THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other registered dealer 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 together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

DISCLOSEABLE AND CONNECTED TRANSACTION

IN RELATION TO THE ACQUISITION OF THE TARGET GROUP HOLDING 60% OF BEIJING WANDE INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

元庫證券有限公司
SILVERBRICKS SECURITIES CO., LTD.

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

DILIGENT CAPITAL

A notice convening the EGM of Infinities Technology International (Cayman) Holding Limited to be held at Infinities Media Center, 4th Floor, Building C, Lingzhi Center, Baosheng East Road, Haidian District, Beijing on Friday, 29 December 2023 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the respective websites of the Stock Exchange (https://www.hkexnews.hk/) and the Company (https://www.infinities.com.hk). Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 2:00 p.m. on Wednesday, 27 December 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meeting thereof if they so wish.

8 December 2023

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Share by the Company from the Vendor, pursuant to the Share Purchase Agreement
"Aggregated Transaction"	the transactions contemplated under the Share Purchase Agreement, aggregated with the Previous Transaction
"Board"	the board of Directors
"Beijing Wande"	Beijing Wande Game Technology Company Limited* (北京玩德遊戲科技有限公司), a limited liability company established under the laws of the PRC, which will indirectly own as to 60% by the Vendor upon Reorganisation
"Business Day"	a day (other than Saturday, Sunday and public holiday) when normal commercial banks in Hong Kong are opened for general banking business
"BVI"	British Virgin Islands
"CAGR"	compared annual growth rate
"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
"Completion"	completion of the Share Purchase Agreement
"Completion Date"	the date of Completion
"Condition(s)"	the condition(s) precedent set out in the Share Purchase Agreement
"Consideration"	the initial consideration of HK$134,820,000 (equivalent approximately RMB126,000,000) for the Sale Share payable by the Company under the Share Purchase Agreement
"Consideration Shares"	96,300,000 Shares to be issued and allotted by the Company pursuant to the Specific Mandate

"Directors"	the directors of the Company
"Duoniu Wande Technology"	Duoniu Wande Technology Company Limited* (多牛玩德科技有限公司), a limited liability company to be established under the laws of the PRC
"EGM"	the extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, approve (i) the Share Purchase Agreement; and (ii) the Specific Mandate
"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 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 Share Purchase Agreement and the transactions contemplated thereunder
"Independent Shareholders"	those Shareholders other than Infinities Global and its associates
"independent third party(ies)"	individual(s) or company(ies) who is not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
"Independent Valuer"	Vincorn Consulting and Appraisal Limited
"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

"Infinities Cayman"	Infinities 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%
"Infinities Global"	Infinities Global Technology Limited Partnership, a limited company formed in the BVI with limited liability and is owned as to approximately 53.74% by Infinities Worldwide as at the Latest Practicable Date, which is its sole general partner. Infinities Global held approximately 54.77% of the issued Shares as at the Latest Practicable Date
"Infinities Wonder HK"	Infinities Wonder (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
"Issue Price"	HK$1.4 per Consideration Share
"Latest Practicable Date"	6 December 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAU(s)"	the Monthly Active User(s)
"PRC"	the People's Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Previous Transaction"	the transaction announced by the Company on 23 June 2023 whereby the Company and Infinities Cayman entered into a joint venture agreement for the formation of a joint venture
"Projection Period"	period from 2023 to 2028, which the Valuation based on

"Reorganisation"	such arrangement and restructuring of companies comprising the Target Group in accordance with the terms of the Share Purchase Agreement, further details of which are set out in the paragraph headed "Reorganisation" in this circular
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Share"	the entire issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Purchase Agreement"	the agreement dated 8 September 2023 entered into between the Company and the Vendor in relation to the Acquisition
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholding Ratio"	the ratio of the Consideration Shares represents (i) approximately 15.71% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 13.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares
"Specific Mandate"	the specific mandate proposed to be granted to the Directors to allot and issue the Consideration Shares at the EGM
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Infinities Wonder Limited, a company incorporated in the BVI with limited liability
"Target Group"	the Target Company and its wholly-owned or partially-owned companies upon completion of the Reorganisation
"Valuation"	the valuation of 100% equity interest of Beijing Wande by adopting the income approach as approximately HK$227,910,000 (equivalent to approximately RMB213,000,000) according to the Valuation Report

"Valuation Report"	valuation report prepared by the Independent Valuer dated 29 September 2023, which sets out a valuation on the 100% equity interest of the Beijing Wande as of 30 June 2023
"Vendor" or "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
"Wande Game"	Wande Game Technology Company Limited* (玩德遊戲科技有限公司), a limited liability company to be established under the laws of the PRC
"WFOE"	a wholly foreign owned enterprise which will be established in the PRC with limited liability before Completion, and the equity interest of which will be held by the Hong Kong Company
"%"	per cent

In this circular, the terms "associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

* *For identification purposes only*

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)

Executive Directors:
Mr. Wang Le *(Chairman)*
Mr. Chen Ying

Non-executive Directors:
Mr. Liang Junhua
Mr. Wang Ning

Independent non-executive Directors:
Mr. Leung Ming Shu
Mr. Tang Shun Lam

Registered office in the Cayman Islands:
Cricket Square
Hutchins Drive, PO 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

8 December 2023

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

IN RELATION TO THE ACQUISITION OF THE TARGET GROUP HOLDING 60% OF BEIJING WANDE INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 8 September 2023 and the further announcement of the Company dated 29 September 2023 in relation to entering into the Share Purchase Agreement.

The purpose of this circular is to provide you with, among other things, (i) further information in relation to the above matter; (ii) the recommendation from the Independent Board Committee and the recommendation from Diligent Capital to the Independent Board Committee and the Independent Shareholders; (iii) the general information of the Group; and (iv) a notice for convening the EGM (to consider and, if thought fit, to approve the Share Purchase Agreement and the transactions contemplated thereunder).

The Board is pleased to announce that on 8 September 2023, the Company entered into the Share Purchase Agreement with the Vendor, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company, at the Consideration of HK$134,820,000 (equivalent to approximately RMB126,000,000). The Consideration shall be satisfied by the allotment and issuance of Consideration Shares at the Issue Price on the Completion Date.

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 a connected person of the Company under the Listing Rules. The Share Purchase Agreement entered into between the Vendor and the Company constitute connected transactions under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Consideration Shares will be issued by the Company under the Specific Mandate. The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the EGM.

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION

Details of the Share Purchase Agreement are set out below:

Date: 8 September 2023

Parties:
(a) the Company (as the purchaser); and
(b) Infinities B&M Technology Limited (as the Vendor)

Asset to be acquired

Pursuant to the Share Purchase Agreement, the Company agreed to buy and the Vendor agreed to sell the Sale Share, representing the entire issued share capital of the Target Company, subject to the terms and conditions therein.

The Target Company will own, through its direct and/or indirect subsidiaries, 60% of equity interest in Beijing Wande, partially-owned by the Vendor and/or companies controlled by the Vendor after the Reorganisation. Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company and 60% of equity interest in Beijing Wande. Further information of the Reorganisation and the Target Group is set out in the paragraphs headed "Reorganisation" and "Information of the Target Group", respectively, in this circular.

Based on the information provided by the Vendor, as the Target Group and Beijing Wande was established by the Vendor and not acquired by the Vendor from a third party, there is no original acquisition cost for the Sale Share. Based on the information provided by the Vendor, the cost of Vendor in establishing the Target Company, being the fully paid registered capital, amounted to RMB10 million as at the Latest Practicable Date.

Consideration

Pursuant to the Share Purchase Agreement, the Consideration is HK$134,820,000 (equivalent to approximately RMB126,000,000), which shall be satisfied by way of allotment and issuance of 96,300,000 Consideration Shares to the Vendor at the Issue Price of HK$1.4 per Consideration Share. The Consideration was determined between the parties to the Share Purchase Agreement based on arm's length negotiations after taking into account, among others, (i) 60% of the Valuation in the amount of approximately HK$136,746,000 as at 30 June 2023 with income approach according to the Valuation Report issued be the Independent Valuer; (ii) the results of due diligence performed; and (iii) the Target Group has no other major assets and liabilities other than investment in Beijing Wande.

The Directors consider that the Consideration is fair and reasonable that based on the value of 60% of Beijing Wande referring to the Valuation, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Consideration Shares

The Consideration Shares will be allotted and issued under the Specific Mandate (to be approved by the Independent Shareholders at the EGM) upon the Completion. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the outstanding Shares in issue on the date of the allotment and issue of the Consideration Shares. Application for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued pursuant to the Share Purchase Agreement will be made by the Company to the Stock Exchange.

The Consideration Shares shall be allotted and issued pursuant to the Specific Mandate, and shall rank pari passu with the Shares in issue on the date of allotment and issuance including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issuance.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price of Consideration Shares at HK$1.4 per Share represents:

(i) a same price to the closing price of HK1.4 per Share as quoted on the Stock Exchange on 8 September 2023, being the date of the Share Purchase Agreement; and

(ii) a discount of approximately 3.4% to the average closing price of approximate HK$1.45 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately prior to the date of the Share Purchase Agreement.

The Consideration Shares represent (i) approximately 15.71% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 13.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Issue Price was determined after arm's length negotiations between the Purchaser and the Vendor, with reference to, among others (i) the prevailing market price of the Shares; (ii) the liquidity of the Shares; and (iii) the financial performance of the Group. The Directors (including the independent non-executive Directors but excluding Mr. Wang Le who has abstained from voting on the relevant Board resolutions) consider the Issue Price is fair and reasonable and the issuance of the Consideration Shares at the Issue Price is in the interests of the Company and the Shareholders as a whole.

In circumstances where there is any alteration of the number of the issued Shares by reason of any consolidation or subdivision during the period from the date of the Share Purchase Agreement to the Completion Date, the number of the Consideration Shares and the Issue Price may be adjusted proportionally so that the Shareholding Ratio shall remain unchanged.

Put Option

The Vendor granted to the Company an option (the "**Put Option**") under the Share Purchase Agreement conferring the right to the Company to require the Vendor to purchase all of the Sale Share. The Company may exercise within the period beginning on Completion Date and ending on the 30th Business Day after the date of issuing the annual result of the Group for the year ending 31 December 2026 (the "**Exercise Period**") if:

(a) the valuation of the Target Group as at 31 December of each year during the Exercise Period as to be assessed by an independent valuer and to be confirmed by the auditor of the Company is less than the Consideration, save for the occurrence of any force majeure events as agreed between the parties; or

(b) there occur material outstanding liability(ies) (such as (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities), breach(es) and/or non-compliance(s) in relation to the Target Group during the Exercise Period or before the Completion of the Acquisition but not properly recorded or disclosed by the Target Group.

Having considered that the conditions above prevent the loss to the Company from (i) the loss in fair value of the Target Group, and (ii) the occurrence of the material outstanding liabilities, the Company is of the view that the condition (a) and (b) are fair and reasonable and able to provide sufficient safeguard to the Company.

The consideration payable by the Vendor pursuant to the sale and purchase of the Sale Share upon the exercise of the Put Option by the Company (the "**Option Consideration**") shall be equal to the Consideration. If the Purchaser exercises the Put Option, completion of the sale and purchase of the Sale Share shall take place no later than 21 Business Days after the receipt of the exercise notice from the Company by the Vendor.

The Company will comply with all applicable requirements under the Listing Rules when the Company exercise, terminate and/or decide not to exercise an option to acquire or dispose of the Sale Share if the condition (a) or (b) occurs during the Exercise Period.

The Directors considered that the Put Option potentially provide protection to the Company by allowing it to sell the Sale Share back to the Vendor at a predetermined price settled by cash. Indeed, the Company considered the potential fluctuation in value of the Consideration Shares in the future when determining the settlement arrangement for the Put Option. In order to prevent the loss in fair value for the Consideration Shares in the future, the Company considered cash for the Option Consideration. Also, the Directors considered the background of the Vendor that the annual business scale of Infinities Technology (Cayman) Holding Limited, the holding company of the Vendor, and its subsidiaries ("**Infinities Group**") excess RMB900 million when concern the safeguard to the Company for this Put Option. Therefore, the Company, based on the business scale of the Infinities Group, consider that the Vendor has enough cash to settled the Put Option and the Put Option, and settlement arrangement are sufficient to safeguard the Company's interest, and are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The Option Consideration was arrived at after arms' length negotiation between the Company and the Vendor with reference to the principal amount of the Consideration payable by the Company, which the Directors consider that are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Conditions Precedent

The Completion of the Share Purchase Agreement shall be subject to the fulfillment or, where applicable, waiver of the following Conditions:

(i) the Company having obtained a valuation report in relation to Beijing Wande of which the valuation amount is approximately HK$230,050,000, issued by the independent valuer, in form and substance satisfactory to the Company in its absolute discretion;

(ii) the Company having obtained a legal opinion on Beijing Wande, regarding the legal due diligence of Beijing Wande issued by the PRC legal adviser, in form and substance satisfactory to the Company in its absolute discretion;

(iii) the Company, in its absolute discretion, being satisfied with the results of the due diligence review on, among others, the financial condition, litigation, and other conditions of Beijing Wande;

(iv) the warranties provided by the Vendor contained in the Share Purchase Agreement shall remain true and accurate in all material respects and not misleading in any respect as at the Completion Date and at all times throughout the period from the date of the Share Purchase Agreement to the Completion Date;

(v) the Vendor and the Target Company have not significantly violated the terms and conditions contained in the Share Purchase Agreement as at the Completion Date and at all times throughout the period from the date of the Share Purchase Agreement to the Completion Date;

(vi) upon the completion of the Reorganisation of the Target Company to be the absolute satisfaction of the Company;

(vii) no objection having been raised by the Stock Exchange to the transactions contemplated under the Share Purchase Agreement prior to or on the Completion Date, and the issuance of the announcement and circular pursuant to the Listing Rules;

(viii) the Listing Committee granting approval for the listing of and permission to deal in the Consideration Shares; and

(ix) the passing of the resolution(s) at the EGM to approve the Acquisition and the Specific Mandate.

The Company can waive by notice in writing to the Vendor all or any Conditions excluding the Conditions (vi), (vii) and (viii).

As at the Latest Practicable Date, the Condition (i) has been fulfilled. In the event that any of the Conditions is not fulfilled (or waived) on or before 31 March 2024 or such later date as mutually agreed by the Company and the Vendor, then the parties to the Share Purchase Agreement shall not be bound to proceed with the Acquisition and the Share Purchase Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the Share Purchase Agreement.

Completion

Completion shall take place after all Conditions have been fulfilled or waived or such other date as the parties to the Share Purchase Agreement may mutually agree in writing.

Upon Completion, the Company will hold the entire issued share capital of the Target Company and the Target Company will become a wholly owned subsidiary of the Company and indirectly held 60% equity interest in Beijing Wande, and the financial results of Target Company will remain consolidated into the consolidated financial statements of the Group.

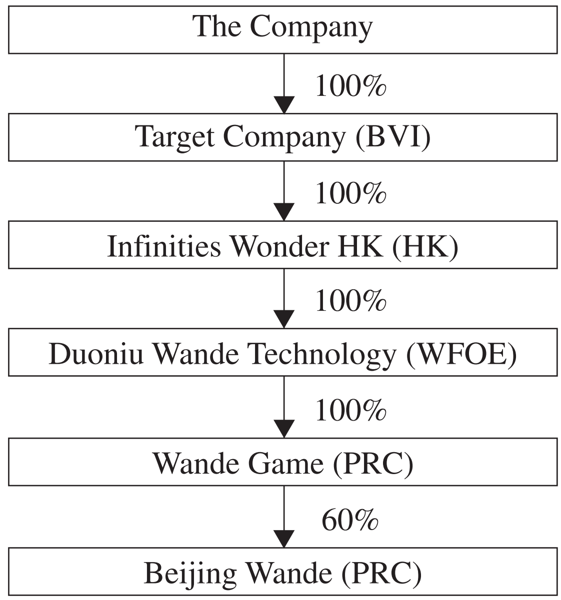
Mandate to issue the Consideration Shares

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate (to be sought at the EGM) and upon Completion.

Reorganisation

Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company, the Target Company's direct/indirect subsidiaries and 60% equity interest in Beijing Wande.

Set out below is a chart showing the corporate and shareholding structure of the Target Group immediately after the completion of the Reorganisation:



REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE PURCHASE AGREEMENT

It has been the business strategy of the Group to proactively seek for potential business opportunities through potential acquisitions or joint ventures to diversify its existing business portfolio into new line of business with growth potential, to broaden its source of income, and eventually to enhance the value of the Shareholders. The Directors believe the Acquisition of the Target Group is in line with the Group's business strategy for the following reasons:

Diversification of Product and Expansion of Portfolio

The Group was principally engaged in the development of casual and popular mobile games. These games, which stand out for their simplicity and convenience of use, have the potential to quickly produce substantial sums of money. The difficulty, though, is that their fleeting popularity might fade just as quickly as it appeared.

Beijing Wande, on the other hand, has focused on development strategy and simulation mobile games ("**SLG Mobile Games**"). These are more complex and provide a longer gaming experience that can hold players' attention for a longer amount of time. As a result of their enduring attractiveness, they offer a reliable, long-term source of income.

The Directors consider the strategic advantage in incorporating SLG Mobile Games development know-how into the operation and believe that this Acquisition would ensure the Company has a broad spectrum of products, capable of generating both immediate and sustained revenue, thereby maximizing financial stability and growth potential.

Rapid Growth of Overseas Mobile Games Business

As Chinese gaming companies innovate in mobile game mechanics, and optimize the game experience and interface, the quality of Chinese mobile games continues to improve, and the pace of going global is gradually accelerating. According to the report from Frost and Sullivan, an independent market researcher and consultant, to analyse and report to the size of the Chinese mobile game overseas market (by operating income) increased from RMB57.4 billion to RMB88.7 billion from 2017 to 2021, with a CAGR of 11.5%. In the next 5 years, gaming companies will further develop the overseas mobile game market. It is expected that from 2021 to 2027, the size of the Chinese mobile game overseas industry market (by operating income) will increase from RMB88.7 billion to RMB175.9 billion, with a CAGR of 12.1%. Therefore, the Directors are optimistic about the outlook of the overseas mobile games industry and believe investment in Beijing Wande will bring a promising return to the Group.

Growth Potential of Beijing Wande

Although Beijing Wande has operated in a relatively small history since 2020, Beijing Wande and a well-known American video game studio signed into a product development agreement in 2021 to build a brand-new mobile game. This partnership is noteworthy because it combines Beijing Wande's simulation game creation experience with the American company's broad market penetration and well-established gaming reputation. This mobile game is expected to launch in 2024. Due to the prestige of the American corporation, it is anticipated that upon release it would attract a lot of interest and income. Beijing Wande might gain more visibility as a result, which might expand its customer base and revenues. Beijing Wande will also profit financially from the agreement in ways that go beyond the development payment. Beijing Wande will benefit from a bonus payment based on the game's revenue. Therefore, the Directors believe that this agreement positions Beijing Wande for potential expansion and increased profitability, signaling a positive shift in the direction of its development.

Readily Available of Talent and Technical Resources

The Directors believe that it is essential for the Group to have a strong team of mobile game developers for a continued stream of innovation content as only competitive or creative games will thrive. Beijing Wande is managed by a team of professional game developers and operators, which is well recognized for their production of many popular games. With skills and experience accumulated over years, the Directors believe that Beijing Wande represents a good investment opportunity with huge growth potential. In addition, Beijing Wande holds certain licenses that are essential to the operation of the mobile game business. Therefore, the Directors believe that acquiring a well-established mobile game company with readily available resources is the quickest and most efficient way to achieve the goal of the Group.

Having considered above, the Directors believe that the Acquisition will allow utilizing the expertise and business connection of the Target Group which enables the Group to access to more opportunities in the mobile game sector and strengthen its revenue stream by the continued revenue from the Target Company.

The Board considers that the terms of the Share Purchase Agreement were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE ISSUE OF CONSIDERATION SHARES ON THE SHAREHOLDING STRUCTURE

The table below sets forth the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon allotment and issuance of the Consideration Shares (assuming Completion having occurred; and the Specific Mandate having been approved at the EGM; and any outstanding share options not having been exercised; and the approval for the Acquisition having been obtained from the Stock Exchange; and the number of Shares owned by each of the Shareholders below between the Latest Practicable Date and the date of issue of the Consideration Shares remain unchanged):

Shareholders	**As at the Latest Practicable Date**		**Immediately after the allotment and issuance of the Consideration Shares**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Infinities Global *(Note 1)*	335,721,719	54.77%	432,021,719	60.91%
Other public Shareholders	277,265,455	45.23%	277,265,455	39.09%
Total	612,987,174	100%	709,287,174	100%

Note: 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 Technology Limited, 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). Zhouqinhantang 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.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability. It is an investment holding company. Upon the Reorganisation, the Target Company will indirectly hold 60% of equity interest in Beijing Wande, a limited liability company established under the laws of the PRC.

Beijing Wande is principally engaged in the development of mobile gaming products since its incorporation in 2020 and holds certain licenses and permits that are essential to the operation of the mobile game business. Beijing Wande establishes a proficient research and development team composed of game designers, artistic designers, game producers, and engineers. The key team members bring an average of over 10 years of pertinent industry experience to the table. Moreover, Beijing Wande has effectively enhanced its game development competencies. By leveraging proprietary game engines and multi-channel docking platforms, Beijing Wande has established a sustainable cycle of game development that is rapid, scalable, manageable, and cost-efficient.

Beijing Wande's Business Plan

Beijing Wande's agreement with the well-known American video game studio

Beijing Wande has entered into a product development agreement with the well-known American video game studio in 2021. The agreement outlines that Beijing Wande will undertake the commissioned development of an interactive entertainment software product, designed for use on mobile or portable devices running on mobile operating system such as iOS, Android, or Harmony. As stipulated by the agreement, Beijing Wande's obligation is to shape the game in line with the directives from the American studio. Conversely, the American studio is responsible for covering a game development fee, calculated based on the associated development costs. Furthermore, Beijing Wande has secured a revenue-sharing deal with this American studio. Once the game is launched, Beijing Wande commits to providing the studio with ongoing technical support and version updates during the operation period.

Beijing Wande generates revenue from R&D services. Upon the expected launch of mobile games in 2024 and 2027 respectively, Beijing Wande will also benefit from a bonus payment based on the gaming revenue. The bonus payment will be 6% of the total revenue from mobile game publishing and operation after deducting the channel costs and R&D services fee paid to Beijing Wande.

The progress of the current game under development has entered its final stage in 2023 and it is expect to be launch in 2024. It is expected that there will be continuous corporation with the well-known American video game studio which include the R&D Services in relation to the maintenance of launched game as well as development of another chapter of the game. It is a common market practice to develop the next chapter with the same developer to avoid extra development costs. Beijing Wande is expected to develop another chapter of the current game launch in 2027 under the continuous corporation with the well-known American video game studio. Having considered (i) the industry practice that the major game companies have stringent cooperation selection criteria and prioritize long-term partnerships with the selected game developers, (ii) the significant likelihood for the development of the another chapter due to the nature of the current game, and (iii) the discussion with the well-known American video game studio regarding the content and the potential development schedule for the next chapter of the current game, although Beijing Wande and the well-known American video game studio have not yet entered the any agreement, arrangement or understanding for the next chapter of the game launch in 2027, the Company considered (a) Beijing Wande's business plan is feasible and (b) the forecast revenue of Beijing Wande is fair and reasonable.

As stated from the Valuation Report to this circular, ''Top War'' and ''State of Survival'' are simulation game genres (''**SLG**'') that are the same with the games to be developed with the well-known American video game studio by the Beijing Wande, the games share the similar level of MAU and monetization potential with their respective player bases. Both references have been launched for 5 years which represent the maturity of forecasting a mobile game population and the average revenue per user gain from the games. After taking into account the similarity of the game genres, the game operating period and established market of the references and the games to be developed by the Beijing Wande, the Company considered (i) the comparable games in the Valuation Report, and (ii) the forecasted MAUs and average revenue/MAU of the games to be developed by Beijing Wande is fair and reasonable.

Beijing Wande's self-developed game

Apart from the agreement with the well-known American video game studio, Beijing Wande also engage in the production of self-developed mobile game in PRC. Beijing Wande has strong in-house game development capabilities and its industry expertise also enabled it to effectively identify games with potential and integrate them into the gaming market. For the development of the self-developed game, Beijing Wande focuses on developing high-quality SLG game and will partner with external publishers or distribution platforms for the releases and distribution of the games upon the game launch. According to the research report stated in the Valuation Report, the commission ratio for game development companies in the mobile gaming industry ranges from approximately 10% to 20% of the total revenue generated from the game. The remaining revenue is allocated to the publishing partners, distribution platforms, and other relevant channels involved in the game's release and operation. The development of the self-developed mobile game is expected to start in 2024 and the self-develop mobile game is expected to launch in 2025. Upon the expected launch of the self-develop mobile game in 2025, Beijing Wande is expected to benefit from a bonus payment based on the gaming revenue and the commission ratio. The bonus payment is expected to be 12% of the total revenue from mobile game publishing and operation. For further details of the business plan of Beijing Wande, please refer to the paragraphs head ''Prospective Financial Information'' set out in the Valuation Report.

After considering (i) the industry standards of the commission ratio, (ii) the internal SLG game development capabilities and expertise for Beijing Wande, and (iii) the collaborating experience with the well-known American video game studio,The Company considered that the business plan and forecast of Beijing Wande is fair and reasonable.

Financial Information

Set out below is the financial information of Beijing Wande based on the audited financial statements for the six months ended 30 June 2023 and two years ended 31 December 2021 and 2022:

	For the six months ended 30 June 2023	For the year ended 31 December 2022	For the year ended 31 December 2021
	(unaudited)	(unaudited)	(unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Revenue	5,493	21,850	1,599
Net profit/(loss) before taxation	(431)	4	(6,608)
Net profit/(loss) after taxation	(431)	4	(6,608)

As at 30 June 2023, the audited net asset value of Beijing Wande was approximately RMB1.5 million.

INFORMATION OF THE PARTIES TO THE ACQUISITION

The Company is an investment holding company mainly engaged in mobile games development and digital media operation business. The mobile game business mainly includes the development and operation of all kinds of mobile games, and its products and services mainly include multiplayer mobile game development and operation. The digital media business mainly includes digital media content distribution business, such as electronic magazines, comics and music. The Company mainly conducts its businesses in the domestic market.

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 products and 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.

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 a connected person of the Company under the Listing Rules. The Share Purchase Agreement entered into between the Vendor and the Company constitute connected transactions under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As announced by the Company on 23 June 2023, the Company and Infinities Cayman entered into a joint venture agreement for the formation of a joint venture company. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under Share Purchase Agreement are required to be aggregated with the Previous Transaction. After aggregation, as one or more of the applicable percentage ratios in respect of the Aggregated Transaction under the under Rule 14.07 of the Listing Rules exceed(s) 5% but is less than 25%, the Aggregated Transaction constitutes a discloseable transaction for the Company and is therefore subject to the announcement requirements under Chapter 14 of 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 by virtue of his directorship in Infinities B&M, therefore, he has abstained from voting on the relevant resolutions to approve the Acquisition and the Specific Mandate.

BASIS OF DETERMINATION OF THE CONSIDERATION

The Consideration of HK$134,820,000 to be paid by the Company to the Vendor in accordance with the Share Purchase Agreement was agreed by the parties through arm's length negotiation after taking into consideration of a number of factors, including but not limited to the Valuation determined by the Independent Valuer in accordance to income approach, the business prospect of Beijing Wande, and the reasons for and benefits of entering into the Share Purchase Agreement as set out in the section "Reasons for and Benefits of Entering into the Share Purchase Agreement" below.

The Independent Valuer is a professional firm with staff possessing the relevant qualifications and experience required to perform the Valuation and the person in-charge of the Valuation has over 20 years' experience in conducting valuation services to a wide range of clients in different industries. The Independent Valuer adopted the income approach for the Valuation.

In the Valuation, income approach was adopted to derive the market value of 100% equity interest of Beijing Wande. The principle of such approach is that the value of the equity interest can be measured by the present worth of the economic benefits to be received over the asset life of Beijing Wande, which estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realising those benefits. The Valuer conducted the Valuation based on discounted cash flow method within income approach. With the discounted cash flow method used, all future cash flows are estimated and discounted to give them a present value. The discount rate used is the required rate of return of selected comparable companies, which are an exhaustive list of listed companies in Hong Kong with similar business exposure in relation to the principal activity of the Target Group. For determination of such discount rate, the WACC, which is considered to be an appropriate discount rate to be applied to discount the future expected cash flows relating to the business of Beijing Wande, is adopted in the Valuation.

Since the income approach was adopted by the Valuer for preparing the Valuation Report in respect of the Valuation of Beijing Wande, such Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

Pursuant to Rule 14.62(1) of the Listing Rules, the principal and commercial assumptions, upon which the Valuation is based under income approach, are as follows:

(i) the corporation between Beijing Wande and the well-known American video game studio is sustainable and there will be continuous corporation and development on game products by way of the renewal of the product development agreement or any other form of contracts, agreements or consensus;

(ii) the turnover days and percentage ratio of working capital items of Beijing Wande over the Projection Period are derived based on the average of the actual ratio and percentage of Beijing Wande for the financial year ended 31 December 2022 and for the 6-month period ended 30 June 2023;

(iii) Beijing Wande is and will be legal fully complied with all relevant laws and regulations;

(iv) Beijing Wande will operate on a going-concern basis;

(v) the inflation rate, exchange rate and interest rates will have no material change from the rates prevailing as at the date of the Valuation Report;

(vi) there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of Beijing Wande;

(vii) the conditions in which Beijing Wande is operated, and which are material to revenue and costs of the businesses of the Beijing Wande will have no material change;

(viii) the information has been prepared on a reasonable basis after due and careful consideration by Beijing Wande;

(ix) the competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of Beijing Wande;

(x) the accounting policies adopted by Beijing Wande after the date of the Valuation Report and the accounting policies used in the preparation of the Valuation Report are consistent in all material aspects;

(xi) all licenses and permits that is essential for the operation of the Beijing Wande (if any) can be obtained and are renewable upon expiry;

(xii) there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value, and no responsibility for changes in market conditions after the date of the Valuation Report; and

(xiii) there are no other force majeure factors and unforeseeable factors to lead to a significant adverse impact on the Beijing Wande.

Taking into account of the above, the Company considers that the Valuation is fair and reasonable, and hence reliable as a reference for determining the Consideration.

The Valuation Approach

Before the Acquisition, the Company has performed the following steps to ensure the estimates used in the profit forecast is accurate, reliable and reasonable.

- The Company has visited the office of Beijing Wande to understand its business model and operation;

- The Company has reviewed the product development agreement signed by Beijing Wande and a well-known American video game studio and discussed the future and potential plan of Beijing Wande; and

- The Company has reviewed and understand the future business plan for Beijing Wande, and made reasonable enquiries to the management of Beijing Wande, and the Company is of the view that the future business plan is considered feasible and the timing and the amount of the future cash flows have been reasonably and reliably projected in the profit forecast.

The Independent Valuer has adopted the income approach for the Valuation. Summary of Valuation Report is set out in Appendix I to this circular.

In the course of the Valuation Report of Beijing Wande, the Independent Valuer has reviewed the audited financial statements of Beijing Wande, and held discussions with the management of Beijing Wande to understand its business operations. The Independent Valuer has considered three commonly adopted valuation approaches, namely, market approach, cost approach and income approach, and determined that the income approach is appropriate for the Valuation of Beijing Wande due to the nature of its operating activities.

The Company understands the following consideration of the Valuer when determining to use income approach for the Valuation:

- The Independent Valuer has evaluated market approach is not appropriate to the Beijing Wande due to there are no similar assets in the market for comparison purpose as Beijing Wande is still in its development stage in deriving the cash flows attributable to the Beijing Wande and not an appropriate approach as cost approach to value income-generating assets as it generally does not capture the future expected returns to the asset;

- the cost approach is not appropriate for estimating the equity interest of Beijing Wande as it disregards future profit potential. Given that Beijing Wande and a well-known American video game studio signed into a product development agreement in 2021 and it is expected that there will continuous corporation with the well-known American video game studio which include the R&D Services in relation to the maintenance of launched game as well as development of future games, the potential growth in Beijing Wande's business is significant. Therefore, the cost approach is not appropriate for considerating the Valuation for Beijing Wande; and

- The income approach is considered reasonable as it can fully reflect Beijing Wande's future plan of its business which as a result. This method operates on the idea that an asset's current worth equals the economic gains it will generate over its lifetime. It factors in future economic advantages and applies a suitable discount rate to establish their current value, taking into account all risks involved in achieving those benefits. This approach offers a comprehensive view of the asset's potential for future earnings.

Considering the nature of Beijing Wande's business operations and its development stage which the games to be developed are not yet launched, the Company concur with the Valuer that the income approach is a suitable method for estimating the value of Beijing Wande.

The Company understands that the determination of discount rate, the weighted average cost of capital, applicable in an income approach valuation requires significant experience and judgment by the Independent Valuer. The Company further understands and concurs with the view of the Independent Valuer after the Company has made due and careful enquiries by considering the followings:

- The Independent Valuer assessed and acknowledged the limitation in the availability of closely comparable companies owing to sustainable, continuous corporation and development on game products by way of the renewal of the product development agreement or any other form of contracts, agreements or consensus in the industry as a whole. The Independent Valuer portraited that such issue is commonly seen in using the income approach to value companies with new business model that has not much comparable companies, and the typical starting point is to identify the industry risk from the comparable companies which is sustainable with continuous corporation and development on game products by way of the renewal of the product development agreement, and then to adjust the difference through specific risk premium, which is the treatment adopted at present;

- Discount rate calculation under capital asset pricing model can be done with reference to listed companies despite the limitations above. Beta is one of the many parameters to estimate the systemic or un-diversifiable risk in the return from the stock market affecting the discount rate calculation. A beta of 0.61 is adopted in the Valuation. The beta of 0.61, representing the median among the comparable companies, is determined by 19 listed companies with similar business to Beijing Wande selected by the Independent Valuer. Given the betas of the comparable companies lie within a relatively wide range from 0.18 to 1.31, the median was adopted to better lessen the impact from outliers. Due to Beijing Wande's new operating history, the non-systematic risk of Beijing Wande was reflected by adopting the small company risk premium to compensate the increased perceived risks associated with new development companies. The small company risk premium is based on the data in 2022 Valuation Handbook, which is commonly adopted. Taking into account that (i) the beta of 0.61 is equivalent to the median among the comparable companies, (ii) the small company risk premium was determined based on the size premium study commonly adopted, and (iii) the Company expects to have a stable and robust development in the coming years as its comparable companies in the Projection Period, the Company considered that the discount rate derived from the beta is fair and reasonable;

- The core parameters from the discount rate which the Valuer has been understand thoroughly the circumstance and financial situation of Beijing Wande, and able to identify suitable comparable companies for Beijing Wande in a fair view. After such process, the discount rate which is recognized by the Company and has gone through the procedures understand the discount rate. The Company is of the view that adopting such discount rate by the Valuer is reasonable;

- The Independent Valuer explicated that the fairness and reasonableness of the discount rate should be assessed with reference to the financial projections, thus the size of specific risk premium is also related to the risk embedded in the financial projections. For example, a more aggressive financial forecast would warrant a higher specific risk premium; while a more conservative forecast would require a lower specific risk premium; and

- The discount rate of 16.19% which was adopted in the income approach after considering the (i) specific risk premium, (ii) size premium, and (iii) relevered rate of return of the comparable companies. The discount rate implies that the Acquisition at exactly the valuation level would generate a 16.19% internal rate of return if the Beijing Wande is able to achieve the financial projections in the future.

Based on the above, the Company considers the overall Valuation as at 30 June 2023 is fair and reasonable, despite the limitation on the comparability of the comparable companies which is understood to be the nature of the industry which the Target Group is engaged in.

The Company is of the view that limitations will be imposed on the Valuation Report of Beijing Wande if the Valuation of Beijing Wande was evaluated by net asset value alone, as the value of the management expertise and potential growth could not be taken into account in its financial statements.

The Directors confirm that the profit forecast of Beijing Wande, on which the Valuation Report is based, has been made after due and careful enquiries. The Valuation Report is based on the profit forecast of Beijing Wande using the general assumptions and key specific assumptions under income approach made by the Directors as disclosed above.

In accordance with Rule 14.62 of the Listing Rules, the Company has engaged D & Partners CPA Limited, the reporting accountants of the Company, to report to the Directors on their review of the calculation of the discounted future estimated cash flows in connection with the Valuation prepared by the Independent Valuer as set out in the Valuation Report dated 29 September 2023 is based.

Silverbricks Securities Company Limited, the Financial Adviser to the Company, has considered the profit forecast included in the Valuation Report and the above mentioned report from D & Partners CPA Limited. Silverbricks Securities Company Limited is satisfied that the profit forecast included in the Valuation Report have been made by the Directors after due and careful enquiry.

The above mentioned report from D & Partners CPA Limited and the letter from Silverbricks Securities Company Limited regarding the profit forecast in the Valuation Report are set out in Appendix II and Appendix III to this circular, respectively, in compliance with Rule 14.62 of the Listing Rules. The Company has submitted the report from D & Partners CPA Limited and the letter from Silverbricks Securities Company Limited to the Stock Exchange in compliance with Rule 14.62 of the Listing Rules.

Reliability of the forecasted revenue

As provided in the Valuation Report, market approach, cost approach and income approach have been considered in the options of the valuation methodology. However, the limitations of valuating Beijing Wande is that there is no publicly listed comparable companies of similar size and stage for appropriate valuation multiple analysis and that market approach and cost approach cannot capture the potential future earnings of Beijing Wande. Hence, market approach and cost approach have not been selected as the valuation methodology for the Valuation of Beijing Wande.

As mentioned in the section headed "Information of the Target Group — Beijing Wande's Business Plan", Beijing Wande has entered into a product development agreement with the well-known American video game studio in 2021 to build one brand new mobile game, it is expected that there will be continuous corporation with the well-known American video game studio which include the R&D services in relation to the maintenance of launched game in

2024 as well as development of future games in the Projection Period. The revenue from R&D Services is projected be RMB15.0 million in 2024 which is based on the average revenue from R&D Services of 2022 and 2023. From 2025 to 2028, such revenue is expected to grow stably at 3.0%. Also, it is expected that upon the launch of mobile games with the well-known American video game studio in 2024 and 2027 respectively, Beijing Wande will also benefit from a bonus payment based on the gaming revenue. It is expected that (i) the bonus payment on gaming revenue from mobile game launched in 2024 will be RMB3.6 million in 2024, RMB13.1 million in 2025, and RMB54.0 million from 2026 to 2028; and (ii) the bonus payment on gaming revenue from mobile game launched in 2027 will be RMB3.6 million in 2027 and RMB13.1 million in 2028.

As part of its valuation procedures, the Independent Valuer has conducted interview with the management of Beijing Wande, financial analysis and industry analysis to assess the reasonableness of the financial projection when adopting the income approach. The Independent Valuer has also performed reasonableness check on the income approach valuation using market approach with the price-to-sales ("**P/S**") and price-to-earnings ("**P/E**") ratio implied by the valuation result by income approach with the P/S and P/E ratios of the comparable companies in section 5.4 of the Valuation Report and considers that the overall Valuation is reasonable.

The Board, including the Independent Board Committee, with the assistance of Silverbricks Securities Company Limited and D & Partners CPA Limited, have reviewed the profit forecast of Beijing Wande in connection with the Valuation, and is of the view that the profit forecast is reasonable.

FINANCIAL EFFECT OF THE ACQUISITION

After Completion of the Acquisition, the Target Company will become an indirectly wholly-owned subsidiary of the Company, and the assets and liabilities and the financial results of the Target Group will be consolidated to the consolidated accounts of the Group. As at 30 June 2023, the Group has unaudited cash and bank balances of approximately RMB52.5 million. Given that the Consideration would be settled by Consideration Shares, the Company is of the view that the Acquisition will not have any immediate material effect on the assets and liabilities. However, the Company would explore the possibilities of additional debt and/or equity financing to support the operating expenses and capital expenditure of the Target Group, if required.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising the independent non-executive Directors (namely Mr. Leung Ming Shu and Mr. Tang Shun Lam) has been established to consider the Share Purchase Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether granting the Specific Mandate for the allotment and issuance of Consideration Shares. Diligent Capital Limited is appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

THE EGM

A notice convening the EGM to be held on Friday, 29 December 2023 at 2:00 p.m. at Infinities Media Center, 4th Floor, Building C, Lingzhi Center, Baosheng East Road, Haidian District, Beijing is set out in this circular.

According to the Listing Rules, any vote in the EGM must be taken by poll.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save as Infinities Global, no Shareholders or any of their respective close associates have any material interest in the Share Purchase Agreement and the transactions contemplated thereunder.

As such, save as Infinities Global, none of the Shareholders are required to abstain from voting in favour of the resolutions approving the Share Purchase Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the respective websites of the Stock Exchange (https://www.hkexnews.hk/) and the Company (https://www.infinities.com.hk). Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 2:00 p.m. on Wednesday, 27 December 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meeting thereof if they so wish.

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 Share Purchase 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 Share Purchase Agreement.

According to the Listing Rules, any Shareholder and his/her associates with a material interest in the Share Purchase 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 Share Purchase 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 Share Purchase Agreement and the transactions contemplated thereunder and will be required to abstain from voting on the resolutions to approve the Share Purchase Agreement and the transactions contemplated thereunder at the EGM.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 27 December 2023 to Friday, 29 December 2023, both days inclusive, during which no transfer of Shares will be effected. In order to be entitled to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with 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 for registration no later than 4:30 p.m. (Hong Kong time) on Friday, 22 December 2023.

RECOMMENDATION

The Board has resolved and approved the relevant resolutions in respect of the Share Purchase Agreement and the transactions thereunder. As Mr. Wang Le, an executive Director, is also a director of Infinities B&M, he is deemed to be materially interested in by virtue of his directorship in Infinities B&M, therefore, he has abstained from voting on the board resolutions. As such, save for Mr. Wang Le, no Director has a material interest in the transactions and has abstained from voting on the board resolutions.

The Directors (including the independent non-executive Directors but excluding Mr. Wang Le who has abstained from voting on the relevant Board resolutions) consider the Issue Price is fair and reasonable; and consider the Consideration, the grant of the Specific Mandate, and the issuance of the Consideration Shares at the Issue Price have been negotiated on an arm's length basis and on commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Shareholders and the Company as a whole.

Accordingly, the Board (including the independent non-executive Directors but excluding Mr. Wang Le) recommends the Shareholders to vote in favour of the resolutions as set out in the notice of the EGM.

ADDITIONAL INFORMATION

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

By Order of the Board
Infinities Technology International (Cayman) Holding Limited
多牛科技國際(開曼)集團有限公司
WANG Le
Chairman

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)

8 December 2023

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

IN RELATION TO THE ACQUISITION OF THE TARGET GROUP HOLDING 60% OF BEIJING WANDE INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 8 December 2023 (the "**Circular**") of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular, unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms and conditions of the Share Purchase Agreement are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole and how to vote.

Although the Acquisition is not fall within the Group's ordinary and usual course of business, having considered the above and the advice of Diligent Capital in relation thereto as set out on pages 28 to 61 of this circular, we consider that the Acquisition is in the interests of the Company and the Shareholders as a whole, and that the terms of the Share Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of and approve all resolutions in relation to approving the entering into the Share Purchase Agreement and transactions thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Infinities Technology International (Cayman) Holding Limited
多牛科技國際(開曼)集團有限公司
Mr. LEUNG Ming Shu **Mr. TANG Shun Lam**
Independent non-executive Directors

Set out below is the letter of advice from Diligent Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

DILIGENT CAPITAL

DILIGENT CAPITAL LIMITED
Diligent Capital Limited
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Tel +852 2170 0699
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8 December 2023

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

Dear Sirs and Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser (the "**Independent Financial adviser**") to make recommendations to the independent board committee and the independent shareholders of Infinities Technology International (Cayman) Holdings Limited (the "**Company**") in respect of the Share Purchase Agreement and the transactions contemplated thereunder (the "**Transaction**"), 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 8 December 2023 (the "**Circular**"), of which this letter forms part. Unless the contest 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 Acquisition

On 8 September 2023, the Company entered into the Share Purchase Agreement with the Vendor, pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target Company.

As of the Latest Practicable Date, the Target Group consists of the Target Company and Infinities Wonder HK only. The Vendor will undergo the Reorganisation. The Reorganisation involved (i) incorporation of Duoniu Wande Technology, Wande Game and Beijing Wande; (ii) acquisition of Duoniu Wande Technology by Infinities Wonder HK; (iii) acquisition of Wande Game by Duoniu Wande Technology; and (iv) acquisition of 60% equity interest in Beijing Wande. The completion of the Reorganisation is a condition precedent under the Share Purchase Agreement.

Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become a direct wholly-owned subsidiary of the Company. Accordingly, the Group will be indirectly interested in 60% equity interest in Beijing Wande.

2. Listing Rules Implications

As the highest applicable ratio in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of 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 the Vendor.

Therefore, the Vendor is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Share Purchase Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and the Independent Shareholders' approval requirements.

As Mr. Wang Le, who is an executive Director and a director of the Vendor, Mr. Wang Le is considered to have a material interest in the Acquisition, he abstained from voting on the resolution in relation to the Acquisition, including (i) the allotment and issuance of the Consideration Shares; and (ii) the grant of the Specific Mandate. Save as the aforesaid, none of the Directors attended the Board meeting has a material interest in the Acquisition.

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 Transaction 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 Transaction 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.

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 was 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 Transaction.

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. During the past two years, we were appointed as the independent financial adviser to the Company regarding continuing connected transactions in relation to (i) the advertising traffic mutual supply agreement; and (ii) the NGA exclusive franchise agreement, of which the related was published by the Company on 23 June 2023. The professional fees in connection with the above appointment have been partially settled according to the payment terms of the engagement at arm's length and we are not aware of the existence or change in any circumstance that would affect our independence.

Accordingly, we consider that we are eligible to give independent advice on the terms of the Transaction.

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 Share Purchase 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 assumed that all information, facts, opinions and 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. We will notify the Independent Shareholders in the event of any material adverse changes relating to the Transaction up to the EGM.

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 Transaction, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background of the Transaction

On 8 September 2023, the Company entered into the Share Purchase Agreement with the Vendor.

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.

1.1.1Principal business 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.

1.1.2Financial performance of the Group

Set out below is a summary of the Group's audited consolidated financial performance for the years ended 31 December 2021 and 2022 as extracted from the annual report of the Company for the year ended 31 December 2022 ("**2022 Annual Report**") and the Group's unaudited consolidated financial performance for the six months ended 30 June 2023 and 2022 as extracted from the interim report of the Company for the six months ended 30 June 2023 ("**2023 Interim Report**").

Table 1: Summary of the consolidated financial performance of the Group

	For the six months ended 30 June		For the years ended 31 December	
	2023	**2022**	**2022**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue				
— Mobile games development, operation, and information services	61,698	40,257	58,707	103,005
— Digital media content, advertisement distribution services and/or subscription fee of AIGC mobile app	41,525	2,940	20,009	11,909
— Gaming products supply	39,564	—	25,194	—
Total revenue	142,787	43,197	103,910	114,914
Loss before taxation	(10,193)	(35,090)	(85,679)	(86,783)
Loss after taxation	(10,544)	(35,187)	(86,000)	(86,822)

(i) For the year ended 31 December 2022

For the year ended 31 December 2022, the audited consolidated total revenue of the Group mainly derived from (i) development and operation of mobile games; (ii) distribution of digital media content; and (iii) supply of gaming products.

As set out in the above table 1, the audited consolidated total revenue of the Group for the year ended 31 December 2022 was approximately RMB103,910,000, representing a decrease of approximately 9.58% when compared to that of 2021 (i.e. RMB114,914,000). The decrease in revenue can largely be attributed to a drop in revenue generated from mobile game development and operation. Specifically, revenue decreased from approximately RMB103,005,000 in 2021 to approximately RMB58,707,000 in 2022, resulting in a decrease of approximately RMB44,298,000. This drop in revenue can be explained by two main factors. Firstly, the economic downturn caused by the repeated epidemic in 2022 had a significant impact on public entertainment's life, leading players to become less willing to pay and ultimately resulting in a decline in the Group's gaming business revenue. Secondly, the group underwent diversification, optimization, and adjustment of its business structure and resources in FY2022, in line with the market economic environment. This included refining its segmented business operations and opening up new gaming product supply businesses, which occupied some of the operating resources that were originally allocated to the mobile game business.

For the year ended 31 December 2022, the Group had an audited consolidated loss of approximately RMB86,000,000, representing a slight decrease of 0.95% when compared to that of the corresponding year of 2021. The main reasons for the significant losses are (i) the Group's continued investment in mobile game development, resulting in research and development expenses of approximately RMB37,501,000; (ii) staff costs, professional fees and daily operation expenses that led to administrative expenses of approximately RMB23,652,000; and (iii) the recognition of impairment loss of trade receivables of RMB20,388,000.

(ii) For the six months ended 30 June 2023

The Group's unaudited consolidated total revenue for the six months ended 30 June 2023 was approximately RMB142,787,000. This represents a significant increase of approximately 230.5% compared to the same period of 2022. The majority of this increase can be attributed to three factors: (i) revenue generated from mobile game development and operation increased from approximately RMB40,017,000 in the first half of 2022 to approximately RMB54,833,000 in the first half of 2023. This growth is due to the Group's strategic adjustments, continued optimization of mobile gaming business segmentation, and increased investment in research and development or licensing; (ii) revenue generated from digital media content, advertisement distribution services and/or subscription fee of AIGC mobile app increased by approximately RMB38,585,000. This figure rose from approximately RMB2,940,000 in the first half of 2022 to approximately RMB41,525,000 in the first half of 2023; (iii) the Group's gaming products supply business generated an increase in revenue of approximately RMB39,564,000 in the first half of 2023. This business was newly expanded by the Group in the second half of 2022, primarily supplying game consoles, console games, related merchandise, and accessories to third-party clients or Chengdu Dianwan Bashi Commerce Company Limited* (成都電頑巴士商貿有限公司) ("**Chengdu Dianwan**"), being an indirect wholly-owned subsidiary of the Vendor, and its affiliates.

For the six months ended 30 June 2023, the Group had an unaudited consolidated loss of approximately RMB10,544,000, representing a significant decrease of approximately 70.03% when compared to that of the corresponding period of 2022. The main reason for this improvement is the increase in revenue, which led to a gross profit increase of approximately RMB22,775,000 from RMB872,000 for the six months ended 30 June 2022 to around RMB23,647,000 for the six months ended 30 June 2023.

1.2 Information of the Vendor

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 approximately 53.74% by Infinities Worldwide, which is wholly owned by the Vendor. Therefore, the Vendor is regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

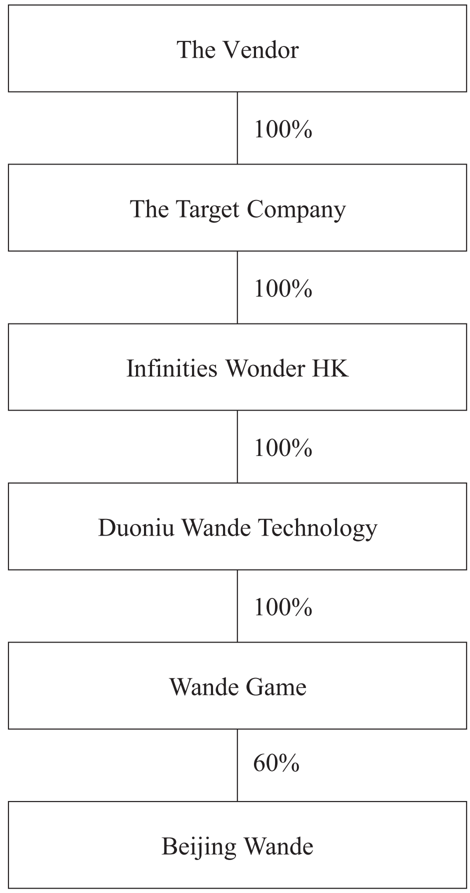
1.3 Information of the Target Group

1.3.1Shareholding structure of the Target Group

As of the Latest Practicable Date, the Target Group consists of the Target Company and Infinities Wonder HK only.

The Vendor will undergo the Reorganisation. The Reorganisation involved (i) incorporation of Duoniu Wande Technology, Wande Game and Beijing Wande; (ii) acquisition of Duoniu Wande Technology by Infinities Wonder HK; (iii) acquisition of Wande Game by Duoniu Wande Technology; and (iv) acquisition of 60% equity interest in Beijing Wande. The completion of the Reorganisation is a condition precedent under the Share Purchase Agreement.

Set out below is the shareholding structure of the Target Group upon completion of the Reorganisation:



(i) The Target Company

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. Upon Completion, the Target Company will be wholly owned by the Vendor. As at the Latest Practicable Date, the Target Company is the holding company of Infinities Wonder HK.

(ii) Infinities Wonder HK

Infinities Wonder HK is a company incorporated in Hong Kong with limited liability and principally engaged in investment holding. Upon Completion, Infinities Wonder HK will be wholly owned by the Target Company, and Infinities Wonder HK will be the holding company of Duoniu Wande Technology.

(iii) Duoniu Wande Technology

Duoniu Wande Technology will be a company established in the PRC with limited liability and principally engaged in investment holding. Upon Completion, Duoniu Wande Technology will be wholly owned by Infinities Wonder HK and Duoniu Wande Technology will be the holding company of Wande Game.

(iv) Wande Game

Wande Game will be a company established in the PRC with limited liability and principally engaged in investment holding. Upon Completion, Wande Game will be wholly owned by Duoniu Wande Technology and Wande Game will hold 60% equity interest in Beijing Wande.

(v) Beijing Wande

Beijing Wande is a company established in the PRC with limited liability and is principally engaged in the development of mobile gaming products since its incorporation in 2020. Beijing Wande holds certain licenses and permits that are essential to the operation of its mobile game business.

1.3.2 Financial information of the Beijing Wande

As mentioned above, each of the Target Company, Infinities Wonder HK, Duoniu Wande Technology, and Wande Game is/will be principally engaged in investment holding, therefore, there is or will be no business operation.

(i) Financial performance of Beijing Wande

Set out below is a summary of Beijing Wande's audited financial performance for the years ended 31 December 2021 and 2022 as extracted from its audited financial statements for the year ended 2021 and 2022 ("**2022 Target FS**") and Beijing Wande's unaudited financial performance for the six months ended 30 June 2023 as extracted from its management accounts for the six months ended 30 June 2023 ("**2023 Target MA**").

Table 2: Summary of the consolidated financial performance of Beijing Wande

	For the six months ended 30 June		For the years ended 31 December	
	2023	**2022**	**2022**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	5,493	6,213	21,850	1,599
Profit/(loss) after taxation	(431)	174	4	(6,608)

As set out in the table 2 above, Beijing Wande recorded a revenue of approximately RMB21,850,000 and RMB5,493,000 for the year ended 31 December 2022 and for the six months ended 30 June 2023, respectively. Based on the information provided by the Vendor, the revenue was mainly derived from the game development fee charged by Beijing Wande to the Reputable Studio (as defined below) pursuant to the agreement entered into between Beijing Wande and Reputable Studio for development of an interactive entertainment software product that is designed to be played on mobile or portable devices operated under any mobile operation system.

(ii) Financial position of Beijing Wande

Set out below is a summary of Beijing Wande's audited financial position as at 31 December 2022 as extracted from the 2022 Target FS and Beijing Wande's unaudited financial performance as at 30 June 2023 as extracted from the 2023 Target MA.

Table 3: Summary of the consolidated financial position of Beijing Wande

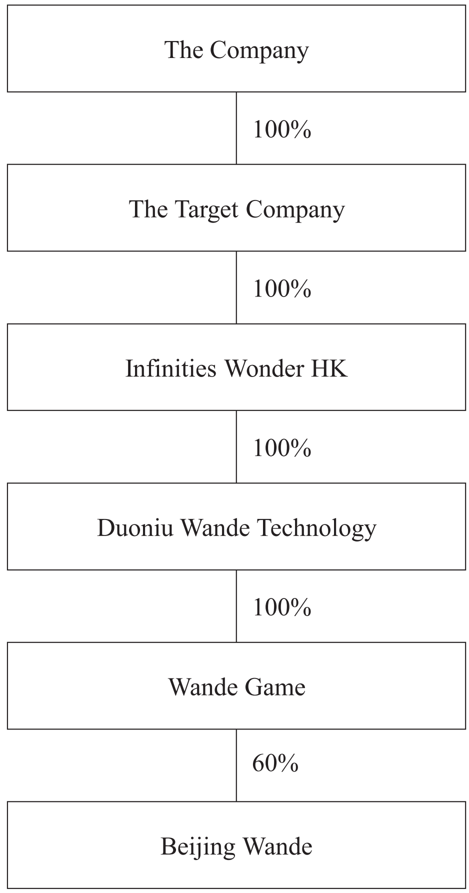
	As at 30 June 2023	**As at 31 December 2022**
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Non-current assets	10,000	10,000
Current assets		
— Accounts receivables	5,275	5,066
— Prepayment	17	14
— Other receivables	4,141	5,628
— Cash and bank	210	524
	9,643	11,232
Current liabilities	(18,139)	19,298
Net asset value	1,504	1,934

As set out in the table 3 above, the total non-current assets of Beijing Wande as at 30 June 2023 was RMB10,000,000. As advised by the management of the Group, all of it refers to the amount due from existing shareholders of Beijing Wande. The total current assets of Beijing Wande as at 30 June 2023 was approximately RMB9,643,000. As noted in the table above, the total current assets Beijing Wande was mainly contributed by the accounts receivables due from the Reputable Studio as approximately RMB5,275,000.

Furthermore, the total current liabilities of Beijing Wande as at 30 June 2023 was approximately RMB18,139,000, of which the amount was mainly referred to the shareholders loan for the initial investment of Beijing Wande.

2. Transaction Structure Immediately Upon Completion

The diagram below illustrates the shareholding structure of the Target Group immediately after the Completion:



3. Reasons and Benefits of Entering into the Share Purchase Agreement

In assessing the reasons for and benefits of the acquisition, we have considered the Board's view on such matters and arrived at a conclusion after certain review and enquiry with the Management.

3.1 The Board's view

As mentioned in the letter, we acknowledge that the Board has taken into account certain factors while deciding on the Share Purchase Agreement. These factors include (i) the product portfolio of Beijing Wande, (ii) the potential of the mobile game industry, (iii) the growth potential of Beijing Wande, and (iv) the technical expertise and experienced management of Beijing Wande. For details, please refer to the section headed "REASONS AND BENEFITS OF ENTERING INTO THE SHARE PURCHASE AGREEMENT" in the Letter.

3.2 Our view

Before arriving at our view on the reasons and benefits of the Acquisition, we considered 5 factors, including (i) an overview of PRC mobile game market; (ii) an overview of the overseas mobile game market; (iii) a collaboration with reputable overseas game studio; (iv) strong game development team and application capabilities; and (v) the potential growth of Beijing Wande.

3.2.1 Overview of the PRC mobile game market

Mobile games are games that can be downloaded and installed on mobile phones and tablets. According to statistics from Statista.com, a leading website providing market and consumer data, the number of mobile internet users in China has increased from 500.1 million in 2013 to 1,076.2 million in June 2023, representing a CAGR of 8.4%. With the increasing number of mobile internet users in China, the penetration rate of mobile internet users within the internet users in the country also increased from 57.0% in 2018 to 71.6% in 2022. As a result, mobile games have become an integral part of online entertainment activities.

In recent years, a sound macroeconomic environment in China has led to an increase in people's disposable income and a growing demand for cultural and entertainment activities. The popularity of electronic devices, especially mobile phones, has also made it easier for people to access mobile games during their leisure time. This has led to a significant increase in the size of the mobile game market in China, which is expected to continue growing. Beijing Wande can capitalize on this trend and develop its business to reach a broader audience.

3.2.2 Overview of the overseas mobile game market

We noticed a growing trend of Chinese mobile game operators venturing into the international market to explore potential opportunities. This rapid expansion of the Chinese mobile gaming market has motivated game developers to improve their game content and quality, laying a solid foundation for publishing mobile games in foreign markets. Based on the information provided by the Vendor, Beijing Wande is among the few Chinese game operators planning to enter the international market through partnerships with foreign game operators.

According to Statista.com's published reports, the PRC mobile games' market size overseas has experienced significant growth, at an outstanding CAGR of 11.5% from RMB57.4 billion in 2017 to RMB88.7 billion in 2021. Furthermore, this market is expected to continue expanding at a rate of CAGR 12.1% from RMB88.7 billion to RMB175.9 billion from 2021 to 2027. This presents an excellent opportunity for Beijing Wande to expand its business and reach a broader audience.

3.2.3 Collaboration with a reputable overseas game studio

We understand that Beijing Wande has been engaged by a reputable American game studio (the "**Reputable Studio**") to perform commissioned game development of an interactive entertainment software product that is designed to be played on mobile or portable devices operated under any mobile operation system such as iOS, Android and Harmony. In accordance with the said commissioned development agreement, Beijing Wande is responsible for developing the game according to the Reputable Studio's instructions. The Reputable Studio is obliged to pay a game development fee, which is determined based on development cost. Beijing Wande also has revenue-sharing arrangements with the Reputable Studio. While the game is in operation, Beijing Wande will be responsible for providing the Reputable Studio with ongoing technical support and version updates during the operation period.

The above joint-run model allows the Reputable Studio and Beijing Wande to work together and use their user bases, technical knowhow, marketing resources, and technology platforms to develop the game product and connect it with available resources. The primary distribution channels are mobile application stores, which will help the Reputable Studio and Beijing Wande expand the coverage of end-users. This model not only captures the digital market trend, but also creates synergies in strengthening the monetization capabilities of both the Reputable Studio and Beijing Wande. We also agreed that the relationship established between Beijing Wande and the Reputable Studio will help the Group plan for its overseas market development and bring a positive financial return to the Group.

3.2.4 Strong game development team and application capabilities

It has been observed that Beijing Wande has established a highly skilled research and development team that comprises game designers, artistic designers, game producers, and engineers. The core team members have an average relevant industry experience of approximately 10 years.

Benefits from its significant investment in research and development, Beijing Wande has also successfully developed strong game development capabilities. The company has achieved a virtuous cycle of fast, scalable, manageable, and cost-efficient game development using proprietary game engines and multi-channel docking platforms.

Based on the above, we concur with the Management that the Acquisition will allow the Group to leverage the strong research and development capabilities of Beijing Wande. This will help the Group access more opportunities in the mobile game sector, strengthen its revenue stream, and benefit from continued revenue from the Target Company, making it a win-win situation for both companies.

3.2.5Potential growth of Beijing Wande

Apart from the above-mentioned joint run model, Beijing Wande also develop and operate mobile games in the PRC. Beijing Wande has strong in-house game development capabilities and its expertise in the game industry also enabled it to effectively identify games with potential and introduce them to games.

Considering the potential mentioned above, we agree with the management that Beijing Wande has the potential to expand its business in the coming years.

Conclusion

In light of the above factors, we concur with the Directors that the Acquisition may bring long-term benefits to the Group. As a result, we are of the opinion that the Acquisition is in the interests of the Company and the Shareholders as a whole.

4. Principal Terms of the Share Purchase Agreement

4.1 Details of the Share Purchase Agreement

The table below summarise the principal terms of the Share Purchase Agreement and please refer to the Letter for details:

Date:	8 September 2023
Parties:	(i) the Vendor; and (ii) the Company.
Subject matter:	The Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company.
Consideration:	The consideration of the Acquisition (the "**Consideration**") is HK$134,820,000 (equivalent to approximately RMB126,000,000), which shall be satisfied by the Company by way of allotment and issuance of 96,300,000 Consideration Shares at the Issue Price of HK$1.4 per Consideration Share to the Vendor.

4.2 Evaluation on the basis of the Consideration

We understand that the Consideration was determined after arm's length negotiation between the parties to the Share Purchase Agreement with reference to, among other things, (i) the prevailing equity value of the Sale Shares; (ii) the valuation of 60% equity interest in Beijing Wande conducted by an independent valuer by adopting the income approach of approximately RMB136,746,000 as at 30 June 2023; and (iii) the reasons for and benefits of the acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" of the Letter.

As mentioned above, the Consideration was determined after taking into account, without limitation, the valuation (the "**Valuation**") of 60% equity interest in Beijing Wande of approximately RMB136,746,000 as at 30 June 2023. In order to evaluate the fairness and reasonableness of the Consideration basis, we have taken into account the following factors in relation to the Valuation.

4.2.1Review on the valuation approach

We have obtained a copy of the valuation report (the "**Valuation Report**") in respect of the Valuation. We have reviewed the Valuation Report and discussed with the Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the Valuation.

In accordance with the Valuation Report, the valuation methodology can be broadly classified into three approaches, namely cost approach, income approach and market approach. We noted that the Valuer had selected the income approach and concluded that each of the cost approach and the market approach were not applicable. We further understand that the Valuer had considered, among others,

(a) it's not appropriate to use the market approach to estimate the equity interest of Beijing Wande as there are no similar assets in the market for comparison. This is because Beijing Wande is still in its early development stage, and its revenue and earnings have not yet stabilized. Therefore, this approach is not appropriate for valuation purposes;

(b) the cost approach is not appropriate for estimating the equity interest of Beijing Wande as it disregards future profit potential; and

(c) the income approach is a method to showcase Beijing Wande's future business plan in the Valuation. The income approach works on the principle that the present value of the asset is equivalent to the economic benefits received throughout its lifetime. It takes into account future economic benefits and uses an appropriate discount rate to determine their present value, considering all risks associated with realizing those benefits. This method provides a clear picture of the future earnings potential of the asset.

We did not cross-check the Valuation results using other valuation methodologies. However, it is not our responsibility to conduct separate business valuations. We made an effort to evaluate the methodologies and assumptions used in the Valuation Report by conducting independent research. This involved reviewing comparable companies for the market approach and performing the necessary work as required under the Listing Rules. We believe that the independent work we performed is sufficient to provide a reasonable basis for our opinion on the Valuation Report and the Valuation method.

In view of the nature of Beijing Wande business operation and its stage of development, we concur with the Valuer's that the income approach is the most optimal approach in assessing the value of Beijing Wande.

4.2.2Review on the valuation methodology

When applying the income approach, the Valuer had adopted (i) the discount rate; to determine the indicated enterprise value and equity value of Beijing Wande.

Discount rate

When applying the income approach to estimate the market value of the entire shareholder's interests in Beijing Wande, it is necessary to determine an appropriate discount rate for the assets under review. We noted that the Valuer has used the weighted average cost of capital model (the "**WACC**") as the discount rate in the Valuation Report. The WACC has been estimated based on a standard formula incorporating the cost of equity and cost of debt as well as a fixed capital structure. We noted that the Valuer has used the capital asset pricing model (the "**CAPM**") to estimate the required rate of return on equity of Beijing Wande. We understand that the CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a company's required rate of return on equity. In arriving at the discount rate, the Valuer has taken into account a number of factors including (i) risk free rate; (ii) market return; (iii) company specific risk; and (iv) beta, a measure of non-diversifiable risk, of a number of comparable companies.

We have had a discussion with the Valuer about the key factors taken into consideration while deriving the discount rate. We observed that the CAPM model makes use of the Beta (β) coefficient to estimate the risk in the return from the stock market as a whole, which is referred to as systemic or un-diversifiable risk. Additionally, the model uses small company risk premium and company specific risk premium to estimate other non-systematic risk, which is also known as diversifiable risk.

Beta coefficient measures the volatility of equity shares compared to the market. Shares with higher Beta are considered more volatile or riskier than those with lower Beta. We asked the Valuer about the basis of adopting a beta of 0.61 for Beijing Wande. The Valuer explained that it selected 19 listed companies ("**Valuation Comparable Companies**") with similar business scopes and operations to Beijing Wande as comparable companies to determine the beta coefficient. These companies were chosen based on three main selection criteria: (i) they were primarily engaged in the gaming industry in China, (ii) they had sufficient listing and operating histories, and (iii) their financial information was publicly available. The beta of Beijing Wande was then calculated based on the median unlevered beta *(Note)* of the Valuation Comparable Companies, as well as Beijing Wande's 25% current China standard corporate profit tax rate and 0% expected debt-to-equity ratio.

We have also discussed with the Valuer and understand the selection criteria of the Valuer and reviewed the respective annual reports, in particular the geographical segments and business segments, and public information of the Valuation Comparable Companies, we are of the view that it is fair and reasonable to derive discount rate to reflect the investment risks involved in the future cash flows of Beijing Wande from the Valuation Comparable Companies and we concur with the Valuer that the above selection criteria adopted by the Valuer are appropriate.

After considering that Beta represents an un-diversifiable risk of the industry that Beijing Wande is participating in and it was derived from the market data of the Valuation Comparable Companies with similar operations, which is a common market practice adopted by valuer in deriving the Beta coefficient, we concluded that the determination of the beta is fair and reasonable.

As further advised by the Valuer, we understand that the Valuer has considered the size and operating history of Beijing Wande by adopting the company specific risk premium and the small company risk premium when determining the non-systematic risk:

(a) the company specific risk premium is the risk premium added to the cost of equity to reflect the additional risk factors that are specific to the Beijing Wande; and

(b) the small company risk premium is the additional return required by small company investors to compensate for the higher perceived risks of small companies. The small company risk premium used in the Valuation is based on the 2022 Valuation Handbook — Guide to Cost of Capital. This handbook is a study of historical capital markets data in the United States and is commonly used by valuers, consultants, and analysts to analyze asset class performance. The yearbook contains the CRSP Decile Size Premia Study.

We have (i) reviewed the relevant source of information and calculations; (ii) discussed with the Valuer the basis and assumptions of the major factors considered in deriving the small company risk premium and company specific risk premium, which is in line with common industry practice; and (iii) noted that the small company risk premium was determined with reference to a size premium study which is widely referred by the market. We considered that the determination of the non-systematic risk is fair and reasonable.

After careful consideration, the Valuer has determined that the cost of equity for Beijing Wande is 16.19%. The pre-tax cost of debt has been calculated at 4.20%, based on the best lending rate in China over the past five years. This rate is considered justifiable. The Valuer has also calculated the equity and debt ratio of Beijing Wande, and has arrived at a WACC of 16.19% for the company's valuation.

After considering all the factors mentioned above, we find the calculation of WACC to be fair and reasonable.

Note: The unlevered beta of each comparable company is calculated by unlevering their respective levered beta obtained from S&P Capital IQ using the formula: Levered beta = Unlevered beta * (1 + (1 – Tax rate) * Debt to equity ratio), for details calculation, please refer to page I-24 of the Appendix I — Valuation Report of the Circular.

Cash flow projection

Estimates on future operation and revenue of Beijing Wande are conducted through analysis over revenue, costs, useful life of stream pipelines and capital expenditure. We note that the Valuer has relied to a considerable extent on the cash flow projection of Beijing Wande from 2023 to 2028 prepared by the Management ("**Cash Flow Projection**") when preparing the Valuation Report. Accordingly, we have discussed with the Management in relation to the basis and assumptions used when preparing the Cash Flow Projection, and noted that the Management has considered the historical and estimated performance of Beijing Wande.

Based on the Cash Flow Projection, we can observe that the revenue of Beijing Wande is expected to rise from approximately RMB21.9 million in 2022 to approximately RMB119.0 million in 2028. Such revenue is mainly contributed by (i) the revenue generated from the collaboration with Reputable Studio; and (ii) the revenue generated from the distribution of other self-developed mobile games.

According to the Cash Flow Projection, it is clear that the revenue generated from the partnership with the Reputable Studio can be further categorized into two parts: (i) revenue generated from research and development services, and (ii) the bonus payment generated from the distribution of the developed mobile game.

Based on the revenue generated from research and development services, we observed that the game currently being developed under the existing agreement with the Reputable Studio (the "**Developed Game**") is in its final stage in 2023. Therefore, the projected revenue generated from game development for 2024 to 2028 is based on the assumption that the Reputable Studio will continue cooperating with Beijing Wande for another chapter of the same Developed Game. To ensure accuracy, we have reviewed the relevant agreement (the "**Game Development Contract**") entered into between the Reputable Studio and Beijing Wande. We have confirmed that the relevant terms, including but not limited to contractual terms, pricing, delivery, and payment schedule are matched with the Cash Flow Projection. We also understand that it is a common market practice that if the response to a game product is good, Reputable Studio will often continue to cooperate with Beijing Wande to develop the next chapter to avoid extra development costs. This is because of the well-developed database that is already in place. Therefore, we agree that this cooperation pattern will continue and generate revenue for Beijing Wande during the projected period.

For the bonus payment generated from the distribution of the Developed Game, we noticed that the projection of this revenue stream is mainly calculated based on a formula as set out in the Game Development Contract (for details of the formula, please refer to page I-27 of Appendix 1 — Valuation Report of the Circular). Based on the formula, we noted that the revenue is mainly derived from the average revenue contributed by monthly active users ("**MAUs**").

MAUS refers to an existing gameplay role that has entered and played any of the games offered and operated by Beijing Wande on any device at least once during such period; repeated entries by the same gameplay role from the same device are counted once only; however, a single user which has multiple gameplay roles is counted multiple times by the number of his/her gameplay role; only the number of months which a game is in operation in the given period is counted.

Based on the Cash Flow Projection, the number of monthly active users (MAUs) for the Developed Games is expected to increase from 800,000 in 2024 to 2.9 million in 2025 and further to 5 million in 2026. The average revenue per MAU used in the Cash Flow Projection is RMB100 for the first two years and RMB240 for the third to fifth years after launch. These assumptions are based on two games, "Top War" and "State of Survival," published by a Reputable Studio with similar target game players. "Top War" and "State of Survival" are strategic simulation games developed by Chinese game studios that have reached both the Chinese and global markets. These games can be broadly compared to the games developed by Beijing Wande with the Reputable Studio. Historical data for a consecutive 5-year period, including the number of MAUs and the average revenue per MAU, is fully available since the launch of "Top War" and "State of Survival". This data provides a sufficient basis for analyzing the development trend of new games in the market over a 5-year period after their launch, which can be reasonably applied for estimating the games developed by the Beijing Wande with the Reputable Studio. Therefore, we concur with the Directors that "Top War" and "State of Survival" are appropriate references for the games developed by the Subject Company with the Reputable Studio.

We have reviewed the data regarding the Monthly Active Users (MAUs) of "Top War" and "State of Survival" and found that both games have maintained high levels of usage, ranging from 4.8 million to 9.6 million, during the third to fifth year after their launch. Additionally, we have analyzed the average revenue per MAU of "Top War" and "State of Survival" and found that it ranged from RMB68 and RMB156 during the first two years but increased to a range of RMB201 to RMB342 during the third to fifth year after their launch. Having considered that the nature of "Top War" and "State of Survival" are similar to the Developed Game, we concur that the adoption of the assumptions in the Cash Flow Projection for that revenue stream is justifiable.

For the revenue generated from the distribution of other self-developed mobile games, the Management has assumed that they will launch at least one self-developed mobile game in 2025 and generate revenue from it. To project the revenue, the Management has taken reference to (i) half of the MAUs of the Developed Game and (ii) the MAUs of comparable strategic simulation mobile games such as Kleins, The Degenerate Mobile, Went: Refactor, and Infinite Lagrange. Based on our understanding, the upcoming self-developed games will primarily focus on strategic simulation games. The Valuation Report indicates that the Valuer has selected comparative mobile games (such as Kleins, The Degenerate Mobile, Went: Refactor, and Infinite Lagrange) that fall under the strategic simulation game category. These games were launched in the Chinese market, published within three years before the Valuation Date, and have the latest available data regarding Monthly Active Users (MAUs) from publicly available sources. We have reviewed the data of these comparable mobile games mentioned in the Valuation Report and found that the MAUs adopted for revenue projection from the self-developed game are within the range of these comparables.

Furthermore, we have observed that the revenue generated from self-development games is derived from the commission that is assigned to Beijing Wande. According to the Valuation Report, a commission rate of 12% on the gaming revenue from such planned self-developed games is followed. This rate is based on a research report named "遊戲行業深度報告-在科技與流量變遷中

演進的遊戲行業" published by Pacific Security on 31 March 2021 for the purpose of market research. The report can be found at the following link: https://docs.qq.com/pdf/DRHFYd0JhamdhZHd2. After interviewing the Management, we found that a commission ratio of 12% is appropriate based on the Group's previous experience. Therefore, we have concluded that the commission rate is applicable.

Although we were unable to gather any additional information, besides confirmation from management, regarding Beijing Wande's planned launch of a self-developed game that is expected to begin development in 2024, we believe that their strong game development team, successful partnership with the Reputable Studio, and their ready application capabilities make it justifiable for them to develop and launch their self-developed games in accordance with the Cash Flow Projection. Furthermore, based on the above analysis, we find the revenue projections for self-developed games to be fair and reasonable, based on the assumptions and calculations used.

We have also evaluated the cost of revenue projection of Beijing Wande, which encompasses research and development expenses, operating expenses, and business tax. Additionally, we have reviewed the operating expenses, which include selling expenses, general and administrative expenses, and depreciation expenses. We have also analyzed the capital expenditure and working capital. Based on our assessment, we believe that the projected costs are reasonable and have been calculated using historical financial ratios.

Furthermore, we have also (i) discussed with the Valuer on the major assumptions of the Cash Flow Projection sets out in section headed "4. VALUATION ASSUMPTION AND RATIONALE" in the Valuation Report set out in Appendix I to the Circular; (ii) reviewed the Cash Flow Projection schedules prepared by the Management and the related breakdowns; and (iii) reviewed the Cash Flow Projection. We also noted that the Board issued the letter confirming that the Cash Flow Forecast of Beijing Wande has been made after due and careful enquiry and D & Partners CPA Limited has issued the letter confirming that they have reviewed the arithmetical accuracy of the calculations of the Cash Flow Projection.

Based on the work performed as set out above, we are not aware of any factors which would cause us to doubt the fairness and reasonableness of the Cash Flow Projection of the Beijing Wande.

Marketability discount

In view of the fact Beijing Wande is a private company, the Valuer applied a marketability discount (the "**MD**") of approximately 15.7% to the equity interest of Beijing Wande based on their analysis and market average. The discount rate is determined by the Valuer with reference to the research result as published in the "Stout Restricted Stock Study Companion Guide 2023 Edition". We have discussed with the Valuer and reviewed an extract of the

"Stout Restricted Stock Study Companion Guide 2023 Edition". Given that the "Stout Restricted Stock Study Companion Guide 2023 Edition" is an independent research study report which is designed to assist the valuation professional in determining MD, we concur with the view of the Valuer that the MD of 15.7% as set out in the independent research study report is a valid reference for determining the MD for the Target Company and the MD of 15.7% applied to the Valuation is fair and reasonable.

4.2.3Review on the valuation assumptions

We have discussed with the Valuer in respect of the valuation assumptions applied in the Valuation. We noted that the valuation assumptions adopted by the Valuer are common assumptions adopted in business valuation, including but not limited to

(i) the corporation between Beijing Wande and the Reputable Studio is sustainable and there will be continuous corporation and development on mobile game products by way of the renewal of the product development agreement or any other form of contracts, agreements or consensus;

(ii) the turnover days and percentage ratio of working capital items of Beijing Wande Company over the projection period are derived based on the average of the actual ratio and percentage of Beijing Wande for the financial year ended 31 December 2022 and for the 6-month period ended 30 June 2023;

(iii) Beijing Wande is and will be legal fully complied with all relevant laws and regulations;

(iv) Beijing Wande will operate on a going-concern basis;

(v) the inflation rate, exchange rate and interest rates will have no material change from the rates prevailing as at the date of the Valuation;

(vi) there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of Beijing Wande; and

(vii) the conditions in which the Beijing Wande is operated, and which are material to revenue and costs of the businesses of the Subject will have no material change.

Please refer to section headed "4. VALUATION ASSUMPTION AND RATIONALE" in the Valuation Report set out in Appendix I to the Circular for details of key assumptions adopted by the Valuer.

In order to understand the relevant assumptions used in the Valuation, we have discussed with the Valuer and the Valuer has confirmed that the relevant underlying assumptions adopted in the Valuation are in line with common valuation practice and fair and reasonable. Based on (i) no major change in the current taxation laws; (ii) the discussion with the Management; and (iii) the review and discussion with the Valuer, we consider that the key assumptions used in the Valuation are fair and reasonable.

4.2.4Independence and scope of work of the Valuer

After conducting an interview with the Company and Valuer, we have been informed that, to the best of their knowledge, and after making all reasonable enquiries, the Directors are not aware of any relationships or interests between the Valuer and the Group, or any of their significant shareholders, directors, or chief executives, or their associates, that could be seen as relevant to the independence of the Valuer. Furthermore, there are no arrangements in place for the Valuer to receive any fees or benefits from the Company or any of their significant shareholders, directors, or chief executives, or their associates, apart from the usual professional fees associated with the valuation. Finally, we are not aware of any circumstances that could affect the independence of the Valuer.

Apart from the above, after careful evaluation, we have determined that Mr. Vincent Cheung, the managing director of the Valuer and the signor of the Valuation Report, is a highly qualified and experienced valuer with over 25 years of experience in the field. He has been engaged as a valuer for a wide range of services covering business, tangible and intangible assets. We agreed that Mr. Vincent Cheung is fully competent in performing the Valuation. Additionally, we have reviewed the Valuer's terms of engagement and found the scope of work to be appropriate for the valuation.

4.2.5Results of the assessment relating to the Valuation

As set out above we are satisfied that (i) the Valuer is independent from the Company and has sufficient experience, qualification and competence to perform the Valuation; (ii) the Valuer's scope of work is appropriate for the relevant engagement; and (iii) the valuation assumptions and methodologies adopted by the Valuer are fair, reasonable and complete in relation to the Valuation Report. Based on the above, we are of the view that the Valuation is fair and reasonable.

Given that the Consideration is determined based on the Valuation which is concluded above as fair and reasonable we consider that the Consideration under the Agreement is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

4.3 Evaluation of the Consideration Shares and the Issue Price

Pursuant to the Share Purchase Agreement, a total of 96,300,000 Consideration Shares at the Issue Price of HK$1.4 per Consideration Share will be allotted and issued to the Vendor upon Completion.

As at the Latest Practicable Date, the Company has 612,987,174 Shares in issue. The Consideration Shares, being 96,300,000 Shares, represent: (i) approximately 15.71% of the issued share capital of the Company as at Latest Practicable Date; and (ii) approximately 13.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Share (assuming that there will be no other change to the total issued share capital of the Company between the Latest Practicable Date and the Completion Date).

The Consideration Shares will be allotted and issued at the Issue Price of HK$1.4 per Consideration Share, which represents:

(i) the closing price of HK$1.4 per Share as quoted on the Stock Exchange on the date of the Share Purchase Agreement;

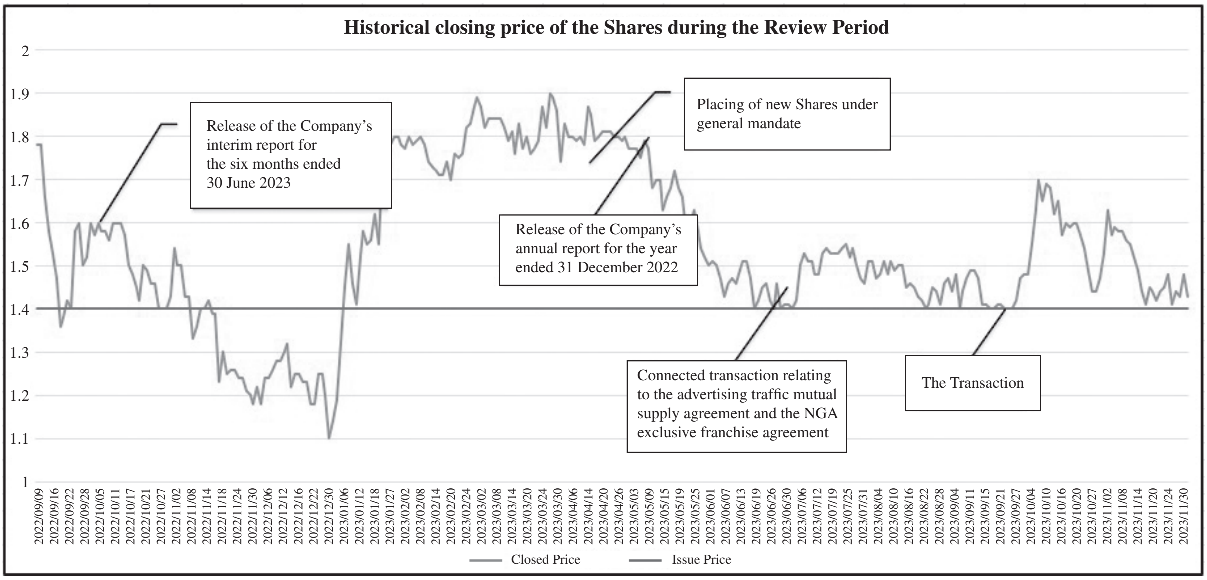
(ii) a discount of approximately 3.4% to the average closing price of approximately HK$1.45 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Share Purchase Agreement.

The Issue Price was determined after arm's length negotiations between the Company and Mr. Wang with reference to, among other things, the prevailing market price of the Shares; and (ii) the liquidity of the Shares.

In order to assess the fairness and reasonableness of the Issue Price, we have compared the Consideration Price with reference to (a) the historical Share price performance; (b) the historical trading volume and liquidity of the Shares; and (c) the market comparable in respect of recent issuance of consideration shares, as set out below.

4.3.1Review of the historical Share price performance

Set out below is a chart illustrating the movement of the closing prices of the Existing Shares during the period commencing from 9 September 2022 to 8 September 2023, being the 12 months prior to the date of the Share Purchase Agreement, and extend up to the Latest Practicable Date (the "**Review Period**"). We consider that the Review Period is adequate to illustrate the Share price performance for conducting a reasonable comparison between the closing price of the Shares and the relevant Issue Price.



Source: The website of the Stock Exchange (www.hkex.com.hk)

As illustrated by the chart above, the closing Share prices fluctuated from the lowest of HK$1.1 per Share to the highest of HK$1.9 per Share, with an average closing price of approximately HK$1.55 per Share. The Issue Price of HK$1.4 per Share represents (i) a premium of 27.27% over the lowest closing Share price (i.e. HK$1.1) during the Review Period; (ii) a discount of approximately 26.32% to the highest closing Share price (i.e. HK$1.9) during the Review Period; and (iii) a discount of approximately 9.17% to the average closing Share price (i.e. HK$1.54) during the Review Period.

Further to the above, we noted that the Issue Price HK$1.4 per Share also represents a discount of approximately 4.76% to the average closing Share price of HK$1.47 per Share for the last three months prior to the date of the Share Purchase Agreement.

As shown in the chart above, the Share price closed between HK$1.1 per Share and HK$1.9 per Share during the Review Period. During the Review Period, the Company released (i) the interim report of the Company for the six months ended 30 June 2022 (please refer to the Company's announcement on 23 September 2022); (ii) the 2022 Annual Report (please refer to the Company's announcement on 27 April 2023); (iii) the placing of new Shares under general mandate (please refer to the Company's announcements on 3 April 2023, 24 April 2023 and 2 May 2023); (iv) the connected transaction in relation to formation of joint venture and the continuing connected transaction relating to the advertising traffic mutual supply agreement and the NGA exclusive franchise agreement (please refer to the Company's announcement on 23 June 2023); (v) the Transaction; and (vi) placing of new Shares under general mandate (please refer to the Company's announcement on 1 December 2023). Save as the aforesaid, the Company did not announce any other material information to the public.

To conclude, we are of the view that the change in Share price during the Review Period reflects the change in the fundamentals of the Company and therefore, the hare price during such period serves as a fair and meaningful indicator for assessing the Issue Price. On this basis, we consider the Issue Price is fair and reasonable to the Independent Shareholders.

In order to assess the fairness and reasonableness of the Issue Price as compared to the recent closing price of the Shares (being the closing price prior to the date of Share Purchase Agreement and the last 5 days prior to the date of the Share Purchase Agreement), we have further, based on the information available from the Stock Exchange's website, identified the Comparables (as defined below) for further analysis. Please refer to the sub-section headed "4.3.3 Comparison with recent transactions" for details of the analysis. For our view on the dilution effect to minority shareholders upon issue of Consideration Shares, please refer to the section headed "5. POSSIBLE DILUTION EFFECT ON SHAREHOLDING INTEREST OF THE PUBLIC SHAREHOLDERS".

4.3.2 Review on the trading volume and liquidity of the Shares

Set out below is the table showing (i) the monthly total trading volume of the Shares; (ii) the number of trading days of each month; (iii) the average daily trading volume of the Shares; and (iv) the percentage of the average daily trading volume of the Shares to the total issued Shares at the end of each month during the Review Period:

Month	Monthly trading volume of Shares (A) *(Shares)*	Number of trading days in the month (B) *(days)*	Average daily trading volume of the Shares (C) = (A)/(B) *(Shares)*	Total issued Shares at the end of each month (D) *(Shares*	Percentage of average daily trading volume of the Shares to the total issued Shares (C)/(D) *Approx. %*
2022					
From 9 September to 30 September	12,638,000	15	842,533	546,000,000	0.15
October	5,593,000	20	279,650	546,000,000	0.05
November	6,954,000	22	316,091	546,000,000	0.06
December	1,578,000	20	78,900	546,000,000	0.01
2023					
January	12,130,000	18	673,889	546,000,000	0.12
February	7,944,000	20	397,200	546,000,000	0.07
March	18,796,000	23	817,217	546,000,000	0.15
April	20,726,000	17	1,219,176	546,000,000	0.22
May	19,582,000	21	932,476	612,987,174	0.15
June	11,700,000	21	557,143	612,987,174	0.09
July	9,374,000	20	468,700	612,987,174	0.08
August	16,132,000	23	701,391	612,987,174	0.11
September	3,934,000	19	207,053	612,987,174	0.03
October	32,194,000	20	1,609,700	612,987,174	0.26
From 1 November and up to the Latest Practicable Date	40,204,000	26	1,546,308	612,987,174	0.25

Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: The calculation is based on the average daily trading volume of the Shares divided by the total issued Shares at the end of each month or at the Latest Practicable Date as applicable.

According to the table above, the monthly trading volume of shares during the Review period was inconsistent, ranging from a low of 1,578,000 to a high of 40,204,000. This represents roughly 0.01% to 0.25% of the total issued shares. Notably, after the release of the company's annual report for the year ended December 31, 2022, the number of shares traded daily increased significantly. The daily trading volume gradually rose from an average of approximately 817,217 shares in March 2023 to around 1,219,176 shares in April 2023. Additionally, after the company announced the transaction, the daily trading volume of shares increased even further from an average of approximately 207,053 shares in September 2023 to around 1,609,700 shares in October 2023.

Save for the aforementioned released announcements, we are not aware of any reasons for such fluctuations during the Review Period and believed that it was the result of the market response to the relevant published announcements of the Company. Hence, we consider the trading of Shares did not appear to be active during the Review Period. Given the low liquidity of the Shares during the Review Period, we consider that it may be difficult for the Group to obtain favorable terms on other ways of equity financing such as placement of new Shares for the Acquisition.

4.3.3 Comparison with recent transactions

In assessing the reasonableness of the terms of the issue of Consideration Shares, we have, based on the information available from the Stock Exchange's website, and on a best effort basis, identified an exhaustive list of 10 transactions announced by companies listed on the Stock Exchange during the Review Period (the "**Comparable(s)**"). For the purpose of our analysis, the basis of our selection of the Comparables is as follows: (i) an acquisition; (ii) the acquisition is fully or partly settled by the issue of shares under specific mandate as consideration; and (iii) the transaction constitute a connected transaction under the Listing Rules or the GEM Listing Rules. We consider that the selection of comparable companies within a 12-month period to be sufficient and appropriate for our analysis as it has covered the prevailing market conditions and sentiments in the Hong Kong stock market at the time which the terms of the issue of the Consideration Shares were determined.

Taking into account that the terms of the Comparables are determined under similar market conditions and sentiments as the issue of the Consideration Shares, we consider that the Comparables may reflect the recent market trend of a connected acquisition involving issuance of shares as full or partial settlement of consideration. As such, we consider the Comparables are fair and representative samples for comparison. It should be noted that all the companies involved in the Comparables may have different principal activities, market capitalisation, profitability, and financial position as compared with those of the Company. Circumstances leading the Comparables companies to issue consideration shares may differ from that of the Company. The analysis is meant to be used as a general reference to similar types of transactions in Hong Kong, and we consider them to be one of the appropriate basis to assess the fairness and reasonableness of the Issue Price.

Set out below is the list of transaction involved issue of consideration shares as announced by the Comparables during the Review Period.

Date of initial announcement	Stock code	Company name	Premium/ (discount) of the issue price over/ (to) closing price per share on the last trading day prior to the date of the corresponding agreement (%)	Premium/ (discount) of the issue price over/ (to) the average closing price per share for the last five consecutive trading days prior to the date of the corresponding agreement (%)
30 September 2022	8270	China CBM Group Company Limited	0.48	—
18 November 2022	1592	Anchorstone Holdings Limited	(1.5)	(5.0)
19 December 2022	510	Cash Financial Services Group Limited	(7.61)	(7.61)
26 April 2023	8296	Sino-Life Group Limited	—	(0.83)
27 April 2023	8480	Furniweb Holdings Limited	(6.25)	—
5 May 2023	351	Asia Energy Logistics Group Limited	(12.55)	(9.82)
4 September 2023	1592	Anchorstone Holdings Limited	66.67	42.14
13 September 2023	1060	Alibaba Pictures Group Limited	(5.5)	(0.3)
16 October 2023	628	Gome Finance Technology Co., Ltd.	—	(2.68)
30 October 2023	3963	China Rongzhong Financial Holdings Company Limited	(9.52)	(9.09)
		Maximum	66.67	42.14
		Minimum	(12.55)	(9.82)
		Average	2.42	0.68
		Issue Price	—	(3.4)

Source: The website of the Stock Exchange (www.hkex.com.hk).

As shown in the above table of the Comparables, the issue prices of all of the Comparables to the relevant closing price on the date of the announcement of relevant issue price ranged from a premium of approximately 66.67% to a discount of approximately 12.55%, with an average premium of approximately 2.42%. We note that the Issue Price of HK$1.4 is equivalent to the closing price of the Shares on the date of the Share Purchase Agreement, being the date of announcement of the Issue Price, and it falls within the abovementioned range of the Comparables. Further, the issue prices of all of the Comparables to the relevant average closing price for the five trading days immediately prior to the day of announcement of the issue price or last trading day ranged a premium of approximately 42.14% to a discount of approximately 9.82%, with an average premium of approximately 0.68% and the Issue Price of HK$1.4 represents a discount of approximately 3.4% to the average of the last five consecutive trading days immediately prior to the date of signing of the Share Purchase Agreement and it also falls within the relevant range of the Comparables.

Despite the fact that the Issue Price represents (i) a discount of approximately 26.32% to the highest closing Share price (i.e. HK$1.9) during the Review Period; and (ii) a discount of approximately 9.82% to the average closing Share price (i.e. HK$1.55) during the Review Period, we have taken into consideration the following factors:

(i) the Issue Price represents a discount of only 4.77% to the average closing Share price of HK$1.47 for the last three month prior to the date of the Share Purchase Agreement;

(ii) the thin liquidity of the Shares during the Review Period;

(iii) the determination of the Issue Price fall within the range of that of the Comparables;

(iv) the Consideration is on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned as discussed in the above section; and

(v) the Acquisition is in the interest of the Company and the Shareholder as a whole as discussed in the above section "3. REASONS AND BENEFITS OF THE PROPOSED ACQUISITION",

we consider that the terms of the Consideration Shares are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4.4 Evaluation on the fairness and reasonableness of the settlement method of the Consideration

As advised by the Directors, they have also considered other financing alternatives such as open offer, rights issue, bank loans and internal cash resources to fund the acquisition, depending on the Group's financial position and cost of funding as well as the prevailing market condition. We are given to understand that the Directors exercised due and careful consideration in the selection of financing method in order to maximise the benefit to the Shareholders.

We are of the view that it may be difficult for the Group to raise fund by other ways of equity financing such as placing, rights issue or open offer for the Acquisition, after advised by Directors and having considered that (i) the recent loss making financial performance of the Group is unlikely to attract sufficient demand if the Group was to propose equity financing activity such as placing, rights issue or open offer; (ii) it may be difficult for the Group to attract underwriters in case of a rights issue or open offer; (iii) due to the substantial amount of Shares required to be allotted and issued in order to settle the Consideration, the potential investor(s) will require a substantial placing discount to the trading price of the Shares, and the Directors anticipate such discount to be more than 20%; (iv) the Directors, after approaching several securities firms, found it difficult to secure placing agents and subscribers in light of the sizable amount of securities involved in the placing or subscription (as the case may be); and (v) it may involve substantial time and cost for all other equity financing methods as compared to issue new Shares as part of the Consideration.

The Directors also considered, and we concur, that bank loans may incur heavy interest burden on the Group and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's loss for the financial year ended 31 December 2022 attributable to Shareholders of the Company and the financial market condition at that time.

Given that (i) it is unlikely to attract sufficient demand if the Group was to propose another equity fund raising exercise, including placing, rights issue or open offer; and (ii) the issuance of Consideration Shares allows the Group to raise funds to settle the Consideration in a relatively short period of time, while the issuance of Convertible Bonds provide the Group with immediate funding without immediate dilution of the shareholding of the existing Shareholders; we consider that the settlement method is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Possible Dilution Effect on Shareholding Interest of the Public Shareholders

For details of the effect of the shareholder structure immediately upon Completion, please refer to the section headed "EFFECT OF THE ISSUE OF CONSIDERATION SHARES ON THE SHAREHOLDING STRUCTURE" of the Letter.

As illustrated in the table relating to the "shareholder structure of the Company" as set out in the Letter, the shareholding of existing public Shareholders in the Company will be reduced from approximately 45.23% as at the Latest Practicable Date to approximately 39.09% immediately after the allotment and issue of the Consideration Shares (assuming that there will be no other change to the total issued share capital of the Company between the Latest Practicable Date and the Completion Date). The dilution effect on the shareholding of the Company immediately upon Completion is approximately 6.14%. Although there will be dilutive effects to the shareholding interests of the public Shareholders as a result of the Acquisition, having considered (i) the reasons for and benefits of the Acquisition as discussed in the section headed "Reasons for and benefits of the Acquisition" above; (ii) the Issue Price being fair and reasonable as discussed above; and (iii) the positive financial effects on the Group as a result of the Acquisition as summarized in section headed "Potential financial effect of the Acquisition" below, we are of the view that the dilution in the shareholding interests of the public Shareholders upon Completion is not prejudicial to their interests and thus is acceptable.

6. Financial Effects of the Acquisition

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the financial statements of the Group.

RECOMMENDATION

After considering the primary factors and reasons mentioned above, including the nature of the business in which the Group participated, which is not exactly the same as that of the Target Group, we believe that the Acquisition does not fall within the Group's ordinary and usual course of business. However, we consider that the terms of the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate).

Yours faithfully
For and on behalf of
Diligent Capital Limited
Huen Felix Ting Cheung
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.*

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VINCORN
appraisal • brokerage • consulting

Valuation Report

Prepared for Infinities Technology International (Cayman) Holding Limited
(Stock Code: 1961)

Valuation in Relation to 100% Equity Interest of Beijing Wande Game Technology Company Limited

Strictly Confidential – For Addressee Only

Subject:
Valuation in Relation to 100% Equity Interest of
Beijing Wande Game Technology Company Limited

Address:
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Valuation Date:
30 June 2023

Report Date:
29 September 2023

Ref. No.:
VJ-23-0420

CONTENTS

EXECUTIVE SUMMARY

Subject	:	Valuation in Relation to 100% Equity Interest of Beijing Wande Game Technology Company Limited
Description	:	Beijing Wande Game Technology Company Limited (the "**Subject**", "**Subject Company**" or "**Beijing Wande**") is a limited liability company established under the laws of the PRC. It is principally engaged in the development of mobile gaming products since its incorporation in 2020. The Subject Company has entered into a product development agreement (the "**Product Development Agreement**") with a well-known American video game studio (the "**US Game Studio**") in 2021 to build brand-new mobile games. The Subject Company generates revenue from R&D services. Upon the expected launch of mobile games 2024 and 2027 respectively, the Subject Company will also benefit from a bonus payment based on the gaming revenue. In addition, the Subject Company would engage in the production of self-developed mobile games.
Valuation Purpose	:	Transaction purpose
Basis of Valuation	:	The valuation has been prepared in accordance with the International Valuation Standards effective from 31 January 2022 published by the International Valuation Standards Council, where applicable. The Valuation is conducted on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" in accordance with International Valuation Standards published by the International Valuation Standards Council.
Valuation Date	:	30 June 2023
Valuation Method	:	Income Approach
Currency	:	Renminbi ("**RMB**")
Valuation Conclusion		**213,000,000**

This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.

1. PREAMBLES

1.1. Instruction

Vincorn Consulting and Appraisal Limited ("**Vincorn**") are pleased to submit our valuation report, which has been prepared for Infinities Technology International (Cayman) Holding Limited (the "**Instructing Party**", the "**Client**" or the "**Company**") for disclosable transaction purposes.

The valuation has been carried out in accordance with the engagement letter dated 25 August 2023 (the "**Engagement Letter**") signed between the Instructing Party and Vincorn. The extent of our professional liability to you is outlined in the Engagement Letter.

1.2. Subject

Beijing Wande Game Technology Company Limited (the "**Subject**", "**Subject Company**" or "**Beijing Wande**") is a limited liability company established under the laws of the PRC. It is principally engaged in the development of mobile gaming products since its incorporation in 2020. The Subject Company has entered into a product development agreement (the "**Product Development Agreement**") with a well-known American video game studio (the "**US Game Studio**") in 2021 to build brand-new mobile games. The Subject Company generates revenue from R&D services. Upon the expected launch of mobile games 2024 and 2027 respectively, the Subject Company will also benefit from a bonus payment based on the gaming revenue. In addition, the Subject Company would engage in the production of self-developed mobile games.

1.3. Industry Overview

The gaming industry has been positively affected due to pandemics despite the impact brought by COVID-19 to most of the business all over the world. During these challenging times, the role of the mobile gaming industry was to help people get some relief. Mobile games have the power to reduce stress and provide some entertainment and social connection, which was much needed, especially during the global quarantine.

Increasing smartphone penetration has a significant impact on the mobile gaming market. Smartphones offer a convenient and accessible gaming platform. With improved hardware capabilities and advanced graphics, smartphones can provide a rich gaming experience. This accessibility makes mobile gaming appealing to a broader audience, including casual gamers who may not invest in dedicated gaming consoles or PCs.

As Chinese gaming companies innovate in mobile game mechanics, and optimize the game experience and interface, the quality of Chinese mobile games continues to improve, and the pace of going global is gradually accelerating. According to the report from Frost and Sullivan, from 2017 to 2021, the size of the Chinese mobile game overseas market (by operating income) increased from RMB57.4 billion to RMB88.7 billion, with a compound annual growth rate ("**CAGR**") of 11.5%. In the next 5 years, gaming companies will further develop the overseas mobile game market. It is expected that from 2021 to 2027, the size of the Chinese mobile game overseas industry market by operating income will increase from RMB88.7 billion to RMB175.9 billion, with a CAGR of 12.1%.

According to the White Paper on Global Mobile Game Buying Volume in the First Half of 2022 released by Approving in conjunction with Grapevine, despite the increasingly fierce competition in the global game market, domestic mobile games have always maintained the first echelon position in the overseas buying volume market under their experience in the domestic buying volume market. Among the 500 mobile games with the highest advertising volume in the overseas market in 2022, mobile games from developers in mainland China accounted for about 42.7%, twice the sum of Vietnam, Türkiye and Russia.

According to Cisco, the total number of global mobile subscribers (those who use cellular services) is expected to rise from 5.1 billion in 2018 to 5.7 billion by the end of 2023, at a CAGR of 2%. In terms of population, it accounted for 66% of the global population in 2018 and 71% of global population penetration by 2023. As smartphone ownership continues to rise globally, the demand for mobile games is expected to increase, creating new opportunities for game developers, publishers, and other stakeholders in the industry. Therefore, it is obvious that the mobile game market will continue to expand and growth in the future and mobile gaming market size will be expected to grow from USD141.71 billion in 2023 to USD300.47 billion by 2028, at a CAGR of 16.22%.

1.4. Valuation Date

The valuation date is 30 June 2023.

1.5. Valuation Basis

The valuation has been prepared in accordance with the International Valuation Standards effective from 31 January 2022 published by the International Valuation Standards Council, where applicable.

The valuation is conducted on a market value basis.

Market value is defined as the "estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion" in accordance with International Valuation Standards published by the International Valuation Standards Council.

1.6. Currency

Unless otherwise stated, all monetary sums stated in this report are in Renminbi ("**RMB**").

1.7. General Reservations

The purposes of the valuation do not alter the approach of the valuation.

A valuation is a prediction of price, not a guarantee. By necessity, it requires valuers to make subjective judgements that, even when logical and appropriate, may differ from those made by a purchaser or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

Business values can change substantially, even over a short period of time, so our opinion of values could differ significantly if the date of valuation was to change. If you wish to rely on our valuation for any other dates you should consult us first. We recommend that you keep the valuation under frequent review. You should not rely on this report unless any reference to the legal titles has been verified as correct by your legal advisers.

1.8. Caveats and Assumptions

This report is subject to and includes our Standard Caveats and Assumptions as set out in the appendices at the end of this report, as well as our agreed terms of our engagement.

1.9. Limiting Conditions

The valuation report is subject to the limiting conditions as attached in Appendix 1.

1.10. Confidentiality

The information contained herein is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of the information contained herein.

1.11. Non-disclosure

Neither the whole nor any part of the valuation report nor any reference thereto may be included in any published documents, circulars or statements, nor published in any ways whatsoever without a prior written approval of Vincorn as to the form and context in which it may appear.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Subject Company, and/or its representative (together referred to as the "**Management**").

In the course of our valuation, the following processes have been conducted to evaluate the information provided by the Management:

- Discussion with the Management and obtained relevant information in respect of the Subject by going through information checklist;
- Examined the relevant basis and assumptions of the financial information in respect of the Subject provided by the Management;
- Conducted appropriate research to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and
- Arriving at our valuation opinion based on the assumptions stated in this report and on information provided by the Management.

No on-site inspection has been made as part of the agreed-upon procedures for this valuation task.

3. SOURCES OF INFORMATION

In conducting our valuation of the Subject, we have considered, reviewed and relied upon the following key information which is available to the public or provided by the Management and the public:

- Background information and relevant corporate information of the Subject;
- Product Development Agreement signed between the Subject Company and the US Game Studio;
- Audited financial statements of the Subject Company for the financial year ended 31 December 2020 to 2022 as well as for the 6-month period ended 30 June 2022 and 2023;
- Financial forecast of from 1 July 2023 to 31 December 2028 with relevant supporting document of the input parameters based on research regarding the industry and the competitors of the Subject Company;
- S&P Capital IQ and other reliable sources.

4. VALUATION ASSUMPTION AND RATIONALE

For the purpose of determining the equity interest of the Subject, we have considered all the prominent factors affecting the value and assumed, including but not limited to, the following:

- The corporation between the Subject Company and the US Game Studio is sustainable and there will be continuous corporation and development on mobile game products by way of the renewal of the Product Development Agreement or any other form of contracts, agreements or consensus;
- The turnover days and percentage ratio of working capital items of the Subject Company over the projection period are derived based on the average of the actual ratio and percentage of the Subject Company for the financial year ended 31 December 2022 and for the 6-month period ended 30 June 2023;
- We have assumed that the Subject is and will be legal fully complied with all relevant laws and regulations;
- We have assumed that the Subject will operate on a going-concern basis;
- We have assumed that the inflation rate, exchange rate and interest rates will have no material change from the rates prevailing as at the Valuation Date;
- We have assumed that there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Subject;
- We have assumed that the conditions in which the Subject is operated, and which are material to revenue and costs of the businesses of the Subject will have no material change;
- We have assumed that the information has been prepared on a reasonable basis after due and careful consideration by the Subject;
- We have assumed that the accounting policies adopted by the Subject after the Valuation Date and the accounting policies used in the preparation of the valuation report are consistent in all material aspects;
- We have assumed that competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Subject;
- We have assumed that all licenses and permits that is essential for the operation of the Subject (if any) can be obtained and are renewable upon expiry;

- We have assumed that there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date; and

- We have assumed that there are no other force majeure factors and unforeseeable factors to lead to a significant adverse impact on the Subject.

5. VALUATION METHODOLOGY

5.1. Selection of Valuation Approach

There are three generally accepted approaches to assess the equity interest of the Subject, namely, Market Approach, Cost Approach and Income Approach. Each of these approaches is appropriate in one or more circumstances. Whether to adopt a particular approach will be determined with reference to the most common adoption when similar subjects is being valued.

Market Approach

Market Approach values assets based on comparison with recent market transactions of selling similar assets. Although this approach is widely used, the main difficulties with this approach are the lack of financial information and full details regarding the sale of similar assets.

We have considered but decided against Market Approach as there are no similar assets in the market for comparison purpose as the Subject is still in its early development stage of which the revenue and earnings has not yet been stabilized. Therefore, Market Approach is not appropriate to estimate the equity interest of the Subject and is not adopted in our valuation.

Cost Approach

Cost Approach values assets with reference to the accumulating costs that would incur in order to replace or reproduce the assets in its current condition. This approach is not considered to be an appropriate approach to valuing income-generating assets as it generally does not capture the future expected returns to the asset.

We have considered but decided against Cost Approach as this approach disregards the future profit potentials of the Subject. Therefore, Cost Approach is not appropriate to estimate the equity interest of the Subject and is not adopted in our valuation.

Income Approach

Income Approach values assets with reference to the capitalized value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owning the assets.

We consider Income Approach to be appropriate to value the Subject because it can fully reflect the Subject Company's future plan of its business which as a result, this can better illustrate the future earnings potential in the valuation. The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the asset life. This approach estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realizing those benefits.

5.2. Valuation of the Subject

To determine the valuation of the Subject, we have conducted our valuation based on discounted cash flow within Income Approach.

The discounted cash flow should incorporate assumptions that market participants would use in estimating the asset's equity interest. The following is a discussion of the assumptions used to derive the cash flows attributable to the Subject Company.

Discounted Cash Flow

The discounted cash flow method is a method used to value the Subject Company incorporating the concept of time value of money. All future cash flows are estimated and discounted to give them a present value. The discount rate used is the required rate of return of the comparable companies. The present value of the free cash flows was calculated via the following formula:

$$PVCF = CF_1/(1+R)^1 + CF_2/(1+R)^2 + CF_3/(1+R)^3 + \ldots\ldots + CF_n/(1+R)^n$$

Where:

PVCF	=	*Present value of cash flows*
CF_n	=	*Cash flow at time n*
R	=	*Discount rate*
N	=	*Time period*

Free Cash Flow

In the course of our valuation, the cash flows were determined as free cash flows, which were calculated using the following formula:

$$FCF = NI + AD - WC - CAPEX$$

Where:

FCF	=	*Free cash flow*
NI	=	*Net income*
AD	=	*Amortization and depreciation*
WC	=	*Change in working capital*
CAPEX	=	*Capital expenditures*

Discount Rate

Weighted average cost of capital ("**WACC**") is adopted as the discount rate. WACC represents investors' expectations and for any given investment is a combination of three basic factors, namely the risk-free rate, the expected return and a premium for risk. WACC was computed with the following formula:

$$WACC = (E/V) * Re + (D/V) * Rd * (1 - Tc)$$

Where:

Re	=	*Cost of equity*
Rd	=	*Cost of debt*
E	=	*Market value of the firm's equity*
D	=	*Market value of the firm's debt*
V	=	*E + D*
E/V	=	*Percentage of financing due to equity*
D/V	=	*Percentage of financing due to debt*
Tc	=	*Tax rate*

The Comparable Companies for Discount Rate

Due care was exercised in the selection of the Comparable Companies by using reasonable criteria in deciding whether or not a particular company is relevant. In selecting the Comparable Companies, we started with the description of the potential companies, in terms of lines of business, financial results and other criteria. In order to comprise a representative set of guideline public companies to derive the valuation result, certain criteria have to be set to ensure similarity between the Comparable Companies and the Subject Company.

Firstly, our focus is to identify listed companies which are engaged in the development and production of mobile games in Hong Kong and the People's Republic of China (the "**PRC**") and these companies should be listed on the stock exchange. We consider the list of Comparable Companies an exhaustive list, we consider this selection basis is reasonable and the sample list is fair and representative. As a result, the Comparable Companies were selected with reference to the criteria as follows:

- The comparable companies are based in Hong Kong or the PRC;
- The comparable companies are listed in Hong Kong;
- The comparable companies have sufficient operating histories;
- The comparable companies are engaged in the development and operation of entertainment games and mainly operate and generate their revenue in Hong Kong or the PRC; and
- The financial information of the comparable companies is available to the public.

In the process of selecting Comparable Companies, further to the aforementioned criteria, the following factors have also been taken into consideration:

1. The Subject Company is a relatively new company incorporated in 2020 and is still in a startup stage. There are no listed public companies which are in the similar stage of development/growth cycle as the Subject Company in the exhaustive list of Comparable Companies selected based on the above criteria. Therefore, selection criteria based on the stage of development/growth cycle is considered to be not applicable. Nevertheless, the current selection of Comparable Companies can broadly reflect the systematic risk of the relevant business operated by the companies in the designated geographical location which is applicable to the Subject Company.

2. The game developed by the Company and the US Game Studio is expected to be launched in both China and globally while the launch of self-developed games initially focus in China and will subsequently aim for global launch. Therefore, the target users of the games will be from both China and globally, where China is expected to be a substantial source of users. This is expected to be consistent with those of the Comparable Companies.

3. The fee structure of the games (including both games developed by the Subject Company and the US Game Studio as well as the self-developed games) are referenced to the signed agreement or arrangement benchmarked to the comparable games in the market. Given that the specific fee structures of the games operated by the Comparable Companies are not available, selection criteria based on the fee structures of the games is considered to be not applicable. Though the fee structure may vary across games and companies, the current selection of Comparable Companies can broadly reflect the systematic risk of the relevant business operated by the companies in the designated geographical location which is applicable to the Subject Company.

4. The Subject Company is a relatively new company incorporated in 2020 and is still in a startup stage. Given that its profitability has not yet reached a stable level at the current startup stage, selection criteria based on the profitability is considered to be not applicable. Nevertheless, the current selection of Comparable Companies can broadly reflect the systematic risk of the relevant business operated by the companies in the designated geographical location which is applicable to the Subject Company.

5. The market capitalization of Subject Company is relatively low compared to the Comparable Companies. Such difference is considered by the addition of size premium in the calculation of cost of equity based on Capital Asset Pricing Model in the following part.

6. Given the Company meet the selection criteria and is included in the exhaustive list of the screening result, it is considered as one of the Comparable Companies of the Subject Company for deriving the cost of equity and hence the WACC.

Based on the above selection criteria and the consideration, we have then identified 19 comparable companies which are comparable to the Subject Company with the aforesaid criteria and calculated the unlevered beta and D/E ratio of each Comparable Company. The following is the exhaustive list of the Comparable Companies that we have selected in connection with the valuation of the 100% equity interest.

Detail of the Comparable Companies:

Company Name	**Ticker**	**Business Description**
CMGE Technology Group Limited	SEHK:302	CMGE Technology Group Limited, an investment holding company, publishes and develops intellectual property (IP)-based games in Mainland China and internationally. The company offers PC and mobile games on IPs related to cultural products and art works, such as icons or characters from animations, novels, and motion pictures. It is also involved in the game development and licensing of IP; software, information, and technology operation; and digital art businesses. The company was founded in 2009 and is headquartered in Shenzhen, China.
Boyaa Interactive International Limited	SEHK:434	Boyaa Interactive International Limited, an investment holding company, develops and operates online card and board games in the People's Republic of China and internationally. Its web- based and mobile games include board games, such as Texas Hold'em, Fight the Landlord, Big Two Poker, Chinese Chess and Mahjong Games, and other puzzle games. It also provides advisory services relating to online game applications. The company was founded in 2004 and is headquartered in Shenzhen, the People's Republic of China.

Company Name	Ticker	Business Description
7Road Holdings Limited	SEHK:797	7Road Holdings Limited, an investment holding company, engages in the development and distribution of web and mobile games in the People's Republic of China and internationally. It engages in the research, development, operation, and licensing of web games. The company offers web and mobile games, including DDTank, Wartune, Three Kingdoms, Mythic Glory, Island Story, Dragon Oath, and DDTank Adventure series. It is also involved in the provision of publishing online games; sandbox games development and operation; online game development, promotion, and management; and cloud computing and other related services, such as elastic computing, storage, GPU computing, and security. The company was incorporated in 2008 and is headquartered in Wuxi, China.
Feiyu Technology International Company Ltd.	SEHK:1022	Feiyu Technology International Company Ltd., an investment holding company, engages in the operation and development of web and mobile games in Mainland China. Its game portfolio includes Shen Xian Dao, Carrot Fantasy, San Guo Zhi Ren, Jiong Xi You, Da Hua Shen Xian, Ba Qin, and BATTERY RUN. The company also engages in the asset management business. The company was founded in 2009 and is headquartered in Xiamen, the People's Republic of China.

Company Name	**Ticker**	**Business Description**
iDreamSky Technology Holdings Limited	SEHK:1119	iDreamSky Technology Holdings Limited, an investment holding company, operates a digital entertainment platform that publishes games through mobile apps and websites in the People's Republic of China. It operates through two segments: Game and Information Services, and IP Derivatives Business. The company primarily publishes third party licensed games to the game players through various mobile application stores and software websites, as well as through other game publishers; and provides in-game information services. It also engages in the provision of mobile games development and game co-operation services, including on-going updates of new contents and maintenance services, as well as provides information services, such as advertising services. In addition, the company principally offers game console experience and retails; sells game and cultural IP-themed trendy products; and develops internet and software technology and services. Further, it offers financing, culture, sports, entertainment, and internet information services. The company was founded in 2009 and is headquartered in Shenzhen, the People's Republic of China.

Company Name	Ticker	Business Description
Infinities Technology International (Cayman) Holding Limited	SEHK:1961	Infinities Technology International (Cayman) Holding Limited, an investment holding company, operates as a digital entertainment content provider in the People's Republic of China. It develops and operates mobile games, primarily casual mobile games, as well as multi-player and boutique mobile games. The company also distributes digital media content, such as e-magazines, comics, and music. The company was formerly known as Jiu Zun Digital Interactive Entertainment Group Holdings Limited and changed its name to Infinities Technology International (Cayman) Holding Limited in July 2022. Infinities Technology International (Cayman) Holding Limited was founded in 2011 and is headquartered in Guangzhou, the People's Republic of China.
Digital Hollywood Interactive Limited	SEHK:2022	Digital Hollywood Interactive Limited, an investment holding company, publishes online games for China-based game developers in North America, Europe, the People's Republic of China, and internationally. The company develops, operates, and publishes web-based games and mobile games to various demographic user communities; and provides game redesign, optimization, marketing, distribution, monetization, payment support, and other user-related services. It also offers marketing and technical support services. The company was founded in 2010 and is headquartered in Guangzhou, China.

Company Name	Ticker	Business Description
BAIOO Family Interactive Limited	SEHK:2100	BAIOO Family Interactive Limited, an investment holding company, primarily develops and operates an online entertainment destination for young teens in the People's Republic of China and internationally. It operates through Online Entertainment Business and Other Businesses segments. The company primarily offers games in various genres, including female-oriented games, and pet collection and raising games, as well as nijigen games; web games; and comic intellectual properties. Its principal products comprise online virtual worlds, such as Aobi Island, Aola Star, Dragon Knights, Light of Aoya, and Legend of Aoqi, as well as mobile games comprising Zaowufaze, Helix Waltz, Shiwuyu, Aobi Island, legend of Aoqi Mobile, and Aola Star Mobile. The company also provides online interactive entertainment and education services for children; software and information technology services; and culture and art services, as well as engages in the research and development of computer software. The company was incorporated in 2009 and is headquartered in Guangzhou, the People's Republic of China.
XD Inc.	SEHK:2400	XD Inc., an investment holding company, develops, publishes, operates, and distributes mobile and web games in Mainland China and internationally. The company also operates TapTap, a platform for gamers and game developers, as well as provides information services. its game portfolio comprises online games and premium games. In, addition it engages in catering business; and invests in game development entities. The company was founded in 2011 and is headquartered in Shanghai, the People's Republic of China.

Company Name	Ticker	Business Description
Gala Technology Holding Limited	SEHK:2458	Gala Technology Holding Limited, an investment holding company, develops, publishes, and operates mobile sports games in the People's Republic of China. It also provides technical support, consulting, and other services; and research, experiment, and development services. The company was founded in 2013 and is headquartered in Shenzhen, the People's Republic of China.
Zengame Technology Holding Limited	SEHK:2660	Zengame Technology Holding Limited, an investment holding company, develops and operates mobile games in the People's Republic of China. The company offers card and board games; self-developed and third-party games; and other casual mobile games. It also provides technical services. Zengame Technology Holding Limited was founded in 2010 and is headquartered in Shenzhen, the People's Republic of China.
Homeland Interactive Technology Ltd.	SEHK:3798	Homeland Interactive Technology Ltd. engages in the development, publication, and operation of localized mobile card and board games in the People's Republic of China. It offers mahjong, poker, and casual games. Homeland Interactive Technology Ltd. was founded in 2009 and is headquartered in Xiamen, China.
Qingci Games Inc.	SEHK:6633	Qingci Games Inc., an investment holding company, develops, publishes, and operates mobile games in the People's Republic of China, Japan, Hong Kong, Macau, Taiwan, and internationally. It publishes its games with third-party publishers, as well as obtain licenses from third-party game developers to publish and operate their games. The company also provides information and other services. It serves game players through distribution channels, including online application stores, such as iOS App Store and Google Play; and web-based and mobile game portals, such as its own websites. Qingci Games Inc. was founded in 2012 and is headquartered in Xiamen, China.

Company Name	Ticker	Business Description
FriendTimes Inc.	SEHK:6820	FriendTimes Inc., through its subsidiaries, develops, publishes, distributes, and operates mobile games in the People's Republic of China and internationally. The company offers mobile games and female-oriented mobile games, including Fate of the Empress, Fate: The Loved Journey, Promise of Lingyun, Royal Chaos, Rise of Queendom, Legend of Empress, Yokai Kitchen, and Fate: Royal Revenge. It also invests in, produces, and distributes film and TV copyrights. The company was founded in 2010 and is headquartered in Suzhou, the People's Republic of China.
FingerTango Inc.	SEHK:6860	FingerTango Inc., an investment holding company, develops and publishes mobile games in the People's Republic of China. The company publishes and sells simulation mobile games. It also engages in the technical support and development, internet culture, and internet and software technology development and service activities. The company was founded in 2013 and is headquartered in Guangzhou, the People's Republic of China. FingerTango Inc. is a subsidiary of LJ Technology Holding Limited.
Sino-Entertainment Technology Holdings Limited	SEHK:6933	Sino-Entertainment Technology Holdings Limited, an investment holding company, develops and publishes mobile games in Hong Kong and the People's Republic of China. The company also engages in the development and sale of customized software and mobile games. It also provides digital services with blockchain technology. The company was founded in 2014 and is based in Causeway Bay, Hong Kong.

Company Name	Ticker	Business Description
Linekong Interactive Group Co., Ltd.	SEHK:8267	Linekong Interactive Group Co., Ltd., an investment holding company, engages in developing and publishing online games in the People's Republic of China and internationally. It operates through two segments, Game Business and Film Business. The company publishes self-developed games and licensed games through its own game distribution channels, as well as third- party game distribution channels, payment collection channels, and prepaid game card distributors. It also produces and distributes film and television drama series, as well as provides technology consulting and services, artist management, literary and artist creation, and enterprise management consulting services. The company was formerly known as Linekong Interactive Co., Ltd. and changed its name to Linekong Interactive Group Co., Ltd. in June 2015. Linekong Interactive Group Co., Ltd. was incorporated in 2007 and is headquartered in Beijing, the People's Republic of China.
Gameone Holdings Limited	SEHK:8282	Gameone Holdings Limited, an investment holding company, engages in the development, operation, publishing, and distribution of online and mobile games, and online PC games in Hong Kong, the People's Republic of China, and Taiwan. The company operates through The Game Business and The Software Service Business segments. It also engages in the provision of internet security technical and big data related analysis services; software and communication equipment development, distribution, and technical consulting; and sales of supplies. The company was founded in 1999 and is headquartered in North Point, Hong Kong.

Company Name	Ticker	Business Description
NetEase, Inc.	SEHK:9999	NetEase, Inc. engages in online games, music streaming, online intelligent learning services, and internet content services businesses in China and internationally. The company operates through Games and Related Value-Added Services, Youdao, Cloud Music, and Innovative Businesses and Others segments. It develops and operates PC and mobile games, as well as offers games licensed from other game developers. The company's products and services include Youdao Dictionary, an online knowledge tool; Youdao Translation, a tool specifically designed to support translation needs of business and leisure travelers; U-Dictionary, an online dictionary and translation app; Youdao Kids' Dictionary, a smart and fun tool; smart devices, such as Youdao Dictionary Pen, Youdao Smart Learning Pad, Youdao Listening Pod, Youdao Smart Light, Youdao Pocket Translator, and Youdao Super Dictionary; online courses; interactive learning apps; and education digitalization solutions, such as Youdao Smart Learning Terminal, a device that automates paper-based homework processing; Youdao Smart Cloud, a cloud-based platform that allows third-party app developers, smart device brands, and manufacturers to the company's OCR capabilities; and Youdao Sports, a sports-centric educational system. Its products and services also include NetEase Cloud Music, a music streaming platform; Yanxuan, an e-commerce platform, which sells private label products; www.163.com portal and related mobile app, Wangyi Xinwen, which deliver information such as news, sports events, technology, fashion trends, and online entertainment; NetEase Mail, an email service; NetEase CC Live streaming, a live streaming platform with a focus on game broadcasting; and NetEase Pay, a payment platform. The company was formerly known as NetEase.com, Inc. and changed its name to NetEase, Inc. in March 2012. NetEase, Inc. was founded in 1997 and is headquartered in Hangzhou, the People's Republic of China.

Source: S&P Capital IQ and Financial Reports of the Comparable Companies

Cost of Equity

As shown in the above formula, the WACC has two components: the cost of equity and the cost of debt. The modified Capital Asset Pricing Model (the "**Modified CAPM**") was used for determining the cost of equity. The Modified CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but require no excess return for other risks. Risk that are correlated to the risk in the return from the stock market as a whole are referred to as systematic and measured with a parameter, beta, whereas other risks are referred to as a non-systematic. It is calculated as follows:

$$Re = Rf + \beta * (Rm - Rf) + SCRP + CSRP$$

Where:

Re	=	*Cost of equity*
Rf	=	*Risk-free rate*
β	=	*Beta coefficient*
Rm	=	*Expected market return*
(Rm – Rf)	=	*Market risk premium*
SCRP	=	*Small company risk premium*
CSRP	=	*Company specific risk premium*

In our valuation, the following parameters were adopted:

Parameters Adopted

	Value
Risk-free rate (10-yr)[1]	2.69%
Beta coefficient[2]	0.61
Market risk premium[3]	6.07%
Company Specific risk premium[4]	5.00%
Small company risk premium[5]	4.83%
Cost of equity	16.19%
Pre-tax cost of debt[6]	4.20%
Tax rate[7]	25.00%
Debt to equity ratio[8]	0.00%
WACC	16.19%

Remarks:

1. The risk-free rate is the yield of 10-Year China Government Bond as of the Valuation Date. 10-year period is commonly adopted to represent a long-term risk-free rate. The government bond yield of China is referenced as the Subject Company is based in China.

2. The beta of the Subject Company is determined as the re-levered beta based on the median unlevered beta of the Comparable Companies. The unlevered beta of each Comparable Company is calculated by unlevering their respective levered beta obtained from S&P Capital IQ using the formula as below:

*Levered beta = Unlevered beta * (1 + (1 – Tax rate) * Debt to equity ratio)*

The detailed calculation is summarized in the table below:

Stock Ticker	**Levered Beta**	**Effective Tax Rate**	**Debt to Equity Ratio**	**Unlevered Beta**
SEHK:302	1.18	0.00%	11.42%	1.06
SEHK:434	0.52	24.65%	5.22%	0.50
SEHK:797	0.40	1.33%	5.78%	0.38
SEHK:1022	1.41	0.00%	16.41%	1.21
SEHK:1119	1.15	0.00%	38.03%	0.83
SEHK:1961	0.33	0.00%	2.27%	0.33
SEHK:2022	0.74	0.00%	11.82%	0.66
SEHK:2100	0.93	0.00%	5.60%	0.88
SEHK:2400	1.65	0.00%	25.58%	1.31
SEHK:2458	0.38	39.39%	2.17%	0.38
SEHK:2660	0.70	10.57%	0.75%	0.70
SEHK:3798	0.61	7.00%	0.90%	0.61
SEHK:6633	0.47	41.87%	0.84%	0.46
SEHK:6820	0.52	0.00%	0.07%	0.52
SEHK:6860	1.30	0.00%	15.66%	1.12
SEHK:6933	0.42	0.00%	132.20%	0.18
SEHK:8267	0.49	0.00%	5.89%	0.46
SEHK:8282	0.58	0.00%	4.12%	0.56
SEHK:9999	1.29	20.75%	7.49%	1.21
			Median	**0.61**

The beta of the Subject Company is then determined as the re-levered beta based on the median unlevered beta of the Comparable Companies (i.e. 0.61) as well as 25% current China standard corporate profit tax rate and 0% expected debt to equity ratio of the Subject Company using the above-mentioned formula.

The resulting beta coefficient applicable to the Subject Company based on the Comparable Companies is determined as 0.61.

3. The market risk premium is the implied risk premium expected from the market using forecast growth rates, earnings, dividends, payout ratios and current values. It represents the additional return required by an investor as the compensation for investing in equities rather than a risk-free instrument. The adopted risk premium is made reference to the total equity risk premium in the research which is commonly used reference published by Professor Aswath Damodaran from New York University on 1 July 2023.

4. The company specific risk premium is the risk premium added to the cost of equity to reflect the additional risk factors specific to the Subject Company. The company specific risk factors may include the following:

   - Start-up risk
   - Level of diversification
   - Customer concentration
   - Ease of access to capital
   - Distribution channel
   - Competence of management
   - Competition from industry peers

5. Small company risk premium is the additional return required by small company investors to compensate the higher perceived risks of small companies. The small company risk premium is made reference to 2022 Valuation Handbook — Guide to Cost of Capital (''**Handbook**''). The Handbook is the study of historical capital markets data in the United States. Commonly used by valuers, consultants, and analysts to analyze asset class performance, the yearbook contains the CRSP Decile Size Premia Study. The premia in the Handbook were calculated using the data sources: (i) Standard and Poor's, (ii) the Center for Research in Security Prices (CRSP) at the University of Chicago Booth School of Business and (iii) Morningstar — the actual ''SBBI'' data series in the Handbook.

6. Cost of debt is determined with reference to the 5-year best lending rate in China as of the Valuation Date.

7. Current China standard corporate profit tax rate.

8. The D/E ratio is assumed to be 0% to reflect the estimated long-term capital structure of the Subject Company.

Prospective Financial Information ("PFI")

The valuation is based on a PFI over the period from 2023 to 2028 ("**Projection Period**") which was prepared in RMB by the management as of the Valuation Date. Given the Subject Company is expected to enter a stable growth stage in 2028 as well as the common practice for valuation by discounted cash flow method, a 5-year financial projection over the Projection Period is adopted so that the growth and development of the Subject Company from the Valuation Date to its stable stage can reasonably and sufficiently be reflected. The details of the PFI are summarized as follows:

Revenue

The revenue of the Subject Company is projected to increase from RMB21.9 million in 2022 to RMB119.0 million in 2028, implying a revenue CAGR of 32.6%. The growth is contributed by the revenue from R&D services and the launch of various mobile games over the Projection Period. The revenue streams include (i) Revenue from R&D Services regarding mobile game development for the US Game Studio; (ii) Bonus payment on gaming revenue from mobile games developed with the US Game Studio; and (iii) Commission revenue on gaming revenue from self-developed mobile games.

(i) Revenue from R&D Services regarding mobile game development for the US Game Studio

The revenue from R&D Services regarding mobile game development for the US Game Studio was recorded to be RMB21.9 million for the financial year ended 31 December 2022. As advised by management, based on the actual revenue from R&D Services amounted RMB5.5 million in the first half of 2023, such revenue line is estimated to be around RMB8.2 million in 2023. This implies the revenue from R&D Services to be around RMB2.7 million for the second half of 2023. The reason for the decreased revenue in 2023 compared to 2022 is because the progress of the current game under development has entered its final stage in 2023 and the required R&D Services from the US Game Studio has dropped. Given the expected continuous corporation with the US Game Studio which include the R&D Services in relation to the maintenance of launched Game 1 as well as development of future games (including Games 2 and other future games onwards on a going concern basis) in the Projection Period, the revenue from R&D Services is projected be RMB15.0 million in 2024 which is based on the average revenue from R&D Services of 2022 and 2023. From 2025 to 2028, such revenue is expected to grow stably at 3.0% by referencing to the long-term inflation rate forecast based on the annual percent change of average consumer prices sourced from International Monetary Fund ("**IMF**") in October 2023. Given that the Subject Company is based in China and its games will be launched both in China and globally, the long-term inflation rate is determined to be 3.0% which is the average long-term inflation rate forecast of China (i.e. 2.2%) and the world (i.e. 3.8%).

Revenue

Based on the aforementioned input parameters, the Revenue from R&D Services is summarized in the table below:

RMB million	2023	2024	2025	2026	2027	2028
Revenue from R&D Services	8.2	15.0	15.5	16.0	16.4	16.9

(ii) Bonus payment on gaming revenue from mobile games developed with the US Game Studio

The bonus payment on gaming revenue from mobile games developed with the US Game Studio refers to the bonus payment received by the Subject Company upon the launch of mobile games developed with the US Game Studio. The bonus payment on gaming revenue will be contributed by two mobile games over the Projection Period, namely "Game 1" and "Game 2" which are expected to launch in 2024 and 2027 respectively.

The projection of this revenue stream is calculated based on the following formula:

[Monthly Active Users ("**MAUs**") x Average Revenue/MAU x
(1 – Channel Costs %) – R&D Services Fee Paid] x Bonus Payment %

For the ease of calculation and presentation, the formula is rearranged as follow:

[MAUs x Average Revenue/MAU x (1 – Channel Costs %)] x
Bonus Payment % – R&D Services Fee Paid x Bonus Payment %

The details of the five input parameters are summarized as below:

(a) MAUs

For each mobile game developed with the US Game Studio, it is estimated that the number of MAUs would reach 0.8 million in year 1 after its launch. Such estimation is referenced to the average number of MAUs based on the data of mobile games "Top War" and "State of Survival" in year 1 after their launch. Given that "Top War" and "State of Survival" are strategic simulation games developed by game studio operating in China and they can reach both the China and the global market, they are considered to be broadly comparable to the games developed by the Subject Company with the US Game Studio. Besides, a consecutive 5-year historical data including number of MAUs and average revenue/MAU of "Top War" and "State of Survival" are fully available since their launch. This allows sufficient data for analysing the development trend of new games in the market over a 5-year period after their launch, which can reasonably be applied for the estimation of the games developed by the Subject Company with the US Game Studio. Therefore, it is considered that "Top War" and "State of Survival" are appropriate references of the games developed by the Subject Company with the US Game Studio.

Upon continuous marketing and accumulation of popularity, the MAUs are expected to increase to 2.9 million in year 2 and then further to 5.0 million in year 3 when the peak number of MAUs is achieved. After considering the peak number of MAUs of mobile games "Top War" and "State of Survival" ranged from approximately 6.7 million to 9.6 million in year 3 after their launch, it is prudently estimated that the mobile games developed with the US Game Studio can reasonably achieve 5.0 million MAUs at the peak over the lifecycle of the mobile games. It is then assumed that the number of MAUs increases constantly from year 1 to year 3. As such, the number of MAUs is estimated to be 2.9 million in year 2 which is the average of 0.8 million in year 1 and 5.0 million in year 3.

Given that the MAUs of "Top War" and "State of Survival" maintained at a high level ranged from 4.8 million to 9.6 million from year 4 to year 5 after their launch, the MAUs are therefore expected to reach a plateau and maintain at 5.0 million from year 4 to year 5. After year 5, the MAUs of the mobile game are expected to decline and the mobile game would gradually fade out. The drop of revenue due to the decreasing MAUs of an old mobile game (i.e. Game 1) is expected to be compensated by the increasing MAUs of an new mobile game (i.e. Game 2).

The MAUs from 2023 to 2028 of Game 1 and Game 2 are summarized in the table below:

MAUs	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Game 1	—	800,000	2,900,000	5,000,000	5,000,000	5,000,000
Game 2	—	—	—	—	800,000	2,900,000

(b) Average Revenue/MAU

For each mobile game developed with the US Game Studio, it is estimated that the average revenue/MAU would be RMB100 in year 1 and year 2 after its launch. Such estimation is referenced to the data of mobile games "Top War" and "State of Survival" of which their average revenue/MAU ranged from RMB68 to RMB156 in the first two years after their launch.

Subsequently, the average revenue/MAU is prudently estimated to increase to RMB240 and maintain at the same level from year 3 to year 5 after launch of the mobile games. Such estimation is referenced to the data of mobile games "Top War" and "State of Survival" of which their average revenue/MAU ranged from RMB201 to RMB342 from year 3 to year 5 after their launch.

The average revenue/MAU from 2023 to 2028 of Game 1 and Game 2 are summarized in the table below:

Average Revenue/ MAU (RMB)	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Game 1	—	100	100	240	240	240
Game 2	—	—	—	—	100	100

(c) Channel Costs %

The channel cost is the cost paid to the mobile application platform such as Google Play Store and Apple App Store. It is calculated based on 25% on the related revenue which is referenced to a research report named "Roblox 啟示錄：遊戲社區的星辰大海" dated 21 July 2021 published by China International Capital Corporation for the purpose of market research as sourced from https://www.vzkoo.com/document/f41c09f3ce103c5eca4336167ef5317e.html.

Based on the experience of management, the channel costs percentage is a relatively stable sharing proportion in the industry and is not subject to material difference between the Valuation Date and the date of the cited research. Therefore, 25% channel costs percentage referenced to the research report in 2021 is considered to be applicable as of the Valuation Date.

(d) Bonus Payment %

The bonus payment paid by the US Game Studio to the Subject Company is calculated based on a 6.0% Bonus Payment on the total revenue from mobile game publishing and operation after deducting the channel costs and R&D Services Fee paid to the Subject Company. The 6.0% Bonus Payment is referenced to the Product Development Agreement with the US Game Studio.

(e) R&D Services Fee

According to the Product Development Agreement with the US Game Studio, the bonus payment on gaming revenue attributable to the Subject Company is calculated as 6.0% Bonus Payment on the total revenue from game publishing and operation after deducting the channel costs and R&D Services Fee paid to the Subject Company. The amount of R&D Services Fee paid is referenced to the historical and estimated revenue from R&D Services as detailed above.

For the derivation of Bonus Payment in 2024, the accumulated R&D Services Fee from 2021 to 2024 would be deducted from the total revenue from mobile game publishing and operation as it is the first year of launching the mobile game. For the derivation of Bonus Payment from 2025 to 2028, each respective R&D Services Fee in one particular year would be deducted from the total revenue from mobile game publishing and operation.

Revenue

Based on the aforementioned input parameters, the bonus payment on gaming revenue from mobile games developed with the US Game Studio are summarized in the table below:

RMB million	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Bonus payment on gaming revenue from Game 1 (before adjustment due to R&D Services Fee paid)	—	3.6	13.1	54.0	54.0	54.0
Bonus payment on gaming revenue from Game 2 (before adjustment due to R&D Services Fee paid)	—	—	—	—	3.6	13.1
Less: Adjustment due to R&D Services Fee paid		(2.8)	(0.9)	(1.0)	(1.0)	(1.0)
Total	—	0.8	12.1	53.0	56.6	66.0

(iii) Commission revenue on gaming revenue from self-developed mobile games

Benefited from the recognition of the Subject Company and the development experience due to the corporation with the US Game Studio, the Subject Company will develop its own mobile game and launch in 2025. Gaming revenue from the self-developed mobile game will then be generated over the Projection Period.

The projection of this revenue stream is calculated based on the following formula:

MAUs x Average Revenue/MAU x Commission Ratio

The details of the three input parameters are summarized as below:

(a) MAUs

For self-developed mobile game without the support from other game studios, it is prudently estimated that the number of MAUs would be half of those expected for the mobile games developed with the US Game Studio. Such estimation is referenced to the comparison between (i) the expected MAUs for the mobile game developed with the US Game Studio; and (ii) the MAUs of comparable strategic simulation mobile games including Kleins, The Degenerate Mobile, Went: Refactor and Infinite Lagrange.

The selection criteria of the comparable strategic simulation mobile games are as follows:

(i) The mobile games are strategic simulation mobile games which were initially published in China;

(ii) The mobile games are solely developed by Chinese game studio without the support from other game studios;

(iii) The MAUs or Average Revenue/MAU of the mobile games are available from public sources; and

(iv) The mobile games have been published within 3 years.

Based on the above selection criteria, an exhaustive list of 4 mobile games which are comparable to the self-developed mobile game of the Subject Company are identified. The MAUs of the comparable strategic simulation mobile games are summarized as follows:

Comparable mobile games	**Reference Period**	**MAUs**
Kleins	First year after launch	550,000
The Degenerate Mobile	First year after launch	340,000
Went: Refactor	First year after launch	300,000
Infinite Lagrange	First year after launch	570,000
	Average	**440,000**

Notes:

The information are referenced to a research report named「QuestMobile2023手機遊戲行業洞察報告：手遊用戶規模6億+，流量超百萬遊戲企業佔17.6%，買量傾向短期快速投放策略」dated 22 August 2023 by Quest Mobile for purpose of market research as sourced from https://www.questmobile.com.cn/research/report/1693835831083634689 and data sourced from App Annie as provided by management.

The average MAUs of the comparable strategic simulation mobile games in the first year after their launch is 440,000, which is around 55.0% to that of the mobile games developed with the US Game Studio. By referencing to such ratio and the expectation of the management, the MAUs of the self-developed mobile game is prudently estimated to be 50.0% of those of the mobile games developed with the US Game Studio over the Projection Period.

The MAUs from 2023 to 2028 of self-developed mobile game are summarized in the table below:

MAUs	2023	2024	2025	2026	2027	2028
Self-developed Mobile Game	—	—	400,000	1,450,000	2,500,000	2,500,000

(b) Average Revenue/MAU

For self-developed mobile game without the support from other game studios, it is prudently estimated that the average revenue/MAU would be half of those expected for the mobile games developed with the US Game Studio. Such estimation is referenced to the comparison between (i) the expected Average Revenue/MAU for the mobile game developed with the US Game Studio; and (ii) the Average Revenue/MAU of strategic simulation mobile games which were solely developed by Chinese game studio without the support from other game studios, such as Infinite Lagrange, as well as take into consideration the expected business strategy applied on the self-developed games.

Regarding the Average Revenue/MAU of the 4 identified comparable mobile games, only the data of Infinite Lagrange is available. Its Average Revenue/MAU in the first year after its launch was RMB279 which is more than 2 times to the Average Revenue/MAU of the mobile games developed with the US Game Studio. Given that the management expects self-developed mobile game will follow a business strategy of lower pricing on its services and products to secure the number of MAUs, the Average Revenue/MAU of the self-developed mobile game is prudently estimated to be 50% to that of mobile games developed with the US Game Studio.

The average revenue/MAU from 2023 to 2028 of self-developed mobile game are summarized in the table below:

Average Revenue/ MAU (RMB)	2023	2024	2025	2026	2027	2028
Self-developed Mobile Game	—	—	50	50	120	120

(c) Commission Ratio

The commission is the portion of gaming revenue from the mobile games which are allocated to and entitled by the Subject Company (after deduction of the cost paid to publisher and mobile application platform). It is calculated based on a commission ratio of 12.0% on the gaming revenue from the mobile games. Such percentage is referenced to a research report named "遊戲行業深度報告 — 在科技與流量變遷中演進的遊戲行業" dated 31 March 2021 published by Pacific Security for the purpose of market research as sourced from https://docs.qq.com/pdf/DRHFYd0JhamdhZHd2.

Based on the experience of management, the commission ratio is a relatively stable sharing ratio between the game developer and the publisher and is not subject to material difference between the Valuation Date and the date of the cited research. Therefore, 12% Commission Ratio referenced to the research report in 2021 is considered to be applicable as of the Valuation Date.

Revenue

Based on the aforementioned input parameters, the gaming revenue from self-developed mobile game are summarized in the table below:

RMB million	2023	2024	2025	2026	2027	2028
Self-developed Mobile Game	—	—	2.4	8.7	36.0	36.0

The total revenue from 2023 to 2028 is summarized in the following table:

RMB million	2023	2024	2025	2026	2027	2028
Revenue from R&D Services	8.2	15.0	15.5	16.0	16.4	16.9
Bonus payment on gaming revenue from Game 1 (before adjustment due to R&D Services Fee paid)	—	3.6	13.1	54.0	54.0	54.0
Bonus payment on gaming revenue from Game 2 (before adjustment due to R&D Services Fee paid)	—	—	—	—	3.6	13.1
Less: Adjustment due to R&D Services Fee paid		(2.8)	(0.9)	(1.0)	(1.0)	(1.0)
Self-developed Mobile Game	—	—	2.4	8.7	36.0	36.0
Total	8.2	15.8	30.0	77.7	109.1	119.0

Cost of revenue

The cost of revenue includes research and development expenses related to the mobile games through subcontractor and self-labour respectively (namely "R&D expenses (Subcontractor)" and "R&D expenses (Labour)"). Over the Projection Period, the cost of revenue is expected to increase from RMB12.2 million in 2023 to RMB31.9 million in 2028. The details are summarized as follows:

(i) R&D expenses (Subcontractor)

The R&D expenses (Subcontractor) is mainly the expenses on the services provided by subcontractor for developing the mobile games. The incurred actual R&D expenses (Subcontractor) from 2021 to 2022 as a percentage of revenue from R&D Services is calculated to be approximately 42.9%. The R&D expenses in the Projection Period is forecasted based on the estimated revenue from R&D Services multiplied by such percentage. Given that the actual revenue from R&D Services for the 6-month period ended 30 June 2023 was RMB5.5 million and no R&D expenses (Subcontractor) was incurred over the same period, the R&D expenses (Subcontractor) in 2023 was estimated solely based on the forecasted revenue from R&D Services from 1 July 2023 to 31 December 2023 (i.e. RMB2.7 million). Based on the aforementioned input parameters, the R&D expenses (Subcontractor) over the Projection Period are summarized in the table below:

RMB million	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
R&D expenses (Subcontractor)	1.2	6.5	6.7	6.9	7.1	7.3

(ii) R&D expenses (Labour)

The R&D expenses (Labour) is mainly the salaries of the employees. The R&D expenses (Labour) in 2023 is derived by multiplying the actual annual salary per employee amounted RMB0.21 million to the total number of employees (i.e. 44 employees). It is expected that the monthly salary per employee will be increased by 12% per year based on management's assumption and the size of the workforce will expand from 44 employees in 2023 to 56 employees in 2024. The number of employees will then maintain at 56 from 2025 to 2028. The monthly salary per employee amounted RMB20.8 thousand is referenced to annualized actual salary per employee over the period from 1 January 2023 to 30 June 2023. The 12.0% annual growth rate on monthly salary per employee is estimated by the Management and referenced to its historical growth rate of 13.2% from 2022 to 2023. The Management is of the view that such an annual increment can retain existing staff and recruit new talents to build up a stable and high-quality workforce. The number of employees is estimated to expand from 44 in 2023 to 56 in 2024. Management advised that such expansion is to ensure sufficient capacity for the growing business including the games developed by the Subject Company with the US Game Studio and self-developed games. The R&D expenses (Labour) will gradually decrease from 133.3% to 20.7% of total revenue over the Projection Period due to the increased revenue from launch of mobile games and the benefits from the economy of scale. Based on the aforementioned input parameters, the R&D expenses (Labour) over the Projection Period are summarized in the table below:

RMB million	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
R&D expenses (Labour)	11.0	15.7	17.5	19.6	22.0	24.6

Operating expenses

The Subject Company's operating expenses mainly consisted of business tax & surcharges, selling expenses, general and administration expenses, and depreciation expenses on fixed assets. The operating expenses as a percentage of revenue is expected to decrease from 21.7% in 2023 to 5.2% in 2028 due to the increased revenue from launch of mobile games and the benefits from the economy of scale.

(i) Business tax & surcharges

According to the management, the business tax & surcharges is derived based on 6.0% of value- add-tax and 3.0% business tax. The business tax & surcharges maintains at 2.8% of total revenue over the Projection Period.

(ii) Selling expenses

The selling expenses from 2023 to 2028 are projected based on the actual selling expenses RMB0.1 million in full year ended 31 December 2022 with the long-term growth rate of 3.0% which is referenced to the long-term inflation rate forecast based on the annual percent change of average consumer prices sourced from International Monetary Fund ("**IMF**") in October 2023. Given that the Subject Company is based in China and its games will be launched both in China and globally, the long-term inflation rate is determined to be 3.0% which is the average long-term inflation rate forecast of China (i.e. 2.2%) and the world (i.e. 3.8%). The selling expenses gradually decrease from 1.5% to 0.1% of revenue over the Projection Period.

The selling expenses of the Subject Company are not expected to increase significantly after the launch of developed games with the US Game Studio and the self-developed games. For the launch of developed games with the US Game Studio as well as self-developed games, the relevant sales and marketing tasks will be outsourced and the selling expenses will be borne by the publishers. The Bonus Payment of 6.0% in relation to developed games with the US Game Studio and Commission Ratio of 12.0% in relation to self-developed games are on net selling expenses basis. Therefore, the relevant selling expenses have already been deducted from and reflected on the revenue of Bonus payment on gaming revenue from mobile games developed with the US Game Studio and the commission revenue on gaming revenue from self-developed games which are both on net basis.

(iii) General and administrative expenses

The general and administrative expenses from 2023 to 2028 are projected based on the actual general and administrative expenses RMB1.4 million in full year ended 31 December 2022 with the long-term growth rate of 3.0% which is referenced to the long-term inflation rate forecast based on the annual percent change of average consumer prices sourced from International Monetary Fund ("**IMF**") in October 2023. Given that the Subject Company is based in China and its games will be launched both in China and globally, the long-term inflation rate is determined to be 3.0% which is the average long-term inflation rate forecast of China (i.e. 2.2%) and the world (i.e. 3.8%). The general and administrative expenses gradually decrease from 17.2% to 1.4% of revenue over the Projection Period.

(iv) Depreciation expenses on fixed assets

The depreciation expenses on fixed assets ranges from 0.2% to 0.9% of revenue over the Projection Period. The depreciation expenses are estimated by straight-line depreciation based on the assumed average useful life of 5 years on the fixed assets (including office equipment and computers) acquired by capital expenditure over the Projection Period.

Income tax

The Subject Company has its operations in China. Based on our discussion with Management, the applicable tax rate is assumed to be the China corporate tax rate of 25.0% given the business and operation location of the Subject Company.

Capital expenditure

The Subject Company is asset-light and did not have significant fixed assets. It is expected the future capital expenditure still maintains at low level. The capital expenditure is expected to be 2.0% of total revenue which is referenced to the median ratio of the comparable companies. The purpose of the capital expenditure is mainly used for purchase and maintenance of fixed assets such as office equipment and computers.

Working capital

The working capital of the Subject Company includes accounts receivable, prepayment, accounts payable and salary payables. Their balances over the Projection Period are derived by referencing to the average ratio of each working capital item for the financial year ended 31 December 2022 and the 6-month period ended 30 June 2023. Based on historical reference, the accounts receivable turnover days, prepayment as % of total expenses (excluding depreciation and amortization expenses), accounts payable turnover days and salary payables as % of R&D Expenses (Labour Costs) are derived to be 159 days, 0.1%, 51 days and 8.0% respectively. The projected working capital are summarized in the below table:

RMB thousand	2023	2024	2025	2026	2027	2028
Accounts receivable	3,593	6,907	13,087	33,879	47,547	51,870
Prepayment	13	22	25	28	32	34
Accounts payable	(1,696)	(3,085)	(3,374)	(3,695)	(4,053)	(4,450)
Salary payables	(876)	(1,248)	(1,398)	(1,566)	(1,754)	(1,964)
Total	1,033	2,596	8,340	28,646	41,772	45,489

Terminal growth rate

The terminal growth rate adopted is 3.0% which is referenced to the long-term inflation rate forecast based on the annual percent change of average consumer prices sourced from International Monetary Fund ("**IMF**") in October 2023. Given that the Subject Company is based in China and its games will be launched both in China and globally, the long-term inflation rate is determined to be 3.0% which is the average long-term inflation rate forecast of China (i.e. 2.2%) and the world (i.e. 3.8%).

Discount for Lack of Marketability ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

In the valuation, discount for lack of marketability is reference to the research of "Stout Restricted Stock Study Companion Guide 2023 Edition". A discount for lack of marketability of 15.7% was adopted.

Summary of the Subject Valuation

Details of the 100% Equity Interest of Beijing Wande Game Technology Company Limited as of the Valuation Date are as follows:

Valuation Conclusion

	RMB'000
100% Enterprise Value derived from Discounted Cash Flow model	254,686
Add: Other receivables (non-current)	10,000
Add: Other receivables (current)	4,141
Less: Other payables (current)	(15,217)
Value before DLOM and cash adjustments	252,610
Less: DLOM (15.7%)	(39,660)
Value before cash adjustment	212,950
Add: Cash and cash equivalents	209
100% Equity Value of the Subject Company	213,160
100% Equity Interest of the Subject Company (rounded)	**213,000**

* *The figures may not add up due to rounding.*

5.3. Sensitivity Analysis

Given that the discount rate and the terminal growth rate are sensitive parameters to the valuation, we have performed a sensitivity analysis on the Market value of the Subject Company based on the two parameters as detailed in the table below for reference:

Sensitivity analysis of Market Value of 100% Equity Interest in Beijing Wande (rounded) based on discount rate and the terminal growth rate

RMB'000		Discount Rate				
		15.19%	**15.69%**	**16.19%**	**16.69%**	**17.19%**
Terminal Growth Rate	**2.5%**	229,000	217,000	206,000	196,000	186,000
	3.0%	238,000	225,000	213,000	202,000	192,000
	3.5%	247,000	234,000	221,000	209,000	199,000

In addition, given that the revenue is also one of the sensitive parameters to the valuation, we have also performed a sensitivity analysis on the Market value of the Subject Company based on the change in total revenue over the Projection Period as detailed in the table below for reference:

Sensitivity analysis of Market Value of 100% Equity Interest in Beijing Wande (rounded) based on the change in total revenue over the Projection Period

Change in total revenue over the Projection Period	Market Value of 100% Equity Interest in Beijing Wande (rounded)
10.0%	252,000
7.5%	242,000
5.0%	233,000
2.5%	223,000
0.0%	213,000
–2.5%	203,000
–5.0%	194,000
–7.5%	184,000
–10.0%	174,000

5.4. Valuation cross-check

In order to assess the reasonableness of the valuation result by income approach in Section 5.2, we have compared the price-to-sales ("**P/S**") and price-to-earnings ("**P/E**") ratio implied by the valuation result by income approach with the P/S and P/E ratios of the comparable companies. The reason for using the P/S and P/E multiple for valuation cross-check is because the value driver of the Subject Company comes from the future growth of revenue and future earnings which can be best reflected by these two multiples.

The calculation of the implied P/E ratio of the Subject Company are summarized as follows:

Regarding the numerator of P/S Ratio and P/E Ratio (i.e. Price),

- The numerator of P/S and P/E ratio, the price, is referenced to the market value of 100% equity value in the Subject Company derived by income approach (i.e. RMB213,000,000) adjusted by 24.0% Discount for Lack Control ("**DLOC**").

- The market value of 100% equity value in the Subject Company derived by income approach (i.e. RMB213,000,000) is of marketable and control basis as DLOM has been applied in the valuation by income approach and the PFI is prepared on a control basis.

- The prices of the comparable companies as quoted from the market is of marketable and non-control basis as they can be traded in ready market with sufficient liquidity and their prices are quoted on per share basis which do not reflect the power of control.

- In order to perform a fair cross-check between the implied multiple of the Subject Company with those of the comparable companies, the market value of 100% equity value in the Subject Company derived by income approach of marketable and control basis has to be adjusted to that of marketable and non-control basis. Therefore, DLOC is applied to perform such adjustment. DLOC is defined as a discount applied to a non-controlling ownership interest in a business. The DLOC reflects the notion that a partial ownership interest may be worth less than its pro rata (proportional) share of the total business. It is recognized that controlling owners have rights that minority owners do not have and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a controlling ownership block versus a minority ownership block. In the valuation, DLOC is made reference to the Control Premium Study published by FactSet Mergerstat. A DLOC of 24.0%, representing the median DLOC of overall transactions during the third quarter in 2022, is adopted.

- As a result, the adopted price of the Subject Company would be of a marketable and non-control basis, which is consistent with those of the comparable companies.

Regarding the denominator of P/S Ratio (i.e. Sales) and P/E Ratio (i.e. Earnings),

- The denominator of the P/S ratio and P/E ratio, the sales and earnings respectively, are referenced to the revenue and net profits of the Subject Company for the financial year ended 31 December 2027 ("**FY27**") and 31 December 2028 ("**FY28").**

- The revenue and net profits of the Subject Company in FY27 and FY28 are adopted for calculating the implied P/S and P/E ratio as the Subject Company has experienced few years of growth and development and become relatively mature and stable at the end of the Projection Period, which is a more similar stage as the comparable companies. The two financial figures in these two years are expected to reach a steady level which are more worth referencing so that the implied ratios based on these two years can be used for cross-checking with the comparable companies.

Detailed calculation of implied P/E ratio of the Subject Company based on the valuation result by income approach as of the Valuation Date

100% equity value of Subject Company (marketable and control basis)	DLOC[2]	100% equity value of Subject Company (marketable and non-control basis)	FY27 Revenue	FY28 Revenue	Implied FY27 P/S Ratio	Implied FY28 P/S Ratio
(RMB million)[1]		*(RMB million)*[3]	*(RMB million)*[4]	*(RMB million)*[5]		
213.00	24.0%	161.88	109.05	118.97	1.48x	1.36x

Notes:

1. Market value of 100% equity value in the Subject Company of marketable and control basis.

2. DLOC of 24.0% referenced to the Control Premium Study published by FactSet Mergerstat in third quarter of 2022.

3. Market value of 100% equity value in the Subject Company of marketable and non-control basis.

4. Referenced to estimated revenue of the Subject Company in FY27.

5. Referenced to estimated revenue of the Subject Company in FY28.

Detailed calculation of implied P/E ratio of the Subject Company based on the valuation result by income approach as of the Valuation Date

100% equity value of Subject Company (marketable and control basis)	DLOC[2]	100% equity value of Subject Company (marketable and non-control basis)	FY27 Net Profits	FY28 Net Profits	Implied FY27 P/E Ratio	Implied FY28 P/E Ratio
(RMB million)[1]		*(RMB million)*[3]	*(RMB million)*[4]	*(RMB million)*[5]		
213.00	24.0%	161.88	41.27	56.93	3.92x	2.84x

Notes:

1. Market value of 100% equity value in the Subject Company of marketable and control basis.

2. DLOC of 24.0% referenced to the Control Premium Study published by FactSet Mergerstat in third quarter of 2022.

3. Market value of 100% equity value in the Subject Company of marketable and non-control basis.

4. Referenced to estimated net profits of the Subject Company in FY27.

5. Referenced to estimated net profits of the Subject Company in FY28.

The calculation of the FY27 and FY28 P/S and P/E ratio of the comparable companies are summarized as follows:

Detailed calculation of FY27 P/S ratio of the comparable companies as of the Valuation Date

Stock Ticker	Currency	Market Capitalization as of Valuation Date *(million)*[1]	FY27 Revenue *(million)*[1]	FY27 P/S ratio as of Valuation Date[2]	Adopted Size Premium Differential[3]	Adjusted FY27 P/S Ratio as of Valuation Date[4]
SEHK:302	RMB	4,458.10	4,977.00	0.90	3.65%	0.87x
SEHK:434	RMB	314.32	N/A	N/A	0.00%	N/A
SEHK:797	RMB	7,389.13	N/A	N/A	3.46%	N/A
SEHK:1022	RMB	473.47	N/A	N/A	0.00%	N/A
SEHK:1119	RMB	4,458.32	N/A	N/A	3.65%	N/A
SEHK:1961	RMB	794.21	N/A	N/A	0.00%	N/A
SEHK:2022	USD	10.69	N/A	N/A	0.00%	N/A
SEHK:2100	RMB	1,044.97	N/A	N/A	0.00%	N/A
SEHK:2400	RMB	8,605.58	N/A	N/A	3.46%	N/A
SEHK:2458	RMB	536.40	N/A	N/A	0.00%	N/A
SEHK:2660	RMB	2,990.47	N/A	N/A	3.65%	N/A
SEHK:3798	RMB	2,080.70	N/A	N/A	2.68%	N/A
SEHK:6633	RMB	3,333.35	N/A	N/A	3.65%	N/A
SEHK:6820	RMB	1,937.56	N/A	N/A	2.68%	N/A
SEHK:6860	RMB	177.51	N/A	N/A	0.00%	N/A
SEHK:6933	RMB	107.92	N/A	N/A	0.00%	N/A
SEHK:8267	RMB	61.94	N/A	N/A	0.00%	N/A
SEHK:8282	HKD	55.20	N/A	N/A	0.00%	N/A
SEHK:9999	RMB	438,561.23	154,098.00	2.85	5.09%	2.49x
					Average	**1.68x**
					Median	**1.68x**

Detailed calculation of FY28 P/S ratio of the comparable companies as of the Valuation Date

Stock Ticker	Currency	Market Capitalization as of Valuation Date *(million)*[1]	FY28 Revenue *(million)*[1]	FY28 P/S ratio as of Valuation Date[2]	Adopted Size Premium Differential[3]	Adjusted FY28 P/S Ratio as of Valuation Date[4]
SEHK:302	RMB	4,458.10	N/A	N/A	3.65%	N/A
SEHK:434	RMB	314.32	N/A	N/A	0.00%	N/A
SEHK:797	RMB	7,389.13	N/A	N/A	3.46%	N/A
SEHK:1022	RMB	473.47	N/A	N/A	0.00%	N/A
SEHK:1119	RMB	4,458.32	N/A	N/A	3.65%	N/A
SEHK:1961	RMB	794.21	N/A	N/A	0.00%	N/A
SEHK:2022	USD	10.69	N/A	N/A	0.00%	N/A
SEHK:2100	RMB	1,044.97	N/A	N/A	0.00%	N/A
SEHK:2400	RMB	8,605.58	N/A	N/A	3.46%	N/A
SEHK:2458	RMB	536.40	N/A	N/A	0.00%	N/A
SEHK:2660	RMB	2,990.47	N/A	N/A	3.65%	N/A
SEHK:3798	RMB	2,080.70	N/A	N/A	2.68%	N/A
SEHK:6633	RMB	3,333.35	N/A	N/A	3.65%	N/A
SEHK:6820	RMB	1,937.56	N/A	N/A	2.68%	N/A
SEHK:6860	RMB	177.51	N/A	N/A	0.00%	N/A
SEHK:6933	RMB	107.92	N/A	N/A	0.00%	N/A
SEHK:8267	RMB	61.94	N/A	N/A	0.00%	N/A
SEHK:8282	HKD	55.20	N/A	N/A	0.00%	N/A
SEHK:9999	RMB	438,561.23	163,358.50	2.68	5.09%	2.36x
					Average	**2.36x**
					Median	**2.36x**

Detailed calculation of FY27 P/E ratio of the comparable companies as of the Valuation Date

Stock Ticker	**Currency**	**Market Capitalization as of Valuation Date** *(million)*[1]	**FY27 Net Profits** *(million)*[1]	**FY27 P/E ratio as of Valuation Date**[2]	**Adopted Size Premium Differential**[3]	**Adjusted FY27 P/E Ratio as of Valuation Date**[4]
SEHK:302	RMB	4,458.10	544.00	8.20	3.65%	6.31x
SEHK:434	RMB	314.32	N/A	N/A	0.00%	N/A
SEHK:797	RMB	7,389.13	N/A	N/A	3.46%	N/A
SEHK:1022	RMB	473.47	N/A	N/A	0.00%	N/A
SEHK:1119	RMB	4,458.32	N/A	N/A	3.65%	N/A
SEHK:1961	RMB	794.21	N/A	N/A	0.00%	N/A
SEHK:2022	USD	10.69	N/A	N/A	0.00%	N/A
SEHK:2100	RMB	1,044.97	N/A	N/A	0.00%	N/A
SEHK:2400	RMB	8,605.58	N/A	N/A	3.46%	N/A
SEHK:2458	RMB	536.40	N/A	N/A	0.00%	N/A
SEHK:2660	RMB	2,990.47	N/A	N/A	3.65%	N/A
SEHK:3798	RMB	2,080.70	N/A	N/A	2.68%	N/A
SEHK:6633	RMB	3,333.35	N/A	N/A	3.65%	N/A
SEHK:6820	RMB	1,937.56	N/A	N/A	2.68%	N/A
SEHK:6860	RMB	177.51	N/A	N/A	0.00%	N/A
SEHK:6933	RMB	107.92	N/A	N/A	0.00%	N/A
SEHK:8267	RMB	61.94	N/A	N/A	0.00%	N/A
SEHK:8282	HKD	55.20	N/A	N/A	0.00%	N/A
SEHK:9999	RMB	438,561.23	N/A	N/A	5.09%	N/A
					Average	**6.31x**
					Median	**6.31x**

Detailed calculation of FY28 P/E ratio of the comparable companies as of the Valuation Date

Stock Ticker	Currency	Market Capitalization as of Valuation Date *(million)*[1]	FY28 Net Profits *(million)*[1]	FY28 P/E ratio as of Valuation Date[2]	Adopted Size Premium Differential[3]	Adjusted FY28 P/E Ratio as of Valuation Date[4]
SEHK:302	RMB	4,458.10	N/A	N/A	3.65%	N/A
SEHK:434	RMB	314.32	N/A	N/A	0.00%	N/A
SEHK:797	RMB	7,389.13	N/A	N/A	3.46%	N/A
SEHK:1022	RMB	473.47	N/A	N/A	0.00%	N/A
SEHK:1119	RMB	4,458.32	N/A	N/A	3.65%	N/A
SEHK:1961	RMB	794.21	N/A	N/A	0.00%	N/A
SEHK:2022	USD	10.69	N/A	N/A	0.00%	N/A
SEHK:2100	RMB	1,044.97	N/A	N/A	0.00%	N/A
SEHK:2400	RMB	8,605.58	N/A	N/A	3.46%	N/A
SEHK:2458	RMB	536.40	N/A	N/A	0.00%	N/A
SEHK:2660	RMB	2,990.47	N/A	N/A	3.65%	N/A
SEHK:3798	RMB	2,080.70	N/A	N/A	2.68%	N/A
SEHK:6633	RMB	3,333.35	N/A	N/A	3.65%	N/A
SEHK:6820	RMB	1,937.56	N/A	N/A	2.68%	N/A
SEHK:6860	RMB	177.51	N/A	N/A	0.00%	N/A
SEHK:6933	RMB	107.92	N/A	N/A	0.00%	N/A
SEHK:8267	RMB	61.94	N/A	N/A	0.00%	N/A
SEHK:8282	HKD	55.20	N/A	N/A	0.00%	N/A
SEHK:9999	RMB	438,561.23	N/A	N/A	5.09%	N/A
					Average	**N/A**
					Median	**N/A**

Notes:

1. The figures are rounded to the nearest ten thousand.

2. The P/S and P/E ratios are calculated by dividing market capitalizations of the Comparable Companies as at 30 June 2023 by their estimated revenue or estimated net profits attributable to equity shareholders in FY27 and FY28 respectively as of the Valuation Date as extracted from S&P Capital IQ.

3. The adopted size premium differential for each of the Comparable Companies is derived as below:

Stock Ticker	Market Capitalization *(USD million)*	Subject Company's size premium[5] (a)	Size Premium[5] (b)	Adopted Size Premium Differential[6] (a)–(b)
SEHK:302	614.72	4.83%	1.18%	3.65%
SEHK:434	43.34	4.83%	4.83%	0.00%
SEHK:797	1,018.87	4.83%	1.37%	3.46%
SEHK:1022	65.29	4.83%	4.83%	0.00%
SEHK:1119	614.75	4.83%	1.18%	3.65%
SEHK:1961	109.51	4.83%	4.83%	0.00%
SEHK:2022	10.69	4.83%	4.83%	0.00%
SEHK:2100	144.09	4.83%	4.83%	0.00%
SEHK:2400	1,186.60	4.83%	1.37%	3.46%
SEHK:2458	73.96	4.83%	4.83%	0.00%
SEHK:2660	412.35	4.83%	1.18%	3.65%
SEHK:3798	286.90	4.83%	2.15%	2.68%
SEHK:6633	459.63	4.83%	1.18%	3.65%
SEHK:6820	267.16	4.83%	2.15%	2.68%
SEHK:6860	24.48	4.83%	4.83%	0.00%
SEHK:6933	14.88	4.83%	4.83%	0.00%
SEHK:8267	8.54	4.83%	4.83%	0.00%
SEHK:8282	7.04	4.83%	4.83%	0.00%
SEHK:9999	60,472.02	4.83%	-0.26%	5.09%

4. Since the comparable companies may have different size from the Subject Company, a size premium is adopted for adjusting the multiples. The size premium differential reflects the additional risk premium required by investors for companies that are relatively smaller. Smaller companies are perceived as riskier in relation to business operation and financial performance, resulting in lower valuation multiple. We have taken into account the impact of the difference in the market capitalization between the Comparable Companies and the Subject Company. Set out below is the proposed adjustment to the P/S ratio (the "**Adjusted P/S Ratio**") and P/E ratio (the "**Adjusted P/E Ratio**") considering the impact of the size difference:

$$\text{Adjusted } \frac{P}{S} \text{ Ratio} = \frac{1}{\frac{1}{\text{P/S Ratio}} + \text{Adopted Size Premium}}$$

$$\text{Adjusted } \frac{P}{E} \text{ Ratio} = \frac{1}{\frac{1}{\text{P/E Ratio}} + \text{Adopted Size Premium}}$$

5. Small company risk premium is the additional return required by small company investors to compensate the higher perceived risks of small companies. The small company risk premium is made reference to 2022 Valuation Handbook — Guide to Cost of Capital ("**Handbook**"). The Handbook is the study of historical capital markets data in the United States. Commonly used by valuers, consultants, and analysts to analyse asset class performance, the yearbook contains the CRSP Decile Size Premia Study. The premia in the Handbook were calculated using the data sources: (i) Standard and Poor's, (ii) the Center for Research in Security Prices (CRSP) at the University of Chicago Booth School of Business and (iii) Morningstar — the actual "SBBI" data series in the Handbook.

Breakdown of CRSP Deciles 1–10	**Market Capitalization of Smallest Company**	**Market Capitalization of Largest Company**	**Size Premium**
	(in USD millions)	*(in USD millions)*	*(Return in Excess of CAPM)*
1	31,549.077	2,303,381.286	-0.26%
2	12,372.885	31,316.513	0.45%
3	5,918.981	12,323.854	0.57%
4	3,770.176	5,916.017	0.58%
5	2,365.425	3,749.877	0.93%
6	1,389.851	2,365.076	1.16%
7	789.019	1,389.118	1.37%
8	377.076	782.383	1.18%
9	218.389	373.879	2.15%
10	2.015	218.227	4.83%

6. The Adopted Size Premium of each of the Comparable Companies is derived by the formula below:

   Adopted Size Premium Differential = Subject Company's Size Premium – Size Premium of each of the Comparable Companies

The comparison of P/S and P/E ratios between the Subject Company and the Comparable Companies are summarized as follows:

	FY27 P/S Ratio	**FY28 P/S Ratio**	**FY27 P/E Ratio**	**FY28 P/E Ratio**
Implied ratio of Subject Company	1.48x	1.36x	3.92x	2.84x
Median ratio of comparable companies	1.68x	2.36x	6.31x	N/A

When interpreting the cross-check results, further to the above analysis, the following factors have also been taken into consideration:

- Given the Subject Company is in a rapid growth stage from FY23 to FY26, its business will become relatively mature and stable in FY27 and FY28, which is a more similar stage as the comparable companies. Its financial figures in these two years are expected to reach a steady level which are more worth referencing so that the implied ratios based on these two years can be used for cross-checking with the comparable companies.

- It is noted that the P/S and P/E ratios of comparable companies based on FY27 and FY28 estimated financial figures are very limited and only ratios of one or two comparable companies are available. Despite the limitation on data availability mentioned above, the best available forward P/S and P/E ratios of the comparable companies is regarded as a reliable reference for the purpose of cross-check. It is because such valuation multiples best reflect the relationship, from a market perspective, between the current price of the comparable companies and their future sales and earnings anticipated by the market. The cross-check based on the comparison between the implied P/S and P/E ratios of the Subject Company and those of the comparable companies with reference to the best available information is considered to be fair and reasonable.

- It is noted that the Subject Company is subject to higher risk and uncertainty compared to the comparable companies as it is currently in a start-up stage and is expected to have high growth rate over the Projection Period.

Based on the abovementioned factors, we consider the P/S and P/E ratios of the comparable companies calculated using the future estimated sales and net profits in FY27 and FY28 are relevant for the comparison. Given the relatively higher risk and uncertainty of the Subject Company than the comparable companies, we consider the slightly lower FY27 P/S ratio, FY28 P/S ratio and FY27 P/E ratio of the Subject Company than the median of the comparable companies is broadly reasonable and indicates no material variation with the valuation result based on income approach.

6. VALUATION CONCLUSION

In our opinion, on the basis of the assumptions and information made available to us, the valuation of 100% Equity Interest of Beijing Wande Game Technology Company Limited as of 30 June 2023 is reasonably estimated at:

RMB213,000,000
(RENMINBI TWO HUNDRED AND THIRTEEN MILLION)

Signed for and on behalf of Vincorn Consulting and Appraisal Limited

Freddie Chan
BBA-FIN (Hons) CFA ACCA FRM MRICS
RICS Registered Valuer
Executive Director

Vincent Cheung
BSc (Hons) MBA FRICS MHKIS RPS(GP)
MCIREA MHKSI MISCM MHIREA FHKIoD
RICS Registered Valuer
Registered Real Estate Appraiser & Agent
PRC
Managing Director

APPENDIX I

LIMITING CONDITIONS

1. Preliminary

1.1 These general terms and conditions (the "**Terms and Conditions**") shall apply to all forms of professional services, provided by Vincorn Consulting and Appraisal Limited, ("**we**", "**us**" or the "**Firm**") to the client to whom the service agreement is sent (the "**client**" or "**you**"). They shall apply separately to each service provided to you.

1.2 The Terms and Conditions are to be read in conjunction with the service agreement (the "**Agreement**") sent by us to you. In the event of any ambiguity or conflict between the Agreement and these Terms and Conditions, the provisions in the Agreement shall prevail. These Terms and Conditions and the Agreement may only be varied in writing by agreement between the parties.

2. Performance of the Services

2.1 We undertake to use all reasonable skill and care in providing the services and advice described in the instruction given by you (the "**Services**"). We will inform you if it becomes apparent that the Services need to be varied or external third party advice is required. Any variation is to be confirmed in writing.

2.2 We may need to appoint third party providers to perform all or part of the Services and we shall agree this with you in advance.

2.3 Where matters beyond the control of ourselves cause delay to the performance of the services we will notify the client as soon as we become aware of the situation. The client agrees that we will not be held responsible for such delay.

3. Basis of Fees

3.1 The basis of our fees for our Services is set out in the Agreement.

3.2 When applicable, VAT shall be payable by you in addition to any fees or disbursements invoiced at the applicable rate.

3.3 You shall pay our fees on completion of our Services (whether or not additional work is still to be carried out by third parties) or, where the fees are in relation to an ongoing instruction or an instruction of a duration of more than three months, at least quarterly in arrears upon submission by us of quarterly fee accounts. Payment is due within 30 days of the invoice date.

3.4 Where valuations are undertaken for a lender for financing purposes and it is agreed that a borrower will pay our fee, you shall remain primarily liable to pay our fee should such borrower fail to meet its liabilities to us in full. Payment of our fees is not conditional upon the loan being drawn down or any of the conditions of the loan being met.

3.5 If you do not dispute with us an invoice or any part thereof within 30 days of the date of such invoice, you shall be deemed to have accepted the invoice in its entirety.

3.6 If we are required by you to undertake additional work in relation to an instruction, you shall pay additional fees based upon our usual rates. We will notify you of the amount of such additional fees.

3.7 Where there is a change to the stated purpose for which our valuation is being commissioned and in our sole opinion we deem this to result in an increase in our liability (for example a valuation for accounting purposes being used for financing purposes), we reserve the right to charge an additional fee.

3.8 In the event that you withdraw our instructions prior to completion of a valuation, you shall be liable to pay us for a fair and reasonable proportion of our fees and any agreed disbursements. If we have sent you a draft report, such fees shall be subject to a minimum of 80% of the fee originally agreed between us.

3.9 We will advise you in advance if it is necessary or convenient to instruct a third party to provide advice or to act as an expert or arbitrator and provide an estimate of the likely cost. If you approve, either verbally or in writing, that the third party be instructed, we will instruct the party as agent on your behalf and request that all the third party's invoices be addressed to you. If we are requested by you to advance payment of the third party invoices, you shall be obliged to reimburse the advance payment made and pay a handling charge.

3.10 Where we are instructed to provide Services to one of your subsidiaries or associate/related entities or should you subsequently request that another entity be substituted for you at a later stage and we are unable to seek or obtain payment of any outstanding monies for whatever reason, you shall remain primarily liable to pay those outstanding monies if the subsidiary, associate/related or other entity does not meet its liabilities in relation to the Services.

4. Interest

4.1 You shall pay interest on the amount of any invoice for fees or other disbursements that remain unpaid for 30 days after the date of the invoice. Interest shall be payable at the prime lending rate published by the Hong Kong and Shanghai Banking Corporation from the date of the invoice until payment is made whether after or before judgement.

5. Disbursements

5.1 You shall reimburse disbursements incurred in the provision of the Services quarterly in arrears from the date they were incurred. These include, for example, maps, plans, research, photography, copying of documents or plans, messenger delivery, costs of obtaining records of companies or assets, demographic or other similar information, any reproduction, copying or other royalties incurred, additional bound copy reports, costs of external information/references obtained, travel and subsistence expenses at their actual cost and car mileage at the reasonable scales.

6. Information Received from the Client

6.1 We will take all reasonable steps to ensure property information is accurate where we are responsible for its preparation. Where you provide us with any information on a property that is necessary or convenient to enable us to provide the Services properly, you are aware that we will rely on the accuracy, completeness and consistency of any information supplied by you or on your behalf and, unless specifically instructed otherwise in writing, we will not carry out any investigation to verify such information. We accept no liability for any inaccuracy or omission contained in information disclosed by you or a third party on your behalf, whether prepared directly by you or by that third party, and whether or not supplied directly to us by that third party, and you shall indemnify us should any such liability arise. Also, in any circumstances, you accept that full investigation of the legal title and any leases is the responsibility of your lawyers.

7. Conflicts of Interest

7.1 We have conflict management procedures designed to prevent us acting for one client in a matter where there is or could be a conflict with the interest of another client for whom we are acting. If you are aware or become aware of a possible conflict of this type, please raise it immediately with us. If a conflict of this nature arises, then we will decide, taking account of legal constraints, relevant regulatory body rules and your and the other client's interests and wishes, whether we can continue to act for both parties (e.g. through the use of separate teams with appropriate Chinese Walls), for one only or for neither. Where we do not believe that any potential or actual conflict of interest can be managed appropriately, we will inform you and consult with you as soon as reasonably practicable.

8. Management of the Asset

8.1 We shall not be responsible for the management of the asset nor have any other responsibility (such as maintenance or repair) in relation to the asset. We shall not be liable for any damage that may occur to the asset which we are providing services for. The asset shall be your sole responsibility.

9. Valuation Basis and Assumptions

Valuation Date

9.1 Unless we have said otherwise within the Agreement or our report, the valuation date will be the date of our report.

Basis of Valuation

9.2 Unless we have said otherwise within the Agreement or our report, the valuation will be prepared in accordance with the prevailing International Valuation Standards ("**IVS**") published by the International Valuation Standards Council.

9.3 Each property will be valued on a basis appropriate to the purpose of the valuation, in accordance with the IVS. The basis of valuation that we will adopt for each property is specified in the Agreement and our report.

9.4 When assessing Market Value for balance sheet purposes, we will not include directly attributable acquisition or disposal costs in our valuation. Where you have asked us to reflect costs, they will be stated separately.

Specialised Asset

9.5 In the case of Specialised Asset (where valuation methods such as market comparison or an income (profits) test cannot be reliably applied), we may use Cost Approach as a method of estimating Market Value. The valuation using this method of an asset in the private sector will include a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed. If the asset is in the public sector, the valuation will include a statement that it is subject to the prospect and viability of the continued occupation and use. Any writing down of a valuation derived solely from Cost Approach to reflect the profitability/viability of the entity in occupation is a matter for the occupier.

Specialised Trading Asset

9.6 Where appropriate, specialised trading assets will be valued on the basis of Market Value as a fully equipped operational entity, having regard to trading potential.

9.7 Where we are instructed to value an operational asset with regard to its trading potential, we will take account of any trading information that either the operator has supplied to us or that we have obtained from our own enquiries. We will rely on this being correct and complete and on there being no undisclosed matters that could affect our valuation. The valuation will be based on our opinion as to future trading potential and the level of turnover and net operating income likely to be achieved by a reasonably efficient operator.

9.8 Unless we have said otherwise within the Agreement or our report:

(i) the valuation will be made on the basis that each asset will be sold as a whole including all fixtures, fittings, stock and goodwill;

(ii) we will assume that the new owner will normally engage the existing staff and the new management will have the benefit of existing and future bookings or occupational agreements (which may be an important feature of the continuing operation), together with all existing statutory consents, operational permits and licences;

(iii) we will assume that all assets and equipment are fully owned by the operator and are not subject to separate finance leases or charges;

(iv) we will exclude any consumable items and stock in trade; and

(v) we will assume that all goodwill for an asset is tied to the asset itself and does not represent personal goodwill to the operator.

Real Property

9.9 Unless otherwise advised by you in writing, we will provide the Services in relation to any real properties on the assumption that:

(i) the property and any existing buildings are free from any defect whatsoever;

(ii) all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual effect on building costs, property values or viability of any development or existing buildings;

(iii) all the building services (such as lifts, electrical, gas, plumbing, heating, drainage and air conditioning installations and security systems) and property services (such as incoming mains, waste, drains, utility supplies, etc.) are in good working order without any defect whatsoever;

(iv) roads and sewers serving the property have been adopted and that the property has all necessary rights of access over common estate roads, paths, corridors and stairways and to use common parking areas, loading areas and other facilities;

(v) there are no environmental matters (including but not limited to actual or potential land, air or water contamination, or by asbestos or any other harmful or hazardous substance) that would affect the property, any development or any existing buildings on the property in respect of which the Services are provided or any adjoining property, and that we shall not be responsible for any investigations into the existence of the same and that you are responsible for making such investigations;

(vi) any building, the building services and the property services comply with all applicable current regulations (including fire and health and safety regulations);

(vii) the property and any existing building comply with all planning and building regulations, have the benefit of appropriate planning consents or other statutory authorisation for the current use and no adverse planning conditions or restrictions apply (which includes, but is not limited to, threat of or actual compulsory purchase order);

(viii) appropriate insurance cover is, and will continue to be, available on commercially acceptable terms for any building incorporating types of construction or materials which may pose an increased fire or health and safety risk, or where there may be an increased risk of terrorism, flooding or a rising water table;

(ix) items of plant and machinery that usually comprise part of the property on an assumed sale are included in the property but items of plant and machinery that are associated with the process being carried on in the property or tenants trade fixtures and fittings are excluded from the property;

(x) in reflecting the development potential of any property, that all structures will be completed using good quality materials and first class workmanship;

(xi) any occupational leases are on full repairing and insuring terms, with no unusually onerous provisions or covenants that would affect value;

(xii) in respect of any lease renewals or rent reviews, all notices have been served validly within any time limits;

(xiii) vacant possession can be assumed for a premises which is currently occupied by the landlord or a tenant; and

(xiv) any mineral rights are excluded from the property.

9.10 We will not carry out a structural survey of any property nor will we test services. Further, no inspection will be made of the woodwork and other parts of the structures which are covered, unexposed or inaccessible. In the absence of information to the contrary, the valuation will be on the basis that the property is free from defect. However, the value will reflect the apparent general state of repair of the property noted during inspection, but we do not give any warranty as to the condition of the structure, foundations, soil and services. Our report should not be taken or interpreted as giving any opinion or warranty as to the structural condition or state of repair of the property, nor should such an opinion be implied.

9.11 If we give the age of a building in our report, this will be an estimate and for guidance only.

9.12 Where we are required to measure a property we will generally do so in accordance with the Code of Measuring Practice published by the Royal Institution of Chartered Surveyors. However, you should specifically note that the floor areas contained in any report we may publish are approximate and if measured by us will be within a reasonable range of tolerance either way. In cases where the configuration of the floor plate is unusually irregular or is obstructed, this tolerance may be significant.

9.13 We will not be able to measure areas that we are unable to access. In these cases we may estimate floor areas from plans or by extrapolation. Where we are required to measure land or site areas, the areas will be approximate and will be measured from plans supplied or registered. They will not be physically checked on site.

9.14 The areas we report will be appropriate for the valuation purposes, but should not be relied upon for any other purposes.

9.15 Unless specifically instructed in writing to make formal searches with local planning authorities, we shall rely in the provision of our Services for a property on the information provided informally by the local planning authority or its officers. We recommend that your lawyers be instructed to confirm the planning position relating to the property and review our comments on planning in the light of their findings.

9.16 We may consider the possibility of alternative uses of a property being permitted. Unless otherwise notified by you in writing, we shall assume that the property and any existing buildings comply with all planning and building regulations existing uses have the benefit of appropriate planning consent or other statutory authorisation, and that no adverse planning conditions or restrictions apply.

9.17 We will not inspect title deeds of a property and we will therefore rely on the information supplied as being correct and complete. In the absence of information to the contrary, we will assume the absence of unusually onerous restrictions, covenants or other encumbrances and that the property has a good and marketable title. Where supplied with legal documentation, we will consider it but we will not take responsibility for the legal interpretation of it.

9.18 You should confirm to us in writing if you require us to read leases of a property and if so, provide all the relevant documentation within a reasonable time for consideration bearing in mind the date for receipt of our report. You should not rely upon our interpretation of the leases without first obtaining the advice of your lawyers.

9.19 We will take into account any information of a property that you provide concerning any tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, we will assume that the property was let with all alterations and improvements evident during our inspection (or, in the case of valuation without inspection, as described within the information that you provide).

9.20 Our valuation for a property will take into account potential purchasers' likely opinion of the financial strength of tenants. However, we will not undertake any detailed investigations on the covenant strength of the tenants. Unless informed to the contrary by you, we will assume that there are no significant arrears and that the tenants are able to meet their obligations under their leases or agreements.

9.21 Any plans we provide to you indicating the site of a property are for identification only. We will rely on our inspection and information that you provide in outlining the extent of each property, but you should not rely upon our plans to define boundaries.

9.22 For a recently completed development property, we will not take account of any retentions or outstanding development costs. For a property in the course of development, we will reflect your advice on the stage of construction, the costs already incurred and those still to be spent at the valuation date, and will have regard to any contractual liabilities.

9.23 We will not make any allowance in any valuation advice provided for the expenses of realisation or any taxation liability arising from the sale or development of the property.

Comparable

9.24 Where comparable evidence information is included in our report, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe its general accuracy or where it was in accordance with expectation.

Portfolio

9.25 Unless we have said otherwise in the Agreement or our report, each asset will be valued individually; in the case of a portfolio, we will assume that the assets would be marketed in an orderly way and not placed on the market at the same time.

Currency

9.26 We will value in the local currency. If we are to report to you in another currency, unless we have agreed otherwise we will adopt a conversion rate equivalent to the closing rate ("**spot rate**") on the valuation date.

9.27 Our valuation does not make allowance either for the cost of transferring sale proceeds to another state, or for any restrictions on doing so.

Reinstatement Cost

9.28 In instances where we are instructed to provide an indication of current reinstatement cost for fire insurance purposes, this will be given solely as a guide without warranty. Formal estimates for insurance purposes can only be given by a quantity surveyor or other person with sufficient current experience of costs.

10. Regulated Purpose Valuation

10.1 In circumstances where a valuation, although provided for a client, may also be of use to third parties, for instance the shareholders in a company (known as a "Regulated Purpose Valuation"), we will state our policy on the rotation of the valuer who prepares the valuation and the quality control procedures that are in place.

10.2 Irrespective of the purpose of the valuation, we will select the most appropriate valuer for the valuation having regard to his/her expertise and the possible perception that independence and objectivity could be compromised where a valuer has held the responsibility for a particular client for a number of years. This may result in us rotating the valuer responsible for repeat valuations for the same client although we will not do so without prior discussion with the client.

11. Termination by Notice

11.1 Unless a fixed period has been agreed, either party may terminate the instruction by giving 14 days' notice in writing to the other party.

11.2 In the event of termination by notice, you shall be obliged to pay forthwith all the fees accrued in relation to the Services and work performed up to the date of termination (and any agreed abort fee) (the "**Termination Fees**") plus any expenses or disbursements incurred by us or to which we are committed at the date of termination.

12. Professional Liability

12.1 Subject to the provisions in these Terms and Conditions and the Agreement, our total aggregate liability (including that of our directors and employees) to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services shall be limited to an aggregate sum not exceeding three times the fee paid for each instruction accepted. Neither party hereto shall be liable to the other for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct, indirect or consequential, or any claims for consequential compensation whatsoever (however caused) which arise out of or in connection with the Services.

12.2 For the avoidance of doubt, our directors and employees shall have no liability in respect of their private assets.

12.3 Nothing in these Terms and Conditions excludes or limits our liability for (i) death or personal injury caused by our negligence (ii) any matter which it would be illegal for us to exclude or attempt to exclude our liability or (iii) fraud or fraudulent misrepresentation.

12.4 Where a third party has contributed to the losses, damages, costs, claims or expenses, we shall not be liable to make any contribution in respect of the liability of such third party.

12.5 Save in respect of third parties directly instructed by us and/or on your behalf, we shall not be liable for the services or products provided by other third parties, nor shall we be required to inspect or supervise such third parties, irrespective of the third party services or products being incidental to or necessary for the provision of our Services to you.

12.6 We shall be released from our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond our reasonable control (examples being a strike, act of God or act of terrorism). On becoming aware of any circumstance which gives rise, or which is likely to give rise, to any failure or delay in the performance of our obligations, we will notify you by the most expeditious method then available.

12.7 To cover any liability that might be incurred by us, we confirm that we will maintain professional indemnity insurance through a third party insurance company.

12.8 Our pricing structure has been established by reference to these limitations on our liability and our level of professional indemnity insurance in respect of the Services we provide. If you feel that it is necessary to discuss with us a variation in these levels, then please raise the issue to us and we may revise the pricing structure to reflect the varied level of our liability or professional indemnity cover.

12.9 Responsibility for our valuation extends only to the party(ies) to whom it is addressed. However in the event of us being asked by you to readdress our report to another party or other parties or permit reliance upon it by another party or other parties, we will give consideration to doing so, to named parties, subject to an additional fee to be proposed by us.

12.10 Where we consent to reliance on our report by another party or other parties, we do so on the basis that these terms and conditions will apply to the new addressee(s) as if it/they had been a party to the original letter of instruction between us. Where we consent to such reliance, you agree to furnish the addressee with a copy of any reliance letter issued by us and/or a copy of these terms and conditions.

12.11 Where you provide a copy of and/or permit another party or parties, other than your affiliates, to rely upon our report without obtaining our express written consent (in accordance with clause 12.5 above), you agree to indemnify us (subject to Section 12.1 hereof) for any and all liability which arises from the use of or reliance upon our report by such unauthorised party.

13. Quality of Service

13.1 All our reports are signed by a qualified professional of the Firm whose responsibility it is to ensure that all relevant quality control procedures have been complied with.

13.2 While we seek to provide high quality Services, if a client has cause for complaint we have the Standard Complaint Handling Procedure to cope with that.

14. Data Protection

14.1 We are a data controller of all personal data collected during the provision of the Services. We shall use such personal data and information we obtain from other sources for providing the Services, for administration and customer services, for marketing and to analyse your preferences. We may keep such personal data for a reasonable period for these purposes. We may need to share personal data with our service providers and agents for these purposes. We may disclose personal data in order to comply with a legal or regulatory obligation and you may request, in writing and upon payment of a fee, a copy of the details held about you by us.

14.2 To help us to make credit decisions about you, to prevent fraud, to check identity and to prevent money laundering, we may search the files of credit reference agencies and we may also disclose details of how you conduct your account to such agencies.

14.3 We may share personal data within our international partnerships, group companies and affiliated organisations and with our business partners for marketing purposes, which may be to countries or jurisdictions which do not provide the same level of data protection as the country in which you are based, or we may send you and your employees information about other organisations' goods and services. We or any business partners may contact you and your employees, directly or via our agents, by mail, telephone, fax, email, SMS or other electronic messaging service with offers of goods and services or information that may be of interest. By providing us with your or your employees' personal data (whether that data is deemed sensitive or not) including fax numbers, telephone numbers or email addresses, you and your employees consent to being contacted by these methods for these purposes.

15. Money Laundering Regulations

15.1 You are aware that legislation and related guidance as updated from time to time, has imposed on us obligations for mandatory reporting, record keeping and identification procedures. We may be required to verify certain particulars of our clients and may need to ask you to assist us in complying with such requirements. Where such information is requested, you will provide such information promptly to enable us to proceed to provide our Services. We shall not be liable to you or any other parties for any delay in the performance or any failure to perform the Services which may be caused by our duty to comply with such requirements.

16. Freedom of Information

16.1 Where you are a public authority, you shall notify us within five business days of receiving a request to disclose information which relates to the business arrangements between us and you and/or any information we have provided to you at any time. In recognition of the fact that we may be providing you with genuinely confidential or commercially sensitive information, you agree to consult us and seek our views on all such requests prior to making a decision on whether any information should be publicly disclosed.

17. Electronic Communications

17.1 We may communicate with each other by electronic mail, sometimes attaching electronic data. By consenting to this method of communication, we and you accept the inherent risks (including the security risks of interception of, or unauthorised access to, such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices). In the event of a dispute, neither of us will challenge the legal evidential standing of an electronic document and our system shall be deemed to be the definitive record of electronic communications and documentation.

18. Confidentiality and Intellectual Property

18.1 We owe our clients a duty of confidentiality. You agree, however, that we may, when required by our insurers or other advisers, provide details to them of any engagement on which we have acted for you, and that we may also disclose confidential information relating to your affairs if required to do so for legal, regulatory or insurance purposes only.

18.2 Both parties agree never to disclose sensitive details of transactions or our advice without the other's consent. Unless we are expressly bound by a duty of confidentiality which otherwise overrides this, both parties shall be entitled to mention to third parties (e.g. in the course of presentations, speeches or pitches) and/or publish (e.g. in brochures, marketing or other written material) that we provide our services to you.

18.3 We shall provide the Services to you only for your sole use and for the stated purpose. We shall not be liable to any third party in respect of our Services. You shall not mention nor refer to our advice, in whole or in part, to any third party orally or in annual accounts or other document, circular or statement without our prior written approval. The giving of an approval shall be at our sole discretion.

18.4 We will not approve any mention of our Services unless it contains sufficient reference to all the special assumptions and/or limitations (if any) to which our Services are subject. For the avoidance of doubt our approval is required whether or not we are referred to by name and whether or not our advice is combined with others.

18.5 We may make the approval of any mention of our Services, or re-address to third parties our Services, subject to the payment of an additional fee to cover additional work and professional liability.

18.6 All intellectual property rights (including copyrights) in the documents, materials, records, data and information in any form developed or provided to you by us or otherwise generated in the provision of our Services shall belong to us solely.

19. Third Parties Rights and Assignment

19.1 No term of the Agreement or these Terms and Conditions is intended to confer a benefit on or to be enforceable by any person who is not a party to the same.

19.2 Neither party shall be entitled to assign this contract or any rights and obligations arising from it without the prior written consent of the other, such consent not to be unreasonably withheld.

20. General

20.1 If any provision of the Terms and Conditions is found by any court, tribunal or administrative body of competent jurisdiction to be wholly or partly illegal, invalid, void, voidable, unenforceable or unreasonable, it shall to the extent of such illegality, invalidity, voidness, voidability, unenforceability or unreasonableness be deemed severable and the remaining provisions of the Terms and Conditions and the remainder of such provision shall continue in full force and effect.

20.2 Failure or delay by us in enforcing or partially enforcing any provision of these Terms and Conditions shall not be construed as a waiver of any of our rights under these Terms and Conditions.

20.3 The Agreement and these Terms and Conditions shall be governed by and be construed in accordance with the law of the place at where the Agreement is effective. Any dispute arising out of or in connection with the Services shall be submitted to the exclusive jurisdiction of the relevant courts of that place.

The following is the text of a report received from D & Partners CPA Limited, Certified Public Accountants, Hong Kong, for inclusion in this circular, in respect of the calculation of the discounted cash flow forecast in relation to 100% equity interest of Beijing Wande.

29 September 2023

The Board of Directors
Infinities Technology International (Cayman) Holding Limited (the "**Company**")

Dear Sirs,

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN RELATION TO 100% EQUITY INTEREST OF BEIJING WANDE GAME TECHNOLOGY COMPANY LIMITED (HEREINAFTER REFERRED TO AS "BEIJING WANDE")

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") on which the valuation dated 29 September 2023 prepared by Vincorn Consulting and Appraisal Limited in respect of the equity interest of Beijing Wande as at 30 June 2023 is based. The valuation is set out in the announcement of the Company in relation to the acquisition of 60% equity interest in Beijing Wande dated 8 September 2023 (the "**Announcement**"). The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' responsibilities

The directors of the Company (the "**Directors**") are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in ASSUMPTIONS OF THE VALUATION UNDER INCOME APPROACH of the Announcement.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of Beijing Wande. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

D & PARTNERS CPA LIMITED
Certified Public Accountants
Hong Kong

The following is the text of the letter received from Silverbricks Securities Company Limited, the financial adviser of the Company, in respect of the Acquisition of the Target Group Holding 60% of Beijing Wande Involving the Issue of Consideration Shares Under Specific Mandate in this circular.

29 September 2023

The Board of Directors
Infinities Technology International (Cayman) Holding Limited (the "**Company**")

Dear Sirs,

Re: Discloseable and Connected Transaction

in Relation to the Acquisition of the Target Group Holding 60% of Beijing Wande Involving the Issue of Consideration Shares Under Specific Mandate

We, Silverbricks Securities Company Limited, refer to the announcement of the Company dated 8 September 2023 (the "**Announcement**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

The Announcement refers to the valuation of the Target Company by Vincorn Consulting and Appraisal Limited (the "**Valuer**") which is contained in the valuation report dated 29 September 2023 (the "**Valuation Report**") prepared by the Valuer for the purpose of the Transaction. We understand that the Valuation Report and certain other documents relevant to the Transaction have been provided to you as directors of the Company (the "**Directors**") in connection with your consideration of the Transaction. We understand that the Valuer has applied the income approach (which is based on the discounted cash flow forecast) is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

We have reviewed the profit forecast included in the Valuation Report. We have attended discussions with the Directors, the management of the Company and the Valuer regarding the bases and assumptions upon which the profit forecast in the Valuation Report has been made. In these discussions, the participants also discussed the historical performance and other information considered relevant by the Valuer and the Company to the profit forecast. We have also reviewed the letter from D & Partners CPA Limited, dated 29 September 2023, as set forth in Appendix I to the Announcement regarding the calculations of discounted future cash flows.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the Valuer, for which the Valuer and the Company are responsible, we are satisfied that the profit forecast disclosed in the Announcement, have been made after due and careful enquiry by you. The Directors are responsible for such profit forecast, including the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation Report. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation Report and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances. For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein.

The work undertaken by us has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose. We have not independently verified the assumptions or computations leading to the valuation of discounted cash flow forecast. We have had no role or involvement and have not provided and will not provide any assessment of the value on the discounted cash flow forecast to the Company. We have assumed that all information, materials and representations provided to us by the Company and the Valuer, including all information, materials, and representations referred to or contained in the Announcement, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the valuation of discounted cash flow forecast as set out in the Valuation Report.

Yours faithfully,
For and on behalf of the Board
Silverbricks Securities Company Limited
Yau Tung Shing
Co-head of Corporate Finance

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[(1)]	Interest in controlled corporation/Long position	335,721,719	54.77

Note:

(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[(1)]	Interest in controlled corporation/ Long position	335,721,719	54.77
Infinities Cayman[(1), (3)]	Interest in controlled corporation/ Long position	335,721,719	54.77
Infinities B&M[(1), (3)]	Interest in controlled corporation/ Long position	335,721,719	54.77
Infinities Worldwide Limited[(1), (3)]	Interest in controlled corporation/ Long position	335,721,719	54.77
Ms. Liu Xiaoke[(2)]	Interest in controlled corporation/ Long position	335,721,719	54.77
Infinities Global[(1), (2), (3)]	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:

Infinities Technology Group

Infinities Technology Group was founded in 2012 and is principally engaged in technology and media businesses in the PRC. Infinities Technology Group is controlled by Infinities Cayman pursuant to contractual arrangements, and Infinities 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 Infinities Technology Group. Infinities 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 Infinities Technology Group and Mr. Chen Ying, an executive Director, is the secretary of the board of Beijing Infinities Interactive Media Company Limited* (北京多牛互動傳媒股份有限公司), the major operating subsidiary of the Infinities Cayman Group. Both of them are not involved in the daily operation of Infinities Technology Group. By reasons of the fact that Infinities 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 Infinities 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 Infinities 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:

Name	Qualifications
Vincorn Consulting and Appraisal Limited	Independent professional valuer
Diligent Capital Limited	A corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
D & Partners CPA Limited	Certified Public Accountants
Silverbricks Securities Company Limited	A corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of the above expert

(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.

The letter, report and/or opinion from each of the above expert is given as of the date of this circular for incorporation in this circular. Each of the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, report and/or opinion, as the case may be, and references to its name in the form and context in which it appears.

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) and the Company's website (https://www.infinities.com.hk) for a period of 14 days from the date of this circular:

(a) the Share Purchase Agreement;

(b) the letter from the Board dated 8 December 2023, the text of which is set out on pages 6 to 26 of this circular;

(c) the letter of recommendation from the Independent Board Committee dated 8 December 2023, the text of which is set out on page 27 of this circular;

(d) the letter of advice from Diligent Capital Limited dated 8 December 2023, the text of which is set out on pages 28 to 61 of this circular;

(e) the Valuation Report from the Independent Valuer, the text of which is set out in Appendix I to this circular;

(f) the report from the D & Partners CPA Limited in relation to the profit forecast;

(g) the letter from Silverbricks Securities Company Limited in relation to the profit forecast;

(h) the written consent referred to in the section headed "6. Qualifications and Consent of Expert" in this appendix; and

(i) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Infinities Technology International (Cayman) Holding Limited (the "**Company**") will be held at Infinities Media Center, 4th Floor, Building C, Lingzhi Center, Baosheng East Road, Haidian District, Beijing on Friday, 29 December 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. To consider and, if thought fit, to approve the Company entering into the Share Purchase Agreement with Infinities B&M Technology Limited and the transactions contemplated thereunder;

2. Conditional upon the Stock Exchange having granted the listing of and permission to deal in the Consideration Shares on the Stock Exchange, the grant of the Specific Mandate to the Directors to allot and issue the Consideration Shares to the Vendor (or its nominee) pursuant to the Share Purchase Agreement be and is hereby approved. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and

3. The Directors (or a duly authorised committee thereof) be and are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents or agreements and to take all such steps which, in the opinion of the Directors (or a duly authorised committee thereof), may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Share Purchase Agreement and the allotment and issue of the Consideration Shares to the Vendor (or its nominee), and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors (or a duly authorised committee thereof), in the interests of the Company.

By Order of the Board
Infinities Technology International (Cayman) Holding Limited
多牛科技國際(開曼)集團有限公司
WANG Le
Chairman

Hong Kong, 8 December 2023

Notes:

(i) A shareholder entitled to attend and vote at the Meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the Meeting. On a poll, votes may be given either personally or by proxy.

(ii) In the case of joint holders, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(iii) In order to be valid, a form of proxy must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting (i.e. before 2:00 p.m. on Wednesday, 27 December 2023) or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

(iv) For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 27 December 2023 to Friday, 29 December 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 Friday, 22 December 2023.

(v) References to time and dates in this notice are to Hong Kong time and dates

As at the date of this notice, the Board comprises two executive Directors, namely Mr. Wang Le and Mr. Chen Ying, two non-executive Directors namely Mr. Liang Junhua and Mr. Wang Ning and two independent non-executive Directors namely Mr. Leung Ming Shu and Mr. Tang Shun Lam.