

MEMORANDUM IN RESPECT OF SUBSCRIPTIONS

1st Subscription

On 19 April 2024, August Ally Limited (“**August Ally**”), a wholly-owned subsidiary of the Company, subscribed for wealth management product (the “**1st Hang Seng Wealth Management Product**”) offered by Hang Seng Insurance Company Limited (“**Hang Seng Insurance**”), namely, the LegendPower Life Insurance Plan (Single Premium) (the “**1st Hang Seng Wealth Management Product**”).

Principal terms of the 1st Hang Seng Wealth Management Product are set out below:

Date of subscription	19 April 2024
Name of the wealth management product	LegendPower Life Insurance Plan (Single Premium)
Total actual subscription amount	USD9,200,000 (equivalent to approximately HK\$71,760,000)
Total notional subscription amount	USD10,000,000 (equivalent to approximately HK\$78,000,000)
Policy term	Whole of life of the insured

If the insured passes away when the policy of the 1st Hang Seng Wealth Management Product is in force, unless there is a contingent insured designated by the policyholder who becomes the new

insured, the death benefit will be paid to the beneficiary (i.e. August Ally).

The death benefit shall be the sum of (1) the higher of (i) 101% of total premiums paid or (ii) the guaranteed cash value, (2) non-guaranteed special dividend (if any) and (3) policy value management balance (if any) locked in from exercising the policy value management option, less the amount of indebtedness (if any).

Expected
investment
return

The 1st Hang Seng Wealth Management Product offers returns consist of guaranteed cash value and non-guaranteed returns. Guaranteed cash value can only be withdrawn upon surrender in full or in part, cancellation, lapse or termination of the policy.

If August Ally surrenders during the first year of the 1st Subscription, it will only receive a guaranteed cash and a non-guaranteed dividend (if any), which in aggregate is less than August Ally's actual subscription amount. The 1st Hang Seng Wealth Management Product will start to generate guaranteed positive returns from the 12th year of the 1st Subscription. At the end of the 12th year, the guaranteed cash value will be USD10,004,000, which will in turn generate return of USD804,000 (equivalent to approximately HK\$6.27 million). At the end of the 13th year, the guaranteed cash value will be USD10,028,500. At the end of the 14th year, the guaranteed cash value will be USD10,053,600. At the end of the 15th year, the guaranteed cash value will be USD10,079,400. At the end of the 20th year, the guaranteed cash value will be USD10,215,200. At the end of the 25th year, the guaranteed cash value will be USD10,358,500. At the end of the 30th year, the guaranteed cash value will be USD10,535,800. At the end of the 35th year, the guaranteed cash value will be USD10,738,700.

The non-guaranteed returns (if any) are paid in the form of special dividends to be declared by Hang Seng Insurance at their absolute discretion, which is payable when the policy is in force and upon occurrence of the following (whichever is the earliest):

- (i) the death of the life insured (unless there is a contingent insured who becomes the new life insured); or
- (ii) the cancellation, lapse or termination of the policy; or
- (iii) the surrender of the policy, whether in full or in part; and
- (iv) any payment of mental incapacity benefit under the policy.

Assuming the special dividends are declared, the total return at the end of the 3rd year will be around USD11,000,700 (consisting of guaranteed cash value of USD9,028,300 and non-guaranteed special dividend of around USD1,972,400); at the end of the 8th year will be around USD12,667,800 (consisting of guaranteed cash value of USD9,384,400 and non-guaranteed special dividend of around USD3,283,400); the total return at the end of the 12th year will be around USD16,554,400 (consisting of guaranteed cash value of USD10,004,000 and non-guaranteed special dividend of around USD6,550,400); the total return at the end of the 15th year will be around USD19,408,500 (consisting of guaranteed cash value of USD10,079,400 and non-guaranteed special dividend of around USD9,329,100); the total return at the end of the 20th year will be around USD26,548,200 (consisting of guaranteed cash value of USD10,215,200 and non-guaranteed special dividend of around USD16,333,000); the total return at the end of the 25th year will be around USD42,939,000 (consisting of guaranteed cash value of USD10,358,500 and non-guaranteed special dividend of around USD32,580,500); the total return at the end of the 30th year will be around USD57,483,700 (consisting of guaranteed cash value of USD10,535,800 and non-guaranteed special dividend of around USD46,947,900).

After the 5th year of the 1st Subscription, the policyholder shall have the right to exercise the policy value management option to lock-in a portion of the guaranteed cash value and non-guaranteed special dividend (if any) to mitigate the impact of fluctuations in investment market on the 1st Hang Seng Wealth Management Product. Upon exercise of policy value management option, a portion of special dividend (if any) relevant to the portion of the net

cash value (if any) to be allocated to the policy value management balance will be declared and such amount (if any) will be allocated to the balance to accumulate with interest.

Upon partial surrender of the policy, a portion of the special dividend (if any) attributable to the reduced portion of the policy amount will be declared and such amount, if any, will be payable as part of the partial surrender payment.

Surrender August Ally may surrender the 1st Hang Seng Wealth Management Product in full or in part at any time.

Asset portfolio of the 1st Hang Seng Wealth Management Product The 1st Hang Seng Wealth Management Product's asset portfolio consists of (1) predominantly, fixed income assets issued by government and corporate entities with good credit quality and long term prospects, which may also include a small portion of high-yield fixed income assets; and (2) growth assets, including but not limited to equities, properties, hedge funds and private equities. Subject to Hang Seng Insurance's investment strategy, financial derivatives may be used for hedging or efficient portfolio management.

The asset portfolio is well diversified in different types of assets, and is invested in global geographical markets (mainly the United States of America, Europe, Asia including Hong Kong) and industries. Investment for fixed income assets are mainly in HK\$ and USD to match the currency of the underlying policies while growth assets are invested in various currencies for diversification.

Actual allocations will take into consideration past investment performance of the assets supporting the policies, prevailing market conditions and future outlook, and the guaranteed and non-guaranteed benefits of the policies. The management and investment strategy of the asset portfolio may be subject to change depending on the market conditions and economic outlook.

2nd Subscription

August Ally proposes to subscribe for wealth management product (the “**2nd Hang Seng Wealth Management Product**”) offered by Hang Seng Insurance, namely, the LegendPower Life Insurance Plan (Single Premium) (the “**2nd Hang Seng Wealth Management Product**”).

Principal terms of the 2nd Hang Seng Wealth Management Product are set out below:

Name of the wealth management product	LegendPower Life Insurance Plan (Single Premium)
Total actual subscription amount	USD9,500,000 (equivalent to approximately HK\$74,100,000). The actual subscription amount of USD9.5 million was determined after considering (1) the attractive tier benefit offered by Hang Seng Insurance to the Group for products with notional subscription amount exceeding or equal to USD10 million; and (2) the potential high return that could possibly be generated from the 2nd Subscription in light of the discount available.
Total notional subscription amount	USD10,000,000 (equivalent to approximately HK\$78,000,000)
Policy term	Whole of life of the insured If the insured passes away when the policy of the 2nd Hang Seng Wealth Management Product is in force, unless there is a contingent insured designated by the policyholder who becomes the new insured, the death

benefit will be paid to the beneficiary (i.e., August Ally).

The death benefit shall be the total of (1) the higher of (i) 101% of total premiums paid or (ii) the guaranteed cash value, (2) non-guaranteed special dividend (if any) and (3) policy value management balance (if any) locked in from exercising the policy value management option, less the amount of indebtedness (if any).

Expected investment return

The 2nd Hang Seng Wealth Management Product offers returns consist of guaranteed cash value and non-guaranteed returns. Guaranteed cash value can only be withdrawn upon surrender in full or in part, cancellation, lapse or termination of the policy. If August Ally surrenders during the first year of the 2nd Subscription, it will only receive a guaranteed cash and a non-guaranteed dividend (if any), which in aggregate is less than August Ally's actual subscription amount of USD9.5 million. The 2nd Hang Seng Wealth Management Product will start to generate guaranteed positive returns from the 12th year of the 2nd Subscription. Details of the expected guaranteed return are as follows:

End of policy year	Guaranteed cash value (in USD)	Return to be generated (in USD)
12th year	10,004,000	504,000
13th year	10,028,500	528,500
14th year	10,053,600	553,600
15th year	10,079,400	579,400
20th year	10,215,200	715,200
25th year	10,358,500	858,500
30th year	10,535,800	1,035,800
35th year	10,738,700	1,238,700

The non-guaranteed returns (if any) are paid in the form of special dividends to be declared by Hang Seng Insurance at their absolute discretion, which is payable when the policy is in force and upon occurrence of the following (whichever is the earliest):

- (i) the death of the life insured (unless there is a contingent insured who becomes the new life insured); or
- (ii) the cancellation, lapse or termination of the policy; or
- (iii) the surrender of the policy, whether in full or in part; and
- (iv) any payment of mental incapacity benefit under the policy.

For illustration purpose only, assuming the non-guaranteed returns (if any) in the form of special dividends are declared, based on August Ally's actual subscription amount of USD9.5 million, the total cash value and return to be generated will be as follows:

End of policy year	Guaranteed cash value	Non-guaranteed special dividend (in approximate USD)	Total cash value (in USD)	Return to be generated (in USD)
1st year	8,300,000	30,000	8,300,000	(1,170,000)
2nd year	9,025,100	977,000	10,002,100	502,100
3rd year	9,028,300	1,972,400	11,000,700	11,000,700
8th year	9,384,400	3,283,400	12,667,800	12,667,800
12th year	10,004,000	6,550,400	16,554,400	16,554,400
15th year	10,079,400	9,329,100	19,408,500	19,408,500
20th year	10,215,200	16,333,000	26,548,200	26,548,200
25th year	10,358,500	32,580,500	42,939,000	42,939,000
30th year	10,535,800	46,947,900	57,483,700	57,483,700

After the 5th year of the 2nd Subscription, the policyholder shall have the right to exercise the policy value management option to lock-in a portion of the guaranteed cash value and non-guaranteed special dividend (if any) to mitigate the impact of fluctuations in investment market on the 2nd Hang Seng Wealth Management Product. Upon exercise of the policy value management option, a portion of special dividend (if any) relevant to the portion of the net cash value (if any) to be allocated to the policy value management balance will be declared

and such amount (if any) will be allocated to the balance to accumulate with interest.

Upon partial surrender of the policy, a portion of the special dividend (if any) attributable to the reduced portion of the policy amount will be declared and such amount, if any, will be payable as part of the partial surrender payment.

Surrender	August Ally may surrender the 2nd Hang Seng Wealth Management Product in full or in part at any time.
Fulfillment rate	The fulfillment rate is calculated as the ratio of the aggregate actual accumulated non-guaranteed returns against the aggregate illustrated non-guaranteed returns at the point of sale for the relevant policy at the policy year. The fulfillment rate of the 2nd Hang Wealth Management Product is currently not available as the plan was only launched in 2024. However, based on the information currently available to the Company, the historical fulfillment rate of the non-guaranteed returns of similar product offered by Hang Seng Insurance (the “Comparable”) has approached approximately 100%. Having considered that the product structure, asset portfolio, and target asset allocations and strategies of the Comparable and the 2nd Hang Wealth Management Product are substantially the same, the Board is of the view that the Comparable is commensurable to the 2nd Hang Seng Wealth Management Product.
Asset portfolio, target asset allocation and investment strategy of the 2nd Hang Seng Wealth Management Product	The 2nd Hang Seng Wealth Management Product’s asset portfolio consists of (1) predominantly, fixed income assets issued by government and corporate entities with good credit quality and long term prospects (e.g. bonds, infrastructure debts and alternative credit), which may also include a small portion of high-yield fixed income assets; and (2) growth assets (e.g. private equity, properties, hedge funds, global equity and Asian equity), including but not limited to equities, properties, hedge funds and private equities. Subject to Hang Seng Insurance’s investment strategy, financial derivatives may be used for hedging or efficient portfolio management.
	The asset portfolio is well diversified in different types of assets, and

is invested in global geographical markets (mainly the United States of America, Europe, Asia including Hong Kong) and industries. Investment for fixed income assets are mainly in HK\$ and USD to match the currency of the underlying policies while growth assets are invested in various currencies for diversification. Actual allocations will take into consideration past investment performance of the assets supporting the policies, prevailing market conditions and future outlook, and the guaranteed and non-guaranteed benefits of the policies. As the performance of the growth assets investment plays an important role in determining the level of non-guaranteed benefits, under normal circumstances and free from any investment and operational constraints, Hang Seng Insurance expects that the allocation to growth assets will fall within the higher end of the range as specified below, in order to optimize the chance of achieving the illustrated level of non-guaranteed benefits. The management and investment strategy of the asset portfolio may be subject to change depending on the market conditions and economic outlook.

The current long-term target strategy of the 2nd Hang Seng Wealth Management Product is to allocate assets based on approximately 40-100% of fixed income and approximately 0-60% of growth assets. In particular, approximately 85-100% of bonds to be invested are rated A- or above by S&P Global Ratings and approximately 0-15% of bonds to be invested are rated BBB+ or below by S&P Global Ratings, subject to slight deviation from the above range due to market fluctuation.