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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in International Genius Company, you should at once forward this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or registered dealer in securities, through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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INTERNATIONAL GENIUS COMPANY

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 33)

- (1) PROPOSED REFRESHMENT OF GENERAL MANDATE;
(2) PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME
AND ADOPTION OF THE NEW SHARE OPTION SCHEME;
(3) PROPOSED SHARE PREMIUM REDUCTION; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the EGM to be held at 42/F, China Resources Tower, Nanshan District, Shenzhen, Guangdong Province, China on Friday, 21 June 2024, at 3:00 p.m. is set out on pages 52 to 56 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

If you are not able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. no later than 3:00 p.m. on Wednesday, 19 June 2024) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

4 June 2024

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DEFINITIONS

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

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| “2023 AGM” | The annual general meeting of the Company held on 15 December 2023 |
| “Announcement” | The announcement of the Company dated 8 March 2024 in relation to (i) proposed Refreshment of General Mandate; (ii) proposed termination of Existing Share Option Scheme and adoption of the New Share Option Scheme; and (iii) proposed Share Premium Reduction |
| “Articles of Association” | the articles of association of the Company, as amended from time to time |
| “Board” | the board of Directors |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “Companies Law” | the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time |
| “Companies Ordinance” | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time |
| “Company” | International Genius Company, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange |
| “connected person(s)” | has the same meaning as defined in the Listing Rules |
| “Consideration Shares” | the new Shares to be allotted and issued by the Company as consideration pursuant to the Sale and Purchase Agreement |
| “Director(s)” | director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be held at 42/F, China Resources Tower, Nanshan District, Shenzhen, Guangdong Province, China on Friday, 21 June 2024, at 3:00 p.m., or, where the context so admits, any adjournment of such extraordinary general meeting |
| “EGM Notice” | the notice convening the EGM set out on pages 52 to 56 of this circular |

DEFINITIONS

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| “Eligible Participant(s)” | any eligible participant of the New Share Option Scheme (as determined by the Board pursuant to the terms of the New Share Option Scheme) who is an Employee Participant who the Board considers, in its sole discretion, to have contributed or will contribute to the Group |
| “Employee Participant(s)” | any director (including executive directors, non-executive directors and independent non-executive directors) or employee of the Company or any Subsidiary, including any person who is granted any Option as an inducement to enter into any employment contract with the Company or such Subsidiary |
| “Existing General Mandate” | The general mandate duly approved and granted by the Shareholders at the 2023 AGM |
| “Existing Share Option Scheme” | the share option scheme adopted by the Company on 26 June 2017 |
| “Grantee” | any Eligible Participant who accepts an offer in accordance with the terms of the New Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee, including the legal personal representative of the original Grantee |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| “Hong Kong” | Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | an independent committee of the Board comprising of all the independent non-executive Directors to advise the Independent Shareholders in respect of the Refreshment of General Mandate |
| “Independent Financial Adviser” or “Grande Capital” | Grande Capital Limited, a corporation licensed by the Securities and Futures Commission to Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 572, laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Refreshment of General Mandate |

DEFINITIONS

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| “Independent Shareholders” | Shareholder(s) other than the controlling shareholders and their respective associates, or, if there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates |
| “Latest Practicable Date” | 30 May 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Memorandum of Association” | the memorandum of association of the Company, as amended from time to time |
| “New General Mandate” | the new mandate proposed to be sought at the EGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company (excluding Treasury Shares, if any) as at the date of passing of the relevant resolution at the EGM |
| “New Share Option Scheme” | the new share option scheme proposed to be adopted at the EGM |
| “Option(s)” | an option to subscribe for Shares granted pursuant to the New Share Option Scheme |
| “PRC” | People’s Republic of China |
| “Refreshment of General Mandate” | the proposed refreshment of the Existing General Mandate and the grant of the New General Mandate |
| “Remuneration Committee” | remuneration committee of the Board |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 22 January 2024 entered into among Dr. Ye Guanhua (as vendor), Gold Collection Enterprises Limited (as purchaser), being a wholly-owned subsidiary of the Company, and the Company in relation to the acquisition of the entire issued share capital of Deep Neural Computing Company Limited, a company incorporated in the BVI with limited liability |
| “Scheme Mandate Limit” | The 10% of the total number of issued Shares (excluding Treasury Shares, if any) as of the Adoption Date, details of which are set out in paragraph 10 of Appendix I to this circular |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time |

DEFINITIONS

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|---------------------------|---|
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholders” | holder(s) of Share(s) |
| “Share Premium Account” | The share premium account of the Company |
| “Share Premium Reduction” | The reduction of the share premium of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subsidiary” | a company which is for the time being and from time to time a subsidiary (within the meaning ascribed to it under the Listing Rules) of the Company, whether incorporated in Hong Kong or elsewhere |
| “Treasury Shares” | the Shares repurchased and held by the Company in treasury (if any), as authorised by the laws and regulations of the Cayman Islands and the Articles of Association, which for the purpose of the Listing Rules, include Shares repurchased by the Company and held or deposited in CCASS for sale on the Stock Exchange |
| “%” | per cent. |

LETTER FROM THE BOARD



INTERNATIONAL GENIUS COMPANY

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 33)

Executive Director:

Dr. He Xiaobin

Non-executive Director:

Mr. Dai Chengyan

Independent Non-executive Directors:

Mr. Lo Hang Fong

Mr. Wang Jun Sheng

Mr. Yip Tze Wai Albert

Registered office:

94 Solaris Avenue

Camana Bay

PO Box 1348

Grand Cayman, KY1-1108

Cayman Islands

Principal place of business

in Mainland China:

42/F, China Resources Tower

Nanshan District

Shenzhen

Guangdong Province

China

4 June 2024

To the Shareholders,

Dear Sir or Madam,

- (1) PROPOSED REFRESHMENT OF GENERAL MANDATE;**
- (2) PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF THE NEW SHARE OPTION SCHEME;**
- (3) PROPOSED SHARE PREMIUM REDUCTION; AND**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information relating to the resolutions to be proposed at the EGM, among other things, (i) Refreshment of General Mandate; (ii) termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme; and (iii) Share Premium Reduction.

LETTER FROM THE BOARD

1. PROPOSED REFRESHMENT OF GENERAL MANDATE

The Board proposes to refresh the Existing General Mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company (excluding Treasury Shares, if any) as at the date of passing of the relevant resolution at the EGM.

Existing General Mandate

At the 2023 AGM, the Shareholders approved, among other things, an ordinary resolution to give a general mandate to the Directors to issue, allot and deal with additional shares of the Company not exceeding 20% (equivalent to 107,449,020 new Shares) of the total nominal amount of the issued share capital of the Company as at the date of granting of the Existing General Mandate (i.e. 537,245,104 Shares).

On 22 January 2024, Dr. Ye Guanhua (as vendor), Gold Collection Enterprises Limited (as purchaser), being a wholly-owned subsidiary of the Company, and the Company entered into the Sale and Purchase Agreement, pursuant to which the Company will issue a total of 105,000,000 Consideration Shares, representing 19.54% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement and 18.81% of the issued share capital of the Company as at the Latest Practicable Date, as partial settlement of the consideration. As at the Latest Practicable Date, 21,000,000 Consideration Shares have been allotted and issued to Dr. Ye Guanhua, and the remaining Consideration Shares will be allotted and issued to the Dr. Ye Guanhua subject to the profit guarantee or the early release arrangement, the management lock-up period being fulfilled and the allotment and the minimum public float requirement under the Listing Rules. For further details, please refer to the announcement made by the Company dated 22 March 2024. Other than the aforementioned transaction, as at the Latest Practicable Date, no Shares have been issued or contemplated to be issued under the Existing General Mandate and the Company has not made any refreshment of the Existing General Mandate since the 2023 AGM.

Proposed Grant of New General Mandate

As the Existing General Mandate will almost be fully utilised after completion of the Sale and Purchase Agreement, the Board proposes to convene the EGM at which an ordinary resolution will be proposed to the Independent Shareholders for approving the Refreshment of General Mandate that:

- (i) The Directors be granted the New General Mandate to allot and issue Shares up to 20% of the issued share capital of the Company (excluding Treasury Shares, if any) as at the date of the EGM; and
- (ii) The New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the 2023 AGM.

The New General Mandate will, if granted, be valid until the earliest of:

- (i) The conclusion of the next annual general meeting of the Company;

LETTER FROM THE BOARD

- (ii) The expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable laws or the Articles; or
- (iii) The revocation or variation of the authority given to the Directors by passing an ordinary resolution by the Shareholders at a general meeting.

Reasons for the Refreshment of General Mandate

On 22 January 2024, Dr. Ye Guanhua (as vendor), the Gold Collection Enterprises Limited (as purchaser), being a wholly-owned subsidiary of the Company, and the Company entered into the Sale and Purchase agreement, pursuant to which the Company will issue a total of 105,000,000 Consideration Shares, representing 19.54% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement and 18.81% of the issued share capital of the Company as at the Latest Practicable Date, as partial settlement of the consideration. As at the Latest Practicable Date, 21,000,000 Consideration Shares have been allotted and issued to Dr. Ye Guanhua, and the remaining Consideration Shares will be allotted and issued to Dr. Ye Guanhua subject to the profit guarantee or the early release arrangement, the management lock-up period being fulfilled and the allotment and the minimum public float requirement under the Listing Rules. Further details have been set out in the announcements published by the Company on the website of the Stock Exchange on 23 January 2024, 6 March 2024 and 22 March 2024.

As of the Latest Practicable Date, the Company has not yet entered into any legally-binding agreement with any party to issue Shares by utilising the New General Mandate. The Company intends to expand its asset management service to a global scale and is actively identifying potential asset management firm for the future expansion.

In particular, on 14 May 2024, the Company entered into a memorandum of understanding with a target company (the “**Target Company**”) in relation to the proposed acquisition of the entire issued share capital of the target company (the “**Proposed Acquisition**”). The Target Company is a company incorporated in Singapore which is licensed by the Monetary Authority of Singapore to (i) provide fund management services; (ii) advise on investment products, including collective investment schemes and life policies; and (iii) arrange life policies, other than for reinsurance. Based on information available, the Target Company mainly provides wealth advisory services to high net worth clients and insurance-related financial advisory services. They have served more than 150 clients and managed US\$1 billion in total assets.

The consideration of the Proposed Acquisition is expected to be approximately US\$30 million (i.e. approximately HK\$234 million), subject to the actual assessed asset price and the actual sale and purchase agreement. Based on the latest discussion between the Company and the Target Company, the Company is exploring the possibility of settling the consideration mainly through the issue of consideration shares and minimal portion of cash consideration. The Company is currently conducting due diligence on the Target Company. Subject to satisfactory results of the due diligence, the Company will engage in further discussion with the Target Company and its shareholder(s) regarding the formal sale and purchase agreement. Announcements will be made by the Company regarding the Proposed Acquisition in accordance with the reporting and approval requirements under the Listing Rules as and when appropriate.

LETTER FROM THE BOARD

The Group is principally engaged in trading of party products, provision of securities brokerage and assets management services, provision of advisory services, provision of advancing services and trading of commodities. The management believes that the Proposed Acquisition could facilitate the Group's business development by expanding its asset management service to a global scale, in order to broaden the Group's revenue source, enhance performance of the Group and create value for the Shareholders.

The Board (excluding the independent non-executive Directors, who will express their view in the letter from the Independent Board Committee included in this circular) believes that the Refreshment of General Mandate is fair and reasonable and in the best interests of the Company and the Shareholders as a whole and by maintaining the financial flexibility necessary for pursuing the Potential Acquisition or other mergers and acquisitions. The Board is of the view that equity financing is non-interest bearing and that fund-raising exercises conducted under a general mandate are simpler and faster than other types of fund-raising exercises and remove uncertainties in the circumstances when specific mandate may not be obtained in a timely manner.

The management of the Company has considered other financing alternatives apart from equity financing by using New General Mandate such as debt financing, rights issue, open offer or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into consideration the then financial position, capital structure and flexibility of the Group as well as the prevailing market condition.

In respect of debt financing, the management of the Company considered that debt financing may be subject to lengthy due diligence and negotiations and impose interest burden (in view of the recent high interest rates environment, e.g. the prime rate of the Bank of China (Hong Kong) is 5.875%) on the Group. In addition, bank borrowings generally require the security of assets or properties while the Group does not have material assets or properties available for pledging to secure substantial amount of bank borrowings. As such, it is not the optimal financial method under the current position of the Group and the prevailing market condition.

In respect of other equity financing methods such as rights issue or open offer, the management of the Company considered that they may involve substantial time and cost to complete as compared to equity financing by using New General Mandate. In particular, a rights issue or an open offer normally takes several weeks, which involves lengthy discussions with potential underwriters. If shareholders' approval is required, it may take another two months or so for the issuer to prepare a shareholder's circular and the notice period for the shareholders' meeting. Therefore, it would be difficult for the Company to satisfy its immediate funding requirements in a timely manner if required.

In respect of internal cash resources, as of 31 December, 2023, the Company has cash and cash equivalents of approximately HK\$55.9 million, with a current liabilities of approximately HK\$88.3 million. Utilising the Company's internal cashflow to finance acquisitions will impose additional burden on the cash flow condition of the Company. As a result, it would be difficult for the Company to satisfy its immediate funding requirements with internal cash resources.

LETTER FROM THE BOARD

The management of the Company believes that raising funds through using the New General Mandate is more flexible, cost effective and time efficient than debt financing, internal resources and other alternative equity financing methods mentioned above.

Assuming the completion of the Sale and Purchase Agreement, the Existing General Mandate which has not been utilised only represents approximately 0.4% of the existing issued share capital of the Company as at the Latest Practicable Date. With reference to the date of the Company's past annual general meeting, the next annual general meeting of the Company is expected to be held around December 2024. If the Refreshment of the General Mandate is approved by the Independent Shareholders at the EGM, when there are any further funding needs or if attractive business targets that could be acquired by the Company via the issue of consideration shares before the next annual general meeting, the Board will be able to respond to the market or such acquisition opportunity promptly before December 2024 by considering the issue of Shares at the maximum of 20% of the issued share capital of the Company as at the date of the EGM. As such, the Board (excluding the independent non-executive Directors, who will express their view in the letter from the Independent Board Committee included in this circular) considers that the Refreshment of General Mandate is justifiable.

The shareholding of the existing public Shareholders would be diluted from approximately 26.19% to approximately 21.82% upon full utilisation of the New General Mandate. The Board (excluding the independent non-executive Directors, who will express their view in the letter from the Independent Board Committee included in this circular) is of the view that the potential dilution effect arising from the issue of new shares under the Refreshment of General Mandate is fair and reasonable and in the best interests of the Company and the Shareholders as a whole as (i) new Shares may be issued under the New General Mandate for the Potential Acquisition or potential investment opportunities in a timely manner, as stated above; (ii) generally time is of the essence in corporate transactions and the Company may fail to seize and capitalise on investment opportunities arisen or should they arise if it has to wait for shareholders' approval or the conclusion of the next annual general meeting instead of utilising the refreshed general mandate; and (iii) the management will exercise due and careful consideration in negotiation and choose the most optimal financing method for the Company.

Number of Shares under the New General Mandate

As of the Latest Practicable Date, the Company has an aggregate of 558,245,104 Shares in issue. As announced on 22 March 2024, the Company will apply to the Stock Exchange for the listing of, and permission to deal in, the second tranche of 84,000,000 Consideration Shares be allotted and issued after compliance of the relevant minimum public float requirement.

Subject to the passing of the ordinary resolution for the approval of the Refreshment of General Mandate at the EGM by the Independent Shareholders and assuming that no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date, the Company would be allowed under the Refreshment of General Mandate to allot and issue 111,649,020 Shares, representing approximately 20% of the total number of Shares in issue (excluding Treasury Shares, if any) as of the Latest Practicable Date.

LETTER FROM THE BOARD

Listing Rules Implications

Pursuant to Rule 13.36(4) of the Listing Rules, the approval of the Refreshment of General Mandate will be subject to Independent Shareholder's approval at a general meeting of the Company. Any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour of the resolution to approve the Refreshment of General Mandate.

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, Dr. Ng Yu and Neo Tech Inc, a company wholly and beneficially owned by Dr. Ng Yu, are the controlling Shareholders of the Company, and held 244,800 Shares and 390,821,084 Shares, respectively. Accordingly, Dr. Ng Yu and Neo Tech Inc, together with their associates are required to abstain from voting in favour of the resolution(s) to approve the Refreshment of General Mandate and a total of 391,065,884 Shares will abstain from voting in favour of the resolution(s).

To the best of the of the Director's knowledge, information and belief having made all reasonable enquiries, save as disclosed above and as at the Latest Practicable Date, no other Shareholder is required to abstain from voting on the proposed resolution(s) on the Refreshment of General Mandate at the EGM.

2. PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF THE NEW SHARE OPTION SCHEME

Reference is made to the Announcement in relation to, among others, the proposed termination of Existing Share Option Scheme and adoption of the New Share Option Scheme. Pursuant to the ordinary resolution passed by the Shareholders on 26 June 2017, the Company adopted the Existing Share Option Scheme. As at the Latest Practicable Date, the Company has no outstanding options under the Existing Share Option Scheme and has no intention of granting any further options under the Existing Share Option Scheme during the period from the Latest Practicable Date to the date of the EGM.

Proposed Adoption of the New Share Option Scheme

In view of the amendments to Chapter 17 of the Listing Rules which took effect on 1 January 2023, the Directors considered that the adoption of the New Share Option Scheme, which will be valid for 10 years from the Adoption Date, will provide the Company with more flexibility in long term planning of granting the Options to Eligible Participants and also provide appropriate incentives or rewards to suitable and eligible persons for their contributions or potential contributions to the Group.

The purpose of the New Share Option Scheme is to enable the Company to grant Options to selected Eligible Participants as incentives and/or rewards for their contribution or potential contribution to the Company. The New Share Option Scheme does not involve the grant of share award. The New Share Option Scheme shall be subject to the administration of the Board whose

LETTER FROM THE BOARD

decision on all matters arising in relation to the New Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

The adoption of the New Share Option Scheme will take effect on the date of its adoption at the EGM and is conditional upon:

- (a) the Listing Committee granting the approval for the listing of, and permission to deal in any new Shares which may fall to be allotted and issued by the Company upon the exercise of Options that may be granted under the New Share Option Scheme; and
- (b) the passing of an ordinary resolution at the EGM approving the termination of the Existing Share Option Scheme, the adoption of the New Share Option Scheme and authorising the Directors to grant Options to Eligible Participants and to allot and issue Shares pursuant to the exercise of any Option granted under the New Share Option Scheme.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued and allotted upon the exercise of the Options which may be granted under the New Share Option Scheme.

Explanation of the terms of the New Share Option Scheme

A summary of the principal terms of the New Share Option Scheme is set out in Appendix I to this circular. Unless otherwise stated, the defined terms in Appendix I shall apply to the disclosure herein. The full terms of the New Share Option Scheme will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.geniusi.com for a period of 14 days before the date of the EGM and will be made available for inspection at the EGM.

Purpose

The purposes of the New Share Option Scheme are (i) to provide Eligible Participants with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole; (ii) to motivate Eligible Participants to contribute to the success of the Group's operations; and (iii) to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Participants. The New Share Option Scheme does not involve the grant of share award. The New Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Share Option Scheme or its interpretation or effect shall (save as otherwise provided therein) be final and binding on all parties.

LETTER FROM THE BOARD

Eligible Participants

Eligible Participants comprise only the Employee Participants. In determining the eligibility of each Eligible Participant, the Board shall consider on a case-by-case basis. Generally, the Board shall consider,

- (i) his/her previous working experience, the experience, working performance and time commitment of the Employee Participant on the Group's business;
- (ii) the educational and professional qualifications of the Employee Participant, and the knowledge of the Employee Participant on the industry;
- (iii) the length of employment, office or service of the Employee Participant with the Group;
- (iv) the amount of support, assistance, guidance, advice or efforts the Employee Participant has given or will give towards the Group's success;
- (v) the contribution made or expected to be made by the Employee Participant to the growth of the Group and the positive impacts which the Employee Participant may bring to the Group's business and development; and
- (vi) whether granting the Options to the Employee Participant would be an appropriate incentive to motivate the Employee Participant to continue to contribute towards the betterment of the Group.

LETTER FROM THE BOARD

Scheme Mandate Limit

The total number of Shares which may be issued in respect of all Options to be granted under the New Share Option Scheme and all options and awards to be granted under any other share scheme(s) of the Company shall not exceed 10% of the total number of Shares in issue (excluding Treasury Shares, if any) as at the Adoption Date or the relevant date of approval of the refreshment of the Scheme Mandate Limit. As at the Latest Practicable Date, the total number of Shares in issue is 558,245,104 Shares. Assuming there is no change in the number of Shares in issue during the period between the Latest Practicable Date and the Adoption Date, (i) the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and (if any) other share option scheme(s) of the Company and the awards to be granted under (if any) share award scheme(s) of the Company, shall be no more than 55,824,510 Shares, representing approximately 10% of the total number of Shares in issue (excluding Treasury Shares, if any) as at the Adoption Date.

Vesting Period

Save for the circumstances prescribed in paragraph 6 of Appendix I to this circular, the vesting period for the Options shall not be less than twelve (12) months. To ensure the practicability in fully attaining the purpose of the New Share Option Scheme, the Board is of the view that (a) there are certain instances where a strict twelve (12)-month vesting requirement would not work or would not be fair to the Grantees, such as those set out in paragraph 6.2 of Appendix I to this circular; (b) there is a need for the Company to retain flexibility to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified; and (c) the Company should be allowed discretion to formulate its own talent recruitment and retention strategies in response to changing market conditions and industry competition, and thus should have flexibility to impose vesting conditions such as performance-based vesting conditions instead of time-based vesting criteria depending on individual circumstances. Hence, the Remuneration Committee is of the view and the Board concurs that the shorter vesting period prescribed in paragraphs 6 of Appendix I to this circular, which is available to Employee Participants at the discretion of the Board (or the Remuneration Committee where the arrangements relate to grant of Options to Directors and/or senior managers of the Group), is in line with the market practice, is appropriate and aligns with the purpose of the New Share Option Scheme.

Subscription Price

The basis for determining the subscription price for Share(s) on the exercise of an Option is specified in the provision of the New Share Option Scheme (see paragraph 5 of Appendix I to this circular). Such basis will serve to preserve the value of the Company and encourage the Eligible Participants to acquire proprietary interests in the Company.

LETTER FROM THE BOARD

Performance targets and clawback mechanism

If and to the extent that any performance target is required to be achieved by any Grantee before an Option is capable of being exercised, particulars of such targets shall be specified in the offer of an Option. The Board may determine such performance target at its sole and absolute discretion, which may include, without limitation, (i) business performance and financial performance of the Group or specific business unit(s); (ii) attaining of corporate goals and/or (iii) individual performance appraisal. Unless otherwise as imposed by the Board pursuant to the New Share Option Scheme or stated in the relevant letter of offer of an Option, there is no performance targets required to be achieved by any Grantee before an Option is capable of being exercised.

The Company will evaluate the actual performance and contribution of an Eligible Participant against the performance targets set and form a view as to whether the relevant performance targets have been satisfied. Each performance target may be assessed either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Board (or, in case the Grantee is a director or senior manager of the Company, the Remuneration Committee) in its sole discretion. The Board (and the Remuneration Committee in respect of grants of Options to the Directors and/or senior management of the Group) shall have the sole discretion in determining whether the relevant performance targets for the Eligible Participant have been met.

Notwithstanding the foregoing, no Options being offered to any independent non-executive Director shall contain any performance target unless the Board is satisfied that such target will not lead to any bias in the decision-making or compromise the objectivity and independence in the course of performance of the duties of the Grantee as an independent non-executive Director.

Unless the Board otherwise determined and provided in the offer of an Option, where there has been an occurrence of misconduct during the period of the Option such as: (a) any material misstatements or omissions in the Company's financial statements by a Grantee; (b) any violation by a Grantee of confidentiality or non-competition obligations owed to the Group, or any leakage by such Grantee of the Group's trade secrets, intellectual property or proprietary information; (c) any termination of employment contracts by a Grantee without notice or payment in lieu of notice; (d) any conviction of any criminal offence by a Grantee involving integrity or honesty; or (e) any conduct of a Grantee that has material adverse effect to the reputation or interests of the Group, the Options may be subject to clawback as considered and recommended by the Remuneration Committee and determined and approved by the Board where appropriate. The clawback of Options granted to the Directors and senior management of the Group, and any grants of Options to the Directors and senior management of the Group without clawback, shall be further subject to the approval of the Remuneration Committee and satisfaction of any other requirements under the Listing Rules.

The Options that are clawed back pursuant to this paragraph shall be regarded as cancelled and the Options so cancelled shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit (or the New Scheme Mandate Limit (as defined in Appendix I), as the case may be).

LETTER FROM THE BOARD

The Board considers that, generally speaking, the Options which have vested and are exercisable should be retained by Eligible Participants, in particular, where such Options have vested due to the fulfilment of any performance targets set by the Board or for recognition of past contributions to the Group. The Board is of the view that with the above clawback mechanism in place in the event of misconduct, the Company would be able to claw back the equity incentives granted to the Grantees culpable of misconduct, which is in line with the purpose of the New Share Option Scheme and the interest of Shareholders in general.

General

As at the Latest Practicable Date,

- (i) the Company has not engaged any trustee for administration of the New Share Option Scheme and does not intend to engage any trustee for administration of the New Share Option Scheme;
- (ii) the Company does not have any share option scheme or share award scheme other than the Existing Share Option Scheme;
- (iii) the Company has not formulated any plan to grant Options under the New Share Option Scheme and the Company will continue to assess from time to time whether there is a need to formulate such plan; and
- (iv) to the best knowledge of the Directors and having made all reasonable enquiries, no Shareholder has any material interest in the proposed adoption of the New Share Option Scheme and no Shareholder is required to abstain from voting on the resolution in relation thereto.

Value of the Options

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the New Share Option Scheme as if they had been granted at the Latest Practicable Date, given that various factors (such as the subscription price for Share(s) on the exercise of an Option and other terms and conditions to which an Option may be subject) crucial for valuation cannot be predicted or ascertained and may vary from case to case. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on assumptions would be speculative and not meaningful, and indeed might be misleading to the Shareholders.

LETTER FROM THE BOARD

3. PROPOSED SHARE PREMIUM REDUCTION

Reference is made to the Announcement in relation to, among others, proposed Share Premium Reduction. The Board intends to seek the approval from the Shareholders at the EGM to reduce the share premium of the Company in accordance with the applicable laws of the Cayman Islands and the Articles. The amount standing to the credit of the Share Premium Account of the Company as at 31 December 2023 was approximately HK\$4,318 million. It is proposed that (i) all amount of approximately HK\$4,318 million standing to the credit of the Share Premium Account be reduced and cancelled and that approximately HK\$4,176 million of the credit arising from the Share Premium Reduction be applied to offset the entire amount of the accumulated losses of the Company as at 31 December 2023; and (ii) the remaining balance of approximately HK\$142 million of the credit arising from the Share Premium Reduction be transferred to the retained profit account of the Company.

Reasons for the Share Premium Reduction

As at 31 December 2023, the Company recorded accumulated losses of approximately HK\$4,176 million. The Board is of the view that the Share Premium Reduction will allow the Company to eliminate its accumulated losses, thus enabling the Shareholders and investors of the Company to have a better appreciation of the financial position of the Company and its current businesses. Furthermore, this would also give the Company the flexibility to declare dividends to the Shareholders at the earliest opportunity in the future when the Board considers appropriate. The Board believes that the Share Premium Reduction is in the best interests of the Company and the Shareholders as a whole. At this stage, the Company does not have any present intention to declare any dividends to the Shareholders despite the Share Premium Reduction.

Effect of the Share Premium Reduction

The implementation of the Share Premium Reduction does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the shares of the Company or the trading arrangements concerning the shares of the Company. The implementation of the Share Premium Reduction will not, in itself, have any material adverse effect on the underlying assets, liabilities, business operations, management or financial position of the Company or the interests of the Shareholders as a whole.

Conditions of the Share Premium Reduction

The Share Premium Reduction is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Share Premium Reduction at the EGM; and
- (ii) compliance with section 34(2) of the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, the Board being satisfied that on the date on which the Share Premium Reduction shall become effective, subject to the

LETTER FROM THE BOARD

fulfilment of the above condition (i), there are no reasonable grounds for believing that the Company is, or after the Share Premium Reduction would be, unable to pay its debts as they fall due in the ordinary course of business.

Subject to the fulfilment of the above conditions, it is expected that the Share Premium Reduction shall become effective on the date of the EGM.

As none of the Shareholders is interested in the Share Premium Reduction, no Shareholder is required to abstain from voting on the resolution relating to the Share Premium Reduction.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

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

Potential dilution to shareholdings of the Shareholders

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon full utilisation of the New General Mandate and the Scheme Mandate Limit (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the date of the full utilisation of the New General Mandate and the Scheme Mandate Limit); and (iii) immediately upon the issuance of the 84,000,000 Consideration Shares and full utilisation of the New General Mandate and the Scheme Mandate Limit (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the date of the issuance of the 84,000,000 Consideration Shares, full utilisation of the New General Mandate and the Scheme Mandate Limit) are as follows:

LETTER FROM THE BOARD

| | As at the Latest Practicable Date | | Immediately upon full utilisation of the New General Mandate | | Immediately upon full utilisation of the Scheme Mandate Limit | | Immediately upon full utilisation of the New General Mandate and the Scheme Mandate Limit | | Immediately upon the issuance of the 84,000,000 Consideration Shares and full utilisation of the New General Mandate and the Scheme Mandate Limit | |
|--|-----------------------------------|---------------|--|---------------|---|---------------|---|---------------|---|---------------|
| | No. of shares | Approximate % | No. of shares | Approximate % | No. of shares | Approximate % | No. of shares | Approximate % | No. of shares | Approximate % |
| Ng Yu | 244,800 | 0.04 | 244,800 | 0.04 | 244,800 | 0.04 | 244,800 | 0.04 | 244,800 | 0.03 |
| Neo Tech Inc. (Note 1) | 390,821,084 | 70.01 | 390,821,084 | 58.34 | 390,821,084 | 63.64 | 390,821,084 | 53.85 | 390,821,084 | 48.27 |
| Ye Guanhua | 21,000,000 | 3.76 | 21,000,000 | 3.13 | 21,000,000 | 3.42 | 21,000,000 | 2.89 | 105,000,000 | 12.97 |
| Public Shareholders | | | | | | | | | | |
| Allottees to be issued with securities under the New General Mandate | - | - | 111,649,020 | 16.67 | - | - | 111,649,020 | 15.39 | 111,649,020 | 13.79 |
| Grantees of the New Share Option Scheme | - | - | - | - | 55,824,510 | 9.09 | 55,824,510 | 7.69 | 55,824,510 | 6.89 |
| Other public Shareholders | 146,179,220 | 26.19 | 146,179,220 | 21.82 | 146,179,220 | 23.81 | 146,179,220 | 20.14 | 146,179,220 | 18.05 |
| Total | 558,245,104 | 100.00 | 669,894,124 | 100.00 | 614,069,614 | 100.00 | 725,718,634 | 100.00 | 809,718,634 | 100.00 |

Notes:

- Neo Tech Inc. is a company incorporated in the BVI with limited liability and is wholly and beneficially owned by Dr. Ng. Dr. Ng is therefore deemed to be interested in the Shares held by Neo Tech Inc. in accordance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of Shareholders to the right to attend and vote at the EGM (or any adjournment thereof), the register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 17 June 2024.

VOTING BY POLL

Pursuant to Rule 13.39 of the Listing Rules and Article 90 of the Articles, all votes of the Shareholders at the general meetings must be taken by poll except where the chairman of such meetings, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. In this regard, the resolutions set out in the notice of EGM will be put to vote by way of poll.

As at the Latest Practicable Date, save as Dr. Ng Yu and Neo Tech Inc. who are required to abstain from voting in favour of the resolution(s) to approve the Refreshment of General Mandate, no Shareholder has a material interest in the resolutions proposed to be passed at the EGM (including the Refreshment of General Mandate, termination of Existing Share Option Scheme and adoption of the New Share Option Scheme and Share Premium Reduction). As such, save as disclosed above, no Shareholder is required to abstain from voting on the resolutions in relation thereto at the EGM.

RESPONSIBILITY STATEMENT

This 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 this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors (excluding the independent non-executive Directors, whose view is set out in the letter from the Independent Board Committee included in this circular) are of the opinion that the Refreshment of General Mandate is in the best interests of the Company and Shareholders as a whole, and accordingly recommend you to vote in favour of all the relevant resolutions to be proposed at the EGM.

The Directors (including the independent non-executive Directors) are of the opinion that the Termination of Existing Share Option Scheme and adoption of the New Share Option Scheme and Share Premium Reduction are in the best interests of the Company and Shareholders as a whole, and accordingly recommend you to vote in favour of all the relevant resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

GENERAL

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
International Genius Company
Dr. He Xiaobin
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



INTERNATIONAL GENIUS COMPANY

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 33)

4 June 2024

To the Independent Shareholders,

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

We refer to the circular dated 4 June 2024 (the “**Circular**”) issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise the Independent Shareholders on the terms of the Refreshment of General Mandate as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the Refreshment of General Mandate as set out in the Circular. Grande Capital has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard. Details of the independent advice of Grande Capital, together with the principal factors and reasons Grande Capital has taken into consideration, are set out on pages 23 to 33 of the Circular.

We wish to draw your attention to the Letter from the Board and the Letter of advice from Grande Capital Limited to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Refreshment of General Mandate.

Having considered the terms of the Refreshment of General Mandate, the advice of Grande Capital and the relevant information contained in the Letter from the Board, we consider that the Refreshment of General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) for approving the Refreshment of General Mandate to be proposed at the EGM.

Yours faithfully,
The Independent Board Committee of
International Genius Company

Mr. Lo Hang Fong
*Independent Non-executive
Director*

Mr. Wang Jun Sheng
*Independent Non-executive
Director*

Mr. Yip Tze Wai Albert
*Independent Non-executive
Director*

LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

The following is the full text of a letter of advice from Grande Capital Limited in connection with advice to the Independent Board Committee and the Independent Shareholders on the Refreshment of General Mandate, which has been prepared for the purpose of incorporation in this circular.

4 June 2024

*To the Independent Board Committee and the Independent Shareholders of
International Genius Company*

Dear Sirs/Madams,

PROPOSED REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the New General Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 4 June 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

At the 2023 AGM, the Shareholders approved, among other things, an ordinary resolution to give a general mandate to the Directors to issue, allot and deal with additional shares of the Company not exceeding 20% (equivalent to 107,449,020 new Shares) of the total nominal amount of the issued share capital of the Company as at the date of granting of the Existing General Mandate (i.e. 537,245,104 Shares).

On 22 January 2024, Dr. Ye Guanhua (as vendor), Gold Collection Enterprises Limited (as purchaser), being a wholly-owned subsidiary of the Company, and the Company entered into the Sale and Purchase Agreement, pursuant to which the Company will issue a total of 105,000,000 Consideration Shares, representing 19.54% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement and 18.81% of the issued share capital of the Company as at the Latest Practicable Date, as partial settlement of the consideration. As at the Latest Practicable Date, 21,000,000 Consideration Shares have been allotted and issued to Dr. Ye Guanhua, and the remaining Consideration Shares will be allotted and issued to the Dr. Ye Guanhua subject to the profit guarantee or the early release arrangement, the management lock-up period being fulfilled and the allotment and the minimum public float requirement under the Listing Rules. For further details, please refer to the announcement made by the Company dated 22 March 2024. Other than the aforementioned transaction, as at the Latest Practicable Date, no Shares have been issued or contemplated to be issued under the Existing General Mandate and the Company has not made any refreshment of the Existing General Mandate since the 2023 AGM.

As the Existing General Mandate will almost be fully utilised after the completion of the Sale and Purchase Agreement, the Board proposes to convene the EGM at which an ordinary resolution will be proposed to the Independent Shareholders for approving the Refreshment of General Mandate that: (i) the Directors be granted the New General Mandate to allot and issue Shares up to 20% of the issued share

LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

capital of the Company (excluding Treasury Shares, if any) as at the date of the EGM; and (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the 2023 AGM.

Pursuant to Rule 13.36(4) of the Listing Rules, the approval of the Refreshment of General Mandate will be subject to Independent Shareholder's approval at a general meeting of the Company. Any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour of the resolution to approve the Refreshment of General Mandate.

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, Dr. Ng Yu and Neo Tech Inc, a company wholly and beneficially owned by Dr. Ng Yu, are the controlling Shareholders of the Company, and held 244,800 Shares and 390,821,084 Shares, respectively. Accordingly, Dr. Ng Yu and Neo Tech Inc, together with their associates are required to abstain from voting in favour of the resolution(s) to approve the Refreshment of General Mandate and a total of 391,065,884 Shares will abstain from voting in favour of the resolution(s). To the best of the of the Director's knowledge, information and belief having made all reasonable enquiries, save as disclosed above and as at the Latest Practicable Date, no other Shareholder is required to abstain from voting on the proposed resolution(s) on the Refreshment of General Mandate at the EGM.

The Board has appointed the Independent Board Committee, comprising all three independent non-executive Directors, to advise the Independent Shareholders on whether the Refreshment of General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to the voting. We, Grande Capital Limited, have been appointed as an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we do not have any other relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and expectation

LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

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 has 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 Directors and the management of the Company. We believe 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, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular, which includes particular 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 materials respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in the circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Refreshment of General Mandate, and except for its inclusion in the 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 recommendation to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

1. Background of the Group

The Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in trading of party products, provision of securities brokerage and asset management, provision of advancing business and trading of commodities.

Set out below are the audited consolidated financial information of the Group for the two years ended 30 June 2023 as extracted from the Company's annual report for the year ended 30 June 2023 (the "2023 Annual Report"):

| | For the year ended 30 June 2023 | For the year ended 30 June 2022 |
|----------------------------|--|--|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 333,964 | 295,561 |
| Gross profit | 3,182 | 50,826 |
| (Loss)/Profit for the year | (38,707) | 40,701 |

LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

As depicted from the table above, the Group's revenue increased by approximately 13.0% from approximately HK\$295.6 million for the year ended 30 June 2022 ("FY2022") to approximately HK\$334.0 million for the year ended 30 June 2023 ("FY2023"). With reference to the 2023 Annual Report, the increase was mainly attributable to the net effect of (i) increase in revenue from the trading of commodities from approximately HK\$133.2 million for FY2022 to approximately HK\$241.6 million for FY2023. This significant increase was due to the fact that after the pandemic, the Group seized market opportunities, focused resources on this segment, actively explored and successfully secured reliable upstream companies; (ii) the Group did not generate any revenue from its securities brokerage and asset management segment as the relevant licenses of the Group to carry out Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts) and Type 5 (Advising on Futures Contracts) regulated activities under the SFO were suspended due to the insufficient appointment of Representative Officer ("RO") and the Group is in the process of looking for an appropriate RO and will apply for the resumption of these licenses; and (iii) decrease in revenue generated from the trading of party products segment from approximately HK\$115.5 million for FY2022 to approximately HK\$92.3 million for FY2023, which was mainly due to the Group's proactive strategic shift of business focus to trading of commodities, which has substantially increasing demands after COVID-19 pandemic.

The Group's gross profit for the year decreased by approximately 93.7% from approximately HK\$50.8 million for FY2022 to approximately HK\$3.2 million for FY2023. With reference to the 2023 Annual Report, the decrease was mainly attributable to the increase in cost of inventories from approximately HK\$244.7 million for FY2022 to approximately HK\$330.8 million for FY2023.

The Group's recorded net loss for the year of approximately HK\$38.7 million for FY2023 and net profit for the year of approximately HK\$40.7 million for FY2022. With reference to 2023 Annual Report, such change was mainly due to (i) the aforesaid decrease in the Group's revenue and gross profit; (ii) the Group recorded other revenue and other net loss of approximately HK\$1.8 million for FY2023 while the Group recorded other revenue and other net gain of approximately HK\$12.6 million for FY2022; and (iii) the Group recorded gain on disposal of subsidiaries of approximately HK\$30.4 million for FY2022 while no such gain was recorded in FY2023; as partially offset by (i) decrease in operating expenses; and (ii) increase in income tax expenses.

Set out below are the unaudited consolidated financial information of the Group for the six months ended 31 December 2023 ("2H2023") and the six months ended 31 December 2022 ("2H2022") as extracted from the Company's interim report for 2H2023 (the "2023 Interim Report"):

| | For six months ended 31 December 2023 | For the six months ended 31 December 2022 |
|---------------------|--|--|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Revenue | 102,855 | 192,786 |
| Gross profit | 1,647 | 4,817 |
| Loss for the period | (20,722) | (14,313) |

LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

As depicted from the table above, the Group's revenue decreased by approximately 46.7% from approximately HK\$192.8 million for 2H2022 to approximately HK\$102.9 million for 2H2023. With reference to the 2023 Interim Report, the decrease was mainly attributable to (i) a decrease in demand for raw materials from the downstream companies due to the decrease in net export in traditional industries in China, like toys and plastic products production, which led to the drop of overall sales volume of raw materials; and (ii) the increase in market supply of party products due to the recovery of international logistics after the pandemic, resulting in falling prices from fierce competition.

The Group's gross profit decreased by approximately 65.8% from approximately HK\$4.8 million for 2H2022 to approximately HK\$1.6 million for 2H2023. With reference to the 2023 Interim Report, the decrease was mainly attributable to the decrease in revenue.

The Group's net loss for the period increased by approximately 44.8% from approximately HK\$14.3 million for 2H2022 to approximately HK\$20.7 million for 2H2023. With reference to the 2023 Interim Report, such change was mainly due to (i) the aforesaid decrease in the Group's revenue and gross profit; (ii) decrease in other revenue and other net gain as a result of decrease in government subsidies and sundry income recognised during the six months ended 31 December 2023; and (iii) increase in depreciation on right-of-use assets.

2. Reasons for the grant of New General Mandate

On 22 January 2024, Dr. Ye Guanhua (as vendor), the Gold Collection Enterprises Limited (as purchaser), being a wholly-owned subsidiary of the Company, and the Company entered into the Sale and Purchase agreement, pursuant to which the Company will issue a total of 105,000,000 Consideration Shares, representing 19.54% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement and 18.81% of the issued share capital of the Company as at the Latest Practicable Date, as partial settlement of the consideration. As at the Latest Practicable Date, 21,000,000 Consideration Shares have been allotted and issued to Dr. Ye Guanhua, and the remaining Consideration Shares will be allotted and issued to Dr. Ye Guanhua subject to the profit guarantee or the early release arrangement, the management lock-up period being fulfilled and the allotment and the minimum public float requirement under the Listing Rules. Further details have been set out in the announcements published by the Company on the website of the Stock Exchange on 23 January 2024, 6 March 2024 and 22 March 2024.

As of the Latest Practicable Date, the Company has not yet entered into any legally-binding agreement with any party to issue Shares by utilising the New General Mandate. The Company intends to expand its asset management service to a global scale and is actively identifying potential asset management firm for the future expansion.

On 14 May 2024, the Company entered into a memorandum of understanding with a target company (the "**Target Company**") in relation to the proposed acquisition of the entire issued share capital of the target company (the "**Proposed Acquisition**"). According to the Letter from the Board, the Target Company is a company incorporated in Singapore which is licensed by the Monetary Authority of Singapore to (i) provide fund management services; (ii) advise on investment products, including collective investment schemes and life policies; and (iii) arrange life policies, other than for reinsurance. We have reviewed the

LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

website of the Target Company and understood that the Target Company mainly provides wealth advisory services to high net worth clients and insurance-related financial advisory services and has served more than 150 clients and managed US\$1 billion in total assets.

The Group is principally engaged in trading of party products, provision of securities brokerage and assets management services, provision of advisory services, provision of advancing services and trading of commodities. We further understand from the management of the Company that they would like to expand its asset management service to a global scale by acquiring the Target Company which located in Singapore and served clients in the Asia. In particular, the management believes that the Proposed Acquisition could facilitate the Group's business development and broaden the Group's revenue source, enhance performance of the Group and create value for the Shareholders. Apart from the Target Company, the management is also actively identifying other potential asset management firm for the future expansion.

The consideration of the Proposed Acquisition is expected to be approximately US\$30 million (i.e. approximately HK\$234 million), subject to the actual assessed asset price and the actual sale and purchase agreement. Based on the latest interim report published by the Company, we note that the cash and cash equivalent of the Group amounted to approximately HK\$55.9 million as at 31 December 2023, which is insufficient to finance the consideration of the Proposed Acquisition. According to the Letter from the Board, based on the latest discussion between the Company and the Target Company, the Company is exploring the possibility of settling the consideration mainly through the issue of consideration shares and minimal portion of cash consideration. The Company is currently conducting due diligence on the Target Company. Subject to satisfactory results of the due diligence, the Company will engage in further discussion with the Target Company and its shareholder(s) regarding the formal sale and purchase agreement.

We have discussed with the management of the Company and understand from the management that the Refreshment of General Mandate will give the Board the flexibility for any future allotment and issue of Shares on behalf of the Company as and when considered necessary. If the Refreshment of the General Mandate is approved by the Independent Shareholders at the EGM, when there are any further funding needs or if attractive business targets that could be acquired by the Company via the issue of consideration shares before the next annual general meeting, the Board will be able to respond to the market or such acquisition opportunity promptly by considering the issue of Shares at the maximum of 20% of the issued share capital of the Company as at the date of the EGM.

Taking into account that:

- (i) the Existing General Mandate which has not been utilised only represents approximately 0.4% of the existing issued share capital of the Company as at the Latest Practicable Date;
- (ii) the Proposed Acquisition could expand its asset management service to a global scale and broaden the Group's revenue source, enhance performance of the Group and create value for the Shareholders;
- (iii) according to the 2023 Interim Report, the cash and cash equivalents as at 31 December 2023 amounted to approximately HK\$55.9 million, which represented the immediately available working capital. The amount of available working capital fluctuates from time to time, depending on the timing of (i) payment from the customers; and (ii) payment to the suppliers

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and we noted that the trade payables of the Group as at 31 December 2023 was approximately HK\$52.1 million. In addition, based on the 2023 Interim Report, we noted that the average monthly costs of sales and services and operating expenses incurred by the Group for its daily operations during 2H2023 was approximately HK\$20.6 million. In light of the Group's working capital requirements, we understand from the management that it is financially prudent to reserve the current available cash resources for meeting the Group's operating costs and expenses. In view of the aforesaid, we consider the existing financial resources of the Group is insufficient to fully finance the Proposed Acquisition and settling the consideration through Refreshment of General Mandate is non-interest bearing and will not bring additional financial burden to the Group;

- (iv) after the assessment and due diligence works conducted by the Company and if the results are satisfactory, the Proposed Acquisition or other possible acquisition of asset management firm are likely to constitute a major transaction. Hence, despite that the Independent Shareholders have already vote for the Refreshment of General Mandate, the Independent Shareholders would be provided with further details of Proposed Acquisition or other possible acquisition to make informed decision and the Independent Shareholders are allowed to vote against these possible acquisitions if they believe such acquisition is not in the interest of the Shareholders; and
- (v) the flexibility for the Group to capture any future business opportunities in a timely manner if further business opportunities arise before the next annual general meeting,

we consider the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

3. Other financing alternatives

Based on our discussions with the management of the Company, the management of the Company has considered other financing alternatives apart from equity financing by using New General Mandate such as debt financing, rights issue, open offer or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into consideration the then financial position, capital structure and flexibility of the Group as well as the prevailing market condition.

In respect of debt financing, we understand from the management of the Company that debt financing may be subject to lengthy due diligence and negotiations and impose interest burden on the Group. We have reviewed and noted from the 2023 Annual Report and the 2023 Interim Report that the Group incurred losses for the year ended 30 June 2023 and for the six months ended 31 December 2023. Debt financing will inevitably impose an interest burden to the Group, which will in turn further deteriorate the Group's financial performance. We further note from the press release of the Hong Kong Monetary Authority dated 27 July 2023 and the base rate has been set at 5.75% with immediate effect and no further adjustment to the base rate since 27 July 2023 up to the Latest Practicable Date. Further to the base rate set by the Hong Kong

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Monetary Authority, we also reviewed the rate offered by various banks. For instance, we note from the website of Bank of China (Hong Kong) that its Hong Kong Dollar Prime Rate amounted to 5.875% as at the Latest Practicable Date and the website of the Hongkong and Shanghai Banking Corporation that its Hong Kong Dollar Best Lending Rate amounted to 5.875% as at the Latest Practicable Date. Under the current high interest rate environment, we concur with the management of the Company that it is prudent to consider financing the funding needs of the Group through Refreshment of General Mandate, as Refreshment of General Mandate does not have any additional financial repayment obligation and associated financial cost to the Group which might adversely affect the future financial results of the Group.

In addition, bank borrowings generally require the security of assets or properties while we have reviewed and noted from the 2023 Annual Report and 2023 Interim Report that the Group is operating asset-light business and does not have material assets or properties available for pledging to secure substantial amount of bank borrowings. In particular, we note that the non-current assets of the Group comprised of property, plant and equipment, right-of-use assets, and deposit paid. Among the property, plant and equipment, we note from the 2023 Annual Report that property, plant and equipment included leasehold improvement, furniture, fixtures and equipment, motor vehicles and vessel. According to the 2023 Interim Report, the net book value of the property, plant and equipment amounted to approximately HK\$6.8 million as at 31 December 2023. For the right-of-use assets (i.e. leased properties) of approximately HK\$28.9 million and deposit paid of approximately HK\$4.7 million as at 31 December 2023, the financial institutions normally do not accepted these as collaterals for debt financing. We are of the view that as the Group's assets which could be used as collateral is approximately HK\$6.8 million and in the absence of other material assets, the Group may not be able to obtain substantial amount of debt financing to fund the consideration of the Proposed Acquisition. As such, it is not the optimal financial method under the current position of the Group and the prevailing market condition.

Having considered (i) the time to negotiate with the banks or financial institutions; (ii) debt financing will incur interest burden and additional financial covenant requirements may be imposed by financial institutions on the Group, which would limit the Group's funding and operational flexibility on the Group, we consider that debt financing to be comparatively costly, uncertain, time-consuming and inflexible as compared to equity financing by using New General Mandate for the Group to obtain additional funding.

In respect of other equity financing methods such as rights issue or open offer, the management of the Company considered that they may involve substantial time and cost to complete as compared to equity financing by using New General Mandate. In particular, a rights issue or an open offer normally takes several weeks, which involves lengthy discussions with potential underwriters. If shareholders' approval is required, it may take another two months or so for the issuer to prepare a shareholder's circular and the notice period for the shareholders' meeting. Therefore, it would be difficult for the Company to satisfy its immediate funding requirements in a timely manner if required.

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Given the uncertainty in the current market environment, the Company found it difficult to ascertain market demand to have certainty in successful equity fund raising. We are of the view that although both rights issue and open offer would allow the existing Shareholders to subscribe for their entitlements and maintain their respective pro-rata shareholdings in the Company, it may impose financial burden on the existing Shareholders in uncertain market conditions and the ultimate fund-raising size could not be assured by the Company if the fund-raising exercises are conducted on a non-underwritten basis. On the other hand, if the fund-raising exercises are conducted on full underwritten basis, lengthy discussion with the potential underwriters are expected and the Group is expected to incur additional underwriting commission, which may not be beneficial to the Company and the Shareholders as a whole.

The management of the Company confirmed that they would exercise due and careful consideration when choosing the optimal financing method available to the Group to the best of their knowledge and belief. In addition, we concur with the management of the Company that the Refreshment of General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have flexibility and discretion in deciding the financing methods to capture any capital raising and/or prospective investment opportunity in a timely manner. Having considered the abovementioned, we concur with the management of the Company that raising funds through using New General Mandate is more flexible, cost effective and time efficient than debt financing and other alternative equity financing methods and is in the interests of the Company and the Shareholders as a whole.

4. Fund raising activities of the Company during the past 12 months

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

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5. Potential dilution effect to the existing public shareholders

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full utilisation of the New General Mandate (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the date of the full utilisation of the New General Mandate) are as follows:

| | As at the Latest Practicable Date | | Immediately upon full utilisation of the New General Mandate | |
|---|--|----------------------|---|----------------------|
| | <i>No. of shares</i> | <i>Approximate %</i> | <i>No. of shares</i> | <i>Approximate %</i> |
| Ng Yu | 244,800 | 0.04 | 244,800 | 0.04 |
| Neo Tech Inc. (<i>Note 1</i>) | 390,821,084 | 70.01 | 390,821,084 | 58.34 |
| Ye Guanhua | 21,000,000 | 3.76 | 21,000,000 | 3.13 |
| Public Shareholders | | | | |
| Allottees to be issued with securities under the New General Mandate | – | – | 111,649,020 | 16.67 |
| Other public Shareholders | <u>146,179,220</u> | <u>26.19</u> | <u>146,179,220</u> | <u>21.82</u> |
| Total | <u><u>558,245,104</u></u> | <u><u>100.00</u></u> | <u><u>669,894,124</u></u> | <u><u>100.00</u></u> |

Notes:

1. Neo Tech Inc. is a company incorporated in the BVI with limited liability and is wholly and beneficially owned by Dr. Ng. Dr. Ng is therefore deemed to be interested in the Shares held by Neo Tech Inc. in accordance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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As illustrated above, the shareholding of the existing public Shareholders would be diluted from approximately 26.19% to approximately 21.82% assuming full utilisation of the New General Mandate, representing a dilution effect of approximately 4.37%.

Although the New General Mandate will incur dilution effect on the shareholding of the existing public Shareholders, we concur with the view of the Directors that the potential dilution impact on the existing Shareholders is acceptable having considered that (i) the New General Mandate allows the Company to raise capital by allotment and issue of new Shares before the next annual general meeting of the Company while no material costs would be incurred. In addition, the New General Mandate will provide the Company with more financial flexibility and options to raise further capital for business expansion as the Company is able to capture fund-raising opportunities with favourable terms in a timely manner when they arise; (ii) by using right issue or open offer, it may impose financial burden on the existing Shareholders in uncertain market conditions and the underwriting commission will generally be a burden on the Group. In particular, it may not be successful if the Controlling Shareholders and/or underwriters do not have sufficient financial ability at that moment; and (iii) the issuance of new Shares under the New General Mandate is less time consuming and less costly (i.e. non-interest bearing, no security of assets and properties to be provided and no repayment schedule) than using debt financing methods.

Based on the above and given the volatility of the capital market, we consider that the Refreshment of General Mandate is in the interest of the Company and the Shareholders as a whole as it would provide the Directors with the flexibility to capture any suitable equity fund raising opportunities that may arise from time to time in a timely manner.

RECOMMENDATION

Having taken into account the principal factors and reasons discussed above, we consider that the Refreshment of General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Refreshment of the General Mandate.

Yours faithfully,
For and on behalf of
Grande Capital Limited
Sumwing Shum
Managing Director

Mr. Sumwing Shum is licensed under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer and sponsor principal of Grande Capital Limited. Mr. Shum has over 9 years of experience in the corporate finance industry.

The following is a summary of the principal terms of the New Share Option Scheme to be approved and adopted by an ordinary resolution at the EGM but the summary does not form part of, nor is it intended to be part of, the New Share Option Scheme nor should it be taken as affecting the interpretation of the New Share Option Scheme. Unless the context otherwise requires, the following expressions have the following meanings:

| | |
|---------------------------|--|
| “Adoption Date” | the date on which adoption of the New Share Option Scheme was approved by the Shareholders; |
| “associate” | has the meaning ascribed to it under the Listing Rules; |
| “associated company” | in relation to a company, any body corporate or other entity whose results are recorded in that company’s financial statements using the equity method of accounting; |
| “Auditors” | the auditors of the Company for the time being; |
| “Board” | the board of directors of the Company for the time being and from time to time or a duly authorised committee thereof; |
| “Business Day” | any day on which the Shares are available for trading on the Stock Exchange; |
| “chief executive” | has the meaning ascribed to it under the Listing Rules; |
| “connected person” | has the meaning ascribed to it under the Listing Rules; |
| “Date of Grant” | in respect of an Option, the date (which shall be a Business Day) on which the Offer is made to an Eligible Participant, whether or not the Offer is subject to the Shareholders’ approval; |
| “Eligible Participant(s)” | any eligible participant of the New Share Option Scheme (as determined by the Board pursuant to paragraph 3) who is an Employee Participant, in its sole discretion, to have contributed or will contribute to the Group; |
| “Employee Participant(s)” | any director (including executive directors, non-executive directors and independent non-executive directors) or employee of the Company or any Subsidiary, including any person who is granted any Option as an inducement to enter into any employment contract with the Company or such Subsidiary; |

| | |
|----------------------------|---|
| “Grantee” | any Eligible Participant who accepts an Offer in accordance with the terms of the New Share Option Scheme, or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee, including the legal personal representative of the original Grantee; |
| “INED” | an independent non-executive director of the Company for the time being and from time to time; |
| “inside information” | has the meaning ascribed to it in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as may be amended from time to time; |
| “New Scheme Mandate Limit” | has the meaning ascribed to it in paragraph 10.3; |
| “Offer” | the offer of an Option made in accordance with paragraph 4; |
| “Option(s)” | option(s) to subscribe for the Shares pursuant to the New Share Option Scheme; |
| “Option Period” | in respect of an Option, the period during which the Grantee may exercise the Option subject to the terms of the New Share Option Scheme, which is determined and notified by the Board to the Grantee at the time of making an Offer and must not be more than 10 years from the Date of Grant; |
| “Remuneration Committee” | remuneration committee of the Board; |
| “Scheme Mandate Limit” | has the meaning ascribed to it in paragraph 10.1; |
| “share scheme” | has the meaning ascribed to it under Chapter 17 of the Listing Rules; |
| “Subscription Price” | the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option subject to paragraph 5; |
| “Subsidiary” | a company which is for the time being and from time to time a subsidiary (within the meaning ascribed to it under the Listing Rules) of the Company, whether incorporated in Hong Kong or elsewhere; |

1. CONDITIONS

1.1 The New Share Option Scheme shall take effect subject to and is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at a general meeting of the Company to approve the termination of the Existing Share Option Scheme, the adoption of the New Share Option Scheme and authorising the Directors to grant Options to Eligible Participants and to allot, issue and deal in the Shares pursuant to the exercise of any Option granted under the New Share Option Scheme; and
- (b) the Listing Committee (as defined in the Listing Rules) of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares representing the Scheme Mandate Limit to be allotted and issued by the Company pursuant to the exercise of any Option which may be granted under the New Share Option Scheme in accordance with the terms and conditions of the New Share Option Scheme.

2. PURPOSE, DURATION AND ADMINISTRATION

2.1 The purposes of the New Share Option Scheme are to provide Eligible Participants with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole, as well as to motivate Eligible Participants to contribute to the success of the Group's operations. The New Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Participants.

2.2 The New Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties. Without prejudice to the foregoing and subject to the terms of the New Share Option Scheme, the Board shall have the right to:

- (a) interpret and construe the provisions of the New Share Option Scheme;
- (b) determine the persons (if any) to whom the Company shall offer Options, and the number of Shares in respect of the Options offered and the Subscription Price;
- (c) subject to paragraphs 12 and 14 make such adjustments to the terms of the Options granted under the New Share Option Scheme to the relevant Grantee as the Board deems appropriate with written notification of such adjustment to the relevant Grantee; and
- (d) make such other decisions or determinations as it deems appropriate in relation to the Offers and/or the administration of the New Share Option Scheme provided that the same are not inconsistent with the provisions of the New Share Option Scheme and the Listing Rules.

- 2.3 Subject to paragraphs 1 and 16, the New Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth (10th) anniversary thereof, after which period no further Options shall be offered or granted but the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options granted during the life of the New Share Option Scheme shall no longer be exercisable after the end of Option Period.
- 2.4 No member of the Board shall be personally liable by reason of any contract or other instrument executed by such member or on his behalf in his capacity as a member of the Board nor for any mistake of judgment made in good faith, and the Company shall indemnify on demand and hold harmless each employee, officer or director of the Company to whom any duty or power relating to the administration or interpretation of the New Share Option Scheme may be allocated or delegated, against any cost or expense (including legal fees) or liability (including any sum paid in settlement of a claim with the approval of the Board) arising out of or omission to act in connection with the New Share Option Scheme unless arising out of such person's own negligence, fraud or bad faith.

3. ELIGIBLE PARTICIPANTS

- 3.1 The eligibility of any of the Eligible Participants to an Offer shall be determined by the Board from time to time on the basis of the Board's opinion as to the Eligible Participant's contribution or potential contribution to the success of the Group's operations and enhancing the value of the Company and its Shares.
- 3.2 In assessing whether Options are to be granted to any Eligible Participant, the Board shall take into account various factors, including but not limited to, the nature and extent of contributions or potential contributions provided by such Eligible Participant to the Group, the special skills or technical knowledge possessed by them which is beneficial to the continuing or future development of the Group, the value which such Eligible Participant has brought to the Group's business and development and whether granting Options to such Eligible Participant is an appropriate incentive to motivate such Eligible Participant to contribute towards the success of the Group's operations and development.
- 3.3 In determining the eligibility of each Eligible Participant, the Board shall consider on a case-by-case basis. Generally the Board shall consider
- (i) his/her previous working experience, the experience, working performance and time commitment of the Employee Participant on the Group's business;
 - (ii) the educational and professional qualifications of the Employee Participant, and the knowledge of the Employee Participant on the industry;
 - (iii) the length of employment, office or service of the Employee Participant with the Group;

- (iv) the amount of support, assistance, guidance, advice or efforts the Employee Participant has given or will give towards the Group's success;
- (v) the contribution made or expected to be made by the Employee Participant to the growth of the Group and the positive impacts which the Employee Participant may bring to the Group's business and development; and
- (vi) whether granting the Options to the Employee Participant would be an appropriate incentive to motivate the Employee Participant to continue to contribute towards the betterment of the Group.

4. GRANT OF OPTIONS

- 4.1 On and subject to the terms of the New Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within ten (10) years after the Adoption Date to make an Offer to any Eligible Participant as the Board may at its absolute discretion select to take up an Option pursuant to which such Eligible Participant may, during the Option Period, subscribe for such number of Shares as the Board may determine at the Subscription Price. The Offer shall specify the terms on which the Option is to be granted. Such terms shall include (i) the vesting period of the Option; and (ii) a performance target (which the Board considers to be appropriate and may include, without limitation, business performance and financial performance of the Group or specific business unit(s), attaining of corporate goals, and/or individual performance appraisal) that must be achieved before the Option can be exercised in whole or in part.
- 4.2 An Offer shall be made to an Eligible Participant by letter in such form as the Board may from time to time determine requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Share Option Scheme and shall remain open for acceptance by the Eligible Participant for a period of 21 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the New Share Option Scheme has been terminated in accordance with the terms hereof or after the Eligible Participant to whom the Offer is made has ceased to be an Eligible Participant.
- 4.3 No Offer shall be made to, nor shall any Offer be capable of acceptance by, any Eligible Participant at a time when the Eligible Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable rules, regulations or law.
- 4.4 An Offer is deemed to be accepted when the Company receives from the Grantee the offer letter signed by the Grantee specifying the number of Shares in respect of the Option(s) accepted and a remittance to the Company of HK\$1.00 as the aggregate consideration for the grant of Option(s). Such remittance is not refundable in any circumstances.
- 4.5 Any Offer must be accepted in whole or in respect of less than the number of Shares in respect of the Option(s) offered provided that it is accepted in a whole board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted in the

manner indicated in paragraph 4.4 within 21 days from the date on which the offer letter is delivered to the Eligible Participant, it shall be deemed to have been irrevocably declined by such Eligible Participant.

4.6 An Offer may not be made after inside information has come to the Company's knowledge until (and including) the trading day after the Company has announced the information. In particular, the Company shall not grant any Option during the period commencing 30 days (effective from 11 June 2024) immediately preceding the earlier of:

- (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, and where an Option is granted to a Director:

- (a) no Options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results. For the avoidance of doubt, the period during which no Option shall be granted mentioned above shall include any period of delay in the publication of a results announcement.

5. SUBSCRIPTION PRICE

5.1 The Subscription Price shall be determined by the Board at its absolute discretion but in any event shall not be less than the higher of:

- (a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five (5) Business Days immediately preceding the Date of Grant; and
- (c) the nominal value of the Shares on the Date of Grant.

5.2 For the purpose of calculating the Subscription Price, the Date of Grant shall be deemed as the date of Board meeting at which the relevant Offer is approved.

6. VESTING PERIOD

- 6.1 Save for the circumstances prescribed in paragraph 6.2 which may only apply to Employee Participants, every Grantee must hold an Option for at least 12 months before he can exercise such Option.
- 6.2 An Employee Participant may be subject to a vesting period shorter than 12 months as deemed appropriate at the discretion of the Board or the Remuneration Committee (where the Employee Participant is a director or a member of the senior management of the Company) in any of the following circumstances:
- (a) grants of “make-whole” Options to new joiners to replace the share awards or options they forfeited when leaving their previous employers;
 - (b) grants to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control event;
 - (c) grants that are made in batches during a year for compliance reasons, which include Options that should have been granted earlier if not for such compliance reasons but had to wait for subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the Option would have been granted;
 - (d) grants with a mixed or accelerated vesting schedule such as where the Option may vest evenly over a period of 12 months; and
 - (e) grants with performance-based vesting conditions, including but not limited to the increase in the Company’s yearly revenue, profit and growth rate, in lieu of time-based vesting criteria, each of which are considered appropriate to provide flexibility to grant Options (i) as part of competitive terms and conditions to induce valuable talent to join the Group (subparagraphs (a) and (d)); (ii) to reward past contribution which may otherwise be neglected due to administrative or technical reasons (sub-paragraphs (b) and (c)); (iii) to reward exceptional performers with accelerated vesting (sub-paragraph (d)); and (iv) to motivate exceptional performers based on performance metrics rather than time (sub paragraph (e)). The performance target shall be assessed and determined by the senior management of the Company or the Remuneration Committee (where the Employee Participant is a director or a member of the senior management of the Company) and shall be assessed yearly or bi-yearly. The chief executive officer or the Remuneration Committee (where the Employee Participant is a director or a member of the senior management of the Company) shall be responsible for assessing whether the Employee Participant has achieved the performance targets by confirming whether the threshold of certain performance target, being a growth percentage or value, has been reached or not.

Save and except for the above prescribed circumstances and for the avoidance of doubt, notwithstanding the circumstances as described under paragraphs 8.5 (d), (e), (f) and (g), the vesting period for Options granted to Eligible Participants shall not be less than 12 months.

To ensure the practicability in fully attaining the purpose of the New Share Option Scheme, the Board is of the view that (a) there are certain instances where a strict twelve (12) – month vesting requirement would not work or would not be fair to the Grantees, such as those set out in paragraph 6.2 above; (b) there is a need for the Company to retain flexibility to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified; and (c) the Company should be allowed discretion to formulate its own talent recruitment and retention strategies in response to changing market conditions and industry competition, and thus should have flexibility to impose vesting conditions such as performance-based vesting conditions instead of time-based vesting criteria depending on individual circumstances. Hence the Board is of the view that the shorter vesting period prescribed in paragraph 6.2 above, which is available to Employee Participants at the discretion of the Board (or the Remuneration Committee where the arrangements relate to grant of Options to Directors and/or senior managers of the Group), is in line with the market practice, is appropriate and aligns with the purpose of the New Share Option Scheme.

7. PERFORMANCE TARGETS

- 7.1 If and to the extent that any performance target is required to be achieved by any Grantee before an Option is capable of being exercised, particulars of such targets shall be specified in the Offer. Unless otherwise set out in the New Share Option Scheme, as imposed by the Board pursuant to paragraph 4.1 above or stated in the relevant offer letter, there is not any performance targets required to be achieved by any Grantee before an Option is capable of being exercised.
- 7.2 The performance target, if any, shall be assessed in accordance with one or more of the following performance measure(s) (the “**Performance Measure(s)**”), or derivations of such Performance Measure(s) that may be related to the individual Grantee or the Group as a whole or to a subsidiary, division, department, region, function or business unit of the Company or the relevant Eligible Participant, including but not limited to, cash flow, earnings, earnings per share, market value or economic value added, profits, return on assets, return on equity, return on investment, sales, revenue, share price, total shareholder return, customer satisfaction metrics, operating results and such other goal, and/or individual performance appraisal as the Board may determine from time.
- 7.3 For Employee Participants, each performance target may be assessed either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years’ results or to a designated comparison group, in each case as specified by the Board (or, in case the Grantee is a director or senior manager of the Company, the Remuneration Committee) in its sole discretion.
- 7.4 Notwithstanding the foregoing, no Options being offered to any INED shall contain any performance target unless the Board is satisfied that such target will not lead to any bias in the decision-making or compromise the objectivity and independence in the course of performance of the duties of the Grantee as an INED.

8. EXERCISE OF OPTIONS

- 8.1 Subject to the terms of the New Share Option Scheme, an Option may be exercised in whole or in part (in a whole board lot of the Shares which are traded on the Stock Exchange at the time of such exercise or an integral multiple thereof) at any time during the period to be determined and notified by the Directors to the Grantee thereof at the time of making an Offer provided that such period shall not exceed the period of ten (10) years from the Date of Grant of the particular Option but subject to the provisions for early termination of the New Share Option Scheme.
- 8.2 An Option and an Offer shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any other person over or in relation to any Option held by him or any Offer made to him or attempt to do so, except where applicable under the Listing Rules, when the Stock Exchange has granted a waiver to the Grantee to transfer his Options to a vehicle (such as a trust or a private company) for the benefit of the Grantee and any family members of such Grantee (e.g. for estate planning or tax planning purposes) that would continue to meet the purpose of the New Share Option Scheme and comply with other requirements under the Listing Rules or for the transmission of an Option on the death of the Grantee to his personal representative(s) on terms of the New Share Option Scheme.
- 8.3 Any breach of the restrictions set out in paragraph 8.2 by the Grantee shall entitle the Company to cancel any outstanding Option or any part thereof granted to such Grantee to the extent not already exercised without incurring any liability on the part of the Company.
- 8.4 An Option may, subject to the provisions of paragraph 8.5, be exercised in whole or in part (in a whole board lot of the Shares which are traded on the Stock Exchange at the time of such exercise or an integral multiple thereof) by the Grantee by giving notice in writing to the Company (in such manner as may from time to time be specified by the Company) stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each notice must be accompanied by a remittance for, or evidence of such other method of cash settlement as may be approved by the Company from time to time of, the full amount of the Subscription Price multiplied by the number of Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance or other form of cash settlement as may be approved by the Company from time to time of the full amount of the relevant aggregate Subscription Price and, where appropriate, receipt of the Auditors' certificate or the certificate from the independent financial adviser to the Company pursuant to paragraph 12, the Company shall accordingly allot and issue the relevant number of Shares to the Grantee or the relevant custodian of clearing house for credit for the benefit of the Grantee, credited as fully paid, and issue to the Grantee (as may be required) a share certificate in respect of the Shares so allotted.

8.5 Subject to any restrictions applicable under the Listing Rules and notwithstanding the terms of grant thereof:

- (a) in the event of the Grantee ceasing to be an Eligible Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment or removal of directorship as specified in paragraph 9(f) having arisen, his legal personal representative may exercise the Option up to the Grantee's entitlement (whether vested or not) as at the date of his death (to the extent not already exercised) within the period of 12 months following his death, provided that where any of the events set out in paragraphs 8.5(d), (e), (f) and (g) occurs prior to his death or within such period of 6 months following his death, then his legal personal representative may so exercise the Option only within the various periods respectively set out in such paragraphs provided further that if within a period of three (3) years prior to the Grantee's death, the Grantee had committed any of the acts specified in paragraph 9(f) which would have entitled the Company to terminate his employment prior to his death, the Board may at any time forthwith terminate the Option (to the extent not already exercised) by written notice to the Grantee's legal personal representative(s) and/or to the extent the Option has been exercised in whole or in part by his legal personal representative(s), but Shares have not been allotted, he shall be deemed not to have so exercised such Option and the Company shall return to him the amount of the Subscription Price for the Shares received by the Company in respect of the purported exercise of such Option;
- (b) in the event of a Grantee who is an Employee Participant ceasing to be an Eligible Participant for any reason other than his death or the termination of his employment or the termination or removal from his directorship on one or more of the grounds, as specified in paragraph 9(f), the Option (to the extent not already exercised) shall lapse on the date of cessation or termination of such employment or directorship (which date shall be the Grantee's last actual working day with the Company or the relevant Subsidiary, whether salary is paid in lieu of notice or not) and shall on that day cease to be exercisable;
- (c) in the event of a Grantee ceasing to be an Eligible Participant by reason of the termination of his employment on one or more of the grounds, or removal from directorship, as specified in paragraph 9(f), his Option shall lapse automatically (to the extent not already exercised) and shall not be exercisable on the date of termination of his employment or directorship, and to the extent the Grantee has exercised the Option in whole or in part pursuant to paragraph 8.4 but Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price received by the Company in respect of the purported exercise of such Option;
- (d) in the event a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (e) below) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer, having been approved in accordance with applicable laws and regulations, becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith notify all Grantees and

any Grantee (or his legal personal representative) shall be entitled to exercise the Option (whether vested or not) in full (to the extent not already exercised) or to the extent as notified by the Company at any time within such period as notified by the Company;

- (e) in the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith notify all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option to its full extent or to the extent notified by the Company;
- (f) in the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all Grantees who have Options unexercised on the date of such notification and any such Grantee may at any time thereafter (but before such time as notified by the Company being not less than ten Business Days prior to the date of the proposed Shareholders' meeting) exercise the Option (whether vested or not) to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three Business Days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee or the custodian of clearing house for credit for the benefit of the Grantee such number of Shares to the Grantee which fall to be issued on such exercise; and
- (g) in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 8.5(e), between the Company and the Shareholders or its creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees, who have Options unexercised on the date of such notification, on the same date as it gives notice of the meeting to the Shareholders or its creditors to consider such compromise or arrangement, and the Grantee may, at any time thereafter but before such time as notified by the Company, exercise the Option (whether vested or not) either to its full extent or to the extent notified by the Company. In the event such compromise or arrangement is sanctioned by the court and becomes effective, the Company may require each Grantee to transfer or otherwise deal with the Shares issued on exercise of the Options pursuant to this paragraph so as to place the Grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement and each Grantee must transfer or deal with the Shares in accordance with the request of the Company.

8.6 For the purpose of paragraph 8.5(b), subject to the sole discretion of the Board, a Grantee shall not be regarded as ceasing to be an Eligible Participant if he ceases to hold a position of directorship or employment with the Company or any Subsidiary but at the same time takes up a different position of directorship or employment with the Company or the Subsidiary, as the case may be.

- 8.7 The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and shall rank pari passu in all respects with the existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holders of such Shares to all dividends or other distributions paid or made after the allotment date, other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the allotment date.
- 8.8 An Eligible Participant shall ensure that any exercise of his Option under this paragraph is valid and complies with all laws, legislations and regulations to which he is subject. The Directors may, as a condition precedent of issuing Shares upon an exercise of an Option, require the relevant Grantee to produce such evidence as it may reasonably require for such purpose.

9. LAPSE OF OPTION

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of the periods referred to in paragraphs 8.5(a), (b) or (f);
- (c) the expiry of the period referred to in paragraph 8.5(d) subject to any court of competent jurisdiction making an order to prohibit the offeror from acquiring the remaining Shares in the Offer, the relevant period within which Options may be exercised shall not begin or continue to run (as the case may be) until the discharge of the order in question;
- (d) the expiry of the period referred to in paragraph 8.5(e) subject to the scheme of arrangement becoming effective;
- (e) the date of the commencement of the winding-up of the Company;
- (f) the date on which the Grantee (who is an Employee Participant) ceases to be an Eligible Participant:
 - (i) by reason of the termination of his employment on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily or pursuant to the respective employment contract, or

- (ii) by reason of the removal of his directorship in accordance with the constitutional documents of the Company or such Subsidiary and the laws of the jurisdiction in which the Company or such Subsidiary is incorporated.

A resolution of the Board or Shareholders or the board of directors or shareholders of the relevant Subsidiary to the effect that the employment of a Grantee has been terminated on one or more of the grounds specified in this paragraph 9(f)(i) or the Grantee has been removed as a director shall be conclusive and binding on the Grantee;

- (g) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally;
- (h) where the Grantee is an Employee Participant of a member of the Group (other than the Company), the date on which such member ceases to be a Subsidiary of the Company;
- (i) the date on which the Grantee commits a breach of the restrictions set out in paragraph 8.2; and
- (j) subject to paragraphs 8.5 and 8.6, the date on which the Grantee ceases to be an Eligible Participant for any other reason.

10. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- 10.1 The total number of Shares which may be issued upon the exercise of all Options and all options and awards to be granted under any other share schemes of the Company shall not in aggregate exceed 10% of the Shares in issue (excluding Treasury Shares, if any) on the Adoption Date (the “**Scheme Mandate Limit**”) unless the Company obtains an approval from the Shareholders pursuant to paragraph 10.3 or 10.5.
- 10.2 Options or awards lapsed in accordance with the terms of the New Share Option Scheme or any other share schemes of the Company shall not be taken into account for determining the extent to which the Scheme Mandate Limit has been utilised.
- 10.3 The Scheme Mandate Limit may be “refreshed” by ordinary resolution of the Shareholders in general meeting after three years from the date of the Shareholders’ approval for the last refreshment. The maximum aggregate number of Shares which may be issued underlying the awards and/or options over new Shares under the New Share Option Scheme and any other share scheme of the Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the aggregate of the Shares in issue (excluding Treasury Shares, if any) as at the date of approval of the refreshed Scheme Mandate Limit (excluding any Options or awards lapsed in accordance with the terms of the respective share schemes) (the “**New Scheme Mandate Limit**”).

- 10.4 No refreshment shall take effect within three years after the Adoption Date or the effective date of a previous refreshment unless the Company complies with rules 17.03C(1)(b) and (c) of the Listing Rules.
- 10.5 Notwithstanding the foregoing provisions, the Company may seek separate approval by the Shareholders in a general meeting for granting Options or awards beyond the Scheme Mandate Limit provided that the number and terms of such Options or awards and the identities of the Grantees have been determined before such approval is sought. The Company must send a circular to the Shareholders containing the name of each specified Eligible Participant who may be granted such Options or awards, the number and terms of the Options or awards to be granted to each Eligible Participant, and the purpose of granting Options or awards to the specified Eligible Participants with an explanation as to how the terms of the Options or awards serve such purpose. The number and terms of Options or awards to be granted to such Eligible Participant must be fixed before Shareholders' approval. In respect of any Options to be granted, the date of the board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Subscription Price.

11. ENTITLEMENT OF SHARES OF EACH ELIGIBLE PARTICIPANT

- 11.1 Where any Offer proposed to be made to an Eligible Participant would result in the Shares issued and to be issued in respect of all options and awards granted to such Eligible Participant (excluding the options and the awards lapsed in accordance with terms of the share schemes of the Company) in the 12-month period up to and including the Date of Grant representing in aggregate over 1% of the Shares in issue on the Date of Grant, such Offer and acceptance thereof must be conditional upon approval by the Shareholders in a general meeting with such Eligible Participant and his close associates (or associates if the Eligible Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders. The number and terms of the Options or awards to be further granted to such Grantee must be fixed before Shareholders' approval. In respect of any Options to be further granted, the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price.
- 11.2 Any grant of Options to any director, chief executive or substantial shareholder of the Company or any of their respective associates shall be subject to the prior approval of the INEDs (excluding those INEDs who are the proposed Grantees of the Options in question).
- 11.3 Where any Offer proposed to be made to an INED or a substantial shareholder of the Company or any of their respective associates would result in the Shares issued and to be issued in respect of all options and awards granted to such person (excluding the options and the awards lapsed in accordance with terms of the share schemes of the Company) in the 12-month period up to and including the Date of Grant representing in aggregate over 0.1% of the Shares in issue on the Date of Grant, such Offer and acceptance thereof must be conditional upon approval by the Shareholders in a general meeting with such person, his associates and all core connected persons of the Company abstaining from voting in favour of the relevant resolution.

- 11.4 In the circumstances described in paragraph 11.3, the Company must send a circular to the Shareholders. The Grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting. The Company must comply with the requirements set out in Rules 13.40, 13.41 and 13.42 of the Listing Rules. The circular must contain: (a) details of the number and terms of the Options to be granted to each Eligible Participant including the information required under Rules 17.03(5) to 17.03(10) and Rule 17.03(19) of the Listing Rules, which must be fixed before the Shareholders' meeting; (b) the views of the INED (excluding any INED who is the proposed Grantee) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the Company and its Shareholders as a whole, and their recommendation to the independent Shareholders as to voting; and (c) the information required under Rules 17.02(2)(c) and 2.17 of the Listing Rules. In respect of any Options to be granted, the date of the board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Subscription Price under Rule 17.03E of the Listing Rules.
- 11.5 Any change in the terms of the Options granted to a Grantee who is a Director, or a chief executive or substantial shareholder of the Company, or any of their respective associates, shall be approved by the Shareholders in the manner as set out in Rule 17.04(4) of the Listing Rules if the initial grant of the Options requires such approval (except where the changes take effect automatically under the existing terms of the New Share Option Scheme). For the avoidance of doubt, the requirements for the grant to a Director or chief executive of the Company set out in Rule 17.04 of the Listing Rules do not apply where the Grantee is only a proposed director or chief executive of the Company.

12. REORGANISATION OF CAPITAL STRUCTURE

- 12.1 In the event of a capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital (other than an issue of Shares as consideration in respect of a transaction), whilst any Option remains outstanding in that it is granted and yet to be exercised (and has not lapsed or been cancelled), corresponding adjustments (if any) shall be made to:

- (i) the number of Shares subject to the New Share Option Scheme;
- (ii) the number of Shares subject to outstanding Options; and/or
- (iii) the Subscription Price in relation to each outstanding Options,

or any combination thereof, provided that:

- (a) any such adjustments give a Grantee the same proportion of the equity capital of the Company, rounded to the nearest whole share, as that to which that Grantee was previously entitled; notwithstanding paragraph 12.1 above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue or capitalisation issue, should be based on a scrip factor that is calculated taking into account guidance/interpretation of the Listing Rules as may be issued by the Stock Exchange from time to time including, as of the date the New

Share Option Scheme is adopted, the supplementary guidance set out in “Frequently Asked Questions” numbered 072-2020 published by the Stock Exchange, but no such adjustments shall be made to the extent that a Share would be issued at a price less than its nominal value.

- 12.2 In respect of any adjustment made by the Company under paragraph 12.1 (other than adjustment made on a capitalisation issue), the Company shall engage the Auditors or an independent financial advisor to certify in writing, either generally or in regard to any particular Grantee, that the adjustment satisfies the requirements set out in note to Rule 17.03(13) of the Listing Rules. The capacity and role of the Auditors or the independent financial adviser (as the case may be) in this paragraph is that of experts and not of arbitrators and their certification shall (in the absence of manifest error) be final and binding on the Company and the Grantees. The costs of the Auditors or the independent financial adviser shall be borne by the Company.
- 12.3 If there has been any alteration in the capital structure of the Company as referred to in paragraph 12.1, the Company shall within 28 days after receipt of a confirmation of the independent financial advisor or the Auditors as referred to in paragraph 12.2, inform the Grantee of such alteration and of any adjustment to be made in accordance with the independent financial adviser’s or the Auditors’ confirmation obtained by the Company for such purposes.
- 12.4 Notwithstanding the aforesaid, if the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit has been approved by the Shareholders, the maximum number of Shares that may be issued in respect of all options and awards to be granted under all share schemes of the Company under the Scheme Mandate Limit shall automatically be proportionately adjusted provided that such maximum number of shares as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole Share.

13. SHARE CAPITAL

- 13.1 The exercise of any Option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of Options.
- 13.2 The Options do not carry any right to vote at any general meeting of the Company, or any right to dividend or transfer or any other rights, including those arising on the liquidation of the Company.
- 13.3 No Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an Option pursuant to the New Share Option Scheme, unless and until Shares are actually issued to the Grantee pursuant to exercise of such Option. A Share issued upon the exercise of an Option shall not carry any right of a Shareholder (including voting rights) until the registration of the Grantee as the holder thereof.

14. ALTERATION OF THE NEW SHARE OPTION SCHEME

The Board or scheme administrator (if any) to whom the Board delegates its duty of administering the New Share Option Scheme is entitled to amend the terms of the New Share Option Scheme without the Shareholders' approval, provided that:

- (a) any alteration to the term of the New Share Option Scheme which is of a material nature or any alteration to the provisions relating to the matters set out in rule 17.03 of the Listing Rules to the advantage of the Eligible Participants must be approved by the Shareholders in general meeting;
- (b) any change to the terms of Options granted to an Eligible Participant must be approved by the Board, the Remuneration Committee, the INEDs and/or the Shareholders (as the case may be) if the initial grant of the Options was approved by the Board, the Remuneration Committee, the INEDs and/or the Shareholders (as the case may be), unless such change of terms takes effect automatically under existing terms of the New Share Option Scheme;
- (c) the amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules; and
- (d) any change to the authority of the Board or scheme administrators to alter the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting.

15. CANCELLATION

- 15.1 Any Options granted but not exercised may be cancelled if the Grantee so agrees, as the Board may at its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation, except that where the Grantee is in breach of the restrictions set out in paragraph 8.2, the Board may cancel any outstanding Option without the relevant Grantee's agreement.
- 15.2 Where the Company cancels Options of a Grantee and grants new Options to the same Grantee, such grant may only be made if the Scheme Mandate Limit will not be exceeded as a result of Shares issued pursuant to exercise of the Options so granted and for the purpose of calculating the Scheme Mandate Limit, the cancelled Options will be regarded as utilised.

16. TERMINATION AND CLAWBACK MECHANISM

- 16.1 The Company by ordinary resolution in general meeting or the Board may at any time terminate the New Share Option Scheme and in such event no further Options may be granted but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the New Share Option Scheme and (a) which remain unexercised and of which Offer Period remain unexpired immediately prior to the termination of the New Share Option Scheme or (b) which are exercised but the Shares in respect of such Options have not yet been issued to the relevant Grantees by the Company immediately prior to the termination of the New Share Option Scheme.

16.2 Unless the Board otherwise determined and provided in the Offer, where there has been an occurrence of misconduct during the Option Period such as:

- (a) any material misstatements or omissions in the Company's financial statements by a Grantee;
- (b) any violation by a Grantee of confidentiality or non-competition obligations owed to the Group, or any leakage by such Grantee of the Group's trade secrets, intellectual property or proprietary information;
- (c) any termination of employment contracts by a Grantee without notice or payment in lieu of notice;
- (d) any conviction of any criminal offence by a Grantee involving integrity or honesty; or
- (e) any conduct of a Grantee that has material adverse effect to the reputation or interests of the Group, the Options may be subject to clawback as considered and recommended by the Remuneration Committee and determined and approved by the Board where appropriate. The clawback of Options granted to the Directors and senior management of the Group, and any grants of Options to the Directors and senior management of the Group without clawback, shall be further subject to the approval of the Remuneration Committee and satisfaction of any other requirements under the Listing Rules. The Options that are clawed back pursuant to this paragraph shall be regarded as cancelled and the Options so cancelled shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit (or the New Scheme Mandate Limit, as the case may be).

NOTICE OF EXTRAORDINARY GENERAL MEETING



INTERNATIONAL GENIUS COMPANY

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 33)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting (the “**EGM**”) of International Genius Company (the “**Company**”) will be held at 42/F, China Resources Tower, Nanshan District, Shenzhen, Guangdong Province, China on Friday, 21 June 2024, at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without modification(s), the following resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- a. The general mandate (the “**Existing General Mandate**”) granted to the directors of the Company (the “**Directors**”) to allot, issue and deal with the unissued shares of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 15 December 2023 (the “**2023 AGM**”) be and is hereby revoked (without prejudice to (i) any valid exercise of the Existing General Mandate prior to the passing of this resolution; and (ii) any offers, agreements, options and rights of exchange or conversion made or granted under the Existing General Mandate which might require the exercise of such powers after the passing of this resolution);
- b. Subject to paragraph (d) below, a general mandate be and is hereby unconditionally granted to the Directors to exercise during the Relevant Period (as defined in paragraph (e) below) all the powers of the Company to allot, issue and deal with additional shares of HK\$0.01 each in the share capital of the Company (each a “**Share**”), including the resale of treasury shares (as hereinafter defined), and to make or grant offers, agreements, options (including bonds, warrants and debentures convertible into Shares) or warrants which would or might require the exercise of such powers, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);
- c. the mandate approved in paragraph (b) of this resolution above shall be in addition to any other authorization given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements, options (including bonds, warrants and debentures convertible into Shares) and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

NOTICE OF EXTRAORDINARY GENERAL MEETING

d. the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the mandate approved in paragraph (b) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (e) below); or (ii) any option scheme or similar arrangement for the time being adopted by the Company for the purpose of granting or issuing Shares or right to acquire Shares to the directors, officers and/or employees of the Company and/or any of its subsidiaries; or (iii) an issue of Share in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company from time to time; or (iv) pursuant to a specific authority granted by the Shareholders; or (v) an issue of Shares as scrip dividend or similar arrangement in accordance with the articles of association of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company (excluding treasury shares (as hereinafter defined), if any) in issue as at the date of the passing of this resolution, and the said mandate shall be limited accordingly; and

e. for the purpose of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and (iii) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution of the Company in general meeting.

“**Rights Issue**” means an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any legal restrictions or obligations under the laws of the relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchange, in any territory outside Hong Kong).”

“**treasury shares**” refers to shares repurchased and held by a company in treasury, as authorised by the laws of its place of incorporation and its articles of association or equivalent constitutional documents, which, for the purpose of the Listing Rules, include shares repurchased by the company and held or deposited in CCASS for sale on the Stock Exchange, and has the meaning ascribed thereto under the Listing Rules which will come into effect on 11 June 2024 and as amended from time to time.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “**THAT** conditional upon the passing of resolution no. 1 above, the mandate granted to the Directors at the 2023 AGM to extend the Existing General Mandate by the addition thereto an amount representing the aggregate nominal amount of Shares purchased or otherwise acquired by the Company be and is hereby revoked and replaced by a mandate **THAT** the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with Shares pursuant to paragraph (b) of resolution no. 1 above be and is hereby extended by the addition thereto an amount representing the aggregate nominal amount of Shares purchased or otherwise acquired by the Company pursuant to the authority granted to the Directors pursuant to the ordinary resolution passed at the 2023 AGM, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company (excluding Treasury Shares, if any) as at the date of the 2023 AGM.”
3. “**THAT**
- a. the proposed new share option scheme of the Company as described in the circular of the Company dated 4 June 2024 (the “**New Share Option Scheme**”) (a printed copy of which being tabled before the meeting and initialed by the chairman of the meeting for the purposes of identification) be and is hereby approved and adopted and that the Directors be authorised to grant options thereunder and (subject to the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in the Shares to be allotted) to allot and issue Shares pursuant to the New Share Option Scheme and take all such steps as may be necessary or desirable to implement the New Share Option Scheme;
 - b. the total number of shares in the capital of the Company which may be issued upon the exercise of all options to be granted under the New Share Option Scheme and all options and awards to be granted under any other schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue in the capital of the Company (excluding Treasury Shares, if any) as at the date on which adoption of the New Share Option Scheme was approved by the shareholders of the Company (the “**Adoption Date**”) (the “**Scheme Mandate Limit**”) or the relevant date of approval of the refreshment of the Scheme Mandate Limit; and
 - c. conditional upon the New Share Option Scheme becoming effective, the existing share option scheme of the Company as adopted on 26 June 2017 (the “**Existing Share Option Scheme**”) be and is hereby terminated upon the New Share Option Scheme coming into effect (without prejudice to the rights and benefits of and attached to any outstanding options which have been granted under the New Share Option Scheme prior to the date hereof (if any)).”

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. “**THAT** conditional upon compliance with the requirements of section 34(2) of the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, and with effect immediately upon the passing of this ordinary resolution:
- a. (i) all amount of approximately HK\$4,318 million standing to the credit of the share premium account of the Company be reduced and cancelled and that approximately HK\$4,176 million of the credit arising from the Share Premium Reduction be applied to offset the entire amount of the accumulated losses of the Company as at 31 December 2023; and (ii) the remaining balance of approximately HK\$142 million of the credit arising from the share premium reduction be transferred to the retained profit account of the Company and the Directors be and are authorized to apply the entire amount standing to the credit of the retained profit account of the Company in such manner as they consider appropriate from time to time; and
 - b. Any Director be and is hereby authorized generally to do all acts and things, and to approve, sign and execute any document(s) on behalf of the Company as he/she may consider necessary, desirable or expedient to implement or to give effect to the foregoing.”

By Order of the Board
International Genius Company
Dr. He Xiaobin
Executive Director

Hong Kong, 4 June 2024

Notes:

1. In order to determine the eligibility of shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, both days inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 17 June 2024.
2. Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him or her to attend and vote on his or her behalf. In case of a recognised clearing house (or its nominees(s) and in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives at the meeting and vote in its stead.
3. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or materially certified copy of such powers of attorney or authority, must be deposited with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjourned EGM.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. If two or more persons are jointly registered as holders of a share, the vote of the senior person who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders. For this purpose seniority shall be determined by the order in which the names stand on the Company's register of shareholders in respect of the relevant shares.
5. A shareholder holding more than one share entitled to attend and vote at the EGM need not cast the votes in respect of such shares in the same way on any resolution and therefore may vote a share or some or all such shares either for or against a resolution and/or abstain from voting a share or some or all of the shares and, subject to the terms of the instrument appointing any proxy, a proxy appointed under one or more instruments may vote a share or some or all of the shares in respect of which he is appointed either for or against a resolution and/or abstain from voting.
6. If a typhoon signal No. 8 or above or "extreme conditions" caused by super typhoons or a black rainstorm warning signal is/are or is/are expected to be in force at any time after 12:00 p.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the members of the date, time and venue of the rescheduled meetings.

As at the date of this notice, the Directors of the Company are:

Executive Director:

Dr. He Xiaobin

Non-executive Director:

Mr. Dai Chengyan

Independent Non-executive Directors:

Mr. Lo Hang Fong

Mr. Wang Jun Sheng

Mr. Yip Tze Wai Albert