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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Infinities Technology International (Cayman) Holding Limited, you should at once hand this Circular to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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### **Infinities Technology International (Cayman) Holding Limited** **多牛科技國際(開曼)集團有限公司** *(Incorporated in the Cayman Islands with limited liability)* **(Stock Code: 1961)**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO** **(1) ADVERTISING TRAFFIC MUTUAL SUPPLY AGREEMENT;** **(2) NGA EXCLUSIVE FRANCHISE AGREEMENT;** **AND** **NOTICE OF EGM**

#### **Financial Adviser to the Company**



#### **Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders**



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All capitalised terms used in this Circular shall have the meanings ascribed to them in the section headed “Definitions” of this Circular.

A letter from the Board is set out on pages 6 to 28 of this Circular. A letter from the Independent Board Committee is set out on pages 29 to 30 of this Circular. A letter from Diligent Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 53 of this Circular.

A notice convening the EGM to be held at Infinities Media Center, Baosheng Eastern Road, Haidian District, Beijing, People’s Republic of China on Wednesday, 25 October 2023 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 in this Circular.

A form of proxy for use at the EGM is enclosed with this Circular. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon 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 practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM should you so wish.

11 October 2023

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## DEFINITIONS

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*In this Circular,*

*(a) all references to Rules and Chapters are references to Rules and Chapters of the Listing Rules unless otherwise stated.*

*(b) the following expressions have the following meanings, unless the context requires otherwise.*

“Advertising Traffic Mutual Supply Agreement”	the framework agreement dated 23 June 2023 as revised and supplemented by the Supplemental Advertising Traffic Mutual Supply Agreement and entered into between Emperor and Infinities Cayman in relation to the Traffic Procurement Transactions and Traffic Supply Transactions
“Announcement”	the announcement of the Company dated 23 June 2023 in relation to the CCT
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CCT(s)”	continuing connected transactions of the Group to be carried out by the Infinities Group pursuant to the (a) Advertising Traffic Mutual Supply Agreement, including (i) the Traffic Procurement Transactions; and (ii) the Traffic Supply Transactions; and (b) NGA Exclusive Franchise Agreement including NGA Franchise Transactions
“Company”	Infinities Technology International (Cayman) Holding Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules and the word “connected” shall be construed accordingly
“Director”	the director of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held at Infinities Media Center, Baosheng Eastern Road, Haidian District, Beijing, People’s Republic of China on 25 October 2023 at 2:00 p.m. to consider and approve the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement and the transactions contemplated thereunder

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## DEFINITIONS

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“Emperor”	Emperor Interactive Entertainment Development Company Limited (九尊互娛發展有限公司), a company incorporated in the BVI with limited liability and is wholly owned by the Company
“FY” or “financial year”	financial year of the Company ended or ending 31 December
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising the independent non-executive Directors, namely Mr. Leung Ming Shu and Mr. Tang Shun Lam, established for the purpose of advising the Independent Shareholders on the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Diligent Capital”	Diligent Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement and the transactions contemplated thereunder
“Independent Shareholders”	those Shareholders other than Infinities Global and its associates
“Independent Third Party(ies)”	person(s) who or company(ies) which is/are third party(ies) independent of the Company and its connected person
“Infinities B&M”	Infinities B&M Technology Limited, a company incorporated in the BVI with limited liability, a direct wholly-owned subsidiary of Infinities Cayman as at the Latest Practicable Date

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## DEFINITIONS

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“Infinites Cayman”	Infinites Technology (Cayman) Holding Limited, a company incorporated in the Cayman Islands with limited liability and was held as to approximately 24.76% by its largest shareholder (i.e. Zhouqinhantang Technology Management Ltd.) and approximately 75.24% by 37 minority shareholders as at the Latest Practicable Date. Zhouqinhantang Technology Management Ltd. is a company incorporated in the BVI and was indirectly controlled by Mr. Wang Le (who is an executive Director) as to 50% and Ms. An Fenghua as to 50%
“Infinites Global”	Infinites Global Technology Limited Partnership, a limited company formed in the BVI with limited liability and is owned as to approximately 53.74% by Infinites Worldwide as at the Latest Practicable Date, which is its sole general partner. Infinites Global held approximately 54.77% of the issued Shares as at the Latest Practicable Date
“Infinites Group”	the Infinites Cayman and its subsidiaries, other than the Group
“Infinites Worldwide”	Infinites Worldwide Technology Limited, a company incorporated in the BVI with limited liability, a direct wholly-owned subsidiary of Infinites B&M as at the Latest Practicable Date
“Latest Practicable Date”	9 October 2023, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained in this Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NGA”	National Geographic Azeroth (艾澤拉斯國家地理)
“NGA Exclusive Franchise Agreement”	the framework agreement dated 23 June 2023 and entered between Emperor and Infinites Cayman in relation to the NGA Franchise Transactions
“NGA Franchise Transactions”	Purchase an exclusive right from Infinites Cayman to the Group use the trade mark of NGA and provide the NGA Services (applicable for the six months ending 31 December 2023 and two years ending 31 December 2025 pursuant to the NGA Exclusive Franchise Agreement) and any transactions of similar nature that may be entered into between the two groups

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## DEFINITIONS

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“NGA Services”	means providing operations, including but not limited to maintain and develop web pages, application software, registered trademarks, corporate logos, patents, proprietary technologies, etc., related to the actual operation of the business under the brand of NGA
“Percentage Ratios”	the applicable percentage ratios under Rule 14.07
“PRC”	the People’s Republic of China
“Proposed Annual Caps”	the proposed annual cap(s) of the CCTs set out in the Advertising Traffic Mutual Supply Agreement as revised and supplemented by the Supplemental Advertising Traffic Mutual Supply Agreement, and NGA Exclusive Franchise Agreement for six months ending 31 December 2023 and the two years ending 31 December 2025
“Qualified Agent(s)”	the qualified agent meeting the specified requirement of different digital media platforms respectively and having the qualification to place advertisement on these platforms
“Qualified Area”	the education, property and related advertisement of Xiaomi (小米) platform, and the core Qualified Agent of the JinriToutiao (今日頭條) and Kuaishou (快手)
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	means providing advertisement traffic
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share”	ordinary share of par value HK\$0.10 in the share capital of the Company
“Shareholder”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Advertising Traffic Mutual Supply Agreement”	the supplemental framework agreement dated 6 October 2023 and entered into Between Emperor and Infinities Cayman in relation to the Traffic Procurement Transactions and Traffic Supply Transactions

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## DEFINITIONS

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“Supplemental Announcement”	the supplemental announcement issued by the Company dated 6 October 2023 in relation to, among others, Supplemental Advertising Traffic Mutual Supply Agreement
“Traffic Procurement Transactions”	Procurement of the Services by the Group from the Infinities Group (applicable for the six months ending 31 December 2023 and two years ending 31 December 2025 pursuant to the Advertising Traffic Mutual Supply Agreement only) and any transactions of similar nature that may be entered into between the two groups
“Traffic Supply Transactions”	Supplying the Services by the Group to the Infinities Group (applicable for the six months ending 31 December 2023 and two years ending 31 December 2025 pursuant to the Advertising Traffic Mutual Supply Agreement only) and any transactions of similar nature that may be entered into between the two groups
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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**LETTER FROM THE BOARD**

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**Infinites Technology International (Cayman) Holding Limited**  
**多牛科技國際(開曼)集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1961)**

*Executive Directors:*

Mr. Wang Le (*Chairman*)

Mr. Chen Ying

*Non-executive Directors:*

Mr. Wang Ning

Mr. Liang Junhua

*Independent Non-executive Directors:*

Mr. Leung Ming Shu

Mr. Tang Shun Lam

*Registered office:*

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of business in*

*Hong Kong:*

5/F, Manulife Place

348 Kwun Tong Road

Kowloon

Hong Kong

11 October 2023

*To the Shareholders*

Dear Sir or Madam

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO**  
**(1) ADVERTISING TRAFFIC MUTUAL SUPPLY AGREEMENT;**  
**AND**  
**(2) NGA EXCLUSIVE FRANCHISE AGREEMENT**

**1. INTRODUCTION**

Reference is made to the Announcement and Supplemental Announcement in relation to (i) the Advertising Traffic Mutual Supply Agreement; (ii) the Supplemental Advertising Traffic Mutual Supply Agreement; and (iii) the NGA Exclusive Franchise Agreement and the transactions contemplated thereunder. The purpose of this circular is to provide you with, among other things, (i) a letter from the Board containing further details of the Advertising Traffic Mutual Supply Agreement (as revised and supplemented Supplemental Advertising Traffic Mutual Supply Agreement) and the NGA Exclusive Franchise Agreement; (ii) a letter from the Independent Board Committee, setting out its recommendations in connection with the transactions contemplated under the Advertising Traffic Mutual Supply Agreement (as revised and supplemented by Supplemental Advertising Traffic Mutual Supply Agreement) and the NGA Exclusive Franchise Agreement and the related Proposed Annual Caps to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice, in connection with the transactions contemplated under the Advertising Traffic Mutual Supply Agreement (as revised and supplemented by the Supplemental Advertising Traffic Mutual Supply Agreement) and the NGA Exclusive Franchise Agreement and the related



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## LETTER FROM THE BOARD

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Proposed Annual Caps, to the Independent Board Committee and the Independent Shareholders; and (iv) notice of convening the EGM; and (v) other information as required under the Listing Rules.

### 2. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO ADVERTISING TRAFFIC MUTUAL SUPPLY AGREEMENT

#### The Advertising Traffic Mutual Supply Agreement

The principal terms of the Advertising Traffic Mutual Supply Agreement (as revised and supplemented by the Supplemental Advertising Traffic Mutual Supply Agreement) are set out as follows:

Date:	23 June 2023
Parties:	(i) Emperor; and (ii) Infinities Cayman
Scope of products and services to be provided or received:	The CCTs to be carried out are categorized as follows: (i) <i>Traffic Procurement Transactions</i>

Emperor has conditionally agreed to purchase Services from Infinities Cayman during the term of the Advertising Traffic Mutual Supply Agreement, provided that (i) the member of the Group is awarded with the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate at arm's length regarding the commercial terms to be set out in the individual agreements for the Services. Emperor and Infinities Cayman will enter into individual agreements from time to time for the purchase of the Services.

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## LETTER FROM THE BOARD

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*(ii) Traffic Supply Transactions*

Emperor has conditionally agreed to supply the Services to Infinities Cayman during the term of the Advertising Traffic Mutual Supply Agreement, provided that (i) the member of the Group is awarded with the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate at arm's length regarding the commercial terms to be set out in the individual agreements for the Services. Emperor and Infinities Cayman will enter into individual agreements from time to time for the supply of the Services.

Term: Subject to the fulfilment of the below conditions precedent, the Advertising Traffic Mutual Supply Agreement shall be effective between 1 July 2023 and 31 December 2025.

Pricing basis and settlement method: the price of the CCTs contemplated thereunder will be determined with reference to the principles below:

*(a) Traffic Procurement Transactions*

- (i) the price and terms of the individual agreements to be entered into will be negotiated by the parties at arm's length and will be determined by the parties on normal commercial terms in the ordinary course of business;
- (ii) the price and terms in the individual agreements shall be no less favourable to the Company than those entered into by the Group and the Independent Third Party(ies) in relation to the procurement of identical and/or similar services by the Group; and
- (iii) the price and terms in the individual agreements shall be no less favourable to the Company than those entered into by Infinities Cayman and the Independent Third Party(ies) in relation to the supply of identical and/or similar services by Infinities Cayman.

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## LETTER FROM THE BOARD

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*(b) Traffic Supply Transactions*

- (i) the price and terms of the individual agreements to be entered into will be negotiated by the parties at arm's length and will be determined by the parties on normal commercial terms in the ordinary course of business;
- (ii) the price and terms in the individual agreements shall be no less favourable to the Company than those entered into by the Group and the Independent Third Party(ies) in relation to the supply of identical and/or similar services by the Group; and
- (iii) the price and terms in the individual agreements shall be no less favourable to the Company than those entered into by Infinities Cayman and the Independent Third Party(ies) in relation to the procurement of identical and/or similar services by Infinities Cayman.

Below set forth the flow of the pricing determination and settlement progress under the Advertising Traffic Mutual Supply Agreement:

1. The customer must place the order to the Services acquirer (the "**Acquirer**") (*Note*) for acquiring advertising traffic at market price;
2. The Acquirer will request a quote from the Supplier for the Services, which will be compared by the Acquirer with the quote obtained from Independent Third Party(ies) advertising services suppliers;
3. The Acquirer will confirm the order with the Services supplier (the "**Supplier**") (*Note*) and enter into individual agreement(s) based on the pricing basis under the Advertising Traffic Mutual Supply Agreement, which refers to a price that is more favourable to the Group;
4. The Acquirer shall pay the Supplier to secure advertising traffic; and

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## LETTER FROM THE BOARD

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5. The customers must settle payment with the Acquirer in accordance with the terms and payment schedule as agreed under the individual agreement.

*Note:*

For the Traffic Procurement Transactions, the Acquirer is the Company and the Supplier is Infinities Cayman. Conversely, for the Traffic Supply Transactions, the Acquirer is Infinities Cayman and the Supplier is the Company.

The price shall be (i) paid by the Group to the Infinities Cayman upon completion of the procurement of Services and (ii) paid by Infinities Cayman to the Group upon completion of the supply of Services according to the settlement cycle as agreed under the individual agreements entered into in accordance with the Advertising Traffic Mutual Supply Agreement, which are normal practice in the industry and comparable to those of Independent Third Party.

Condition precedent:

The Advertising Traffic Mutual Supply Agreement is effective upon fulfilment of the following conditions precedent:

- (i) the Company issuing a circular and obtaining the approval from the Independent Shareholders in relation to the transactions contemplated under the Advertising Traffic Mutual Supply Agreement in accordance with the Listing Rules; and
- (ii) the approval from the board of directors of Infinities Cayman in relation to the transactions contemplated under the Advertising Traffic Mutual Supply Agreement.

Termination:

If any transactions under the Advertising Traffic Mutual Supply Agreement fails to meet the requirements of the continuing connected transactions under the Listing Rules, such transaction shall be terminated immediately.

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## LETTER FROM THE BOARD

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If any Advertising Traffic Mutual Supply Agreement transactions contemplated there under fail to meet the principles of the Advertising Traffic Mutual Supply Agreement or would result in the actual amount of the relevant CCTs on annual basis exceeding the related Proposed Annual Caps, Advertising Traffic Mutual Supply Agreement shall then be terminated.

In addition, the Advertising Traffic Mutual Supply Agreement should be terminated upon occurrence of any of the following events:

- (i) one of the parties to the Advertising Traffic Mutual Supply Agreement fails to comply with or fails to perform any major responsibility, and in the event that the breach can be remedied, the breaching party fails to remedy within 60 days upon receiving a written notice detailing the breach; and
- (ii) one of the parties to the Advertising Traffic Mutual Supply Agreement goes into liquidation or bankruptcy (but excluding winding up as a result of a merger or reorganization), which in such event makes the Company subject to or liable for the liabilities imposed.

### **The Proposed Annual Caps**

The Proposed Annual Caps in respect of the Traffic Procurement Transactions under the Advertising Traffic Mutual Supply Agreement (as revised and supplemented by the Supplemental Advertising Traffic Mutual Supply Agreement) for the period from 1 July 2023 to 31 December 2023 and the years ending 31 December 2024 and 2025 is RMB150 million, RMB400 million and RMB400 million, respectively (equivalent to HK\$163.5 million, HK\$436 million and HK\$436 million, respectively).

The Proposed Annual Caps in respect of the Traffic Supply Transactions under the Advertising Traffic Mutual Supply Agreement as supplemented by the Supplemental Advertising Traffic Mutual Supply Agreement for the period from 1 July 2023 to 31 December 2023 and the years ending 31 December 2024 and 2025 is RMB45 million, RMB120 million and RMB120 million, respectively (equivalent to HK\$49.05 million, HK\$130.8 million and HK\$130.8 million, respectively). There were no historical transaction amounts in respect of the procurement of the Services by the Group from Infinities Group and the supply of the Services by the Group to Infinities Group.

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## LETTER FROM THE BOARD

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### *Basis of the Proposed Annual Caps*

Set out below are the Proposed Annual Caps of the continuing connected transactions under the Advertising Traffic Mutual Supply Agreement (as revised and supplemented by the Supplemental Advertising Traffic Mutual Supply Agreement):

	<b>For the period ending from 1 July 2023 to 31 December 2023</b>	<b>For the year ending from 1 January 2024 to 31 December 2024</b>	<b>For the year ending from 1 January 2025 to 31 December 2025</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
<i>Traffic Procurement Transactions</i>			
Proposed Annual Caps	150	400	400
<i>Traffic Supply Transactions</i>			
Proposed Annual Caps	45	120	120

In arriving at the Proposed Annual Caps, the Company has considered the following factors: (i) the demand amount from the potential customers secured by the Group for the six months ending 31 December 2023 and the year ending 31 December 2024; (ii) the background of potential customers of Emperor; (iii) the estimated prices for procurement and supply of the Services; (iv) the prevailing overall business scale and operational scale of the Group; (v) the anticipated development and growth of the Group in the scale of the advertisement distribution services by the Group; and (vi) the estimated growth of the advertisement distribution services market in the PRC.

### *Traffic Procurement Transactions*

As disclosed in the paragraph below, Infinities Group has been selected as the exclusive Qualified Agent of education, property and related advertisement on Xiaomi (小米) platform, and the core Qualified Agent of Jinri Toutiao (今日頭條) and Kuaishou (快手). The Group would unavoidably engage the Infinities Cayman if the clients have this particular demand. Besides, with the consent given by the Infinities Group, the Group shall expand its sales and marketing team by inviting the existing sales team of the Infinities Group to join and promote the services offered by the Group.

The Company determined the Proposed Annual Caps of the Traffic Procurement Transaction for the six months ending 31 December 2023 from (i) the new purchase amount secured by the Group for the six months ending 31 December 2023 of not less than RMB250 million from 6 different potential customers, which are large scale corporations in their specific industry in PRC; and (ii) the estimated amount to be delivered and committed by the Group during the third quarter and fourth quarter of 2023 of approximately RMB150 million given the capability of the Group.

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## LETTER FROM THE BOARD

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The Company determined the Proposed Annual Caps of the Traffic Procurement Transaction for the year 2024 from (i) the new purchase amount secured by the Group for the year ending 31 December 2024 of not less than RMB580 million from 6 different potential customers, which are large scale corporations in their specific industry in PRC; and (ii) the estimated amount to be delivered and committed by the Group for the year 2024 of approximately RMB400 million given the capability of the Group. As the PRC coronavirus pandemic situation gradually eases and the PRC economy slowly recovers, the Company is of the view that, the Company would adopt conservative estimation and keep the Proposed Annual Caps for the year ending 31 December 2025 same as the year 2024.

The Group commenced advertising and distribution business in 2022. The Group engaged in providing service to advertiser(s) the advertising traffic under the Group's operated content platforms and/or other platforms which have contracts with the Group. The Group charges the customers for user traffic by the measurement of a mix of cost per time (CPT) and cost per mille (CPM).

The Group extend its services to the platforms which Infinities Cayman operates. In order to handle the secured order by the customers of the user traffic under Infinities Cayman, the Group will expand its sales and marketing team by inviting the existing sales team of the Infinities Group. It will allow the Group provides a broader scope of services, among others, providing quality content, comprehensive marketing solution, broaden selection of platforms to reach more target audiences in return. In addition, under the Traffic Procurement Transaction, Infinities Group will charge the Group of user traffic under market practice. The Group will pay to Infinities Group first to acquire the future user traffic and charges the customers at a higher price under market practice. Therefore, the business will be limited by the cashflow of the Group. To conclude, the sales and marketing team of the Group and the cashflow of the Group are the factors affecting the capability of the Group and factors of determining the Proposed Annual Caps of the Traffic Procurement Transaction.

Based on (i) the new purchase amount secured by the Group from potential customers in relation to their demand in the Qualified Area; (ii) the capability of the Group to deliver the Services to the customers by the Group including the expected sales and marketing team expansion; and (iii) Infinities Group's annual business scale of not less than RMB900 million in the Qualified Area, the Board considered that the Proposed Annual Caps of approximately RMB150 million for the period ending from 1 July 2023 to 31 December 2023 and the Proposed Annual Caps of approximately RMB400 million for the year ending from 1 January 2024 to 31 December 2024, and for the year ending from 1 January 2025 to 31 December 2025, are fair and reasonable.

### *Traffic Supply Transactions*

As disclosed in the paragraph below, Infinities Group may, due to the restriction of placing advertisement, engage the Group to provide traffic to Infinities Group for increasing the potential traffic volume in order to cater the demand from their clients. Based on (i) the client demand from Infinities Group, (ii) the increasement of business

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## LETTER FROM THE BOARD

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scale in advertisement distribution services market in the PRC due to the Traffic Procurement Transactions discussed above, and (iii) the historical ratio of approximately 30% for the traffic volume Infinities Group engaged in order to cater the demand from their clients towards the total traffic volume Infinities Group provided to their client, the Board considered that the Proposed Annual Caps of approximately RMB45 million for the period ending from 1 July 2023 to 31 December 2023 and the Proposed Annual Caps of approximately RMB120 million for the year ending from 1 January 2024 to 31 December 2024 and from 1 January 2025 to 31 December 2025, are fair and reasonable.

As disclosed in the paragraph headed “Reasons for the Continuing Connected Transactions in Relation to Advertising Traffic Mutual Supply Agreement”, the Company would be reliant on the Infinities Cayman as the largest supplier in the future 2–3 years since it takes 2–3 years to become eligible to apply for Qualified Agent status on major digital media platforms. The Company expected not to be reliant on the Infinities Cayman as the largest supplier once the Company becomes the Qualified Agent. If clients have specific requirements, the Group would inevitably need to engage with Infinities Cayman to meet those demands.

The Company expected that the expansion of sales and marketing team will be effective after obtaining the Shareholder’s approval at EGM.

After considering the above factors and the reasons set out in the paragraph headed “Reasons for the Continuing Connected Transactions in relation to Advertising Traffic Mutual Supply Agreement” below, the Directors (except the independent non-executive Directors whose view will be formed after obtaining the advice of the Independent Financial Adviser) consider that the Proposed Annual Caps in respect of the transactions contemplated under the Advertising Traffic Mutual Supply Agreement (as revised and supplemented by the Supplemental Advertising Traffic Mutual Supply Agreement) for the six months ending 31 December 2023 and the years ending 31 December 2024 and 2025 are fair and reasonable.

### **Reasons for the Continuing Connected Transactions in Relation to Advertising Traffic Mutual Supply Agreement**

The Group is principally engaged in mobile game development and operation and digital media content distribution in PRC with a diversified content portfolio, comprising mobile games, e-magazines and other digital media content. The Group had, from time to time, provided tailor-made advertising and media content distribution services based on the needs of its corporate customers.

#### *Traffic Procurement Transactions*

The Group expanded advertising operations and distribution businesses for digital media content such as brands, tools, and applications in the mainland market and overseas market in 2022. As disclosed in annual report of the Company for the year ended 31 December 2022, the advertisement distribution services of the Group generated approximately RMB15.5 million revenue for the year ended 31 December 2022. In addition, in terms of digital media content distribution business, the Company focus on



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## LETTER FROM THE BOARD

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cooperation with new business partner to explore and access more digital media resources and distribute more digital media information. Following the development of the domestic digital economy, the Company will further improve the operational capacity of digital media advertising and further explore the domestic digital media advertising markets. Therefore, the Group focus on further develop and expand digital media distribution business, enriching the diversified structure of its business, and strengthening the operational capabilities of the advertising services, so as to meet the customer demands in view of the anticipated growth of business of advertising operation and distribution businesses. To satisfy the demands of the Services from potential clients, it is anticipated by the Group that the Infinities Group will continue to undertake capacity expansion and providing Services to the Group in the coming years. Also, the Group will expand the Group's sales and marketing team by inviting the existing sales team of the Infinities Group to join and promote the services offered by the Group.

The marketing efforts shall be focus on (a) shifting the existing customers from the Infinities Group to Emperor by offering a wider scope of services, such as quality online content services, comprehensive marketing solutions and grant rebates in the form of prepayment; (b) identify target audiences whom the advertisements will likely interest, such as gamer(s), game developer(s) and game publisher(s); and (c) deepening relationships with existing customers; and (d) exploring untapped business opportunities.

The Directors consider that (i) the Infinities Group is a reliable business partner and (ii) the further business cooperation between the Group and the Infinities Group. The Infinities Group is one of the top Qualified Agent in PRC and has been selected as the exclusive Qualified Agent of the Qualified Area, and it is currently expected that the Infinities Group will remain as the exclusive and core Qualified Agent in Qualified Area. According to the market practice nowadays, the Group requires 2–3 years before being eligible to apply for being a Qualified Agent on major digital media platforms. The Group would unavoidably engage the Infinities Cayman if the clients have this particular demand.

Other than the foresaid Qualified Area, the advertisement traffic market in PRC is like an auto-match trade system, the Group as sub-agent places advertisement traffic buy-orders in certain platform which different Qualified Agents would offer their advertisement traffic selling price (“**Auto-match Mechanism**”). When the Group needs to place advertisement traffic for placing the advertisement, the Group may auto-match with the offers from Infinities Group.

### *Traffic Supply Transactions*

The Group is a leading mobile Internet content provider, comprehensive Internet game operator and publisher. The group company has successfully developed and operated a variety of stand-alone games and mobile games. Therefore, the platforms, namely the mobile games, in the Group may provide organic traffic (“**Group's Traffic**”) for other clients and agents to place advertisement on these platforms. The Group's Traffic may match the requirement of the Infinities Group's clients.

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## LETTER FROM THE BOARD

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Infinites Group may be also restricted to place advertisement directly via other Qualified Agents in certain area or platform. Infinites Group may, therefore, engage other agents, includes the Group, to provide traffic to Infinites Group for increasing the potential traffic volume in order to cater the demand from their clients. Also, the scale for the Traffic Supply Transactions would be increasing due to the increasement of business scale in advertisement distribution services market in the PRC under the Traffic Procurement Transactions.

The Group therefore may enter into Traffic Supply Transactions with Infinites Group as the traffic provider for Infinites Group to place the orders for their clients.

The potential Traffic Supply Transactions may also assist the Joint Venture Company to grow to be eligible to apply for being the Qualified Agent in the future.

The Company believes that it will be able to continue to build its corporate customer portfolio and business network through the cooperation with the Infinites Group, thereby encourages the future growth of the Group's businesses in a diversified manner. The Group considers that the Infinites Group is a reliable business cooperation partner and such cooperation may in turn benefit and support its digital media content distribution business.

In light of the above, the Directors (excluding the independent non-executive Directors who will form their views after considering the recommendation from the Independent Financial Adviser) consider that (i) the entering into of the Advertising Traffic Mutual Supply Agreement is in the ordinary and usual course of business of the Group; and (ii) the entering into the Advertising Traffic Mutual Supply Agreement will allow the Group provide more Services to the Group's customers from the Infinites Group, so as to increase the income and profit of the Group; and (iii) the terms and conditions of the Advertising Traffic Mutual Supply Agreement were negotiated among the parties on an arm's length basis and the Advertising Traffic Mutual Supply Agreement together with the transactions contemplated there under and the Proposed Annual Caps are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

Up to the Latest Practicable Date, the Company has not entered into the Traffic Procurement Transactions and the Traffic Supply Transactions under the Advertising Traffic Mutual Supply Agreement (as revised and supplemented by the Supplemental Advertising Traffic Mutual Supply Agreement). The Traffic Procurement Transactions and the Traffic Supply Transactions will only commerce after obtaining the Shareholder's approval at EGM.

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## LETTER FROM THE BOARD

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### 3. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO NGA EXCLUSIVE FRANCHISE AGREEMENT

#### NGA Exclusive Franchise Agreement

The principal terms of the NGA Exclusive Franchise Agreement are set out as follows:

Date: 23 June 2023

Parties: (i) Emperor; and  
(ii) Infinities Cayman

Scope of products and services to be provided or received: The NGA Franchise Transactions to be carried out are categorised as follows:

Emperor as a franchisee agrees to purchase the exclusive operation right from Infinities Cayman to provide NGA Services during the term of the NGA Exclusive Franchise Agreement, provided that the member of the Group is awarded with relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate at arm's length regarding the commercial terms to be set out in the individual agreements for the NGA Services. Emperor and Infinities Cayman will enter into individual agreements from time to time for providing the NGA Services.

Term: Subject to the fulfilment of the below conditions precedent, the NGA Exclusive Franchise Agreement shall be effective between 1 July 2023 and 31 December 2025.

Pricing basis and settlement method: Unless otherwise agreed, the "NGA" brand authorization will continue to be valid. The franchise fee is calculated according to the following annual formula:

Gross sales proceeds (net of VAT) arising from the exclusive right to operate the "NGA" brand	X	commission rate of 15% based on the sales of the operation of exclusivity rights charged by Infinities Cayman
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## LETTER FROM THE BOARD

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The price of the CCTs contemplated thereunder will be determined with reference to the principles below:

- (i) the price and terms of the individual agreements to be entered into will be negotiated by the parties at arm's length and will be determined by the parties on normal commercial terms in the ordinary course of business;
- (ii) the price and terms in the individual agreements shall be no less favourable to the Group than those entered into by the Group and the Independent Third Party(ies) in relation to the same or comparable types of services (i.e. the purchase of exclusive right from other brands or platforms held by the Independent Third Party(ies)) by the Group; and
- (iii) the price and terms in the individual agreements shall be no less favourable to the Group than those entered into by the Infinities Group and the Independent Third Party(ies) in relation to same or comparable types of services (i.e. the supply of exclusive right from other brands or platforms held by Infinities Group to the Independent Third Party(ies)) by the Infinities Group.

The price shall be paid by the Group to the Infinities Cayman upon completion of the purchase exclusive operation right of NGA according to the settlement cycle as agreed under the individual agreements entered into in accordance with the NGA Exclusive Franchise Agreement, which are normal practice in the industry and comparable to those of independent third party.

Condition precedent:

The NGA Exclusive Franchise Agreement is effective upon fulfilment of the following conditions precedent: the Company issuing a circular and obtaining the approval from the Independent Shareholders in relation to the transactions contemplated under the NGA Exclusive Franchise Agreement in accordance with the Listing Rules; and the approval from the board of directors of Infinities Cayman in relation to the transactions contemplated under the NGA Exclusive Franchise Agreement.

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## LETTER FROM THE BOARD

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**Termination:**

If any transaction under the NGA Exclusive Franchise Agreement fails to meet the requirements of the continuing connected transactions under the Listing Rules, such transaction shall be terminated immediately.

If any transactions contemplated there under fail to meet the principles of the NGA Exclusive Franchise Agreement or would result in the actual amount of the relevant CCTs on annual basis exceeding the related Proposed Annual Caps, such NGA Exclusive Franchise Agreement shall then be terminated.

In addition, the NGA Exclusive Franchise Agreement should be terminated upon occurrence of any of the following events:

- (i) one of the parties to the NGA Exclusive Franchise Agreement fails to comply with or fails to perform any major responsibility, and in the event that the breach can be remedied, the breaching party fails to remedy within 60 days upon receiving a written notice detailing the breach; and
- (ii) one of the parties to the NGA Exclusive Franchise Agreement goes into liquidation or bankruptcy (but excluding winding up as a result of a merger or reorganization), which in such event makes the company subject to or liable for the liabilities imposed.

### **The Proposed Annual Caps**

The Proposed Annual Caps in respect of the NGA Franchise Transactions under the NGA Exclusive Franchise Agreement for the period from 1 July 2023 to 31 December 2023 and the years ending 31 December 2024 and 2025 is RMB12.5 million, RMB25 million and RMB25 million, respectively (equivalent to HK\$13.6 million, HK\$27.3 million and HK\$27.3 million, respectively).

There were no historical transaction amounts in respect of the purchase the exclusive right to provide services to clients by the Group to the Infinities Cayman.

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## LETTER FROM THE BOARD

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### *Basis of the Proposed Annual Caps*

Set out below are the Proposed Annual Caps of the continuing connected transactions under the NGA Exclusive Franchise Agreement:

	<b>For the period ending from 1 July 2023 to 31 December 2023 <i>RMB million</i></b>	<b>For the year ending from 1 January 2024 to 31 December 2024 <i>RMB million</i></b>	<b>For the year ending from 1 January 2025 to 31 December 2025 <i>RMB million</i></b>
Proposed Annual Caps	12.5	25	25

The aforementioned Proposed Annual Caps were derived by multiplying the estimated revenue to be generated by NGA by the commission rate of 15%. The estimated revenue to be generated by NGA for the six months ending 31 December 2023 and the two years ending 31 December 2024 and 2025 are as follows:

	<b>For the six months ending 31 December 2023 <i>RMB million</i></b>	<b>For the year ending 31 December 2024 <i>RMB million</i></b>	<b>For the year ending 31 December 2025 <i>RMB million</i></b>
Proposed Annual Caps	12.5	25	25
Commission rate	15%	15%	15%
Revenue to be generated by NGA under the Proposed Annual Caps	83.3	166.7	166.7

As disclosed in the paragraph headed “Reasons for the Continuing Connected Transactions in Relation to NGA Exclusive Franchise Agreement” below, NGA is a comprehensive and renowned online Chinese community mainly for game discussions with over 10 million registered users, and 20 million average daily visits. In addition, the Group expected to develop the oversea mobile game sector under NGA after obtaining the exclusive operation right. Therefore, in arriving at the Proposed Annual Caps, the Company has considered the following principal factors: (i) historical financial performance of NGA; (ii) the demand amount from the potential customers secured by the Group for the six months ending 31 December 2023 and the year ending 31 December 2024; (iii) the background of potential customers (iv) the prevailing overall business scale and operation scale of the Group including the Group’s mobile game sector in PRC of approximately RMB60 million for FY 2022; (v) the estimated growth of the gaming and

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## LETTER FROM THE BOARD

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advertising market in the PRC and oversea; and (vi) the estimated prices for exclusive operation right under the NGA Exclusive Franchise Agreement for the period from 1 July 2023 to 31 December 2025.

The Company determined the Proposed Annual Caps under NGA Exclusive Franchise Agreement for six months ending 31 December 2023 based on (i) the revenue from advertising sector of NGA for the year ended 31 December 2022 of approximately RMB15 million; (ii) the new purchase service fee from mobile game sector secured by the Group and to be delivered to 5 independent third parties, which are large scale oversea mobile game developers, during the six months ending 31 December 2023 of approximately RMB70 million; and (iii) the capability of the Group to obtain the orders from customers and provide the services to customers under NGA.

The Company determined the Proposed Annual Caps under NGA Exclusive Franchise Agreement for the year ending 31 December 2024 based on (i) the revenue from advertising sector of NGA for the year ended 31 December 2022 of approximately RMB15 million; (ii) the new purchase service fee from mobile game sector secured by the Group and to be delivered to 5 independent third parties, which are large scale oversea mobile game developers, during the year ending 31 December 2024 of approximately RMB150 million; and (iii) the capability of the Group to obtain the orders from customers and provide the services to customers under NGA. Taking into account of the capability of the Group and the global economy slowly recovers from coronavirus pandemic, the Company would adopt conservative estimation and keep the Proposed Annual Caps for the year ending 31 December 2025 same as the year ending 31 December 2024.

The Group has invited game developers to use NGA as a platform to distribute their games; test their games; monitoring their games; and promoting their games to target audiences. At least 5 independent customers will use the services to be provided by the Group under NGA when all necessary approvals obtained by the Group. Further, the Group are discussing and designing the execution plans with 5 customers of their existing projects to be launched on NGA. The Group will publish the information through NGA when all necessary approvals obtained by the Group.

Based on the experience and the discussion with the existing management of NGA, the Group expects the manpower is the key to achieve the aforementioned revenue. The Group will expand its sales and marketing team and IT team by inviting the existing employees of NGA and recruit employees outside of the Group. The Group will recruit 10 employees and 5 employees for sales and marketing team and IT team in 2023 respectively. The Group will expend sales and marketing team and IT team to 15 and 10 in 2024 respectively. The Group will ensure that the operating team of NGA will capable to create and upload the information, events and promotions for the customers to target audiences effectively.

After considering the above factors and the reasons set out in the paragraph headed “reasons for the continuing connected transactions in relation to NGA Exclusive Franchise Agreement” below, the Directors (except the independent non-executive Directors whose view will be formed after obtaining the advice of the Independent

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## LETTER FROM THE BOARD

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Financial Adviser) consider that the proposed annual caps in respect of the transactions contemplated under the NGA Exclusive Franchise Agreement of RMB25 million per annum for the six months ending 31 December 2023 and the years ending 31 December 2024 and 2025 are fair and reasonable.

### **Reasons for the Continuing Connected Transactions in Relation to NGA Exclusive Franchise Agreement**

NGA established in 2002 and is a comprehensive and renowned online Chinese community mainly for game discussions in the PRC. In the early stage, NGA was the only one Chinese online forum website in PRC that passed the official certification of the Blizzard Fansite Program (Blizzard Fansite Program) to provide and discuss World of Warcraft content. Over ten years of development, NGA has gradually transformed from a World of Warcraft forum to a comprehensive game community that cover major games including most popular PC console games, e-sports games, popular mobile games and other game sections etc. In addition, NGA also operate other sections, among others, car, sports, two-dimensional, audio-visual, consumer electronics and other multi-dimensional life and entertainment. At present, NGA has over 10 million registered users, the average daily visits have reached over 20 million, the maximum number of simultaneous online users per day is over 100,000, and the number of forums has exceeded 700.

The Group is principally engaged in mobile game development and operation and digital media content distribution in PRC with a diversified content portfolio, comprising mobile games, e-magazines and other digital media content. Based on the existing business of the Group, the Group plans to build a diversified development platform with the game industry as the core to provide the main life scenes to young users including (i) game hardware peripherals; (ii) game advertising distribution; and (iii) metaverse community, etc. As the largest serious game player community in China, NGA focuses on serving young players. It has a huge number of users and a large amount of original content. At present, the NGA game community is transitioning from the traditional web page display form to the three dimensional virtual environment display form, and the Group has already carried out relevant layout and technology accumulation in the field of artificial intelligence. It is believed that upon Emperor obtains the exclusive operation right of NGA, it will accelerate the transformation and development of NGA to the metaverse community from various aspects, and bring the NGA game community into a new stage of development. At the same time, NGA will also leverage the existing business of the Group. In terms of game development and distribution business, NGA has gathered a large number of player opinions and discussion data. These data will serve as a good research and development guide for the Group's game development. In terms of digital advertising business, NGA allows the Group to promote games, consoles games and game peripheral services to NGA users. Indeed, the Group expects to develop the oversea gaming sector under NGA after obtaining the exclusive operation right. NGA will provide a distribution platform for overseas games developed by independent third parties. Through NGA community, the game developers will be able to reach the mass users by the services operating by NGA and the Group, among others, (i) full-stack publishing operations and advertising monetization solutions; (ii) organizing evaluations in the community before game releases; (iii) trial live broadcasts; (iv) online and offline



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## LETTER FROM THE BOARD

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activities; (v) advance reservations; and (vi) cooperating with the publicity and distribution of gaming materials after launching the games. The Group is confident that as a game developer and publisher, it stands to benefit from the NGA Exclusive Franchise Agreement as NGA provides a game distribution platform and supplies the Group with streamlined solutions for distributing games, testing them, monitoring their performance, and promoting them online. The Group believes that the Group's revenue will be increased upon obtained the exclusive operation right of NGA.

In light of the above, the Directors (excluding the independent non-executive Directors who will form their views after considering the recommendation from the Independent Financial Adviser) consider that (i) the entering into of the NGA Exclusive Franchise Agreement is in the ordinary and usual course of business of the Group; and (ii) the entering into of the NGA Exclusive Franchise Agreement will allow the Group provide NGA Services and the Group's existing businesses to NGA users from the Infinities Group, so as to increase the income and profit of the Group; and (iii) the terms and conditions of the NGA Exclusive Franchise Agreement were negotiated among the parties on an arm's length basis and the NGA Exclusive Franchise Agreement together with the transactions contemplated there under and the Proposed Annual Caps are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

Up to the Latest Practicable Date, the Company has not entered into NGA Franchise Transactions under the NGA Exclusive Franchise Agreement. The NGA Franchise Transactions will only commerce after obtaining the Shareholder's approval at EGM.

#### 4. INFORMATION OF THE PARTIES

##### **Emperor and the Group**

Emperor is an investment holding company which is wholly owned by the Company. The Group is principally engaged in the development and operation of mobile game as well as digital media content distribution.

##### **Infinities Cayman and the Infinities Group**

Infinities Cayman is the holding company of the Infinities Group. Headquartered in Beijing, the major business segments of the Infinities Group include the sale of console game hardware and related services, media operations (including campus social media platform (Renren.com (人人網)), online advertising business (廣告流量業務), and online gaming business.

#### 5. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Infinities Global held approximately 54.77% of the issued Shares. Infinities Global was held as to approximately 53.74% by Infinities Worldwide which was in turn wholly owned by Infinities B&M, and Infinities B&M was wholly owned by Infinities Cayman. Therefore, Infinities Cayman is a connected person of the Company under

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## LETTER FROM THE BOARD

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the Listing Rules. Thus, the transactions contemplated under the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement would constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

### **Traffic Procurement Transactions and Traffic Supply Transactions**

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Proposed Annual Caps of the transactions contemplated under the Advertising Traffic Mutual Supply Agreement, on annual basis, are more than 25% and such Proposed Annual Caps are expected to be higher than HK\$10 million, such transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **NGA Franchise Transactions**

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Proposed Annual Caps of the NGA Franchise Transactions contemplated under the NGA Franchise Agreement, on annual basis, are exceeds 5% but is less than 25% and such Proposed Annual Caps are expected to be higher than HK\$10 million, such transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As such, the Company will seek the Independent Shareholders' approval for the transactions contemplated under the Advertising Traffic Mutual Supply Agreement and the NGA Exclusive Franchise Agreement and the Proposed Annual Caps for the period from 1 July 2023 and the years ending 31 December 2024 and 2025 at the EGM.

## **6. INTERNAL CONTROL PROCEDURES**

The Company has adopted the following internal control measures to ensure that the transactions contemplated under the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement are and will be conducted in accordance with its pricing policies and terms, and in compliance with the relevant Listing Rules:

- (i) the finance department of the Company shall made references to at least two independent third parties for the quotations and/or pricing records and the period of references to be considered;
- (ii) the finance department of the Company shall obtain and monitor the quotations and/or pricing records monthly as reference prices of the transactions under the Advertising Traffic Mutual Supply Agreement to ensure that the prices of the Services to be acquired/supplied by the Group to/from Infinities Cayman are fair and reasonable and no less favourable to the Group than the prices at which the same or comparable types of products are acquired/supplied by the Group to/from Independent Third Parties;

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## LETTER FROM THE BOARD

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- (iii) the finance department of the Company shall obtain and monitor the quotations and/or pricing records quarterly as reference prices of the transactions under the Advertising Traffic Mutual Supply Agreement to ensure that the prices of the Services to be supplied by Infinities Cayman to the Group are fair and reasonable and no less favourable to the Group than the prices at which the same or comparable types of products are supplied by Infinities Cayman to Independent Third Parties;
- (iv) the finance department of the Company shall obtain and monitor the quotations and/or pricing records monthly as reference prices of the transactions under the Advertising Traffic Mutual Supply Agreement to ensure that the prices of the Services to be supplied by the Group to Infinities Cayman are fair and reasonable and no less favourable to the Group than the prices at which the same or comparable types of services are supplied by the Group to Independent Third Parties;
- (v) the finance department of the Company shall obtain and monitor the quotations and/or pricing records monthly as reference prices of the transactions under the Advertising Traffic Mutual Supply Agreement to ensure that the prices of the Services to be purchased by Infinities Cayman from the Group are fair and reasonable and no less favourable to the Group than the prices at which the same or comparable types of products are purchased by Infinities Cayman from Independent Third Parties;
- (vi) the finance department of the Company shall obtain and monitor the quotations and/or pricing records quarterly as reference prices of the transactions under the NGA Exclusive Franchise Agreement to ensure that the franchise fee of NGA Services to be paid by the Group to Infinities Cayman are fair and reasonable and no less favourable to the Group than the prices at which the same or comparable types of services (i.e. franchise services from other platforms) are purchased by the Group from Independent Third Parties
- (vii) the finance department of the Company shall quarterly monitor and ensure that the transactions contemplated under the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement are and will be conducted in accordance with its terms and the relevant annual caps are not exceeded;
- (viii) the Board will continue to semi-annually review the Company's internal control systems and their effectiveness; and
- (ix) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the Company's internal control systems, their effectiveness and the continuing connected transactions under the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement and the Proposed Annual Caps in accordance with the requirements of the Listing Rules.

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## LETTER FROM THE BOARD

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### 7. RECOMMENDATIONS

The Directors (except the independent non-executive Directors whose view will be formed after obtaining the advice of the Independent Financial Adviser) believe that the proposed ordinary resolutions set out in the notice of the EGM including (i) the Advertising Traffic Mutual Supply Agreement and the Traffic Procurement Transactions and Traffic Supply Transactions contemplated thereunder; (ii) the NGA Exclusive Franchise Agreement and the NGA Franchise Transactions contemplated thereunder; and (iii) the Proposed Annual Caps in respect of the CCTs contemplated under the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement are in the best interests of the Company and its Shareholders. Accordingly, the Directors (except the independent non-executive Directors whose view will be formed after obtaining the advice of the Independent Financial Adviser) recommend that the Independent Shareholders should vote in favour of the relevant resolutions to be proposed at the EGM.

### 8. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 19 October 2023 to Wednesday, 25 October 2023 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the EGM. In order to be entitled to attend and vote at the EGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong time) on Wednesday, 18 October 2023.

### 9. EGM

The Company will convene the EGM at Infinities Media Center, Baosheng Eastern Road, Haidian District, Beijing, People's Republic of China on Wednesday, 25 October 2023 at 2:00 p.m., at which the resolutions will be proposed for the purpose of considering and, if thought fit, approving, among others, (i) the Advertising Traffic Mutual Supply Agreement and the Traffic Procurement Transactions and Traffic Supply Transactions contemplated thereunder; (ii) the NGA Exclusive Franchise Agreement and the NGA Franchise Transactions contemplated thereunder; and (iii) the Proposed Annual Caps in respect of the CCTs contemplated under the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement. The notice convening the EGM is set out at the end of this circular.

A form of proxy for use in connection with the EGM is enclosed with this circular and can also be downloaded from the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<https://www.infinities.com.hk>). If you are not able or do not intend to attend the EGM and wish to exercise your right as a Shareholder, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event, not later than 48 hours before the time appointed for holding the EGM or its adjournment (as the case may be). Completion and return

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## LETTER FROM THE BOARD

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of the form of proxy will not preclude any Shareholder from attending and voting in person at the EGM or its adjournment should he/she/it so wishes. If the Shareholder attends and votes at the EGM, the instrument appointing the proxy will be deemed to have been revoked.

As at the Latest Practicable Date, Infinities Global held approximately 54.77% of the issued Shares. Infinities Global was held as to approximately 53.74% by Infinities Worldwide Limited which was in turn wholly owned by Infinities B&M, and Infinities B&M was wholly owned by Infinities Cayman. Therefore, Infinities Cayman is a connected person of the Company under the Listing Rules. As Mr. Wang Le, an executive Director, is also a director of Infinities B&M and Infinities Cayman, he is deemed to be materially interested in the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement by virtue of his directorship in Infinities B&M, therefore, he has abstained from voting on the relevant resolutions at the Board meeting approving the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement.

According to the Listing Rules, any Shareholder and his/her associates with a material interest in the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement shall abstain from voting on the resolutions approving such transaction at the EGM. Accordingly, Mr. Wang Le and Infinities Global will abstain from voting on the resolutions regarding the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement at the EGM. As at the Latest Practicable Date, Infinities Global held an aggregate of 335,721,719 Shares of the Company, representing approximately 54.77% of the issued share capital of the Company, and controlled or were entitled to control over the voting rights in respect of their Shares in the Company. Save as disclosed, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement and the transactions contemplated thereunder and will be required to abstain from voting on the resolutions to approve the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement and the transactions contemplated thereunder at the EGM.

### **10. VOTING BY POLL AT THE EGM**

Pursuant to the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman of the meeting, 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. Therefore, all resolutions to be proposed at the EGM and contained in the notice of the EGM will be voted by way of a poll by the Shareholders.

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**LETTER FROM THE BOARD**

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**11. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendix to this circular and the notice of the EGM.

Yours faithfully

For and on behalf of

**Infinites Technology International (Cayman) Holding Limited**

多牛科技國際（開曼）集團有限公司

**WANG Le**

*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this Circular.*

### **Infinites Technology International (Cayman) Holding Limited**

**多牛科技國際(開曼)集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1961)**

11 October 2023

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO (1) ADVERTISING TRAFFIC MUTUAL SUPPLY AGREEMENT; (2) NGA EXCLUSIVE FRANCHISE AGREEMENT; AND NOTICE OF EGM**

We refer to the circular dated 11 October 2023 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board to constitute the Independent Board Committee to advise you as to whether, in our opinion, the Advertising Traffic Mutual Supply Agreement (as revised and supplemented by the Supplemental Advertising Traffic Mutual Supply Agreement), the NGA Exclusive Franchise Agreement, and the transactions contemplated thereunder and the related proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned. Diligent Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. We wish to draw your attention to the “Letter from Diligent Capital” set out on pages 31 to 53 of the Circular which contains its advice to the Independent Board Committee and the Independent Shareholders, and the principal factors and reasons considered by it in formulating its advice. Your attention is also drawn to the “Letter from the Board” of the Circular and the additional information set out in the appendix to the Circular.

Having considered the terms of the Advertising Traffic Mutual Supply Agreement (as revised and supplemented by the Supplemental Advertising Traffic Mutual Supply Agreement), the NGA Exclusive Franchise Agreement, and the transactions contemplated thereunder, the related proposed annual caps and the advice of the Independent Financial Adviser, we are of the opinion that the Advertising Traffic Mutual Supply Agreement, the Supplemental Advertising Traffic Mutual Supply Agreement, the NGA Exclusive Franchise Agreement, and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. We are also of the opinion that the related Proposed Annual Caps under the Advertising Traffic Mutual Supply Agreement as revised and

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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supplemented by the Supplemental Advertising Traffic Mutual Supply Agreement, and NGA Exclusive Franchise Agreement are fair and reasonable so far as the Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement and the transactions contemplated thereunder and the related proposed annual caps.

Yours faithfully,

For and on behalf of

**the Independent Board Committee of**

**Infinites Technology International (Cayman) Holding Limited**

多牛科技國際(開曼)集團有限公司

**LEUNG Ming Shu**

**TANG Shun Lam**

*Independent Non-executive Directors*





11 October 2023

*To the Independent Board Committee and  
the Independent Shareholders of  
Infinities Technology International (Cayman) Holdings Limited*

Dear Sirs and Madams,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
(I) THE ADVERTISING TRAFFIC MUTUAL SUPPLY AGREEMENT  
AND  
(II) THE NGA EXCLUSIVE FRANCHISE AGREEMENT**

**INTRODUCTION**

We refer to our appointment as the independent financial adviser (the “**Independent Financial adviser**”) to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Advertising Traffic Mutual Supply Agreement\* (廣告流量互供框架協議), (ii) the Supplemental Advertising Traffic Mutual Supply Agreement, (iii) the NGA Exclusive Franchise Agreement\* (NGA獨家經營權框架協議), and the transactions contemplated thereunder (including the Proposed Annual Caps) (the “**Transactions**”), particulars of which are set out in the section headed “Letter from the Board” (the “**Letter**”) contained in the circular of the Company to the Shareholders dated 11 October 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular.

Reference is made to the Letter.

**1. The Advertising Traffic Mutual Supply Agreement\* (廣告流量互供框架協議)**

On 23 June 2023, Emperor, being a wholly owned subsidiary of the Company, entered into the Advertising Traffic Mutual Supply Agreement with Infinities Cayman, pursuant to which Emperor has conditionally agreed to acquire the advertising traffic (the “**Advertising Services**”) from Infinities Cayman; and at the same time, Emperor has also conditionally agreed to supply the Advertising Services to Infinities Cayman, as the case may be, during the term of the Advertising Traffic Mutual Supply Agreement.

According to the terms of the Advertising Traffic Mutual Supply Agreement, the term shall commence on 1 July 2023 and continue up to 31 December 2025 (both days inclusive), subject to the approval from the Independent Shareholders and the board of directors of Infinities Cayman.

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## LETTER FROM DILIGENT CAPITAL

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On 6 October 2023, Emperor and Infinities Cayman entered into the Supplemental Advertising Traffic Mutual Supply Agreement, pursuant to which the parties agreed to revise the Proposed Annual Caps as follows:

- i) the maximum amount of the Traffic Procurement Transactions during the aforesaid term shall not exceed RMB150 million from 1 July 2023 to 31 December 2023 and RMB400 million for each year ending 31 December 2024 and 31 December 2025; and
- ii) the maximum amount of the Traffic Supply Transactions during the term mentioned above shall not exceed RMB45 million from 1 July 2023 to 31 December 2023 and RMB120 million for each year ending 31 December 2024 and 31 December 2025.

Save for the revision of the Proposed Annual Caps, all other terms and conditions of the Advertising Traffic Mutual Supply Agreement remain unchanged.

### **2. The NGA Exclusive Franchise Agreement\* (NGA獨家經營權框架協議)**

On 23 June 2023, Emperor entered into the NGA Exclusive Franchise Agreement with Infinities Cayman, pursuant to which Emperor agrees to acquire the exclusive operation rights from Infinities Cayman to operate the NGA community platform and run the relevant business under the trademark of NGA (the “**NGA Services**”) during the term of the NGA Exclusive Franchise Agreement.

According to the terms of the NGA Exclusive Franchise Agreement, the term shall commence on 1 July 2023 and continue up to 31 December 2025 (both days inclusive), subject to the approval from the Independent Shareholders and the board of directors of Infinities Cayman.

The maximum amount of the NGA Franchise Transactions during the aforesaid term shall not exceed RMB12.5 million for the period from 1 July 2023 to 31 December 2023 and RMB25 million for each of the year ending 31 December 2024 and 2025.

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## LETTER FROM DILIGENT CAPITAL

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### 3. Implications under the Listing Rules

As at the Latest Practicable Date, Infinities Global is a controlling shareholder of the Company interested in 335,721,719 Shares, representing approximately 54.77% of the total issued share capital of the Company. Infinities Global is owned as to approximately 53.74% by Infinities Worldwide, which is wholly owned by Infinities B&M. While Infinities B&M is wholly owned by Infinities Cayman.

Therefore, Infinities Cayman, which is the ultimate controlling shareholder of the Company, is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under each of the Advertising Traffic Mutual Supply Agreement and the NGA Exclusive Franchise Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable ratios (except for the profits ratio which is not applicable) in respect of the Proposed Annual Caps under each of the Advertising Traffic Mutual Supply Agreement and the NGA Exclusive Franchise Agreement exceeds 5%, the transactions contemplated thereunder constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Leung Ming Shu and Mr. Tang Shun Lam, has been established to consider and advise the Independent Shareholders as to whether the terms of the Transactions are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Transactions are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote. We will notify the Independent Shareholders in the event of any material adverse changes relating to the Transactions up to the EGM.

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## LETTER FROM DILIGENT CAPITAL

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### OUR INDEPENDENCE

We, Diligent Capital Limited (“**Diligent Capital**”), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard, and such appointment has been approved by the Independent Board Committee pursuant to the Listing Rules.

Diligent Capital is a licensed corporation licensed under the Securities and Futures Ordinance (“**SFO**”) to carry out Type 6 (advising on corporate finance) regulated activity. Mr. Felix Huen (“**Mr. Huen**”) is the person signing off the opinion letter from Diligent Capital contained in the Circular. Mr. Huen has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2019 and he has participated in and completed various independent financial advisory transactions in Hong Kong.

As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Diligent Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Diligent Capital’s independence as set out under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the Transactions.

We are not associated with and have no significant connection financial or otherwise, with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence. Diligent Capital did not provide any service to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the terms of the Transactions.

### BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of each of the Advertising Traffic Mutual Supply Agreement, the NGA Exclusive Franchise Agreement and the transactions contemplated thereunder, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the “**Management**”). We have reviewed information and documents, including (a) the terms and conditions of the Advertising Traffic Mutual Supply Agreement and the NGA Exclusive Franchise Agreement; (b) the background information of the Infinities Cayman and the NGA platform; (c) the Group’s internal control policy regarding the continuing connected transactions; (d) the financial projection outlining the estimated contract value for each of the Advertising Services and the NGA Services; and (e) the strategic cooperative agreements and/or the memoranda of understanding entered into by the Group with its potential customers, provided by the Management. We have assumed that all information, facts, opinions and

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## LETTER FROM DILIGENT CAPITAL

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representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Transactions, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Transactions, 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 opinion to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

#### **1. Background of the Transactions**

On 23 June 2023, the Company entered into the Advertising Traffic Mutual Supply Agreement and the NGA Exclusive Franchise Agreement with Infinities Cayman.

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## LETTER FROM DILIGENT CAPITAL

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### 1.1 Information of the Company and the Group

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which have been listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the holding company of the Group.

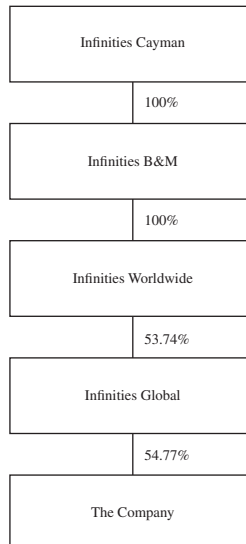
The Group develops and operates mobile games in the PRC. The Group also generates and distributes mobile games, e-magazines and other digital media content in the PRC with a diverse portfolio.

### 1.2 Information of Emperor

Emperor is a company incorporated in the BVI with limited liability. As at the Latest Practicable Date, Emperor is a wholly owned subsidiary of the Company and is principally engaged in the supply of gaming consoles, console games, merchandise and accessories.

### 1.3 Information of Infinities Cayman

Set out below the shareholding structure of Infinities Cayman as at the Latest Practicable Date:



As at the Latest Practicable Date, Infinities Global is a controlling shareholder of the Company interested in 335,721,719 Shares, representing approximately 54.77% of the total issued share capital of the Company. Infinities Global is owned as to approximately 53.74% by Infinities Worldwide, which is wholly owned by Infinities B&M. While Infinities B&M is wholly owned by Infinities Cayman.

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## LETTER FROM DILIGENT CAPITAL

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Therefore, Infinities Cayman, which is the ultimate controlling shareholder of the Company, is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under each of the Advertising Traffic Mutual Supply Agreement and the NGA Exclusive Franchise Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, the principal activities of the Infinities Group include but not limited to (i) distribution of console game hardware; (ii) operation of social media community platform; (iii) the provision of online advertising services; and (iv) the sale of online games.

## **2. Reasons for and benefits of entering into the Advertising Traffic Mutual Supply Agreement and the NGA Exclusive Franchise Agreement**

### **2.1 The Traffic Procurement Transactions**

As set out in the Letter, the Group expanded its advertising and distribution business in 2022. In order to further explore the domestic digital media advertising market, the Group currently focuses on developing and expanding the aforesaid business by enriching the business model and strengthening its operational capabilities. The Board anticipated that the demand for the Advertising Services will increase, therefore, there is a need for the Infinities Group to offer the relevant support so as to cater the customer demand.

As further set out in the Letter, we further summarise the major factors that the Directors have considered before entering into the Advertising Traffic Mutual Supply Agreement:

- i) there is a well-established relationship between the Group and the Infinities Group for the Advertising Services;
- ii) the Infinities Group is one of the top Qualified Agents in the PRC and has been selected as (a) the exclusive Qualified Agent for placing education and property related advertisements on the Xiaomi (小米) platform; and (b) the exclusive Qualified Agent of Jinri Toutiao (今日頭條) and Kuaishou (快手); and
- iii) the application of being a Qualified Agent on major digital media platform(s) requires a lengthy and arduous process, therefore the estimated cost incurred and the timing for completion of such application may not be able to match with the anticipated growing demand for the Advertising Services.

### **2.2 The Traffic Supply Transactions**

As set out in the Letter, the Group is a leading mobile internet content service provider and a comprehensive internet games operator and publisher. Under its existing business model, the Group primarily charges advertiser(s) for the advertising traffic it supplies to its customers under its self-operated content platforms and/or other platforms that maintained a well-established relationship with the Group.

Having considered that the Infinities Group may not be able to place advertisement on certain platforms directly via other Qualified Agents under certain restrictions, there is a demand for the Infinities Group to acquire advertising traffic from other sub-agents for its customers to market their products or services. Based on this, the Directors consider that there are potential synergies which may be created between the Group and the Infinities Group if each of them could make a deal for offering the Advertising Services to each other. By doing so, it is believed that the financial performance of the Group's advertising and distribution businesses could be further enhanced.

### **2.3 The NGA Services**

As set out in the Letter, we understand that NGA is an abbreviation of "Azeroth National Geography" in a Chinese comprehensive game community. It is a comprehensive and renowned online Chinese community platform for game discussions in the PRC.

In early stage, NGA was the only World of Warcraft thematic network in the PRC that passed the official certification of the Blizzard Fansite Program to discuss, query the game database and show the ranking of World of Warcraft players. Over the years, NGA has been transformed into a comprehensive game community that attracts and retains gamers with a vast and diverse library of mobile games, computer games and other games resources, such as game information, game recommendation and downloadable games. At present, the number of registered members reached over 10 million, the average daily visits exceeds 20 million, the highest daily number of online users reached over 100,000 and the number of public forums exceeded 700.

We also understand from the Letter that it is the plan of the Group to develop a diversified community platform that offers a full spectrum of services, such as distribution of game hardware peripherals, placing advertisements and creating a thriving metaverse community. By leveraging the established operating capabilities of NGA, the in-depth understanding of the game market, user preferences and market trends, NGA can provide the Group with convenient solutions for game distribution, game testing, game monitoring and online marketing. Therefore, the Directors believe that the financial performance of the Group shall be able to improve after obtaining the rights to operate the NGA platform.

### **2.4 Our view**

In order to assess and conclude whether the entering into of the Advertising Traffic Mutual Supply Agreement and the NGA Exclusive Franchise Agreement are in the interest of the Company and the Independent Shareholders as a whole, we have taken into consideration the following factors:

#### **(a) Overview of the demand for online marketing or advertising services**

Driven by continuous innovations in internet and mobile technologies and the increasing amount of time consumers spend on digital devices as well as the data-driven potential of online marketing, marketers are increasingly shifting their marketing spending from offline channels, such as television advertising, print



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## LETTER FROM DILIGENT CAPITAL

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advertising and radio advertising, to online channels in order to achieve wider but more target audience reach and provide more tailored marketing messages in a cost effective manner. According to the statistics published by Statista.com (*Note*), we noted that online advertising in the PRC, as measured by total advertising revenue, grew at a compound annual growth rate (CAGR) of approximately 19.32% from approximately RMB496.52 billion in 2018 to approximately RMB1,006.54 billion in 2022, and is expected to further grow at a CAGR of 11.66% from approximately RMB1,006.54 billion in 2022 to approximately RMB1,254.99 billion in 2024.

In light of the above growth trend, we concluded that there is an indication of a potential growth in the demand for online advertising services in the PRC, which is in line with the Group's anticipation as set out in the Letter.

### **(b) Enhance publishing and operation capabilities**

NGA is a leading game community and platform in the PRC. Over the years, NGA has retained a large number of experienced gamers who are willing to actively share their gameplay experience and the game ratings in NGA has become one of the most authoritative reference standards in the game industry in the PRC. Furthermore, NGA has not only created an engaging game community that attracts and retains gamers, but also provides a powerful distribution, testing and evaluation platform for game developers in respect of distributing games and efficient game review procedures. In view of that, we agree that the Group could enjoy strong synergy between its mobile games and NGA. It is believed that the Group's diverse game portfolio could be able to attract a growing user base for NGA who are passionate about discussing games and sharing game play experience, while NGA's game community allows the Group to better understand and meet gamers' needs for high quality games and effectively follow the market trends.

Therefore, we concur with the Directors that the transactions contemplated under the NGA Exclusive Franchise Agreement could build strong capabilities in game publishing and operation, which enable the Group to accurately capture player's interest and achieve, coupled with the Group's ability to capture evolving market trends for game publishing and distribution, it would become a key success factor for the Group.

### **(c) Broaden the Group's customer base and diversify its revenue sources**

We also understand from the Management that based on the existing functions of NGA, NGA helps advertisers and/or developers promote their games through placing advertisements on the home page of NGA. NGA feeds different gamers with personalised advertisements based on big data analysis of gamer data generated on NGA, such as their download or browsing history. Therefore, by operating the NGA platform, the Group shall be able to provide online marketing and/or advertising services to specific game developers so as to broaden its customer base and diversify its revenue sources by way of offering a wider service scope.

*Note:* Statista.com is a leading website providing market and consumer data with over 1,100 visionaries, experts and doers continuously reinvent Statista.com

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## LETTER FROM DILIGENT CAPITAL

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**(d) Bolstering the Group to reduce costs and enhance operating efficiency**

Having considered the stable and reliable well-established relationship between the Group and the Infinities Group, we concur with the Directors that the Infinities Group shall be able to offer customised proposals for the Advertising Services in line with the business needs of the Group, enabling the Group to satisfy its customers needs.

As the Infinities Group is one of the leading Qualified Agents, we agree that it has more direct and deep knowledge of the advertising industry. Also, the Infinities Group is familiar with the business of the Group, therefore can better foresee the business needs of the Group. As such, we concur that the Infinities Group is able to offer flexible, convenient, customised and cost-effective services to the Group.

**(e) The Group shall use the Advertising Services on a voluntary and non-exclusive basis**

The Advertising Traffic Mutual Supply Agreement is non-exclusive with no restrictions on the Group's options to appoint any other Qualified Agent(s) to meet its needs for the Advertising Services. Only when the rates or fees or the other relevant transaction terms offered by the Infinities Cayman are equivalent to or more favourable than those offered by other cooperative Qualified Agent(s), the Group may enter into transactions with Infinities Cayman at its discretion. Under the circumstances which the Group considers appropriate, the Group may engage additional or other Qualified Agents other than Infinities Cayman to provide the Advertising Services.

**(f) The favourable commercial terms offered by the Infinities Group**

Pursuant to the Advertising Traffic Mutual Supply Agreement, as regards to the each of the Traffic Procurement Transactions and the Traffic Supply Transactions, the price and terms offered by the Infinities Group shall be no less favourable than those entered into by the Group and other Qualified Agents, which are Independent Third Parties, in relation to the procurement or supply of identical and/or similar services by the Group.

As advised by the Management, the Group has already implemented internal controls to ensure that service transactions entered into between Emperor and Infinities Cayman will follow the aforesaid conditions and the relevant price and terms offered will not be higher than other offered by other Qualified Agent(s) for the Advertising Service in the same period and of the same type.

In view of the above, the fees charged by Infinities Cayman in respect of the Advertising Services provided to the Group will be equivalent to or more favourable than those charged by other Qualified Agents in respect of similar services.

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## LETTER FROM DILIGENT CAPITAL

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**(g) The effectiveness of the Group's internal control measures over the transactions contemplated under the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement Advertising Services taken by the Group**

As set out in the Letter, we understand that the Group has adopted the following internal control measures over the Advertising Services:

- (i) the finance department of the Company shall make references to at least two independent third parties for the annotations and/or pricing records and the period of references to be considered;
- (ii) the finance department of the Company shall obtain and monitor the quotations and/or pricing records monthly as reference prices of the transactions under the Advertising Traffic Mutual Supply Agreement to ensure that the prices of the Services to be acquired/supplied by the Group to/from Infinities Cayman are fair and reasonable and no less favourable to the Group than the prices at which the same or comparable types of services are acquired/supplied by the Group to/from Independent Third Parties;
- (iii) the finance department of the Company shall obtain and monitor the quotations and/or pricing records quarterly as reference prices of the transactions under the NGA Exclusive Franchise Agreement to ensure that the franchise fee of NGA Services to be paid by the Group to Infinities Cayman is fair and reasonable and no less favourable to the Group than the prices at which the same or comparable types of services are purchased by the Group from Independent Third Parties;
- (iv) the finance department of the Company shall quarterly monitor and ensure that the transactions contemplated under the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement are and will be conducted in accordance with its terms and the relevant annual caps are not exceeded;
- (v) the Board will continue to semi-annually review the Company's internal control systems and their effectiveness; and
- (vi) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the Company's internal control systems, their effectiveness and the continuing connected transactions under the Advertising Traffic Mutual Supply Agreement and NGA Exclusive Franchise Agreement and the Proposed Annual Caps in accordance with the requirements of the Listing Rules.

In order to further evaluate the above, we had reviewed (i) three sample quotations on the Advertising Services from independent service providers; (ii) the internal control procedures regarding the Company's continuing connected

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## LETTER FROM DILIGENT CAPITAL

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transactions; (iii) three past transactions of the Advertising Services entered into by the Group on a non-exclusive and random basis. We also noticed that the Group may select at its discretion other independent service provider(s) to provide the relevant advertising services.

Prior to entering into any specific agreements with Infinities Cayman, the Group will compare the rates or fees and the other relevant transaction terms (e.g. transaction approval conditions, procedures or time limit) offered by Infinities Cayman with those offered by the major cooperative independent service providers of the Group for the Advertising Services in the same period and of the same type. Only when the fees or the other relevant transaction terms offered by the Infinities Cayman are equivalent to or more favourable than those offered by the major cooperative independent service providers of the Group, the Group may enter into transactions with Infinities Cayman at its discretion.

The Management has also confirmed that the Company will strictly follow the corresponding internal procedures and based on the reasons above, the Management believes that the services contemplated under the Advertising Traffic Mutual Supply Agreement and the NGA Exclusive Franchise Agreement are on normal commercial terms or better which are fair and reasonable.

We also understand that by the end of each financial year, the Company's Auditor will perform procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 and with reference to Practice Note 740 by conducting sample checks on the continuing connected transactions entered into between the Group and Infinities Cayman to confirm that the continuing connected transactions are, in all material respects, in accordance with the pricing policies as stated in the relevant agreements.

Based on the above, we consider that the pricing policies of the transactions contemplated under the Advertising Traffic Mutual Supply Agreement and the NGA Exclusive Franchise Agreement are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned.

### **Conclusion**

After considered the above factors, we concur with the Directors that (i) the Group has to request for the Advertising Services from the Infinities Group from time to time as part of its advertising business activities; (ii) the Advertising Services have been conducted on normal commercial terms and the terms offered by Infinities Cayman are equal to or favourable to the Group as compared to other independent service providers; (iii) the terms under Advertising Traffic Mutual Supply Agreement do not preclude the Group from taking the services of other financial institutions. In other words, there is no restriction on the Group to select other independent service providers in any event if the Management consider that it is fit and appropriate and in the interest of the Company as a whole; and (iv) there is a sound internal control to ensure the compliance with applicable Listing Rules and the safeguard of the Group's service fee and/or commission rate, therefore, we are of the view that, the entering into of the Financial Services Agreement

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## LETTER FROM DILIGENT CAPITAL

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allows the Company to utilise the Advertising Services and the NGA Services with additional capacities given the terms offered by the Infinities Cayman are more favourable; and (v) the control over the Advertising Services and the NGA Services are well established, we conclude that the entering into of each the Advertising Traffic Mutual Supply Agreement and the NGA Exclusive Franchise Agreement is in the interest of the Company and the Independent Shareholders as a whole.

### 3. Principal terms of the Advertising Traffic Mutual Supply Agreement

On 23 June 2023, Emperor entered into the Advertising Traffic Mutual Supply Agreement with Infinities Cayman. Set out below are the principal terms of the Advertising Traffic Mutual Supply Agreement:

- Date:** 23 June 2023
- Parties:** (i) Emperor; and  
(ii) Infinities Cayman.
- Term:** From 1 July 2023 to 31 December 2025 (both days inclusive), subject to the fulfilment of the following conditions precedent:
- (i) the Company issuing a circular and obtaining the approval from the Independent Shareholders in relation to the transactions contemplated under the Advertising Traffic Mutual Supply Agreement in accordance with the Listing Rules; and
  - (ii) the approval from the board of directors of Infinities Cayman in relation to the transactions contemplated under the Advertising Traffic Mutual Supply Agreement.
- Scope of services:** Emperor has conditionally agreed to purchase and/or supply the Advertising Services from/to Infinities Cayman during the term of the Advertising Traffic Mutual Supply Agreement, provided that (i) the member of the Group is awarded with the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate at arm's length regarding the commercial terms to be set out in the individual agreements for the Services.

Emperor and Infinities Cayman will enter into individual agreements from time to time for the purchase and/or supply of the Advertising Services.

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## LETTER FROM DILIGENT CAPITAL

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- Pricing basis:** The price and terms of any individual agreement(s) to be entered into between the Group and Infinities Cayman shall be
- (i) determined based on arm's length negotiations and on normal commercial terms and in the ordinary course of business; and
  - (ii) more favourable than those entered into between the Group and the Independent Third Party(ies) in relation to the procurement/supply of identical and/or similar services requested or offered by the Group.
- Pricing determination and settlement progress:**
1. The customer must place the order to the Advertising Services acquirer (the "**Acquirer**") (*Note*) for acquiring advertising traffic at market price;
  2. The Acquirer will request a quote from the Supplier for the Advertising Services, which will be compared by the Acquirer with the quote obtained from independent third-party advertising services suppliers;
  3. The Acquirer will confirm the order with the Advertising Services supplier (the "**Supplier**") (*Note*) and enter into individual agreement(s) based on the pricing basis under the Advertising Traffic Mutual Supply Agreement, which refers to a price that is more favourable to the Group;
  4. The Acquirer shall pay the Supplier to secure advertising traffic; and
  5. The customers must settle payment with the Acquirer in accordance with the terms and payment schedule as agreed under the individual service agreement.

*Note:*

For the Traffic Procurement Transactions, the Acquirer refers to the Company and the Supplier refers to Infinities Cayman. Conversely, for the Traffic Supply Transactions, the Acquirer refers to Infinities Cayman and the Supplier refers to the Company.

- Settlement method:** The consideration for the Advertising Services shall be settled upon completion of the said services according to the settlement schedule as agreed under the individual agreement(s) to be entered into between the Group and Infinities Cayman in accordance with the Advertising Traffic Mutual Supply Agreement.

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## LETTER FROM DILIGENT CAPITAL

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**Proposed Annual caps: (i) The Traffic Procurement Transactions**

The maximum amount of the Traffic Procurement Transactions during the aforesaid term shall not exceed RMB150 million for the period from 1 July 2023 to 31 December 2023 and RMB400 million for each of the year ending 31 December 2024 and 2025.

**(ii) The Traffic Supply Transactions**

The maximum amount of the Traffic Supply Transactions during the aforesaid term shall not exceed RMB45 million for the period from 1 July 2023 to 31 December 2023 and RMB120 million for each of the year ending 31 December 2024 and 2025.

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## LETTER FROM DILIGENT CAPITAL

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### 4. Principal terms of the NGA Exclusive Franchise Agreement

On 23 June 2023, Emperor entered into the NGA Exclusive Franchise Agreement with Infinities Cayman. Set out below is the principal terms of the NGA Exclusive Franchise Agreement:

- Date:** 23 June 2023
- Parties:** (i) Emperor; and  
(ii) Infinities Cayman.
- Term:** From 1 July 2023 to 31 December 2025 (both days inclusive), subject to the fulfilment of the following conditions precedent:
- (i) the Company issuing a circular and obtaining the approval from the Independent Shareholders in relation to the transactions contemplated under the NGA Exclusive Franchise Agreement in accordance with the Listing Rules; and
  - (ii) the approval from the board of directors of Infinities Cayman in relation to the transactions contemplated under the NGA Exclusive Franchise Agreement.
- Scope of services:** Emperor, as a franchisee, has conditionally agreed to acquire the exclusive operation rights from Infinities Cayman to provide the NGA Services during the term of the NGA Exclusive Franchise Agreement, provided that (i) the member of the Group is awarded with the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate at arm's length regarding the commercial terms to be set out in the individual agreements for the NGA Services.
- Pricing basis:** Unless otherwise agreed between Emperor and Infinities Cayman, the NGA brand authorization will continue to be valid during the term of the NGA Exclusive Franchise Agreement. The annual franchise fee is calculated based on the following formula:
- Gross sales proceeds (net of VAT) arising from the exclusive right to operate the "NGA" brand x commission rate of 15% or less based on the sales of the operation of exclusivity rights charged by Infinities Cayman



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## LETTER FROM DILIGENT CAPITAL

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Emperor and Infinities Cayman may enter into individual agreements from time to time for the NGA Services. If this is the case, the price and terms of the individual agreements shall be

- (i) determined based on arm's length negotiations and on normal commercial terms and in the ordinary course of business; and
- (ii) more favourable than those entered into between the Group and the Independent Third Party(ies) in relation to the identical and/or similar services request or offered by the Group

**Settlement method:** The consideration for the NGA Services shall be settled upon completion of the said services according to the settlement schedule as agreed under the individual agreement(s) to be entered into between the Group and Infinities Cayman in accordance with the NGA Exclusive Franchise Agreement.

**Proposed Annual caps:** The maximum amount of the NGA Franchise Transactions during the aforesaid term shall not exceed RMB12.5 million for the period from 1 July 2023 to 31 December 2023 and RMB25 million for each of the year ending 31 December 2024 and 2025.

### 5. Basis of the Proposed Annual Caps

Set out is the basis of and our assessment on the Proposed Annual Caps each of (i) the transactions contemplated under the Advertising Traffic Mutual Supply Agreement; and (ii) the transactions contemplated under the NGA Exclusive Franchise Agreement.

#### 5.1 The transactions contemplated under the Advertising Traffic Mutual Supply Agreement

When determining the Proposed Annual Caps of the transactions contemplated under the Advertising Traffic Mutual Supply Agreement, the Directors have taken reference to (i) the potential sales order amount from potential customers as secured by the Group; (ii) the background of the said potential customers; (iii) the charge of the Advertising Services offered and/or charged each of Emperor and Infinities Cayman; (iv) the prevailing business and operation scale of the Group; (v) the anticipated development and growth of the Group's advertising distribution services; and (vi) the overview of the advertising distribution services market in the PRC.

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## LETTER FROM DILIGENT CAPITAL

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We have discussed with the Management and understand that they have prepared a projection outlining the estimated contract value for the Advertising Services to be provided to the potential customers by Emperor during the term of the Advertising Traffic Mutual Supply Agreement (the “**Advertising Traffic Projection**”). We examined the relevant calculations and discussed the underlying assumptions with the Management to evaluate the fairness and reasonableness of the Proposed Annual Caps. The Proposed Annual Caps are based on the following factors and assumptions:

- i) under the Group’s existing advertising business model, the Group charges the advertiser(s) for the Advertising Services primarily measured by a mix of cost per time (CPT) and cost per mille (CPM), while the Group acquires user traffic from Infinities Cayman to place its advertisements online and pay traffic acquisition costs based primarily on the same mechanism;
- ii) with the continuous advancement of technology and the widespread availability of captivating content, the online marketing industry is expected to become a major driver of the overall advertising sector. As a result, there will likely be an increasing demand for advertising services;
- iii) with the confirmation given by the Infinities Group, the Group shall expand its sales and marketing team by inviting the existing sales team of the Infinities Group to join and promote the services offered by the Group. The marketing efforts shall be focused on (a) shifting the existing customers from the Infinities Group to Emperor by offering a broader scope of services, such as quality online content services, comprehensive marketing solutions and grant rebates in the form of prepayment, (b) identifying target audiences whom the advertisements will likely interest, such as gamer(s), game developer(s) and game publisher(s); (c) deepening relationships with existing customers; and (d) exploring untapped business opportunities;
- iv) leveraging the established relationship between the Group and the Infinities Group, both can increase brand exposure and acquire new customers through industry exhibitions; and
- v) based on the memoranda of understanding entered into between Emperor and the potential customers (the “**Customers**”), who have indicated their interest in the Group’s marketing and solution services (including the Advertising Services), it is expected that the total sales order shall be able to reach an amount of not less than RMB250 million and RMB580 million for the second half of 2023 and the year 2024, respectively. It is anticipated that Emperor will enter into the final agreement with the Customers and proceed to carry out the Advertising Services after all necessary approvals obtained by the Group for the transactions contemplated under the Advertising Traffic Mutual Supply Agreement.

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## LETTER FROM DILIGENT CAPITAL

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To further assess the reasonableness of the Proposed Annual Caps for the transactions contemplated under the Advertising Traffic Mutual Supply Agreement, we summarised our view as below:

- a) we concur with the Management that the Proposed Annual Caps set a level with certain degrees of buffer in order to enable the Group and the Infinities Group to earn advertising income through cooperation with each other and cater to unforeseen demand;
- b) with the exclusive Advertising Services offered by Infinities Cayman, the Group will take clear advantages over other third-party service providers in the industry when promoting the Advertising Services;
- c) after obtaining a list of Customers who are interested in the Advertising Services, we randomly reviewed five signed Memorandum of Understandings. We found that six of these Customers are projected to contribute not less than RMB250 million and RMB580 million to the Group's advertising revenue for the second half of 2023 and the year 2024, respectively. These Customers are well-established information technology companies in China that develop and distribute mobile applications, games, services, and other internet technologies. We have verified their background through public sources and found that they have a significant demand for the Advertising Services due to their business scale and market exposure. The Customers currently acquire advertising traffic from the Infinities Group. However, the Group has taken over the responsible team for these Customers and has added value-added services to its offerings. The Infinities Group is committed to collaborating with the Group for Advertising Services, and the Group expects a significant increase in our advertising revenue if the Transactions materialize. The expected cost to be incurred with Infinities Cayman is in line with the Proposed Annual Caps; and
- d) we understand that the Infinities Group caters to their customers' needs by acquiring user traffic from other media partners to place advertisements online. Historical records show that traffic acquisition costs contribute to at least 30% of the Infinities Group's total contract value per year, with a minimum amount of RMB50 million. Regarding the remaining caps, we have been informed that the Infinities Group plans to recommend Emperor's Advertising Services to its current clients. It is projected that the demand from these clients will result in an annual contract value of at least RMB70 million. Therefore, we agree with the Management's decision to form a commercial partnership under the Advertising Traffic Mutual Supply Agreement. The Infinities Group will use the Advertising Services offered by the group and contribute to a certain level of advertising revenue.

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## LETTER FROM DILIGENT CAPITAL

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Based on the above, we concur with the Directors about the basis of determining the Proposed Annual Caps for the transactions contemplated under the Advertising Traffic Mutual Supply Agreement and considered fair and reasonable so far as the Independent Shareholders are concerned.

### 5.2 The transactions contemplated under the NGA Exclusive Franchise Agreement

While determining the Proposed Annual Caps of the transactions contemplated under the NGA Exclusive Franchise Agreement, the Directors have taken reference to (i) the historical financial performance of NGA; (ii) the potential cooperation size as committed by the potential customers; (iii) the background of said potential customers; (iv) the prevailing business and operation scale of the Group; and (v) the overview of the gaming and advertising market in the PRC.

We have discussed with the Management and understand that they have prepared a projection which sets out the estimated information service revenue primarily generated through providing online marketing services to advertisers on the NGA platform during the term of the NGA Exclusive Franchise Agreement. To determine if the Proposed Annual Caps are fair and reasonable, we have examined the calculations and discussed the underlying assumptions with the Management. The Proposed Annual Caps are based on the following factors and assumptions:

- a) the Group shall be able to monetize the cooperation with NGA through generating (i) information service revenue by providing online marketing services to advertisers and charging customers for its services based on CPT and CPM pricing models and (ii) distribution platform fee by offering game distribution services to game developers and publishers and charging customers based on a percentage of the game price;
- b) it is the plan of the Group, after taking over the operation rights of the NGA, that it will continue the digital transformation of its network and operation of the NGA, and its ability in offering new platform services, such as publication of mobile games;
- c) since 2023, the Group has been discussing with game developers for providing an effective distribution platform, especially those small to medium independents lacking strong brands or connections to distribution platforms. Through NGA, the Group can provide developers with convenient solutions for game distribution, game testing, game monitoring, and online marketing. Based on the strategic cooperation agreements between the Group and the game developers (the “**Developers**”), it is committed that after all necessary approvals obtained by the Group for the transactions contemplated under the NGA Exclusive Franchise Agreement, the Developers will register with NGA and distribute or test their games on NGA. Based on the initial committed size of cooperation as set out in the said agreements, it is expected that the Group could generate distribution platform fees of approximately RMB70 million and RMB150 million for the second half of 2023 and the year 2024, respectively;

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## LETTER FROM DILIGENT CAPITAL

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- d) based on the historical financial information, the average annual gross information service revenue generated from of operating the NGA platform for the years 2019 to 2022 reached over RMB25 million and the average net profit margin of operating the NGA platform for the years 2019 to 2022 reached over 20% per year;
- e) with a foundation to publish the Group's mobile games, together with the existing advertising services on the NGA platform, it is anticipated that the sales amount generated from operating the NGA platform would increase significantly during the term of the NGA Exclusive Franchise Agreement.

To further assess the reasonableness of the Proposed Annual Caps for the transactions contemplated under the NGA Exclusive Franchise Agreement, we have summarised our view as below:

- a) we agree with the Management's proposal for the Proposed Annual Caps, as it creates a means for the Group to collaborate with NGA. NGA has access to a large visitor base which can benefit the group by generating significant traffic from private media channels. This enhanced exposure can help the Group improve its brand image and attract more advertisers, resulting in increased monetization opportunities;
- b) we have received a list of Developers who are expected to contribute to the NGA Services offered by our Group through NGA. After reviewing five signed strategic cooperation agreements on a non-exclusive and random basis, we have noticed that these Developers will bring in a total contract value of not less than RMB70 million and RMB150 million for the second half of 2023 and the year 2024, respectively. We have conducted a background check on the Developers using public sources and found that they are PRC game developers with a portfolio of online and mobile games in China. Furthermore, the Group has established a long-standing business relationship with these Developers, and they are committed to collaborating with the Group for the NGA Services. Based on these findings, we believe that the Group's demand for NGA services will significantly increase if these transactions materialize, which will support the Proposed Annual Caps;
- c) apart from the above proprietary distribution platform, the Group will publish its self-developed games through NGA. The Group is a game developer with leading positions in China, and it is expected that approximately RMB17 million will be contributed by distributing the Group's self-developed games for the second half of 2023 and RMB20 million for the year 2024. The Directors believe that the collaboration with NGA in game licensing, publishing, and distribution can maximize each other's earnings from the games that the Group develops in-house;

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## LETTER FROM DILIGENT CAPITAL

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- d) we concur that the Proposed Annual Caps set a level with certain degrees of buffer in order to enable the Group and the Infinities Group to share profits through operating the NGA platform and cater to unforeseen demand;
- e) the content exchange platform nature of NGA also helps the Group to differentiate from its competitors and allows it to monetize the NGA user traffic through offering marketing solutions;
- f) we concur that there is an anticipated growing demand for the services provided through the NGA platform. Having said that the recent PRC government initiative to promote the digital culture industry, the openness of the PRC game market is increasing, which has contributed to the growth potential of the PRC game community platform. Also, with the introduction of the game distribution functions in the NGA platform, it is expected that it can attract a considerable number of game developers by providing a range of value-added services, such as game testing and user data analysis. Based on this rationale, we concur with the Management that the demand for the services is increasing which in turns support the significant increase in revenue and profit generated from the NGA operation during the term of the NGA Exclusive Franchise Agreement; and
- g) apart from the potential financial return, the Group benefits greatly from NGA's game distribution platform. This creates strong synergies for the Group as both game developer and publisher. NGA offers convenient solutions for game distribution, game testing, game monitoring, and online marketing. Through these services, the Group can take advantage of NGA's mature networks to reach a wider audience base. Additionally, the Group can explore opportunities to cooperate with emerging industry players in the online marketing industry, which can help broaden the audience reach for advertisers.

Based on the above, we concur with the Directors about the basis of determining the Proposed Annual Caps for the transactions contemplated under the NGA Exclusive Franchise Agreement and considered fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM DILIGENT CAPITAL

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### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the terms of the Advertising Traffic Mutual Supply Agreement and the NGA Exclusive Franchise Agreement are (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms; (iii) fair and reasonable; and (iv) in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully  
For and on behalf of  
**Diligent Capital Limited**  
Felix Huen  
*Director*

\* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese names prevail.*

## 1. 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.

## 2. DISCLOSURE OF INTERESTS

### (i) Directors and the chief executives of the Company

Save as disclosed below, as at Latest Practicable Date, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange:

Name of Director	Capacity/Nature of interests	Total number of Shares	Approximate percentage of shareholding (%)
Mr. Wang Le <sup>(1)</sup>	Interest in controlled corporation/Long position	335,721,719	54.77

*Notes:*

- (1) These Shares were held by Infinities Global, a limited company owned as to approximately 53.74% by Infinities Worldwide. Infinities Worldwide is a direct wholly-owned subsidiary of Infinities B&M, which is a direct wholly-owned subsidiary of Infinities Cayman. Infinities Cayman was held as to approximately 24.76% by its largest shareholder (i.e. Zhouqinhantang Technology Management Ltd.) as at the Latest Practicable Date. Zhouqinhantang Technology Management Ltd. was indirectly controlled by Mr. Wang Le (the chairman of the Company and an executive Director) as to 50% and Ms. An Fenghua as to 50%. Mr. Wang Le and Ms. An Fenghua are the ultimate controllers of Infinities Global.



**(ii) Substantial Shareholders**

As at Latest Practicable Date, to the best knowledge of the Directors, the followings are the persons (not being Directors or chief executives of the Company), who had interests or short positions in the Shares and underlying Shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholder	Capacity/Nature of Interests	Total number of Shares	Approximate percentage of shareholding (%)
Ms. An Fenghua <sup>(1)</sup>	Interest in controlled corporation/ Long position	335,721,719	54.77
Infinities Cayman <sup>(1), (3)</sup>	Interest in controlled corporation/ Long position	335,721,719	54.77
Infinities B&M <sup>(1), (3)</sup>	Interest in controlled corporation/ Long position	335,721,719	54.77
Infinities Worldwide Limited <sup>(1), (3)</sup>	Interest in controlled corporation/ Long position	335,721,719	54.77
Ms. Liu Xiaoke <sup>(2)</sup>	Interest in controlled corporation/ Long position	335,721,719	54.77
Infinities Global <sup>(1), (2), (3)</sup>	Beneficial interest/Long position	335,721,719	54.77

*Notes:*

- (1) These Shares were held by Infinities Global, a limited company owned as to approximately 53.74% by Infinities Worldwide. Infinities Worldwide is a direct wholly-owned subsidiary of Infinities B&M, which is a direct wholly-owned subsidiary of Infinities Cayman. Infinities Cayman was held as to approximately 24.76% by its largest shareholder (i.e. Zhouqinhantang Technology Management Ltd.) as at the Latest Practicable Date. Zhouqinhantang Technology Management Ltd. was indirectly controlled by Mr. Wang Le as to 50% and Ms. An Fenghua as to 50%. Mr. Wang Le and Ms. An Fenghua are the ultimate controllers of Infinities Global.
- (2) These Shares were held by Infinities Global, a limited company owned as to approximately 46.26% by Ms. Liu Xiaoke.
- (3) Mr. Wang Le, our executive Director, is also a director of Infinities Cayman, Infinities B&M, Infinities Worldwide Limited and Infinities Global. Save as disclosed, no Director is an employee or director of any substantial shareholder of the Company.

### 3. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates that has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, save and except for the following:

#### **Infinites Technology Group**

Infinites Technology Group was founded in 2012 and is principally engaged in technology and media businesses in the PRC. Infinites Technology Group is controlled by Infinites Cayman pursuant to contractual arrangements, and Infinites Cayman is ultimately controlled by, among others, Mr. Wang Le who is an executive Director and a controlling shareholder of the Company. Mr. Wang Le is also the chairman of Infinites Technology Group. Infinites Technology Group engages in the sale of console game hardware and related products, media operations (including campus social media platform (Renren.com (人人網)), the Chinese online gaming social platform (NGA.cn)), online advertising business (廣告流量業務), and online gaming business, which may compete or is likely to compete, either directly or indirectly, with the Group's existing businesses.

Mr. Wang Le, an executive Director, is the chairman of Infinites Technology Group and Mr. Chen Ying, an executive Director, is the secretary of the board of Beijing Infinites Interactive Media Company Limited\* (北京多牛互動傳媒股份有限公司), the major operating subsidiary of the Infinites Cayman Group. Both of them are not involved in the daily operation of Infinites Technology Group. By reasons of the fact that Infinites Technology Group and the Group have (i) different management teams; (ii) different development and operation systems; (iii) independent sales and marketing activities; (iv) different target customers; and (v) different independent financial and accounting systems, the Directors held the view that the Group is financially and operationally independent from Infinites Technology Group. The Company has established relevant corporate governance measures to avoid conflicts of interest between the Group and any Director, such as a Director shall abstain from voting and shall not be counted towards the quorum for voting on any matters which he/she might be in conflict of interest. The Directors considered that the operations of Infinites Technology Group would not affect the Group's business.

### 4. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement, which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2022, the date of which the latest published audited consolidated financial statements of the Company were made up.

## 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

## 6. QUALIFICATIONS AND CONSENT OF EXPERTS

The following are the qualifications of the experts whose opinions or advice are contained in this Circular:

<b>Name</b>	<b>Qualifications</b>
Diligent Capital Limited	A corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Diligent Capital:

- (1) had no direct or indirect shareholdings in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and
- (2) had no interests, direct or indirect, in any assets which had been, since 31 December 2022 being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any of member of the Group, or are proposed to be acquired or disposed of by or leased to any of member of the Group.

Diligent Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion therein of its letter dated 11 October 2023 in the form set out in the Letter from Diligent Capital in this Circular, report or opinion and reference to its name in the form and context in which they respectively appear.

## 7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 8. LITIGATION

In January 2022, Shanghai Lilith Network Technology Company Limited\* (上海莉莉絲網絡科技有限公司) and Shanghai Lilith Computer Technology Company Limited\* (上海莉莉絲計算機技術有限公司) initiated legal proceedings to claim for economic loss, together with other expenses, totaling approximately RMB30.2 million against defendants, which include Beijing Xinlian Information Technology Company Limited\* (北京新連信息技術有限公司) and Guangzhou Family Communications Technology Company Limited\* (廣州市家庭通信科技有

限公司), both are indirect non-wholly owned subsidiaries of the Company. Since the claim is still at an early stage, the eventual impact on the Group could not be determined. Details of the said litigation are set out in the Company's announcement dated 18 January 2022.

As at the Latest Practicable date, save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## 9. DOCUMENTS ON DISPLAY

A copy of each of the following documents will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website (<https://www.infinities.com.hk>) for a period of 14 days from the date of this circular:

- (a) the Advertising Traffic Mutual Supply Agreement;
- (b) the Supplemental Advertising Traffic Mutual Supply Agreement;
- (c) the NGA Exclusive Franchise Agreement;
- (d) the letter from the Board dated 11 October 2023, the text of which is set out on pages 6 to 28 of this circular;
- (e) the letter of recommendation from the Independent Board Committee dated 11 October 2023, the text of which is set out on pages 29 to 30 of this circular;
- (f) the letter of advice from Diligent Capital Limited dated 11 October 2023, the text of which is set out on pages 31 to 53 of this circular;
- (g) the written consent from Diligent Capital Limited; and
- (h) this circular.

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## NOTICE OF EGM

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# Infinites Technology International (Cayman) Holding Limited 多牛科技國際(開曼)集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1961)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Infinites Technology International (Cayman) Holding Limited (the “**Company**”) will be held at Infinites Media Center, Baosheng Eastern Road, Haidian District, Beijing, People’s Republic of China on Wednesday, 25 October 2023 at 2:00 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions each to be proposed as an ordinary resolution of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the framework agreement dated 23 June 2023 (“**Advertising Traffic Mutual Supply Agreement**”) and the supplemental framework agreement dated 6 October 2023 (“**Supplemental Advertising Traffic Mutual Supply Agreement**”) (a copy of the Advertising Traffic Mutual Supply Agreement and a copy of the Supplemental Advertising Traffic Mutual Supply Agreement have been produced at the meeting marked “A” and “B”, respectively, and signed by the chairman of the meeting for identification purpose), the terms and conditions thereof and the transactions contemplated thereunder, and the relevant proposed annual cap amounts of the transactions contemplated under the Advertising Traffic Mutual Supply Agreement as revised and supplemented by the Supplemental Advertising Traffic Mutual Supply Agreement for each of the six months ending 31 December 2023 and the years ending 31 December 2024 and 2025 as shown in the Company’s circular dated 11 October 2023 be and are hereby approved, confirmed and ratified; and
- (b) the directors (the “**Directors**”) of the Company acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever as he or they may, in his/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, implementing and/or giving effect to the above matters.”

2. “**THAT:**

- (a) the framework agreement dated 23 June 2023 (“**NGA Exclusive Franchise Agreement**”) (a copy of the NGA Exclusive Franchise Agreement has been produced at the meeting marked “C” and signed by the chairman of the meeting for identification purpose), the terms and conditions thereof and the transactions contemplated thereunder, and the relevant proposed annual cap amounts of the transactions contemplated under the NGA Exclusive Franchise Agreement for each of the six months ending 31 December 2023 and the years ending 31 December 2024 and 2025 as shown in the Company’s circular dated 11 October 2023 be and are hereby approved, confirmed and ratified; and

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## NOTICE OF EGM

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- (b) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever as he or they may, in his/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, implementing and/or giving effect to the above matters.”

By order of the Board  
**Infinites Technology International (Cayman) Holding Limited**  
**WANG Le**  
*Chairman*

Hong Kong, 11 October 2023

*Notes:*

1. All resolutions at the EGM will be taken by poll except where the chairman, 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 pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint more than one proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder of the Company presents in person or by proxy shall be entitled to one vote for each share held by him/her.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s branch share registrar 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 the EGM or the adjourned meeting (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 19 October 2023 to Wednesday, 25 October 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Service Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 18 October 2023.
5. References to time and dates in this notice are to Hong Kong time and dates.