allows repurchases of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of Shareholder approval.

While the Proposed Share Buyback Mandate allows repurchases of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) to be made, the Company may not fully utilise this limit. Share Buybacks will be carried out only when it is in the best interests of both the Company and its Shareholders, considering available cash, working capital needs, growth plans, and market conditions, amongst others. The Directors will use their best efforts to ensure that following a Share Buyback, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST. In particular, the Company will ensure that at least 10% of the total number of issued Shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public. Additionally, should the Company decide to conduct a Share Buyback, it will purchase shares in accordance with Chapter 8 of the Listing Rules, by way of a market acquisition at a price which is not more than 5% above the average of the closing market prices of the shares traded over the last 5 market days, on which transactions in the shares were recorded, immediately preceding the day on which the market purchase is made.

The Company has carefully assessed the potential impact on liquidity and volatility. The Company is committed to ensuring that Share Buybacks do not disrupt liquidity, and will carefully monitor trading activity and volatility before executing Share Buybacks. Share Buybacks will be executed opportunistically, based on favourable market conditions and valuation benchmarks such as share price relative to intrinsic value or historical trading patterns. The CEO, with Board oversight, will determine the timing and pricing to ensure the Share Buybacks are in the best interest of Shareholders. This will help reduce price volatility and enhance shareholder value without creating instability.

The Share Buyback process will be overseen by a designated management team, with final approval from the CEO, under Board oversight. The Company will execute the Share Buyback in accordance with Chapter 8 of the Listing Rules, including the announcement of daily share buyback reports on SGXNET.

(iv) For the benefit of shareholders, why was the resolution for the share buyback mandate not proposed at the last annual general meeting? What additional costs have been incurred to hold this extraordinary general meeting (EGM) to address this resolution and the ESOP-related resolutions? How were the additional costs of holding this EGM justified in the context of shareholder value creation?

<u>Company Response:</u>

The resolution for the Share Buyback Mandate was not proposed at the Annual General Meeting ("**AGM**") held in April 2024 as it was part of the Company's strategic initiatives that were still under development at the time. Following the successful listing of the Company

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on the SGX-ST via the first de-SPAC transaction with VTAC on 8 December 2023, the focus at the AGM was on the Company's immediate post-listing objectives.

The Proposed Share Buyback Mandate is in line with our strategic commitment set out in our announcement dated 13 August 2024 to explore various initiatives aimed at driving long-term shareholder value. Additionally, the EGM will also serve as a forum to keep Shareholders informed about our businesses, including the 17LIVE Forward Strategy, business development updates, and management's vision. This ensures that Shareholders are consistently updated on our progress and future plans.

The Company has incurred costs primarily to engage a legal adviser and a commercial printer in order to convene the EGM. However, the Company believes these costs are justified as the EGM provides a platform for engaging with our Shareholders on resolutions critical to the Company's long-term strategy, including efficient capital management and talent retention through the 17LIVE ESOP. The decisions taken during this EGM are intended to support sustainable value creation by aligning the Company's objectives with Shareholder interests, ultimately strengthening the Company's growth trajectory and market position.

Q2. The employee share option plan ("17LIVE ESOP") was adopted by the company on 1 December 2023. The company is now seeking shareholder approval for amendments to the plan, just 11 months after its adoption. The proposed amendments include a significant increase of the total number of shares authorised (5.2 million, more than double the initial amount) be issued under the ESOP from 2,114,891 share to 7,314,891 shares and for all unvested shares to vest even in the event of a winding-up of the company.

(i) Can the board, especially the remuneration committee (RC), confirm that they are potential beneficiaries under the 17LIVE ESOP? If so, how did the board handle the deliberations and approval process given the potential conflict of interest? Principle 6 of the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore states that no director is to be involved in deciding his or her own remuneration.

(ii) Did the RC evaluate the effectiveness of the 17LIVE ESOP given that there have been several changes to the senior management team? The company has stated that the 17LIVE ESOP was a means to reward, retain and motivate the participants whose services are vital to the well-being and success of the group. Has the plan met its intended objectives?

Company Response:

The 17LIVE ESOP was introduced with the aim of rewarding, retaining, and motivating key participants who are vital to the Company's well-being and long-term success. As the Company continues to expand, the 17LIVE ESOP has played an important role in aligning the interests of key personnel with the long-term objectives of the Company.

The Remuneration Committee ("**RC**") is fully committed to upholding the principles set out in the Code of Corporate Governance ("**CG Code**"), including Principle 6 of the CG Code, which states that no director should be involved in deciding their own remuneration. Since all Directors are eligible participants under the 17LIVE ESOP, the RC and Board members have disclosed their interest when approving the resolution to convene the EGM. In view of this and for good governance, the Directors have abstained from recommending that Shareholders vote in favour of the resolutions relating to the Proposed ESOP Amendments and the proposed allotment and issuance of the New ESOP Shares. The decision whether to vote in favour of the Proposed ESOP Amendments will ultimately rest with Shareholders.

The RC has been closely monitoring the implementation of the 17LIVE ESOP. Save for the Executive Director and CEO position, there have not been changes to the rest of the Board or senior management team since the Company's listing on 8 December 2023. The RC has assessed that these changes were not indicative of the lack of effectiveness of the 17LIVE ESOP in achieving its objectives.

The RC believes that the 17LIVE ESOP has played a significant role in achieving its objectives and is an essential tool for aligning key personnel with the Company's broader growth strategy. Nonetheless, as part of the Company's commitment to continuously enhance shareholder value, we are amending the 17LIVE ESOP to further optimise the 17LIVE ESOP to ensure it remains competitive in attracting, retaining and motivating talent in an increasingly challenging market. These changes, including increasing the number of Shares authorised to be issued and the amendments to vesting terms, reflect the Company's evolving needs and its focus on long-term growth.

(iii) For the benefit of shareholders, can the RC explain the reasoning behind the proposed increase of 5.2 million in the ESOP? How was this specific figure determined, and is it reasonable for shareholders to approve such a substantial increase just 11 months after the plan's adoption? Was it the intention of the company to first introduce the ESOP and then scale it up progressively?

<u>Company Response:</u>

The primary objectives of the 17LIVE ESOP are to:

- Motivate Participants to enhance efficiency and productivity, aligning their interests with those of Shareholders;
- Foster loyalty and incentivise long-term commitment to the Group;
- Strengthen the Group's competitive edge by offering the 17LIVE ESOP as part of a compelling remuneration package to attract and retain key talent essential for the Company's growth and profitability;

- Attract potential employees, directors, and executives with the skills necessary for the Group's development;
- Recognise the valuable contributions made by participants to the Group's success.

As at the latest practicable date of 31 October 2024, out of the 2,114,891 Shares that are authorised to be issued pursuant to the 17LIVE ESOP adopted in December 2023, 787,993 Shares have been vested in the relevant Participants pursuant to Awards of RSUs; 510,697 Shares have been granted but not vested in the relevant Participants pursuant to Awards of RSUs; and 816,201 Shares (being approximately 38.5% of the total number of Shares authorised to be issued under the 17LIVE ESOP and below 0.5% of total issued share capital of the Company) have not been granted or vested in the relevant Participants and are still available to be granted under new Awards. The RC is of the view that this is insufficient to attract new talents and to motivate Participants to improve the performance of the Group as part of the Company's Forward Strategy.

The proposed increase of 5.2 million Shares to be allotted and issued under the 17LIVE ESOP was determined based on the Company's evolving business needs and growth strategy. Since the adoption of the 17LIVE ESOP on 1 December 2023 and the Company's subsequent listing on the SGX-ST on 8 December 2023, the Company has made significant progress in business development and strengthening corporate competencies.

The increase in the number of Shares authorised to be allotted and issued under the 17LIVE ESOP reflects the Company's strategic need to retain and motivate key personnel who are essential to executing the Company's Forward Strategy, which will lead to the maximisation of shareholder value. In November 2024, the Company announced the acquisition of N Craft Co., Ltd. (N Craft), a production and virtual talent development company, which will significantly enhance 17LIVE's VLiver and IP business segment.

As 17LIVE continues to grow under its Forward Strategy, especially with the integration of new entities and business lines, the Company recognises the importance of offering competitive and attractive compensation packages to retain top talent.

The 17LIVE ESOP is designed as a dynamic tool that can scale in line with the Company's growth and strategic objectives. The Company believes that the proposed increase in the total number of Shares to be allotted and issued under the 17LIVE ESOP is essential for supporting long-term value creation and ensuring sustainability.

(iv) Specifically on the vesting of unvested shares in a winding-up situation, could the independent directors clarify the rationale for allowing unvested shares to fully vest in the event of a winding-up? How does this amendment protect the interests of minority shareholders? Could this provision result in excessive dilution and/or additional benefits to ESOP participants at the expense of other shareholders in a liquidation scenario?

Company Response:

The Independent Directors are of the view that allowing Unvested Shares to vest in the event of a take-over offer being made for the Shares or the winding up of the Company is necessary in order for the Awards of RSUs to be of value to Participants in such events, which in turn allows the objectives of the 17LIVE ESOP to be met and ensures continued commitment from key personnel during pivotal moments.

The Company has considered the potential impact of this amendment on Shareholders, particularly in terms of dilution, and has accordingly sought to balance the interests of the Participants with those of Shareholders through a gradual issuance of New ESOP Shares.

The New ESOP Shares will be issued gradually over seven years, with approximately 742,857 Shares being allotted and issued annually from FY2024 to FY2030, thus minimising the impact of dilution. For illustrative purposes, the number of New ESOP Shares that may be issued each year represents about 0.42% of the total number of issued Shares, hence any dilutive effect would be minimal.

Further, as only Unvested Shares which have been granted at the point of a take-over offer being made for the Shares or the winding up of the Company will vest upon such event happening (i.e. Unvested Shares which have not been granted at the point of the take-over or winding up will not vest), given the gradual of New ESOP Shares, there will be a limited number of Unvested Shares which would vest in a take-over or winding-up situation, thus minimising the dilutive impact on other Shareholders.

Q3. For the six months ended 30 June 2024, the group reported operating revenue of US$101.1 million, representing a 33.0% decline, driven primarily by a drop in revenue from the Liver live streaming business and unfavourable foreign currency movements. Profit attributable to owners of the company was US$1.95 million although total comprehensive income attributable to owners of the company was US$(1.23) million. The company currently has two share schemes, namely the 17LIVE ESOP and the 17LIVE executive incentive scheme (17LIVE EIS).

(i) Could management provide a deeper analysis of the significant decline in the core Liver live streaming segment? What are the main drivers behind this decline, and what specific actions are being taken to stabilise and revitalise this business line?

(ii) Is management currently appropriately incentivised to drive the business to greater heights?

(iii) Similarly, has the RC assessed the effectiveness of the 17LIVE EIS, particularly given the substantial decline in the company's operating performance? How has the incentive scheme been adjusted to better align executive compensation with shareholder value creation in the current business environment?

Company Response:

The Group's financial results for the first half of 2024 reflect both the challenges and strategic recalibrations the Company faces and undertakes. The decline in revenue from the Liver live streaming segment can be attributed to post-pandemic shifts in consumer behaviour and our strategic decision to prioritise profitability over market share, as the Group maintained a solid gross profit margin of 41.2% as at June 2024. While this approach has temporarily impacted growth, it has positioned the Group to focus on long-term financial stability.

Under the 17LIVE Forward Strategy, we are investing in initiatives that strengthen 17LIVE's core offerings and user engagement, positioning the platform as an essential partner for Liver creators while enhancing user satisfaction. These initiatives aim to support revenue recovery and set a solid foundation for sustainable growth.

The combination of the 17LIVE ESOP and the 17LIVE EIS complement each other as tools to reward, retain and motivate the Participants and Key Executives, with the 17LIVE ESOP seeking to retain Participants in the medium to long term (given that it is intended to be in force for a period of 10 years (unless earlier terminated by the Board)), and the 17LIVE EIS serving to align the Key Executives' performance goals with the corresponding performance cycle of the Group and the strategies and objectives for the Group over the short to medium term.

Key management of the Company will be appropriately incentivised as both plans are designed to align with our growth objectives and strategic priorities, ensuring that executives remain focused on value creation, across the short to long-term.

The RC views the 17LIVE ESOP and 17LIVE EIS as critical tools to support our Forward Strategy by retaining top talent and aligning their incentives with the Company's growth and shareholder value creation.

(iv) What has been the total shareholder return since the business combination?

(v) Given the lacklustre performance of the company since the business combination, how does the board address shareholder concerns that the proposed amendments to the 17LIVE ESOP may be self-serving and not aligned with the interests of minority shareholders? What specific measures have been put in place to ensure that the amendments benefit the company as a whole rather than just the management team?

Company Response:

Since the business combination, the Group has made significant efforts to enhance financial performance and create value for Shareholders. While the share price has been influenced by broader market trends and general market sentiments, we believe our current market valuation underestimates the Company's intrinsic value, especially when assessing our EV/EBITDA ratio against industry benchmarks. To address this, we are actively implementing our 17LIVE Forward Strategy, which prioritises operational efficiency, expanding growth areas, and long-term profitability to unlock shareholder value, as well as a series of investor education and investor relations initiatives.

In response to concerns about the 17LIVE ESOP amendments, the Board emphasises that these adjustments aim to retain and motivate key personnel critical to our growth strategy, aligning their incentives with long-term success rather than short-term performance. Several safeguards have been put in place to align the 17LIVE ESOP more closely with Shareholder interests, including the following:

- The Amended 17LIVE ESOP focuses on performance-based vesting criteria, ensuring that executive rewards correlate directly with key financial and operational benchmarks.
- The issuance of New ESOP Shares will occur gradually over a seven-year period, thus reducing immediate dilution effects for existing Shareholders.

These measures underscore the Board's commitment to balanced growth that benefits the entire Shareholder base while maintaining a strong team to lead the Company's strategic evolution.

(vi) Have any independent directors voluntarily opted out of participation in the 17LIVE ESOP, considering the potential conflict of interest and the risk it poses to their independence? How does the board ensure that the participation of independent directors in the ESOP does not compromise their objectivity and fiduciary responsibilities?

Company Response:

The Board takes its fiduciary duties seriously and has proactively addressed potential conflicts of interest in relation to the 17LIVE ESOP. Since all Directors are eligible participants under the 17LIVE ESOP, the RC and Board members have disclosed their interest when approving the resolution to convene the EGM. In view of this and for good governance, the Directors have abstained from recommending that Shareholders vote in favour of the resolutions relating to the Proposed ESOP Amendments and the proposed allotment and issuance of the New ESOP Shares.

Notwithstanding the above, the Directors are still of the view that the 17LIVE ESOP is essential for attracting and retaining top talent, including potential new Board members with the skills needed to drive long-term value creation. The 17LIVE ESOP is designed to motivate key personnel while maintaining strong safeguards for independent Director objectivity and fiduciary responsibility.