THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Gome Finance Technology Co., Ltd., you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

国美金融科技
GOME FINTECH

國美金融科技有限公司
Gome Finance Technology Co., Ltd.

(Incorporated in Bermuda with limited liability)

(Stock Code: 628)

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
(2) PROPOSED CAPITAL REDUCTION OF ISSUED SHARES AND SUB-DIVISION OF AUTHORISED BUT UNISSUED SHARES;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING

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

華升資本
CHINA SUNRISE CAPITAL

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the SGM to be held at REF Financial Press Limited, Units 5906–5912, 59/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Tuesday, 28 May 2024, at 2 p.m. is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gomejr.com).

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

8 May 2024

CONTENTS

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

"Agreements"	collectively, the GOME FIIL Agreement and the CashBox Agreement
"associate(s)"	has the same meaning ascribed to it in the Listing Rules
"Beijing Happy Joyful"	Beijing Happy Joyful Technology Co., Ltd.* (北京開心燦爛科技有限公司), a company established in the PRC with limited liability and a company controlled by Mr. Li
"Board"	the board of Directors
"Bye-laws"	the amended and restated bye-laws of the Company, as amended from time to time
"Capital Reduction"	the proposed reduction of the issued share capital of the Company by cancelling the paid-up share capital of the Company to the extent of HK$0.09 on each issued Existing Share such that the par value of each issued Existing Share will be reduced from HK$0.10 to HK$0.01
"Capital Reorganisation"	the proposed reorganisation of the share capital of the Company comprising the Capital Reduction and the Share Sub-Division
"CashBox"	CashBox Group Technology (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
"CashBox Agreement"	the agreement entered into between the Company and Mingrun Business dated 16 October 2023 in respect of the sale and purchase of the CashBox Sale Shares
"CashBox Sale Shares"	330 shares in CashBox, representing 3.3% of the issued shares of CashBox as at the Latest Practicable Date
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as in force from time to time
"Companies Act"	the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time

"Company"	Gome Finance Technology Co., Ltd., a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 628)
"connected person(s)"	has the same meaning ascribed to it in the Listing Rules
"Consideration Shares"	collectively, the Consideration Shares I and the Consideration Shares II
"Consideration Shares I"	2,185,286,341 new Shares to be issued by the Company to Mega Bright at completion of the GOME FIIL Agreement as settlement of the consideration for the acquisition of the GOME FIIL Sale Share pursuant to the GOME FIIL Agreement
"Consideration Shares II"	314,713,659 new Shares to be issued by the Company to Mingrun Business at completion of the CashBox Agreement as settlement of the consideration for the acquisition of the CashBox Sale Share pursuant to the CashBox Agreement
"Contributed Surplus Account"	the contributed surplus account of the Company within the meaning of the Companies Act
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Effective Date"	the date on which the Capital Reorganisation become effective
"Enlarged Group"	the Group as enlarged by the Proposed Acquisitions
"Existing Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company as at the Latest Practicable Date and prior to the Capital Reorganisation becoming effective
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"GOME FIIL"	GOME Faith International Investment Limited (國美信國際投資有限公司), a company incorporated in Hong Kong with limited liability

"GOME FIIL Agreement"	the agreement entered into between the Company and Mega Bright dated 16 October 2023 in respect of the sale and purchase of the GOME FIIL Sale Share
"GOME FIIL Group"	GOME FIIL and its subsidiaries
"GOME FIIL Sale Share"	1 share in GOME FIIL, representing 100% of the issued share of GOME FIIL as at the Latest Practicable Date
"GOME FITL"	GOME Faith Internet Technology Co, Limited (國美信互聯網科技有限公司), a company incorporated in Hong Kong with limited liability
"GOME FTIL"	GOME Faith Technology International Limited (國美信科技國際有限公司), a company incorporated in Hong Kong with limited liability
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, comprising Mr. Lee Puay Khng, Mr. Mak Yau Kee Adrian and Mr. Huang Song, who are independent non-executive Directors
"Independent Financial Adviser" or "China Sunrise Capital"	China Sunrise Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser appointed with the approval of the Independent Board Committee to advise the Independent Board Committee in connection with the Agreements and the transactions contemplated thereunder
"Independent Shareholder(s)"	Shareholders other than Ms. Du and her associates
"Issue Price"	HK$0.08 per Consideration Share
"Latest Practicable Date"	2 May 2024, being the latest practicable date prior to the printing of this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	30 June 2024, or such other date as the parties to the Agreements may agree in writing
"MARSX Technologies"	MARSX Technologies Limited
"Mega Bright"	Mega Bright Capital Resources Limited, a company incorporated in Hong Kong with limited liability
"Mingrun Business"	Hongkong Mingrun Business Co., Limited (香港銘潤商貿有限公司), a company incorporated in Hong Kong with limited liability
"Model Code"	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Mr. Ko"	Mr. Ko Chun Shun, Johnson
"Mr. Li"	Mr. Li Tengfei, the director and chief executive officer of CashBox
"Mr. Wong"	Mr. Wong Kwong Yu, spouse of Ms. Du
"Ms. Du"	Ms. Du Juan, the controlling shareholder of the Company
"New Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective
"PRC"	the People's Republic of China
"Proposed Acquisitions"	the proposed acquisitions of the GOME FIIL Sale Share and the CashBox Sale Shares
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held to approve (i) the Agreements and the transactions contemplated thereunder; (ii) the specific mandate for the issue of the Consideration Shares; and (iii) the Capital Reorganisation
"Share(s)"	the Existing Share(s) or the New Share(s), as the case may be

"Share Sub-Division"	the proposed sub-division of each authorised but unissued Existing Share into ten (10) unissued New Shares
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Swiree"	Swiree Capital Limited, a company incorporated in the British Virgin Islands with limited liability
"US$"	United States dollar, the lawful currency of the United States of America
"Valuation Report"	the valuation report issued by the Valuer in respect of CashBox as at 30 June 2023, a summary of which is set out in Appendix V to this circular
"Valuer"	北京北方亞事資產評估事務所(特殊普通合夥) (Beijing North Asia Asset Assessment Firm (Special General Partnership)), an independent valuer
"Vendors"	collectively, Mega Bright and Mingrun Business
"%"	per cent.

The expected timetable for the implementation of the Capital Reorganisation is set out below. All times and dates specified in this circular refer to the Hong Kong times and dates. This timetable is indicative only and any subsequent changes to the expected timetable will be announced by the Company as and when appropriate.

Event	Time and date
Latest date and time for lodging transfer documents in order to qualify for attendance and voting at the SGM	4:00 p.m. on Wednesday, 22 May 2024
Closure of register of members for determining the entitlement to attend and vote at the SGM (both dates inclusive)	Thursday, 23 May 2024 to Tuesday, 28 May 2024
Latest date and time for lodging forms of proxy for the SGM	2:00 p.m. on Sunday, 26 May 2024
Expected date and time of the SGM	2:00 p.m. on Tuesday, 28 May 2024
Announcement of poll results of the SGM	Tuesday, 28 May 2024

The following events are conditional upon the fulfilment of the conditions for the implementation of the Capital Reorganisation:

Effective date of the Capital Reorganisation	Thursday, 30 May 2024
Dealings in the New Shares commence	9:00 a.m. on Thursday, 30 May 2024

国美金融科技
GOME FINTECH

國美金融科技有限公司
Gome Finance Technology Co., Ltd.
(Incorporated in Bermuda with limited liability)
(Stock Code: 628)

Executive Directors:
Mr. Zhou Yafei
Mr. Song Chenxi

Non-executive Director:
Ms. Wei Ting

Independent non-executive Directors:
Mr. Lee Puay Khng
Mr. Mak Yau Kee Adrian
Professor Japhet Sebastian Law
Mr. Huang Song

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suite 2912, 29th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

8 May 2024

To the Shareholders

Dear Sir/Madam,

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (2) PROPOSED CAPITAL REDUCTION OF ISSUED SHARES AND SUB-DIVISION OF AUTHORISED BUT UNISSUED SHARES

1. INTRODUCTION

Reference is made to the announcement of the Company dated 16 October 2023 in relation to the Proposed Acquisitions and the announcement of the Company dated 8 May 2024 in relation to the Capital Reorganisation.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreements and the transactions contemplated thereunder; (ii) details of the Capital Reorganisation; (iii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Proposed Acquisitions; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisitions; (v) other information as required under the Listing Rules; and (vi) a notice convening the SGM.

2. THE PROPOSED ACQUISITIONS

On 16 October 2023, the Company, as purchaser, and the Vendors entered into the Agreements in respect of the Proposed Acquisitions.

A. The GOME FIIL Agreement

The principal terms of the GOME FIIL Agreement are set out below.

Parties

(1) the Company as purchaser; and

(2) Mega Bright as vendor.

Assets to be acquired

The GOME FIIL Sale Share, representing 100% of the issued share of GOME FIIL as at the date of the GOME FIIL Agreement.

Consideration

The consideration for the acquisition of the GOME FIIL Sale Share is HK$174.8 million, which shall be satisfied by the Company allotting and issuing the Consideration Shares I, comprising 2,185,286,341 new Shares, to Mega Bright at the Issue Price of HK$0.08 per Share at completion.

The consideration was determined after arm's length negotiations between the Company and Mega Bright based on the number of users of CashBox as at June 2023 and subject to valuation performed by an independent valuer appointed by the Company.

As at the end of June 2023, CashBox had over 50 million accumulated users and 5 million monthly active users. The number of accumulated users had recorded a year-on-year growth of over 100% from 2021 to 2022 and around 56% from 2022 to 2023. The number of monthly active users as at the end of September 2023 was over 8 million as compared to less than 1 million as at the beginning of 2021. As at the end of December 2023, the number of monthly active users was over 10 million, representing an increase of more than 1,000% as compared to the number of monthly active users as at the beginning of 2021, showing that CashBox is entering an rapid growth cycle. The market value of game companies, especially small and medium-sized ones, is mostly determined based on the number of users, user value and growth rate of users, instead of income, during their early and rapid development stage, common for companies in Internet-related businesses.

Based on the daily operation data from 1 January 2020 to 30 June 2023 provided by the Vendors, each monthly active user of CashBox spent an average of over 60 minutes every month playing the games of CashBox (industry average: 30 minutes, according to the data published by Udonis, a global mobile marketing agency). During such 60 minutes of playing games (excluding the time spent on viewing the advertisements), each user on average viewed 100 to 140 advertisements or topped up 2 to 3 times. Such advertisements include banner advertisement, interstitial advertisement and rewarded video advertisement, and top-up means the users paid membership fee or topped up their app wallet for in-app purchase, mainly for props for use in games. CashBox's income per advertisement was between US$0.03 to US$0.04, and the amount of each top up was approximately US$1.5. The aforesaid two types of income are alternative to each other because if a user chooses in-app purchase to recharge game membership or purchase props, there is no need to watch the corresponding advertisements. Taking the lower end of each of the ranges in the number of advertisements viewed by each active user and the income per advertisement, or the lower end in the range of the top up times per active user, each active user can generate gross business value of approximately US$3 for CashBox every month. After deducting the associated expenses including platform charges, taxes and other miscellaneous expenses such as data analysis carried out by third parties and loss on foreign exchange, which amounted to a total of approximately US$1 per monthly active user, the net business value generated by each active user every month was approximately US$2.

Calculation of the average monthly business value of each monthly active user with reference to the historical operation data provided by the Vendors is set out in the table below:

	Average units (per month)
(a) Advertisement income	
Number of advertisements viewed	100
Income from each advertisement viewed	US$0.03
(b) Top up amount	
Top up times	2
Amount of each top up	US$1.50
Gross business value per user per month calculated based on (a) or (b)	**US$3**
Deducting:	
Associated expenses including platform charges, taxes and other miscellaneous expenses such as data analysis carried out by third parties and loss on foreign exchange attributable to each user per month	US$1
Net business value per user per month	**US$2**

Note: The estimated business value of the monthly active users of CashBox for determining the consideration is not the historical revenue of CashBox. The historical revenues of CashBox for the relevant financial years are shown in the financial statements in Appendix IIB. The reason is that the estimated business value of the monthly active users was arrived at using the operating standards, and the calculation was based on the number of monthly active users as at the end of 30 June 2023, multiplied by the average business value of the monthly active users. On the other hand, the historical revenue as shown in the financial statements was arrived at in accordance with the relevant accounting standards. The difference in the calculation bases of these two standards can be summarised as follows:

1. The estimated business value did not follow the accounting standards to determine revenue because CashBox's financial information had not been audited at the time the Agreements were entered into. Therefore, the Company believed that it would not be appropriate to rely on a certain multiple of operating income, i.e. the price-to-sales ratio, in the valuation of the business value of CashBox;

2. Under the applicable accounting standards, revenue would only be recognised after comprehensive consideration of business records (e.g. contracts, invoices and bills) and various other factors. For example, CashBox, as agent, collaborated with numerous game developers during the reporting period. As an agent, CashBox reported revenue on a net basis. Therefore, revenue would only be recognised after deducting relevant promotion costs or share of revenue payable to the game developers. The promotion costs and share of revenue payable to the game developers were not included in the "associated expenses" for calculating the net business value per user per month, as such costs are not the most significant part of CashBox's operations and development in the long run, mainly for the following reasons: (i) based on CashBox's operating conditions, the product cooperation strategies with the game developers may be adjusted and the revenue-sharing ratios may also be adjusted at different development stages, and the proportion of revenue shared to game developers would be higher at the early stage of operation of CashBox and will reduce as CashBox's operations stabilize later; (ii) compared with the development of such casual leisure games (which are relatively easy to develop and alternative game developers can be found without difficulty), the operation, promotion and monetization ability of the games, which is handled by CashBox itself, is more important to CashBox's operations; and (iii) it is expected that the Group's business and CashBox's business will create synergies in different ways and the need to cooperate with third party developers may diminish in the future, thereby reducing operating costs of CashBox; and

3. The number of monthly active users of CashBox has increased rapidly from 2021 to 2023 (increased from around 1 million to 3 million from 2021 to 2022, and from around 3 million to 5 million from end of 2022 to first half of 2023) and the average gross business value per monthly active user determined above based on the number of advertisements viewed and top-up value per monthly active user per month was relatively constant for the period from 2021 to 2023 based on the operating data provided by the Vendors. As the number of monthly active users was rapidly increasing throughout the relevant period, the impact of the rapid increase in monthly active users, which was reflected in the calculation of the estimated business value, would not be fully reflected in the financial statements.

Calculated based on the number of monthly active users as at June 2023 (i.e. 5 million) multiplied by the monthly net business value of U$2 expected to be generated by each active user and the average promotion cycle of CashBox's games of 12 months, the business value of CashBox was determined to be approximately US$120 million or HK$900 million (based on an agreed exchange rate of US$1=HK$7.5). The market value of CashBox was arrived at by applying a discount of approximately 15% to the business value, which was determined based on arm's length negotiations between the parties to the Proposed Acquisitions with reference to the discount for lack of marketability for unlisted businesses acquired by other listed issuers on the Stock Exchange in the previous 12 months, which mostly range from approximately 15% to 20%, based on a report prepared by Moore (an audit and consultancy firm in Hong Kong) in October 2023. The market value of CashBox was determined to be approximately HK$763 million.

As at the date of the GOME FIIL Agreement, CashBox was held as to 47.7% by GOME FITL. Since GOME FITL had no material assets and liabilities other than the interest in CashBox, the equity value of GOME FITL was agreed to be 47.7% of the market value of CashBox. Same for the 51.15% equity interest in GOME FITL, since GOME FIIL had no other material assets and liabilities, the equity value of GOME FIIL was agreed to be 51.15% of the equity value of GOME FITL. The consideration for the GOME FIIL Sale Share was calculated based on 51.15% of 47.7% of HK$763 million, and applying a discount of around 6% based on arm's length negotiations between the parties to the Proposed Acquisitions as Mega Bright was willing to offer a discount taking into account that Mr. Wong is a connected person of the Company and a discount is in the interest of the Company and the Shareholders.

As shown in the Valuation Report (a summary of which is set out in Appendix V to this circular), the valuation of the entire equity value of CashBox amounted to approximately US$109.73 million (equivalent to approximately HK$859.84 million) as at 30 June 2023, which was arrived at using market approach. Based on the valuation of the equity value of CashBox, the attributable value of the GOME FIIL Sale Share would be approximately HK$209.79 million, which is higher than the consideration of HK$174.8 million. Therefore, no adjustment to the consideration of the GOME FIIL Sale Share was made.

The Valuer is an independent valuer licensed to carry out valuation business in the PRC, and the relevant appraisers in charge of the valuation are accredited assets appraisers by 中國資產評估協會 (China Appraisal Society*) with extensive experience in conducting valuation in different industries, including Internet and start-up companies operating in business of Software as a Service (SaaS), game developing, e-commerce and websites etc., as well as games company. Taking into account (i) the qualifications and experience of the Valuer, (ii) the Valuer, in adopting the market approach, has made reference to various comparable transactions based on information obtained from publicly available sources as set out in the Valuation Report (in particular, while the final selected comparable companies are different from CashBox in terms of the number of monthly active users, the Valuer analysed the comparable companies from various important aspects, including industry type, operating history, geographic location, scale or market shares, and transaction terms, and took the view that such comparable companies are reasonable comparables), and (iii) the Target Group's business is still at the development stage and future income cannot be accurately determined, the Company considers that the Valuation Report is appropriate.

For the reasons set out above, the Company considers that the consideration for the GOME FIIL Sale Share is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions precedent

Completion is conditional upon fulfilment of the following conditions:

(a) the Company being satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational or other aspects that the Company may consider necessary) on the GOME FIIL Group and CashBox;

(b) the passing of the ordinary resolutions by the Independent Shareholders at the SGM to approve (i) the GOME FIIL Agreement and the transactions contemplated thereunder; and (ii) the specific mandate for the issue of the Consideration Shares I;

(c) the listing committee of the Stock Exchange having granted the approval for the listing of and permission to deal in the Consideration Shares I;

(d) the warranties provided by Mega Bright as set out in the GOME FIIL Agreement remaining true, accurate and correct in all respects;

(e) Mega Bright having complied with and performed its obligations under the GOME FIIL Agreement on or before the date of completion;

(f) no governmental authority having proposed or enacted any statute, regulation or decision, or taken any measure or action that would prohibit, restrict or materially delay the continuation of the proposed acquisition under the GOME FIIL Agreement or the business of the GOME FIIL Group;

(g) CashBox having entered into an employment contract with Mr. Li in form and substance satisfactory to the Company; and

(h) the conditions precedent as set out in the CashBox Agreement (except for the satisfaction or waiver of the conditions precedent as set out in the GOME FIIL Agreement) being satisfied or waived.

The Company may at any time waive in whole or in part and conditionally or unconditionally any of the conditions precedent above (save for (b) and (c), which cannot be waived).

The Company does not expect to waive, in whole or in part and conditionally or unconditionally, any of the above conditions precedent.

With respect to the employment contract to be entered into between CashBox and Mr. Li as set out in condition (g) above, Mega Bright has undertaken to procure that it will be in a form and content satisfactory to the Company and the term of service of Mr. Li will be not less than six (6) years after completion of the Proposed Acquisitions, subject to the right of the Company or CashBox to terminate such employment contract early at its absolute discretion if it takes the view that Mr. Li's performance is not satisfactory. The Company will negotiate the terms of the employment contract with Mr. Li to ensure that they will be normal commercial terms and in the interest of the Company and the Shareholders as a whole. If the Group cannot secure Mr. Li's employment, the Proposed Acquisitions will not proceed.

In addition, Mr. Li has undertaken to procure (i) the transfer of all employees from Beijing Happy Joyful to a PRC company to be set up by CashBox; and (ii) the submission of application for transfer of all intellectual property rights required for the operation of CashBox's business to CashBox, prior to completion of the Proposed Acquisitions at nil consideration. Completion of the Proposed Acquisitions will not take place unless and until the aforesaid transfer and application for transfer have been completed. For details, please refer to the section headed "Information on GOME FIIL and CashBox — Business of CashBox — Business model" below.

If the conditions precedent set out in (b) and (c) above have not been satisfied on or before the Long Stop Date or any other conditions precedent have not been satisfied on or before completion, the Company may by written notice to Mega Bright terminate the GOME FIIL Agreement, whereupon all rights and obligations of the parties shall cease to have effect, save and except for certain surviving clauses and rights and liabilities accrued prior to termination of the GOME FIIL Agreement.

As at the Latest Practicable Date, no conditions precedent have been satisfied.

Completion

Subject to fulfilment of all the conditions precedents above, completion of the GOME FIIL Agreement shall take place on the fifth business day after the last of the conditions precedent set out in (b) and (c) above has been satisfied, or on such later date as the Company and Mega Bright may agree in writing.

B. The CashBox Agreement

The principal terms of the CashBox Agreement are set out below.

Parties

(1) the Company as purchaser; and

(2) Mingrun Business as vendor.

Assets to be acquired

The CashBox Sale Shares, representing 3.3% of the issued shares of CashBox as at the date of the CashBox Agreement.

Consideration

The consideration for the acquisition of the CashBox Sale Shares is HK$25.2 million, which shall be satisfied by the Company allotting and issuing the Consideration Shares II, comprising 314,713,659 new Shares, to Mingrun Business at the Issue Price of HK$0.08 per Share at completion.

The consideration was determined after arm's length negotiations between the Company and Mingrun Business based on the number of users of CashBox as at June 2023 and subject to valuation performed by an independent valuer appointed by the Company.

The detailed basis for determining the initial consideration for the CashBox Sale Shares is set out in the paragraph headed "The GOME FIIL Agreement — Consideration" above. The consideration for the CashBox Sale Shares was calculated based on 3.3% of HK$763 million. Based on the valuation of the equity value of CashBox, the attributable value of the CashBox Sale Shares would be approximately HK$28.37 million, which is higher than the consideration of HK$25.2 million. Therefore, no adjustment to the consideration of the CashBox Sale Shares was made.

For the reasons set out above, the Company considers that the consideration for the CashBox Sale Shares is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions precedent

Completion is conditional upon fulfilment of the following conditions:

(a) the Company being satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational or other aspects that the Company may consider necessary) on CashBox;

(b) the passing of the ordinary resolutions by the Independent Shareholders at the SGM to approve (i) the CashBox Agreement and the transactions contemplated thereunder; and (ii) the specific mandate for the issue of the Consideration Shares II;

(c) the listing committee of the Stock Exchange having granted the approval for the listing of and permission to deal in the Consideration Shares II;

(d) the warranties provided by Mingrun Business as set out in the CashBox Agreement remaining true, accurate and correct in all respects;

(e) Mingrun Business having complied with and performed its obligations under the CashBox Agreement on or before the date of completion;

(f) no governmental authority having proposed or enacted any statute, regulation or decision, or taken any measure or action that would prohibit, restrict or materially delay the continuation of the proposed acquisition under the CashBox Agreement or business of CashBox; and

(g) the conditions precedent as set out in the GOME FIIL Agreement (except for the satisfaction or waiver of the conditions precedent as set out in the CashBox Agreement) being satisfied or waived.

The Company may at any time waive in whole or in part and conditionally or unconditionally any of the conditions precedent above (save for (b) and (c), which cannot be waived).

The Company does not expect to waive, in whole or in part and conditionally or unconditionally, any of the above conditions precedent.

If the conditions precedent set out in (b) and (c) above have not been satisfied on or before the Long Stop Date or any other conditions precedent have not been satisfied on or before completion, the Company may by written notice to Mingrun Business terminate the CashBox Agreement, whereupon all rights and obligations of the parties shall cease to have effect, save and except for certain surviving clauses and rights and liabilities accrued prior to termination of the CashBox Agreement.

As at the Latest Practicable Date, no conditions precedent have been satisfied.

Completion

Subject to fulfilment of all the conditions precedents above, completion of the CashBox Agreement shall take place simultaneously with the completion of the GOME FIIL Agreement.

C. The Consideration Shares

The total of 2,500,000,000 Consideration Shares comprise (i) 2,185,286,341 Consideration Shares I; and (ii) 314,713,659 Consideration Shares II, which will be allotted and issued at the Issue Price of HK$0.08 each, credited as fully paid. The Issue Price of HK$0.08 per Consideration Share represents:

(a) the closing price of the Shares of HK$0.08 per Share as quoted on the Stock Exchange on the date of the Agreements;

(b) a discount of approximately 2.68% to the average closing price of the Shares of HK$0.0822 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately preceding the date of the Agreements;

(c) a discount of 60% to the closing price of the Shares of HK$0.2 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(d) a discount of approximately 88.37% to the consolidated net asset value per Shares of approximately RMB0.6235 (equivalent to approximately HK$0.6880) based on a total of 2,701,123,120 Shares in issue, the consolidated net assets of approximately RMB1,684,195,000 as at 31 December 2023, and the exchange rate of HK$1.0 to RMB0.90622 as at 29 December 2023 published by People's Bank of China.

The Issue Price was determined with reference to the prevailing market price of the Shares. While the Issue Price represents a discount of approximately 88.37% to the consolidated net asset value per Share as at 31 December 2023, having taken into account that the closing prices of the Shares had at all times represented a significant discount to the net asset value per Share during the period of 12 months preceding the date of the Agreements due to the net loss incurred by the Group in 2021 and 2022 and the global economic environment, the Company considers that the discount of the Issue Price to the consolidated net asset value per Share is not uncommon and is still reasonable. In light of the above, the Company considers that the Issue Price is fair and reasonable.

The aggregate nominal value of the Consideration Shares is HK$250,000,000.

The Consideration Shares in aggregate represent (i) approximately 92.55% of the issued Shares as at the Latest Practicable Date; and (ii) approximately 48.07% of the issued Shares as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of completion of the Proposed Acquisitions).

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Consideration Shares will be allotted and issued pursuant to the specific mandate to be granted by the Independent Shareholders at the SGM.

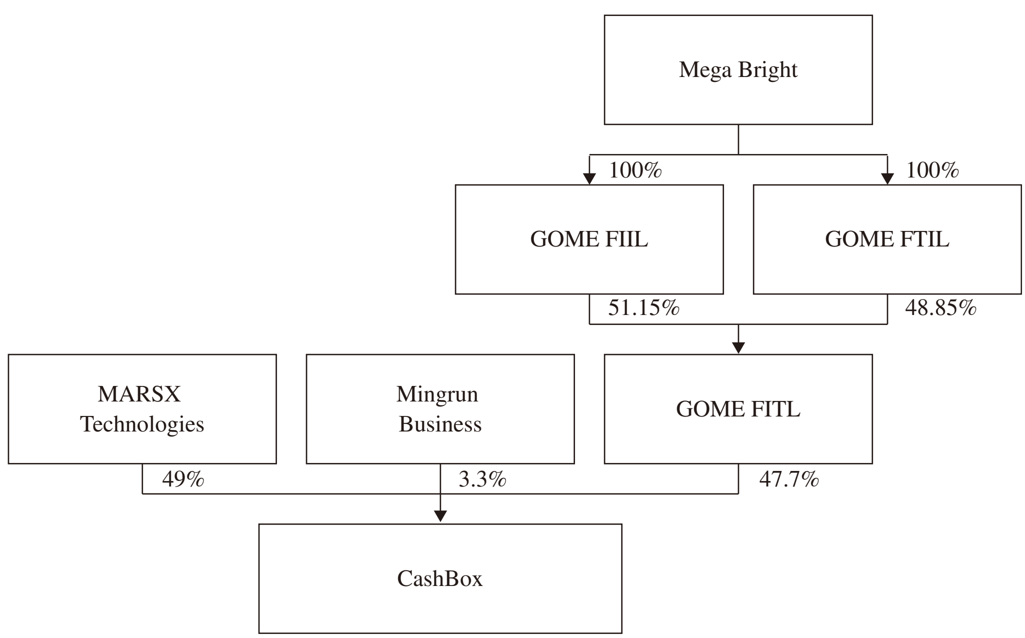
The Company will apply to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

D. Information on GOME FIIL and CashBox

General information

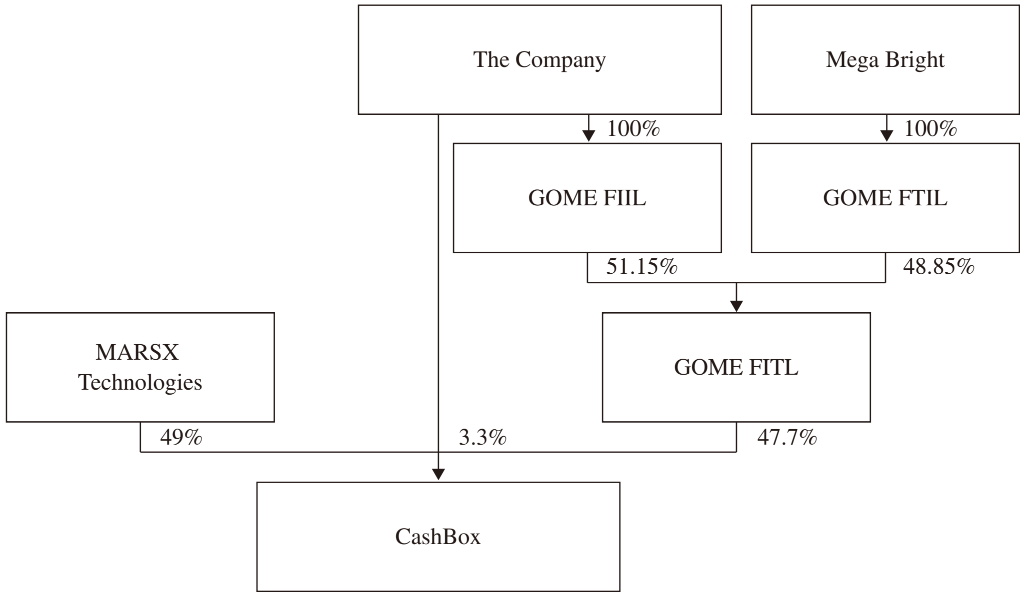
GOME FIIL is principally engaged in investment holding. The only asset of GOME FIIL is the 51.15% interest in GOME FITL and the only asset of GOME FITL is the 47.7% interest in CashBox. CashBox is principally engaged in game development and publishing business, details of which are set out in the paragraph headed "Business of CashBox" below.

A corporate structure chart of GOME FIIL and CashBox as at the Latest Practicable Date is set out below:



Immediately after completion of the Proposed Acquisitions, GOME FIIL will become a wholly-owned subsidiary of the Company and CashBox will become an indirect non-wholly owned subsidiary of the Company, and the financial results of the GOME FIIL Group and CashBox will be consolidated in the financial statements of the Group.

A corporate structure chart of GOME FIIL and CashBox immediately after completion of the Proposed Acquisitions is set out below:



Set out below is the audited consolidated financial information of GOME FIIL Group prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") for the two years ended 31 December 2022 and 2023.

	For the year ended 31 December	
	2023	**2022**
	RMB'000	*RMB'000*
Loss before taxation	(4)	(1)
Loss after taxation	(4)	(1)

The audited consolidated net asset value of GOME FIIL Group as at 31 December 2023 was approximately RMB4,401,000.

Set out below is the audited financial information of CashBox prepared in accordance with HKFRSs for the two years ended 31 December 2022 and 2023.

	For the year ended 31 December	
	2023	**2022**
	RMB'000	*RMB'000*
Profit before taxation	17,837	584
Profit after taxation	17,837	584

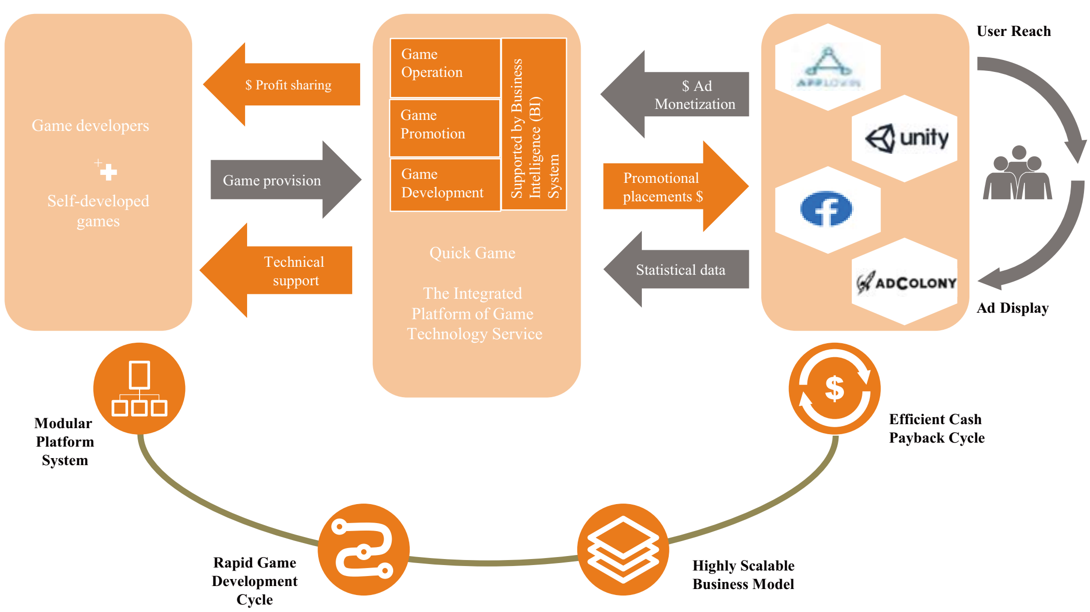
The audited net asset value of CashBox as at 31 December 2023 was approximately RMB17,280,000.

As at the Latest Practicable Date, CashBox owed an amount of US$540,000 to Mr. Li. Mr. Li has undertaken to assign the loan to MARSX Technologies and MARSX Technologies has undertaken to convert the loan into the share capital of CashBox without allotment and issuance of new shares before completion of the Proposed Acquisitions.

Further financial information of each of GOME FIIL and CashBox is set out in the accountants' reports in Appendix IIA and Appendix IIB to this circular respectively.

The GOME FIIL Sale Share was acquired by Mr. Wong through Mega Bright at HK$186,146,835. The 47.7% interest in CashBox was acquired by Mr. Wong through GOME FITL from MARSX Technologies for a consideration of approximately HK$363,923,000. MARSX Technologies is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Li as at the Latest Practicable Date. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of MARSX Technologies and Mr. Li is independent of the Company and connected persons of the Company.

Business of CashBox



Business model

With the support of the data analysis of its big data Business Intelligence (“**BI**”) platform, CashBox can promptly capture users’ preferences for leisure game categories and innovative gameplay in the market. Using QuickGame’s integrated technology platform, it can quickly develop new products and launch them in the market. The integrated personalised promotion system effectively promotes the products on social media and video platforms, including social media, search engines, video sharing websites, etc. to attract potential users to download the game APP and become CashBox’s users, and at the same time earns revenue through advertising within the game APP (in-app advertising or “**IAA**”) and players’ purchase of game props (in-app purchase or “**IAP**”). A more detailed introduction of this business model is set out as follows:

1. Advertising monetization through IAA: CashBox cooperates with various social and video platforms such as Google, Facebook and TikTok, allowing them to display various forms of advertising, such as banner, video, and interstitial advertisements in the game APP. When users are playing the game, they will see these advertisements and may click on them to take further action. CashBox charges the social and video platforms based on advertisement clicks and display times.

2. IAP: Apart from the revenue from advertising monetisation, CashBox also earns revenue by providing game membership services to users and selling game props (IAP). Game membership usually allows the members to obtain additional game features or privileges, such as priority access to new game content, free access to game props, etc. Users can pay a certain fee to become a game member or purchase game props in the game to enhance their gaming experience.

Such business model has the following advantages:

1. Low user acquisition cost: Promotion through social and video platforms can attract potential users at a relatively low cost.

2. Diversification of revenue sources: Earning revenue through advertising monetisation and selling game props (IAP) diversifies sources of revenue and reduces reliance on a single source of revenue.

3. High user viscosity: By providing interesting game content and high-quality gaming experience, users are attracted to use the game APP for a long time, thereby increasing user viscosity and improving user retention rate.

To sum up, the CashBox's business model is to attract potential users through promotion on social and video platforms, and then earn revenue through advertising and sales of game props (IAP). This model has the advantages of low cost, diversified revenue sources, and high user viscosity, and is therefore an effective business model.

As at the Latest Practicable Date, CashBox had no employees. All personnel were employed by Beijing Happy Joyful, a company controlled by Mr. Li, which provided Business intelligence ("**BI**") system development and maintenance services in return for service fees paid by CashBox to Beijing Happy Joyful. According to the Vendors, as at 31 December 2023, there were 86 employees in Beijing Happy Joyful who provided the aforesaid services to CashBox. Mr. Li has undertaken to procure (i) the change of the employer of all such personnel to a PRC company to be set up by CashBox; and (ii) the submission of application for the transfer of the intellectual property rights required for the operation of CashBox's business to CashBox, prior to completion of the Proposed Acquisitions at nil consideration. Completion of the transfer of the intellectual property rights shall be completed within 6 months after completion of the Proposed Acquisitions. Mr. Li has also undertaken that during the period when he is employed by CashBox and/or he owns any direct or indirect interest in CashBox or any of its subsidiaries, and within five years after he ceases to be CashBox's employee or ceases to own any direct or indirect interest in CashBox or any of its subsidiaries, he will not, and will procure his associates (including his controlled companies except CashBox) not to, among other things, directly or indirectly engage in or in any way involve in or hold interest in any business which competes or may compete with CashBox's business (other than his indirect shareholding interest in CashBox through MARSX Technologies). Mr. Liu Shanquan, a key personnel of CashBox, has also signed a similar non-compete undertaking.

The intellectual property rights to be transferred from Beijing Happy Joyful to CashBox are set out below:

1. Software copyrights

Number	**Name**	**Nature**	**Registration number**
1	放置大師軟件	Game APP	2022SR1324340
2	合成大挑戰軟件	Game APP	2022SR1233153
3	寶石粉碎軟件	Game APP	2022SR1230654
4	球球大冒險軟件	Game APP	2022SR1216000
5	人生百態軟件	Game APP	2022SR1216001
6	我就不信了軟件	Game APP	2022SR1159854
7	億萬富翁的一天軟件	Game APP	2022SR1159989
8	文字物語軟件	Game APP	2022SR1160034
9	我的一生軟件	Game APP	2022SR1159636
10	農場泡泡軟件	Game APP	2022SR1142384

Number	Name	Nature	Registration number
11	你追我趕軟件	Game APP	2022SR1142385
12	猫三消軟件	Game APP	2022SR1153958
13	火箭太空之旅軟件	Game APP	2022SR1138261
14	忍者飛刀之路軟件	Game APP	2022SR1138262
15	經典方塊解謎軟件	Game APP	2022SR1138260
16	木塊解謎軟件	Game APP	2022SR1104773
17	海洋2048軟件	Game APP	2022SR1104768
18	寵物2048軟件	Game APP	2022SR1103045
19	僵尸來襲游戲軟件	Game APP	2020SR1857405
20	手機安全大師軟件	Tool APP	2020SR1857406
21	隱藏雙開神器軟件	Tool APP	2020SR1788968
22	極限飛車游戲軟件	Game APP	2020SR1595701
23	走路賺錢助手APP	Tool APP	2020SR1563990
24	隨心掃APP	Tool APP	2020SR1530955
25	易探APP	Tool APP	2020SR1520111
26	智慧識圖APP	Tool APP	2020SR1505001
27	易尋手機軟件	Tool APP	2020SR0918490
28	明察手機軟件	Tool APP	2020SR0904657
29	天天消磚塊游戲軟件	Game APP	2020SR0820420
30	寶石開心消游戲軟件	Game APP	2020SR0764483
31	天天愛消消游戲軟件 (android版)	Game APP	2020SR0701376
32	知哪APP	Map APP	2020SR0631101
33	快看小説軟件	Novel APP	2020SR0426516
34	天天開心消軟件	Game APP	2020SR0405222
35	深潛大師游戲軟件	Game APP	2020SR0300163
36	瘋狂保齡球游戲軟件	Game APP	2020SR0300166
37	陽光蓋大樓游戲軟件	Game APP	2020SR0249616
38	火箭衝衝衝(Rocket SpaceX) 游戲軟件	Game APP	2019SR1153474
39	QuizHello趣味測試軟件	Evaluation APP	2019SR1145572
40	BuzzEazy明星盤點內容軟件	Information APP	2019SR1145491
41	HAPPY ZOO游戲軟件	Game APP	2019SR0424210
42	2048HD游戲軟件	Game APP	2019SR0343928
43	ASSASSIN CAT游戲軟件	Game APP	2019SR0336288
44	Interstellar Pinball游戲軟件	Game APP	2019SR0340282
45	MAGIC MAZE游戲軟件	Game APP	2019SR0340273
46	HELP HELP FIGHTER游戲軟件	Game APP	2019SR0338655
47	TABLE PING-PONG游戲軟件	Game APP	2019SR0340503
48	QuickGame游戲中心軟件	Game APP	2018SR1057589

2. Trademarks

Number	Name	International classification	Status	Registration number
1	QUICKGAME	Class 16 — Office requisites	Registered	40676183
2	開心燦爛	Class 35 — Advertising services	Registered	40673150

3. Patents

Number	Name	Nature	Patent number
1	A display device for mobile WAP advertising anti-cheating model diagrams	Utility	2020212444201
2	Mobile game centre graphical user interface	Design	2018306378361

4. Domain names

Number	Website	Domain name	Website registration/ license number
1	www.love6522.com	love6522.com	京ICP備20001496號-1
2	www.costnovel.com	costnovel.com	costnovel.com

5. Intangible assets

Name	Carrying amount as at 31 August 2023
BI System	RMB1,299,635.55

Note: The BI system is a QuickGame game integrated technical service platform developed based on artificial intelligence and big data. It provides full life cycle system support for games, including and not limited to game development, game online, and game promotion. The BI system was developed and launched in 2020 and is still being used and upgraded.

According to the information provided by Beijing Happy Joyful, as of the Latest Practicable Date, all of the above intellectual property rights to be transferred to CashBox are registered in China in accordance with the relevant laws and regulations and have obtained the corresponding intellectual property certificates.

Revenue model

CashBox mainly generates revenue through:

(i) Advertising monetization through IAA: CashBox allows various social and video platforms to display advertisements on its game APP and charges such platforms based on advertisement clicks and display times.

(ii) IAP: CashBox earns revenue by providing game membership services to users and selling game props. Different membership fees apply depending on the terms of membership.

The expenses of CashBox are mainly promotion expenses, technical service fees, bank charges, consulting fees and other administrative fees, etc.

Core competitiveness

CashBox's core competitiveness can be summarised in the following aspects:

1. Strength of the team: CashBox has an international technician team and management team with extensive industry experience and professional skills. This strong team provides CashBox with stable technical support and efficient management capabilities, which helps CashBox maintain its leading position in the industry.

2. Big data and artificial intelligence capabilities: CashBox independently developed a BI system that can achieve minute-level data acquisition and analysis. By utilising big data and artificial intelligence technology, CashBox can dynamically adjust investment channels and strategies, select suitable and effective advertising channels, and thereby increase return on investment. This also helps CashBox to more accurately locate target users during the advertising process and improve advertising effectiveness and revenue.

3. Data-driven research and development capabilities: CashBox possesses strong data analysis capabilities and can improve game development efficiency through big data analysis and improve product templates and precision. Such capabilities enable CashBox to have a short product development cycle so that it can quickly iterate and optimise products, thereby increasing user viscosity and number of users.

4. Localised operation capabilities: Users of CashBox are mainly distributed in countries with high population density, such as the United States, Brazil, India and Indonesia. It has the ability to localise products according to the language and culture of different countries and regions, which helps it to better adapt to the needs and cultural characteristics of the local markets and increase user satisfaction and loyalty.

To sum up, the core competitiveness of CashBox lies in its strong team, big data and artificial intelligence capabilities, data-driven research and development capabilities and localised operation capabilities. These capabilities have provided CashBox with significant advantages in social and video platform promotion, advertising, game development, etc., enabling it to maintain a leading position in the industry.

Games

CashBox had developed and launched over 200 games. Approximately 80% of the games of CashBox were developed by CashBox independently or together with other game developers, which contributed to approximately 81% of CashBox's total revenue. Approximately 20% of the games of CashBox were developed by external game developers, where CashBox was mainly responsible for commercial monetisation and development and operation promotion, which contributed to approximately 19% of CashBox's total revenue. Details of the top 10 games of CashBox in terms of contribution to revenue and monthly active users are set out as follows:

	Name	**Description**	**Category**
1.	Mystic Bingo Voyage	A classic gameplay of bingo with bonus rounds, power-ups, and special features.	Bingo
2.	Bingo Day: Lucky to Win	A super classic bingo game.	Bingo
3.	Lucky Chip Spin: Free Puzzle!	A pusher game where players try to drop the coins onto the platform carefully so that they can push the other medals and prizes off of the edge.	Pusher
4.	Cash N Casino: Lucky Slots	A classic casino game.	Slots
5.	Water Sort Puzzle: Sort Color	A puzzle game where the player tries to sort the colored water in the glasses until all colors in the same glass.	Puzzle
6.	Block Puzzle: Wooden Challenge	A puzzle game with wooden style which is suitable for all ages.	Puzzle
7.	Slots Tycoon: Jackpot Cash	A fun slot game intended for users over the age of 18.	Slots
8.	Farming Frenzy: Harvest Haven	A casual, delightful gameplay where players create their desert paradise, dive into the excitement of farming, town life, and the quest for rare treasures.	Casual

	Name	Description	Category
9.	Olympian Riches: Zeus Slots	A casino game combined with the excitement of a jackpot.	Slots
10.	Blackjack 21: Cash Poker	A classic Blackjack play with a new visual experience.	Blackjack 21

There are currently 8 games under development and 11 games which are planned to be developed. They are all mini casual games and are expected to be launched in the first half of 2024.

The games developed by CashBox are mini and casual games which are classic and common, and it is not practical for CashBox to register intellectual property rights in respect of such games. As such, as at the Latest Practicable Date, CashBox had not registered intellectual property right in respect of its games and no intellectual property rights were recognised in its balance sheet as set out in Appendix IIB to this circular.

Key operation data

The key operation data of CashBox for the four years ended 31 December 2023 are set out below:

	For the year ended 31 December			
	2020	**2021**	**2022**	**2023**
Monthly active users as at end of the period	958,755.7	2,268,766.5	3,326,310.3	20,665,736
Accumulated users	11,281,489	30,978,410	58,618,952	126,660,018
Average gross business value per monthly active user *(Note 1)*	2	2.3	2.65	3.15
Games				
— Launched	20+	65+	120+	280+
— Developing	10+	20+	40+	20+

Note: Calculated based on the average monthly advertisement income generated by such user by viewing advertisements, or the average amount of top up each month, when such user played the games during the relevant year/period in the reporting period.

Regulatory environment

A summary of the main regulatory requirements in Brazil, the United States of America (the "**US**") and India, being the three regions with the highest number of CashBox's players, are set out below:

1) Brazil:

As of January 2024, Brazil's regulation of the game industry mainly includes the following aspects:

Age classification system: Similar to many countries, Brazil has a game content rating system for different age groups to ensure that games are suitable for consumers of the corresponding age groups.

Consumer protection law: The Consumer Protection Law of Brazil stipulates that game companies need to clearly label virtual goods transactions and in-app purchase items, and ensure consumers' right to information and choice.

Data protection and privacy: According to the General Data Protection Law of Brazil, game companies must comply with strict regulations when collecting, processing and storing users' personal information.

Gambling-related restrictions: Brazilian law imposes strict controls on games that contain gambling elements, especially those involving the exchange of real money or items.

Copyrights and intellectual property rights: Game developers are required to comply with the copyright laws and other intellectual property laws and regulations in Brazil to ensure that the game content does not infringe others' rights.

2) The US:

The Entertainment Software Rating Board ("**ESRB**"): It is responsible for providing video games, including casual games, with a content rating system, to help parents and consumers understand whether the game content is appropriate.

Children's Online Privacy Protection Act: It strictly restricts game websites for minors and the application of collecting personal information, and require parents' consent.

Federal Trade Commission ("**FTC**") investigations: FTC investigates the business practises of game companies, including but not limited to false advertising, unfair trade and designs that may constitute gambling.

Tax incentives and grants: The US government has provided corresponding subsidy policies to support the development of the game industry and encourage innovation and technological progress.

Cryptocurrency and NFT regulation: State and federal level in the US are strengthening regulation in the field of digital assets, which affects games that contain blockchain technology, cryptocurrency payments or NFT transactions.

3) India:

The Indian government has adopted a series of regulatory measures on online games in recent years. Certain general legal provisions and policies are set out below:

Prohibition of gambling games: The Indian government has strengthened its proscription on gambling in online games which involves real money, including but not limited to online poker, casino games and other games with gambling nature.

Strict content review: For games that contain violence, pornography or may incite social unrest, such as "PUBG Mobile", some states have issued temporary injunction, requiring game companies to modify the content to comply with local legal standards.

User reporting system: Under certain circumstances, the Indian government encourages the public to report online gaming violations, so as to quickly respond to and deal with any illegal activities.

Increased platform responsibilities: SNS (social networking service) social networks, game publishing and promotion platforms are required to conduct self-examination and management against content related to government and policies published on the platforms.

When entering the Indian market, game companies should:

- Comply with the local "Information Technology Act" and other relevant regulations to ensure no involvement of illegal activities in the games.
- Maintain communication with local government to understand and promptly adapt to evolving legal and regulatory requirements.
- For game elements that may cause controversy, localization adjustments should be made in advance to remove content that may cause controversy.
- Establish a sound age verification mechanism to ensure no exposure of minors to game content inappropriate for their age groups.

4. Responsive measures of CashBox

It is crucial for CashBox to comply with the local laws and regulations when developing and launching games in markets such as Brazil, the US and the UK. It will continue to adhere to the following risk aversion measures:

a. Content classification and suitability:

- ensure that the game content meets the requirements of the age classification system of the target market, submit it to the relevant rating agencies (such as ESRB) for evaluation, and set purchase restrictions based on the rating results

b. Consumer protection:

- clearly disclose all items of charges, including the price, function and nature of in-game purchased goods and services, to ensure protection of players' right to information

- strictly comply with the local laws and regulations in respect of games for children users, and obtain consent from legal guardians before collecting, using and storing information of minors

c. Data protection and privacy:

- abide by the local data protection laws of each region, ensure the security of players' personal information, formulate reasonable privacy policies, and disclose the type, purpose and scope of data collected and used

d. Gambling-related elements:

- understand and avoid the possibility of illegal gambling in games, and provide clear probability publicity and reasonable consumption reminders if there is a random reward mechanism

e. Copyrights and intellectual property rights:

- ensure that game materials, music and character design, etc. are legally authorised and do not infringe others' copyrights and other intellectual property rights

f. Transparency of in-game purchase and activation mechanisms:

- improve the transparency of the in-game purchase and loot boxes mechanism, disclose the probability of obtaining rare items or props, especially the protection measures for children

g. Advertising Specifications:

- abide by national regulations on in-game advertising and avoid misleading advertising, especially for children consumers

h. Cryptocurrency and NFT transactions:

- comply with relevant local financial regulations and regulatory requirements when introducing blockchain technology and digital asset trading in the game

i. Industry self-regulation and guiding principles:

- take initiative to achieve industry self-regulation by referring to and following the best practises and guidelines issued by industry associations in the countries or regions where it operates

CashBox will pay attention to and abide by the prevailing applicable laws and regulations, and work closely with its legal advisors to ensure that compliance elements are integrated into its products at the early stage of development to reduce potential legal risks.

Risk factors

The Company considers that the business of CashBox is subject to various risk factors, such as unforeseeable changing market landscape, competition, changing player spending habits, interests, renewed playing methods, etc., which will materially affect the revenue and profit of CashBox and its market value. Set out below are some principal risks regarding the business of CashBox which are considered to be material by the Company:

Expansion into potential geographic markets is important for CashBox's growth, CashBox will face additional business, political, regulatory, operational, financial and economic risks, any of which could increase costs and hinder such growth

The Enlarged Group plans to expand the business of CashBox into potential geographical market should the opportunities arise after completion of the Proposed Acquisitions. It is costly to establish, develop and maintain international operations and promote the brand internationally. The expansion of business into such geographic markets may not be profitable on a sustainable basis for many reasons including, but not limited to: (i) local economic and political conditions; (ii) government regulations of mobile usage and mobile usage and mobile games and restrictive governmental actions, such as trade protection measures, nationalisation and restrictions on foreign ownership; (iii) restrictions on sales or distribution of mobile content and uncertainty regarding intellectual property rights and liability for content and services on CashBox's platform; (iv) business licensing or certification requirements, such as those for mobile game content; (v) limited telecommunications, content distribution and payment infrastructure; (vi) laws and regulations regarding user protection, data protection, privacy, network security, encryption and restrictions on pricing; and (vii) lower levels of online payment and increased payment risk.

CashBox processes, stores and uses personal information and other data, which subjects it to governmental regulation and other legal obligations related to privacy, and its actual or perceived failure to comply with such obligations could harm the business

CashBox receives, stores and processes personal information and other player data. It is subject to various laws and regulations governing privacy and the storage, sharing, using, processing, disclosure and protection of personal information and other player data on the internet and mobile platforms, the scope of which is changing, subject to differing interpretations, and may conflict with other rules. It is possible that these obligations may be interpreted and applied in a manner that is inconsistent with CashBox's usual practices. Any failure or perceived failure by CashBox to comply with its privacy policies, its privacy-related obligations to players or other third parties, or its privacy-related legal obligations, or any compromise of security that results in the unauthorised release or transfer of personally identifiable information or other player data, may result in governmental enforcement actions, litigation or public statements against CashBox by consumer advocacy groups or others and could cause the players to lose trust in CashBox, which could have a materially adverse effect on its business. Additionally, if third parties CashBox works with, such as players or vendors, violate applicable laws or CashBox's policies, such violations may also put its players' information at risk and could in turn have an adverse effect on CashBox's business.

E. Reasons for and benefits of the Proposed Acquisitions

In recent years, the game industry has become an important part of the global market with huge growth potential and business opportunities. The new technology of Artificial Intelligence Generated Content ("**AIGC**") is becoming an important technological turning point, bringing revolutionary changes to the game development process, and AIGC game stocks are seen as having huge potential investment value. The Company is committed to exploring new business in terms of technology and internet in order to diversify its business.

CashBox is a leading game developer in the industry, with top-notch management and research and development teams, invaluable industry insights, professional knowledge and abundant resources. The Company expects, through the Proposed Acquisitions, to rely on the large and multiregional user resources of CashBox, combining with the Company's advantages in internet technology, to create synergies for the Group's business in the following ways:

From the Group's perspective

(1) The Group possesses financial licenses in commercial factoring and financial leasing, enabling it to provide relevant financial services to businesses (B-side) or customers (C-side) in the PRC. Currently, the Group's revenue is mainly derived from commercial factoring services provided to B-side. As CashBox intends to expand its business to the PRC market after completion of the Proposed Acquisitions, both the existing and future users of CashBox in the PRC may become C-side customers or potential C-side customers of the financial services of the Group, thereby helping the Group to expand its C-side business. Such potential customers of CashBox in general have higher requirements for hardware configurations and new models of the mobile devices. With the experience and resource advantages of the Company's controlling shareholders, Ms. Du and Mr. Wong, in the PRC retail industry, as well as the Group's own experience and advantages in financial services, the Group will be able to provide CashBox's users with financial services for Computers, Consumer Electronics and Communication ("**3C**") product loan financing to continuously accommodate their demands for the newest models of 3C products.

(2) In recent years, streaming media platforms in the PRC and overseas have driven the rapid development of the Internet economy. Since 2019, the Company has been providing online customer channel services to financial institutions. In light of the rapid development of the streaming media, it is anticipated that embedded advertising through the leisure games of CashBox will help the Group to attract new customers steadily and continuously. CashBox has seen steady growth in terms of number and quality of its users in recent years. Through the Proposed Acquisitions, the Group may gain access to the high-quality customers of CashBox and develop a new source of income by referring such customers to other financial institutions or directly providing financial services to such customers. The games and products developed and published by CashBox can help attract customers and convert such customers to the Group's customers through advertisement, which will significantly lower customer acquisition costs of the Group and improve monetisation efficiency.

(3) The Group may also take advantage of the high-technology capability of CashBox as a well-established game publishing company as (i) CashBox has strong technological capabilities in big data platforms and has a relatively comprehensive customer profiling system for customer profiling and behavioral analysis, which may help the Group to improve its customer profiling and analysis capabilities in the future; and (ii) as a game publishing company, CashBox needs to constantly expand Internet traffic on a large scale so it has accumulated more mature technological capabilities in acquiring and analysing Internet traffic, which may help the Group to improve traffic quality and reduce customer acquisition costs in the future.

From CashBox's perspective

(4) Currently, CashBox's customers are mainly C-side customers outside the PRC. Seeing that the game market in the PRC has great potential, CashBox has begun to layout its business plan in the PRC, aiming to take advantage of the rapidly developing streaming media platforms and favourable policies in the PRC. With the benefit of the leading retail position and abundant customer resources of the Company's controlling shareholders, Ms. Du and Mr. Wong, in the PRC market, the Group will help the game business of CashBox to develop rapidly in the PRC. Also, since the user base of the mini-game industry is relatively broad and the mini-games developed by CashBox are mature and diversified, it is believed that CashBox's products would be attractive to a broad range of people, including the Group's customers.

(5) Gome Wangjin (Beijing) Technology Co., Ltd., a wholly-owned subsidiary of the Company, is mainly engaged in providing operational services to a financial service app and customer referral services to financial institutions through the operation of the app. It is found that, based on a preliminary analysis of the customer profiles of the app, the features of the customers of the app match with those of CashBox. Through comparative analysis of customer profiles, the accuracy and efficiency of conversion of the Group's customers to users of CashBox can be enhanced. Also, the Group can make sure of the app as a platform to promote CashBox's products through advertisements.

(6) With the help of Company's listed platform and the Hong Kong capital market's support for the digital industry, CashBox may develop connections with international investment institutions and obtain more flexible financing channels to fund its business development and expansion, which ultimately will be beneficial to the Group.

The Company believes that the management of the Group after completion of the Proposed Acquisitions will have the relevant expertise and experience in operating and managing the gaming business of CashBox, as detailed below:

(i) Mr. Zhou Yafei ("**Mr. Zhou**"), an executive Director, has more than 20 years of experience in accounting, investment and financing, and tax consulting in the PRC. Mr. Zhou is the chairman of the investment and financing committee of GOME Holding Group Company Limited and serves as senior management in various business sectors of GOME Holding Group Company Limited including investment, finance, Internet, and social e-commerce. Mr. Zhou has extensive experience and advantages in strategic management, investment, financing and mergers and acquisitions. For example, Mr. Zhou had led GOME Capital Management Co., Ltd. to successfully participate in the merger and acquisition of Shengqu Games 盛趣遊戲 (formerly known as Shanda Games 盛大遊戲, a PRC gaming company) by Zhejiang Century Huatong Group Co., Ltd. 浙江世紀華通集團股份有限公司, a PRC company the shares of which are listed on the Shenzhen Stock Exchange (SSE stock code: 002602), in 2018. Mr. Zhou Yafei led his team to conduct in-depth research and study of Shanda Games' business which ultimately facilitated the transaction. The Company believes that after completion of the Proposed Acquisitions, Mr. Zhou will continue to play a critical role in the Group's strategy formulation and business synergy with CashBox.

(ii) Mr. Song Chenxi ("**Mr. Song**"), an executive Director and the chief financial officer of the Company, has extensive management experience in the fields of finance and Internet technology. Mr. Song had served as the chief financial officer and financial advisor of Shenzhen Kinetic Energy Wireless Media Co., Ltd. 深圳市動能無線傳媒有限公司 ("**Shenzhen Kinetic**"), responsible for the company's overall financial management, internal control system construction and capital operations. Shenzhen Kinetic is a PRC company specialised in game development and commercialisation. It is principally engaged in the research and development and distribution of mini mobile games and various Internet mobile application tools. Shenzhen Kinetic is one of the leading gaming companies in the PRC in terms of number of leisure games released, number of users and monetisation value. Therefore, the Company believes that Mr. Song possesses the expertise and experience required for managing the finance of a game development and publishing company like CashBox.

(iii) Mr. Li, the founder of CashBox, will enter into an employment contract with CashBox and continue to serve as the chief executive officer of CashBox for a tenure of not less than six (6) years after completion of the Proposed Acquisitions (subject to the Group's right to terminate such employment at its discretion). Mr. Li is currently a director and the chief executive officer of CashBox. Mr. Li founded an IT company in 2018 and was one of the pioneers in the export of internet services in the PRC. Mr. Li had served as the product manager of the overseas product of 搜狐暢遊 (Sohu ChangYou) and the vice president of products developed by "MoJi Weather" (a global weather service platform). Mr. Li had participated in the creation of numerous APP content products with tens of millions of daily active users, such as "QuickGame". In light of the expertise and extensive experience of Mr. Li in information technology and game development, the Company considers that the continued service of Mr. Li would be beneficial to the continued development of the business of CashBox. Mr. Li will be responsible for the overall operational management of CashBox and will continue to use his experience and advantages in the Internet-gaming industry to create value for the Group.

Since the entering into of the employment contract between Mr. Li and CashBox is a condition precedent to completion of the Proposed Acquisitions, if the Group cannot secure Mr. Li's employment, the Proposed Acquisitions will not proceed. Also, as disclosed in the section headed "Information on GOME FIIL and CashBox — Business of CashBox — Business model" above, Mr. Li has undertaken to procure the transfer of all employees from Beijing Happy Joyful to a PRC company to be newly set up by CashBox. Completion of the Proposed Acquisitions will not take place unless and until after such transfer of employees has been completed. In this way, it can be ensured that the Group will have the necessary personnel to manage and operate the gaming business of CashBox immediately after completion of the Proposed Acquisitions.

The Company believes that the Proposed Acquisitions will enable the Group to diversity its business, expand its income stream and maximise returns for the Shareholders. The Company intends to continue to develop its existing businesses after the Proposed Acquisitions with the long term objective of becoming a market-leading comprehensive financial technology services group, and it has no intention to dispose of or scale down its existing businesses.

As mentioned in the section headed "Information on GOME FIIL and CashBox — General information" above, Mr. Wong, through GOME FITL, acquired 47.7% interest in CashBox from MARSX Technologies for a consideration of approximately HK$363,923,000 and Mr. Wong agreed to sell 51.15% interest in GOME FITL through the sale of the GOME FIIL Sale Share for HK$174,800,000. Following completion of the Proposed Acquisitions, CashBox will be under the control of the Company and will be accounted as a subsidiary of the Company. If the Company were to acquire the 51% equity interest in CashBox directly from MARSX Technologies, the amount of consideration payable by the Company would be approximately HK$389,100,000 (based on the consideration of HK$363,923,000 for 47.7% interest in CashBox paid by Mr. Wong), which would be substantially higher than the consideration payable by the Company under the Proposed Acquisitions. Through the Proposed Acquisitions, the Company will be able to acquire the control of CashBox for a total consideration of HK$200 million, which represented approximately 26.21% of the agreed market value of CashBox. CashBox is a fast-growing business (the number of monthly active users was 5 million as at the end of June 2023 and had grown over 10 million as at the end of December 2023 and there were other interested potential buyers who made offers to MARSX Technologies. Mr. Wong's acquisition helped to secure the acquisition first such that the Company can have the time to carry out due diligence works and comply with the requirements under the Listing Rules. Therefore, the Company considered that it is in the interest of the Company and its Shareholders as a whole to acquire interest in CashBox through Mr. Wong instead of directly from MARSX Technologies.

The consideration for the Proposed Acquisitions will be settled by way of issue of a total of 2,500,000,000 Consideration Shares, representing (i) approximately 92.55% of the issued Shares as at the Latest Practicable Date; and (ii) approximately 48.07% of the issued Shares as enlarged by the allotment and issue of the Consideration Shares. The theoretical dilution effect of the issue of the Consideration Shares calculated in accordance with Note 1 to Rule 7.27B of the Listing Rules is approximately 1.29%. Notwithstanding that the issue of the Consideration Shares will result in a dilution of the public shareholders' shareholding in the Company, the Company considered that the settlement of the consideration by the issue of the Consideration Shares instead of cash will reduce the pressure on the Group's working capital and cash flow, and is therefore in the interest of the Company and the Shareholders as a whole.

In light of the above and having taken into account the basis for determining the estimated market value of CashBox as set out in the paragraph headed "The GOME FIIL Agreement — Consideration" above, the Directors (including members of the Independent Board Committee after receiving and considering the advice from the Independent Financial Adviser) believe that the terms of the Agreements (including the consideration) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

F. Information of the parties involved

The principal activity of the Company is investment holding. The principal activities of the Group comprise provision of commercial factoring, financial leasing and other financial services in the PRC.

Mega Bright is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, Mega Bright is owned as to 100% by Mr. Wong, the spouse of Ms. Du, who is the controlling shareholder of the Company.

Mingrun Business is a company incorporated in Hong Kong with limited liability and is principally engaged in food, electronic components, commodities import and export and labour dispatch. As at the Latest Practicable Date, Mingrun Business is owned as to 100% by Ms. Luo Minjing. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Mingrun Business and its ultimate beneficial owner is independent of the Company and its connected persons.

G. Effects of the issue of the Consideration Shares on the shareholding structure of the Company

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Consideration Shares (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of completion of the Proposed Acquisitions):

Name of Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares on the above assumptions	
	No. of Shares	*%*	*No. of Shares*	*%*
Swiree	1,653,073,872	61.20	1,653,073,872	31.78
Mega Bright	—	—	2,185,286,341	42.02
Mingrun Business	—	—	314,713,659	6.05
Mr. Ko	339,490,312	12.57	339,490,312	6.53
Other public shareholders	708,558,936	26.23	708,558,936	13.62
	2,701,123,120	100	5,201,123,120	100

Notes:

1. Swiree is wholly and beneficially owned by Ms. Du. Mr. Wong is spouse of Ms. Du. Therefore, both of them are deemed to be interested in these 1,653,073,872 Shares.

2. Mr. Ko held 5,000,000 Shares directly. He also held 334,490,312 Shares indirectly, among which he held 295,512,312 Shares through Richlane Ventures Limited and 38,978,000 Shares through Sonic Gain Limited, both of which were wholly-owned by him.

The Proposed Acquisitions will not result in a change of control of the Company.

As at the Latest Practicable Date, there are no outstanding options, derivatives, conversion rights or other similar rights which are convertible into the Shares prior to the allotment and issue of the Consideration Shares. Therefore, the issuance of the Consideration Shares should not result in the public float of the Shares falling below the minimum requirement of 25%. In any event, the Company will not issue the Consideration Shares to such an extent as would result in the aggregate number of Shares held by the public shareholders falling below the prescribed minimum percentage required under the Listing Rules.

H. Fund raising exercise in the prior 12-month period

The Company has not carried out any equity fund raising exercise in the 12-month period immediately preceding the Latest Practicable Date.

I. Effect of the Proposed Acquisitions on the earnings, assets and liabilities of the Group

Upon completion of the Proposed Acquisitions, GOME FIIL will become a wholly-owned subsidiary of the Company and CashBox will become an indirect non-wholly-owned subsidiary of the Company. The financial results of the GOME FIIL Group and CashBox will be consolidated into the consolidated financial statements of the Group.

Assets and liabilities

As illustrated in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, had the Proposed Acquisitions taken place on 31 December 2023, the total assets of the Enlarged Group would increase from RMB1,702,206,000 to approximately RMB1,971,987,000 on a pro forma basis, and the total liabilities of the Enlarged Group would increase from RMB18,011,000 to approximately RMB91,601,000 on a pro forma basis.

Earnings

The revenue of the Enlarged Group would increase from RMB82,204,000 to approximately RMB309,533,000 for the year ended 31 December 2023 on a pro forma basis, and the profit for the year would increase from RMB36,997,000 to approximately RMB54,834,000 for the year ended 31 December 2023 on a pro forma basis.

J. Listing Rules implications

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Acquisitions is above 25% but less than 100%, the Proposed Acquisitions constitute a major transaction for the Company subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, since Mega Bright is wholly-owned by Mr. Wong, the spouse of Ms. Du, who is the controlling shareholder of the Company, Mega Bright is an associate of the controlling shareholder of the Company and hence a connected person of the Company. Therefore, the GOME FIIL Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares I) also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhou Yafei, an executive Director, is a director of Mega Bright. Therefore, Mr. Zhou Yafei is deemed to have interest in the Proposed Acquisitions and has abstained from voting in respect of the Board resolutions approving the Proposed Acquisitions. Save as disclosed above, none of the Directors has material interest in the Proposed Acquisitions and no other Director was required under the Listing Rules to abstain from voting on the Board resolutions approving the Agreements and the transactions contemplated thereunder.

K. Implications under the Takeovers Code

As Mega Bright will acquire more than 30% of the voting rights in the Company as a result of the Proposed Acquisitions, it would be required to make a mandatory general offer for all the issued Shares pursuant to Rule 26 of the Code on Takeovers and Mergers (the "**Takeovers Code**"), unless a waiver is granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission and any delegate of the Executive Director (the "**Executive**"). In this regard, the Company has applied for, and the Executive has granted, a waiver to Mega Bright from the obligation to make a mandatory general offer pursuant to Note 6 to Rule 26.1 of the Takeovers Code in connection with the Proposed Acquisitions.

L. The Independent Board Committee and the Independent Financial Adviser

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. China Sunrise Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

3. PROPOSED CAPITAL REDUCTION OF ISSUED SHARES AND SUB-DIVISION OF AUTHORISED BUT UNISSUED SHARES

A. Proposed Capital Reduction of issued Shares and Sub-Division of authorised but unissued Shares

The Board proposes to implement the Capital Reorganisation which involves the following:

(i) the Capital Reduction whereby the par value of each of the issued Existing Shares will be reduced by cancelling the paid-up share capital of the Company to the extent of HK$0.09 on each issued Existing Share such that the par value of each issued Existing Share will be reduced from HK$0.10 to HK$0.01, and the credit arising from the Capital Reduction will be transferred to the Contributed Surplus Account and applied towards offsetting the accumulated losses of the Company as at the Effective Date; and

(ii) the Share Sub-Division whereby, immediately following the Capital Reduction becoming effective, each authorised but unissued Existing Share will be sub-divided into ten (10) unissued New Shares with a par value of HK$0.01 each.

B. Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK$600,000,000 divided into 6,000,000,000 Existing Shares of HK$0.10 each, of which (i) 2,701,123,120 Existing Shares have been issued and are fully paid or credited as fully paid and (ii) 3,298,876,880 Existing Shares remain unissued.

Assuming there being no change in the issued share capital of the Company from the Latest Practicable Date up to the Effective Date, upon the Capital Reorganisation becoming effective, the authorised share capital of the Company will be HK$600,000,000 divided into 60,000,000,000 New Shares of HK$0.01 each, of which (i) 2,701,123,120 New Shares will be in issue and (ii) 57,298,876,880 New Shares will remain unissued. The issued share capital of the Company will be reduced from HK$270,112,312 to HK$27,011,231.20 by HK$243,101,080.80.

Assuming no Existing Shares will be issued or repurchased from the Latest Practicable Date up to the Effective Date, the effect of the Capital Reorganisation on the share capital structure of the Company is summarised as follows:

	As of the Latest Practicable Date	**Immediately after the Capital Reorganisation becoming effective**
Par value	HK$0.10 per Existing Share	HK$0.01 per New Share
Amount of authorised share capital	HK$600,000,000	HK$600,000,000
Number of authorised shares	6,000,000,000 Existing Shares	60,000,000,000 New Shares
Amount of issued share capital	HK$270,112,312	HK$27,011,231.20
Number of issued shares	2,701,123,120 Existing Shares	2,701,123,120 New Shares
Number of unissued shares	3,298,876,880 Existing Shares	57,298,876,880 New Shares

Save for the application of credit arising from the Capital Reduction being transferred to the Contributed Surplus Account and to be applied towards offsetting the accumulated losses of the Company and the relevant expenses, including but not limited to professional fees and printing charges to be incurred in relation to the Capital Reorganisation, the implementation of the Capital Reorganisation will have no material effect on the consolidated net asset value of the Company, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the proportionate interests of the Shareholders. The Company is of the view that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group.

The Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Existing Shares as at the Latest Practicable Date.

C. Status of the New Shares

All New Shares in issue immediately following the Capital Reorganisation becoming effective will rank *pari passu* in all respects with each other in accordance with the Bye-laws and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

D. Conditions of the Capital Reorganisation

The implementation of the Capital Reorganisation is conditional upon:

(i) the passing of a special resolution by the Shareholders approving the Capital Reorganisation at the SGM;

(ii) compliance with the relevant legal procedures and requirements under the Companies Act and the Bye-laws to effect the Capital Reorganisation, including the Directors being satisfied that on the Effective Date, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction will be, unable to pay its liabilities as they become due; and

(iii) the Stock Exchange granting approval for the listing of, and permission to deal in, the New Shares in issue upon the Capital Reorganisation becoming effective.

The Capital Reorganisation will become effective when the conditions mentioned above are fulfilled. Subject to the fulfilment of the above conditions, it is expected that the Capital Reorganisation will become effective on the second business day following the date of passing of the special resolution to approve the Capital Reorganisation at the SGM, or such other date as the Company may determine.

E. Listing application

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the New Shares upon the Capital Reorganisation becoming effective.

Subject to the granting of listing of, and permission to deal in, the New Shares on the Stock Exchange upon the Capital Reorganisation becoming effective, as well as compliance with the stock admission requirements of HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the Existing Shares or any debt securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Capital Reorganisation becomes effective, the New Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

F. Effects on share certificates

The Capital Reorganisation will not affect any of the rights of the existing Shareholders. All existing share certificates (in green colour) of the Company will continue to be evidence of title to the Shares and continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for free exchange of the existing share certificates of the Company for new share certificates for the New Shares after the Capital Reorganisation takes effect. Immediately following the Capital Reorganisation becoming effective, new share certificates (in blue colour) will be issued bearing the par value of HK$0.01 per New Share.

G. Reasons for and benefits of the Capital Reorganisation

The proposed Capital Reorganisation will enable the par value of the Shares to be reduced from HK$0.10 to HK$0.01 each. Upon the Capital Reorganisation becoming effective, the credit arising from the Capital Reduction will be applied towards offsetting the accumulated losses of the Company as at the Effective Date, thereby reducing the accumulated losses of the Company. The balance of the credit (if any) of the Contributed Surplus Account after offsetting the accumulated losses will be applied by the Company in any manner as permitted by all applicable laws and the Bye-laws.

Also, under the Companies Act, the Company is restricted in its ability to issue Shares at a price lower than their par value. The Capital Reduction will reduce the par value of the New Shares to a lower amount of HK$0.01 each, which will provide the Company with greater flexibility in the pricing for any issue of New Shares in the future when necessary.

In view of the above reasons, the Board considers that the Capital Reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save for the proposed issue of the Consideration Shares, the Company has no intention to carry out any corporate actions or arrangements that may affect the trading in the Shares, including share consolidation, share subdivision and change in size, in the next 12 months which may have an effect of undermining or negating the intended purpose of the Capital Reorganisation.

4. THE SGM

Set out on pages SGM-1 to SGM-4 of this circular is a notice convening the SGM at which (a) an ordinary resolution will be proposed to be considered and, if thought fit, be passed by the Independent Shareholders for the approval of (i) the Agreements and the transactions contemplated thereunder; and (ii) the specific mandate for the issue of the Consideration Shares; and (b) a special resolution will be proposed to be considered and, if thought fit, be passed by the Shareholders for the approval of the Capital Reorganisation. The resolutions will be taken by poll at the SGM.

As at the Latest Practicable Date, Swiree, which is wholly owned by Ms. Du, held approximately 61.20% of the issued Shares. Since Ms. Du is the spouse of Mr. Wong, who owns 100% interest in Mega Bright, Swiree is regarded as having a material interest in the Proposed Acquisitions and will be required to abstain from voting on the relevant resolution at the SGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the Proposed Acquisitions and the Capital Reorganisation, and accordingly, no other Shareholder would be required to abstain from voting on the relevant resolutions at the SGM.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published at the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.gomejr.com. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. RECOMMENDATION

The Directors (including the members of the Independent Board Committee after receiving and considering the advice from the Independent Financial Adviser) are of the opinion that while the Proposed Acquisitions are not in the ordinary and usual course of business of the Group, the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee after receiving and considering the advice from the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

The Directors are of the opinion that the Capital Reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

Your attention is also drawn to the letters from the Independent Board Committee and the Independent Financial Adviser and their respective recommendations set out on pages 45 to 46 and pages 47 to 106 of this circular, respectively.

6. ADDITIONAL INFORMATION

Your attention is also drawn to the appendices to this circular.

Shareholders and potential investors of the Company should note that completion of the Proposed Acquisitions is subject to the satisfaction of the conditions precedent as set out in the Agreements. Therefore, the Proposed Acquisitions may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

The Capital Reorganisation is conditional upon the satisfaction of the conditions set out in the paragraph headed "Conditions of the Capital Reorganisation". Accordingly, the Capital Reorganisation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares, and if they are in any doubt, they should consult their professional advisers.

Yours faithfully,
On behalf of the Board
Zhou Yafei
Executive Director

国美金融科技
GOME FINTECH

國美金融科技有限公司
Gome Finance Technology Co., Ltd.

(Incorporated in Bermuda with limited liability)

(Stock Code: 628)

8 May 2024

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 8 May 2024 (the "**Circular**") of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed by the Board to form an Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. China Sunrise Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 7 to 44 of the Circular which contains, inter alia, information on the Agreements and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 47 to 106 of the Circular which contains its advice.

Having considered the terms and conditions of the Agreements and the transactions contemplated thereunder and taken into account the advice of the Independent Financial Adviser, we are of the opinion that while the Proposed Acquisitions are not in the ordinary and usual course of business of the Group, the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve (1) the Agreements and the transactions contemplated thereunder; and (2) the specific mandate for the issue of the Consideration Shares.

Yours faithfully,
For and on behalf of the Independent Board Committee of
Gome Finance Technology Co., Ltd.

Lee Puay Khng	**Mak Yau Kee Adrian**	**Huang Song**

Independent non-executive Directors

Set out below is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Acquisitions, which has been prepared for the purpose of inclusion in this Circular.

華升資本
CHINA SUNRISE CAPITAL

CHINA SUNRISE CAPITAL LIMITED
Unit 4513, 45th Floor
The Center
99 Queen's Road Central
Hong Kong

8 May 2024

To: The Independent Board Committee and the Independent Shareholders of Gome Finance Technology Co., Ltd.

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder (including the issue of the Consideration Shares), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 8 May 2024 (the "**Circular**"), of which this letter (the "**Letter**") forms part. Capitalised terms used in this Letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 16 October 2023, the Company, as purchaser, and the Vendors entered into the Agreements in respect of the Proposed Acquisitions. Pursuant to the GOME FIIL Agreement, the Company, as purchaser, agreed to purchase, and Mega Bright, as vendor, agreed to sell the GOME FIIL Sale Shares, representing 100% of the issued share of GOME FIIL, for the maximum consideration of HK$174.8 million, which shall be satisfied by the Company allotting and issuing the Consideration Shares I, comprising up to 2,185,286,341 new Shares, to Mega Bright as the Issue Price of HK$0.08 per Share at completion. In addition, pursuant to the CashBox Agreement, the Company, as purchaser, agreed to purchase, and Mingrun Business, as vendor, agreed to sell the CashBox Shares, representing 3.3% of the issued shares of CashBox for the maximum consideration of HK$25.2 million, which shall be satisfied by the Company allotting and issuing the Consideration Shares II, comprising up to 314,712,659 new shares, to Mingrun Business as the Issue Price of HK$0.08 per Share at completion.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Acquisitions is above 25% but less than 100%, the Proposed Acquisitions constitute a major transaction for the Company subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, since Mega Bright is wholly-owned by Mr. Wong, the spouse of Ms. Du, who is the controlling shareholder of the Company, Mega Bright is an associate of the controlling shareholder of the Company and hence a connected person of the Company. Therefore, the GOME FIIL Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares I) also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhou Yafei, an executive Director, is a director of Mega Bright. Therefore, Mr. Zhou Yafei is deemed to have interest in the Proposed Acquisitions and has abstained from voting in respect of the Board resolutions approving the Proposed Acquisitions.

Save a disclosed above, none of the Directors has material interest in the Proposed Acquisitions and no other Director was required to abstain from voting on the Board resolutions approving the Agreements and the transactions contemplated thereunder.

The SGM will be convened and held for the Independent Shareholders, among others, to consider and, if thought fit, approve (i) the Agreements and the transactions contemplated thereunder; and (ii) the specific mandate for the issue of the Consideration Shares.

Save as disclosed and to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Proposed Acquisitions, and is required to abstain from voting on the relevant resolutions to approve the aforesaid matters at the SGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising of Mr. Lee Puay Khng, Mr. Mak Yau Kee Adrian and Mr. Huang Song, has been established to advise the Independent Shareholders as to:

(a) whether the entering into of the Agreements is in the ordinary and usual course of business of the Group;

(b) whether the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable;

(c) whether the Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and

(d) the voting in the relevant resolutions in relation to the Agreements and the transactions contemplated thereunder at the SGM.

We, China Sunrise Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

None of the members of the Independent Board Committee has any interest or involvement in the Agreements and the transactions contemplated thereunder. Having obtained and considered the advice from the Independent Financial Adviser, the view and recommendation of the Independent Board Committee in respect of the Agreements and the transactions contemplated thereunder are set out in the Letter from the Independent Board Committee in this Circular.

INDEPENDENCE OF CHINA SUNRISE CAPITAL

Save for this appointment as the Independent Financial Adviser to provide our independent advice on the Agreements and the transactions contemplated thereunder, as at the Latest Practicable Date, China Sunrise Capital did not have any other relationship or connection, financial or otherwise, with or any interests in the Company, or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates that could reasonably be regarded as relevant to our independence. In the last two years, save for the appointment as the Independent Financial Adviser in connection with the Agreements and the transactions contemplated thereunder, there was no engagement between the Group and China Sunrise Capital.

Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we have received or will receive any fees or benefits from the Group, or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Agreements and the transactions contemplated thereunder under Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our advice, we have relied on the truth, accuracy and completeness of the statements, information, facts, representations and opinions contained or referred to in this Circular, provided and made to us by the Directors and the management of the Group (collectively, the "**Management**"), the Company, and its advisers. We have reviewed, amongst other things, the Agreements, the announcement of the Company dated 16 October 2023 in relation to the Agreements and the transactions contemplated thereunder, the annual report of the Group for the financial year ended 31 December 2023 (the "**2023 Annual Report**"), the interim report of the Group for the six months ended 30 June 2023 (the "**2023 Interim Report**"), the annual report of the Group for the financial year ended 31 December 2022 (the "**2022 Annual Report**"), the annual report of the Group for the financial year ended 31 December 2021 (the "**2021 Annual Report**"), the Valuation Report on the valuation of the entire equity value of CashBox (the "**Valuation**") (a summary of which is set out in Appendix V to this Circular), and other information, representations and opinions as contained or referred to in this Circular and those provided by the Management, the Company and its advisers.

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 in this Circular or this Circular misleading. We have also sought and received confirmation from the Directors that no material information or facts have been omitted from the information and facts provided to us and the representations made and opinions expressed by them are not misleading or deceptive in any material respect. We have no reason to suspect that any material information or facts have been omitted or withheld nor to doubt the truth, accuracy or completeness of the information and facts contained in this Circular or provided to us, or the reasonableness of the opinions expressed by the Management, the Company, and its advisers, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for us to formulate our advice as set out in this Letter. We have assumed that all statements, information, facts, representations and opinions contained or referred to in this Circular and/or those provided to us by the Management, the Company and its advisers, for which they are solely and wholly responsible, have been reasonably made after due enquiries and careful consideration and are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so in all material respect up to the date of the SGM.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of this Circular, save and except for this Letter.

We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the businesses, affairs, operations, financial position or future prospects of the Group.

Our advice is necessarily based on the prevailing financial, economic, market and other conditions and the information made available to us as at the Latest Practicable Date. Where information in this Letter has been extracted from published or otherwise publicly available sources, the sole responsibility of ours is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not used out of context.

This Letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the matters relating to the Agreements and the transactions contemplated thereunder. Except for its inclusion in this Circular, this Letter 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 TAKEN INTO CONSIDERATION

In formulating our opinion and recommendations in respect of the Agreements and the transactions contemplated thereunder to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Information of the parties

The principal activity of the Company is investment holding. The principal activities of the Group comprise provision of commercial factoring, financial leasing and other financial services in the PRC.

Mega Bright is a company incorporated in Hong Kong with limited liability and is principal engaged in investment holding. As at the Latest Practicable Date, Mega Bright is owned as to 100% by Mr. Wong, the spouse of Ms. Du, who is the controlling shareholder of the Company.

Mingrun Business is a company incorporated in Hong Kong with limited liability and is principally engaged in food, electronic components, commodities import and export and labour dispatch. As at the Latest Practicable Date, Mingrun Business is owned as to 100% by Ms. Luo Minjing. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Mingrun Business and its ultimate beneficial owner is independent of the Company and its connected persons.

2. Financial performance of the Group

Set out below is the summary of the audited financial information of the Group for the three years ended 31 December 2021 ("**FY2021**"), 2022 ("**FY2022**"), and 2023 ("**FY2023**") prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") as extracted from the 2021 Annual Report, the 2022 Annual Report, and the 2023 Annual Report, respectively:

	FY2021 *RMB'000* (audited)	**FY2022** *RMB'000* (audited)	**FY2023** *RMB'000* (audited)
Revenue			
Commercial factoring	69,872	70,090	75,810
Other financing services	7,529	10,129	6,214
Total	77,401	80,219	82,024
Other income and other gains and losses	18,039	25,121	(2,449)
Administrative expenses	(24,188)	(20,582)	(25,185)
(Provision for)/reversal of expected credit loss on trade and loan receivables, net	(5,061)	(12)	(3,405)
Finance costs	(32,738)	(30,238)	(4,901)
Operating profit	33,453	54,508	46,084
Impairment loss on prepayment for acquisition of Tianjin Guancheng Mei Tong Electronic Commerce Limited ("**TJGCMT**")	(157,000)	(51,000)	—
(Loss)/profit before tax	(123,547)	3,508	46,084
(Loss)/profit for the year	(127,983)	(5,638)	36,997

Comparison between FY2022 and FY2021

During FY2022, revenue of the Group increased by approximately 3.6% to approximately RMB80.2 million (2021: RMB77.4 million), which was mainly due to the increase in revenue from other financial services. Commercial factoring services of the Group remained stable in 2022 that the Group recorded revenue of approximately RMB70.1 million (2021: RMB69.9 million) and revenue from the other financing services business increased from approximately RMB6.6 million for FY2021 to approximately RMB10.1 million for FY2022.

As a result of the Group's improved risk management and credit control over the commercial factoring business, the non-performing loan ratio decreased to 0% for FY2022 (2021: 0.76%) and the provision for expected credit loss ("**ECL**") on trade and loans receivables during FY2022 was lowered to approximately RMB12,000, representing a decrease of approximately RMB5.0 million as compared to 2021.

Administrative expenses of the Group also decreased by approximately RMB3.6 million, which was mainly contributed by decrease in staff cost of approximately RMB3.2 million. The decrease in staff cost was in line with the decrease in headcount from 25 as at 31 December 2021 to 22 as at 31 December 2022 as a result of the simplification of the operating team due to the uncertainty of the external economic environment and considering the maturity of the operations of existing businesses.

During FY2022, as HK$ appreciated against RMB, the Group recorded an exchange gain of approximately RMB10.0 million (2021: loss of RMB0.3 million) and resulted in a significant increase in other income and gains. Due to the repayment of bank loans and decrease in interest rate in 2022, both bank interest income and finance costs decreased and did not have significant impact on profit.

An impairment loss of approximately RMB51 million in 2022 (2021: RMB157 million) was recognised in the prepayment for the acquisition of TJGCMT, which strongly affected the profitability of the Group, from profit to loss making.

The Group recorded operating profit of approximately RMB54.5 million for FY2022 (2021: profit of RMB33.5 million) and loss attributable to owners of the Company decreased to approximately RMB5.6 million for FY2022 (2021: RMB128.0 million), mainly due to the reduction of the impairment loss on the prepayment for the acquisition of TJGCMT.

Comparison between FY2023 and FY2022

During the FY2023, revenue of the Group increased by 2.24% to RMB82.0 million (2022: RMB80.2 million), which was mainly due to the increase in revenue from commercial factoring business. Commercial factoring business of the Group recorded revenue of RMB75.8 million during the Year (2022: RMB70.1 million). The Group's average net loan balance increased from RMB890 million in 2022 to RMB1.01 billion in 2023. As aforesaid, revenue from other financing services business decreased by RMB3.9 million from RMB10.1 million in 2022 to RMB6.2 million in 2023, due to the restrictions imposed by some mobile application stores on the content of applications launched, which partially offset the increase in revenue from the commercial factoring business.

During the FY2023, provisions for ECL on trade and loan receivables was RMB3.4 million (2022: RMB12,000), the increase in provision was due to the increase in loan balances as at 31 December 2023 by RMB125.6 million compared with that as at 31 December 2022.

Administrative expenses of the Group increased by RMB4.6 million, which was mainly due to (1) increase in legal and professional fees for the Proposed Acquisition by RMB2.2 million; (2) increase in relevant withholding taxes borne in accordance to the taxation laws in China by approximately RMB2.2 million as the interest on the Company's operating capital borrowings by the Chinese subsidiaries became due.

As changes in sources of funding mentioned above, the Group repaid all the bank borrowings and released all pledged deposit during the FY2023. As a result, bank interest income and interest expenses on bank borrowings for the FY2023 decreased by RMB5.7 million and RMB23 million respectively as compared to the FY2022.

Combining the effects above, during the FY2023, the Group recorded operating profit of RMB46.1 million (2022: operating profit of RMB54.5 million). The Group recorded a profit after tax of RMB37.0 million during the FY2023 (2022: loss after tax of RMB5.6 million).

3. Financial position of the Group

Set out below is the summary of the Group's financial positions as at 31 December 2021, 31 December 2022 and 31 December 2023, as extracted from and determined based on the 2021 Annual Report, the 2022 Annual Report and the 2023 Annual Report, respectively:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Non-current assets	423,195	371,867	371,533
Current assets	2,019,953	1,664,091	1,330,673
Total assets	2,443,148	2,035,958	1,702,206
Non-current liabilities	15,942	566	–
Current liabilities	875,159	403,078	18,011
Total liabilities	891,101	403,644	18,011
Net current assets	1,144,794	1,261,013	1,312,662
Net asset value	1,552,047	1,632,314	1,684,195

As at 31 December 2022 (with comparative figures as at 31 December 2021)

As at 31 December 2022, the Group had non-current assets of approximately RMB371.9 million (2021: RMB423.2 million) which comprised mainly prepayment for acquisition of TJGCMT of approximately RMB368.0 million (2021: RMB419.0 million) net of impairment loss of approximately RMB208.0 million (2021: RMB157.0 million).

As at 31 December 2022, the Group had current assets of approximately RMB1,664.1 million (2022: RMB2,020.0 million) which comprised mainly (i) trade and loan receivables of approximately RMB921.2 million (2021: RMB831.7 million); (ii) pledged deposits for bank loans of approximately RMB430.4 million (2021: RMB930.8 million); and (iii) cash and cash equivalents of approximately RMB303.1 million (2021: RMB247.0 million). The decrease in current assets during FY2022 was mainly attributable to the decrease in pledged deposits for bank loans, and partly offset by the increase in trade and loan receivables and cash and cash equivalents.

As at 31 December 2022, the Group had non-current liabilities and current liabilities amounted to approximately RMB0.6 million and RMB403.1 million respectively (2022: RMB15.9 million and RMB875.2 million respectively), comprising mainly bank borrowings of approximately RMB367.5 million (2022: RMB851.0 million). The decrease in current liabilities during FY2022 was mainly attributable to the decrease in bank borrowings.

The net current asset position and net asset value of the Group as at 31 December 2022 was approximately RMB1,261.0 million and RMB1,632.3 million respectively, which were higher than that as at 31 December 2021 of approximately RMB1,144.8 million and RMB1,552.0 million respectively.

As at 31 December 2023 (with comparative figures as at 31 December 2022)

As at 31 December 2023, the Group had non-current assets of approximately RMB371.5 million (2022: RMB371.5 million) which comprised mainly prepayment for acquisition of TJGCMT of approximately RMB368.0 million (2022: RMB368.0 million) net of impairment loss of approximately RMB208.0 million (2022: RMB208.0 million).

As at 31 December 2023, the Group had current assets of approximately RMB1,330.6 million (2022: RMB1,664.1 million) which comprised mainly (i) trade and loan receivables of approximately RMB1,043.5 million (2022: RMB921.2 million); and (ii) cash and cash equivalents of approximately RMB284.4 million (2022: RMB303.1 million). The decrease in current assets during FY2023 was mainly attributable to the decrease in pledged deposits for bank loans and cash and cash equivalents, and partly offset by the increase in trade and loan receivables.

As at 31 December 2023, the Group had nil non-current liabilities and current liabilities amounted to approximately RMB18.0 million (2022: RMB0.6 million and RMB403.1 million respectively). The decrease in current liabilities during FY2023 was mainly attributable to the repayment of bank borrowings.

The net current asset position and net asset value of the Group as at 31 December 2023 was approximately RMB1,312.7 million and RMB1,684.1 million respectively, which were higher than that as at 31 December 2022 of approximately RMB1,261.0 million and RMB1,632.3 million respectively.

It is noted that the net current asset position and net asset value of the Group have been on an increasing trend since 31 December 2021.

4. Market outlook of financial services industry in the PRC and strategy of the Group

The global economy is still in an unstable state due to factors such as the impacts of the tightening monetary policies implemented by central banks around the world to combat inflation. In the World Economic Outlook Update released in July 2023, the International Monetary Fund (IMF) predicted that the global economic growth to be 3.0% and China's economic growth to be 5.2% in 2023, mainly due to the rapid growth coming after the normalisation of supply chains. Despite PRC has a better expected growth rate than the rest of the world, the confidence of the domestic market remains unstable evidenced by the weakened property market and the credit risks involving property developers.

As set out in the 2023 Interim Report, since 2023, in the face of the complex and challenging international environment, coupled with the crucial tasks of pursuing steady reform and development in China, the government stayed committed to the general principle of making advances while ensuring stability in order to fully, faithfully and comprehensively apply the new development philosophy. By accelerating the efforts to create a new development paradigm to promote high-quality development, it has striven to give priority to ensuring stable growth, employment and prices. With gradual recovery of the market, production and supply continue to increase, and employment levels and consumer prices are generally stable, which drives the steady growth of per capita income, marking a general upturn in the economy.

According to the preliminary accounting from the National Bureau of Statistics, the gross domestic product for the first half of the year was RMB59,303.4 billion, representing a year-on-year growth of 5.5% computed at constant price, 1.0 percentage point faster than the first quarter.

For the first half of the year, under the prudent monetary policies, financial institutions continued to implement loan support tools for inclusive small and micro enterprises (SMEs), stepping up their efforts to underpin the major areas or bottlenecks of domestic economy, such as inclusive financing, with an aim to achieve "increasing amounts, expanding coverage and reducing prices" in terms of financing support for SMEs and private enterprises. As at the end of June 2023, the balance of loans for inclusive SMEs was RMB27.7 trillion, up 26% year-on-year. The number of credit households granted with inclusive small and micro loans was 59.35 million, with a year-on-year growth rate of 13.3%. In addition, China Loan Prime Rate (LPR) continued to dip, further ratcheting down the financing costs of the real economy. The one-year LPR and five-year LPR were lowered by 10 basis points, facilitating a steady decline of corporate financing costs and personal consumption credit costs. In general, the real economy continued its stable march, with reasonably adequate liquidity and improving credit structures, which had been driving down the financing costs in a stable manner. Financial sectors continued to shore up the economy.

Under the backdrop of the real economy supported by financial sectors, general recovery of demand and targeted inclusive financing policies, supply chain financial institutions played an important role in undergirding the real economy, addressing financing problems for SMEs, boosting the management efficiency of supply chains for core enterprises as well as promoting coordinated development between industry chain and capital chain for the first half of the year. Leveraging on empowerment through digital technologies, in particular, supply chain finance embraced an important stage of development. In the future, supply chain financial institutions will provide high-quality, efficient and secured financial services to foster the development of the real economy by deepening the convergence of asset-digitisation, technology and finance, developing innovative services pattern and tightening risk controls.

Despite the overall environment of supply chain looks optimistic and the weighted average interest rate of new corporate loans falls, the market risks remain at high level, therefore, the Group will remain cautious when engaging in transactions with existing customers and will slow down its plan of tapping into any new market. The operations of the Group's supply chain financial services remain relatively stable with only slight growth.

As set out in the 2023 Interim Report, the Group's long-term objective is to become a market-leading comprehensive financial technology services group. The Management has kept exploring different new business opportunities so as to grow by developing new businesses, and the Management believes the current strategy of maintaining growth by continuously developing the commercial factoring business and simultaneously exploring new businesses can lead the Group to develop steadily. This may have driven the intention of the Proposed Acquisitions as set out in the section headed "E. Reasons for and benefits of the Proposed Acquisitions" in the Letter from the Board.

5. Reasons for and benefits of the Proposed Acquisitions

In recent years, the game industry has become an important part of the global market with huge growth potential and business opportunities. The new technology of AIGC is becoming an important technological turning point, bringing revolutionary changes to the game development process, and AIGC game stocks are seen as having huge potential investment value. The Company is committed to exploring new business in terms of technology and internet in order to diversify its business.

CashBox is a leading game developer in the industry, with top-notch management and research and development teams, invaluable industry insights, professional knowledge and abundant resources. The Company expects, through the Proposed Acquisitions, to rely on the large and multiregional user resources of CashBox, combining with the Company's advantages in internet technology, to create synergies for the Group's business in the following ways:

From the Group's perspective

(1) The Group possesses financial licenses in commercial factoring and financial leasing, enabling it to provide relevant financial services to businesses (B-side) or customers (C-side) in the PRC. Currently, the Group's revenue is mainly derived from commercial factoring services provided to B-side. However, as stated in the 2023 Interim Report, the Group's long-term objective is to become a market-leading comprehensive financial technology services group and based on our discussion with the Management, we understand that the Group is looking for new business opportunities to potentially expand its financial leasing services provided to C-side.

As CashBox intends to expand its business to the PRC market after completion of the Proposed Acquisitions, both the existing and future users of CashBox in the PRC may become C-side customers or potential C-side customers of the financial services of the Group, thereby helping the Group to expand its C-side business and creating synergy between the Group and CashBox. Such potential customers of CashBox in general have higher requirements for hardware configurations and new models of the mobile devices. With the experience and resource advantages of the Company's controlling shareholders, Ms. Du and Mr. Wong, in the PRC retail industry, as well as the Group's own experience and advantages in financial services, the Group will be able to provide CashBox's users with financial services for Computers, Consumer Electronics and Communication (i.e. 3C) product loan financing to continuously accommodate their demands for the newest models of 3C products.

(2) In recent years, streaming media platforms in the PRC and overseas have driven the rapid development of the internet economy. Since 2019, the Company has been providing online customer channel services to financial institutions. From 2021 to 2022, the Group's revenue from other financial services increased significantly, reaching approximately RMB7.5 million in 2021, RMB10.1 million in 2022 and RMB6.2 million in 2023. In light of the rapid development of the streaming media, it is anticipated that embedded advertising through the leisure games of CashBox will help the Group to attract new customers steadily and continuously.

CashBox has seen steady growth in terms of number and quality of its users in recent years. Through the Proposed Acquisitions, the Group may gain access to the high-quality customers of CashBox and develop a new source of income by referring such customers to other financial institutions or directly providing financial services to such customers. The games and products developed and published by CashBox can help attract customers and convert such customers to the Group's customers through advertisement, which will significantly lower customer acquisition costs of the Group and improve monetisation efficiency.

(3) The Group may also take advantage of the high-technology capability of CashBox as a well-established game publishing company as:

(a) CashBox has strong technological capabilities in big data platforms and has a relatively comprehensive customer profiling system for customer profiling and behavioral analysis, which may help the Group to improve its customer profiling and analysis capabilities in the future; and

(b) as a game publishing company, CashBox needs to constantly expand Internet traffic on a large scale so it has accumulated more mature technological capabilities in acquiring and analysing Internet traffic, which may help the Group to improve traffic quality and reduce customer acquisition costs in the future.

Based on our discussion with the Management, the Company is committed to exploring new business in terms of technology and internet in order to diversify its business. CashBox has a strong technological capability in big data platforms and has a relatively comprehensive customer profiling system for customer profiling and behavioral analysis. The Big Data Business Intelligence (BI) platform can assist in analysing market data in accordance with different geographical segment (i.e. United States, India, and Brazil etc.) and different social media platforms, whereby enabling CashBox to employ cost-effective strategy. The Group can utilise such technology to analyse market dynamics so as to support the future development of the Group going forward.

From CashBox's perspective

(4) Currently, CashBox's customers are mainly C-side customers outside the PRC. Seeing that the game market in the PRC has great potential, CashBox has begun to layout its business plan in the PRC, aiming to take advantage of the rapidly developing streaming media platforms and favourable policies in the PRC. With the

benefit of the leading retail position and abundant customer resources of the Company's controlling shareholders, Ms. Du and Mr. Wong, in the PRC market, the Group will help the game business of CashBox to develop rapidly in the PRC thereby creating synergy between the Group and CashBox. Also, since the user base of the mini-game industry is relatively broad and the mini-games developed by CashBox are mature and diversified, it is believed that CashBox's products would be attractive to a broad range of people, including the Group's customers.

(5) Gome Wangjin (Beijing) Technology Co., Ltd., a wholly-owned subsidiary of the Company, is mainly engaged in providing operational services to a financial service app and customer referral services to financial institutions through the operation of the app. It is found that, based on a preliminary analysis of the customer profiles of the app, the features of the customers of the app match with those of CashBox. Through comparative analysis of customer profiles, the accuracy and efficiency of conversion of the Group's customers to users of CashBox can be enhanced. Also, the Group can make sure of the app as a platform to promote CashBox's products through advertisements.

(6) With the help of Company's listed platform and the Hong Kong capital market's support for the digital industry, CashBox may develop connections with international investment institutions and obtain more flexible financing channels to fund its business development and expansion, which ultimately will be beneficial to the Group.

The Company believes that the Management after completion of the Proposed Acquisitions will have the relevant expertise and experience in operating and managing the gaming business of CashBox, as detailed below:

(i) Mr. Zhou, an executive Director, has more than 20 years of experience in accounting, investment and financing, and tax consulting in the PRC. Mr. Zhou is the chairman of the investment and financing committee of GOME Holding Group Company Limited and serves as senior management in various business sectors of GOME Holding Group Company Limited including investment, finance, Internet, and social e-commerce. Mr. Zhou has extensive experience and advantages in strategic management, investment, financing and mergers and acquisitions. For example, Mr. Zhou had led GOME Capital Management Co., Ltd. to successfully participate in the merger and acquisition of Shengqu Games* (盛趣遊戲) (formerly known as Shanda Games* (盛大遊戲), a PRC gaming company) ("**Shengqu Games**") by Zhejiang Century Huatong Group Co., Ltd.* (浙江世紀華通集團股份有限公司), a PRC company and the shares of which are listed on the Shenzhen Stock Exchange (SSE stock code: 002602) ("**Zhejiang Century**"), in 2018. Mr. Zhou led his team to conduct in-depth research and study of Shanda Games' business which ultimately facilitated the transaction. The Company believes that after completion of the Proposed Acquisitions, Mr. Zhou will continue to play a critical role in the Group's strategy formulation and business synergy with CashBox.

(ii) Mr. Song, an executive Director and the chief financial officer of the Company, has extensive management experience in the fields of finance and internet technology. Mr. Song had served as the chief financial officer and financial advisor of Shenzhen Kinetic, responsible for the company's overall financial management, internal control system construction and capital operations. Shenzhen Kinetic is a PRC company specialised in game development and commercialisation. It is principally engaged in the research and development and distribution of mini mobile games and various Internet mobile application tools. Shenzhen Kinetic is one of the leading gaming companies in the PRC in terms of number of leisure games released, number of users and monetisation value. Therefore, the Company believes that Mr. Song possesses the expertise and experience required for managing the finance of a game development and publishing company like CashBox.

(iii) Mr. Li, the founder of CashBox, will enter into an employment contract with CashBox and continue to serve as the chief executive officer of CashBox for a tenure of not less than six (6) years after completion of the Proposed Acquisitions (subject to the Group's right to terminate such employment at its discretion). Mr. Li is currently a director and the chief executive officer of CashBox. Mr. Li founded an information technology company in 2018 and was one of the pioneers in the export of internet services in the PRC. Mr. Li had served as the product manager of the overseas product of Sohu ChangYou* (搜狐暢遊) ("**Sohu ChangYou**") and the vice president of products developed by "MoJi Weather" (a global weather service platform). Mr. Li had participated in the creation of numerous APP content products with tens of millions of daily active users, such as "QuickGame". In light of the expertise and extensive experience of Mr. Li in information technology and game development, the Company considers that the continued service of Mr. Li would be beneficial to the continued development of the business of CashBox. Mr. Li will be responsible for the overall operational management of CashBox and will continue to use his experience and advantages in the Internet-gaming industry to create value for the Group.

Since the entering into of the employment contract between Mr. Li and CashBox is a condition precedent to completion of the Proposed Acquisitions, if the Group cannot secure Mr. Li's employment, the Proposed Acquisitions will not proceed. Also, as disclosed in the section headed "Information on GOME FIIL and CashBox — Business of CashBox — Business model" in the Letter from the Board, Mr. Li has undertaken to procure the transfer of all employees from Beijing Happy Joyful to a PRC company to be newly set up by CashBox. Completion of the Proposed Acquisitions will not take place unless and until after such transfer of employees has been completed. In this way, it can be ensured that the Group will have the necessary personnel to manage and operate the gaming business of CashBox immediately after completion of the Proposed Acquisitions.

Following completion of the Proposed Acquisitions, the Group and CashBox can capitalise on the strong background, experience and expertise of the respective management teams of the Company and CashBox and complement each other, thereby enhancing the business development of the Group. The Company believes that the Proposed Acquisitions will enable the Group to diversity its business, expand its income stream and maximise returns for the Shareholders. The Company intends to continue to develop its existing businesses after the Proposed Acquisitions with the long-term objective of becoming a market-leading comprehensive financial technology services group, and it has no intention to dispose of or scale down any of its existing businesses.

As mentioned in the section headed "Information on GOME FIIL and CashBox — General Information" to the Circular, Mr. Wong, through GOME FITL, acquired 47.7% interest in CashBox from MARSX Technologies for a consideration of approximately HK$363,923,000 and Mr. Wong agreed to sell 51.15% interest in GOME FITL through the sale of the GOME FIIL Sale Share for HK$174,800,000. Following completion of the Proposed Acquisitions, CashBox will be under the control of the Company and will be accounted as a subsidiary of the Company. If the Company were to acquire the 51% equity interest in CashBox directly from MARSX Technologies, the amount of consideration payable by the Company would be approximately HK$389,100,000 (based on the consideration of HK$363,923,000 for 47.7% interest in CashBox paid by Mr. Wong), which would be substantially higher than the consideration payable by the Company under the Proposed Acquisitions. Through the Proposed Acquisitions, the Company will be able to acquire the control of CashBox for a total consideration of HK$200 million, which represented approximately 26.21% of the agreed market value of CashBox. CashBox is a fast-growing business (the number of monthly active users ("**MAU**") was not less than 5 million as at the end of June 2023 and had grown over 10 million as at the end of December 2023, and there were other interested potential buyers who made offers to MARSX Technologies. Mr. Wong's acquisition helped to secure the acquisition first such that the Company can have the time to carry out due diligence works and comply with the requirements under the Listing Rules. Therefore, the Company considered that it is in the interest of the Company and its Shareholders as a whole to acquire interest in CashBox through Mr. Wong instead of directly from MARSX Technologies.

The consideration for the Proposed Acquisitions will be settled by way of issue of a total of 2,500,000,000 Consideration Shares, representing (i) approximately 92.55% of the issued Shares as at the Latest Practicable Date; and (ii) approximately 48.07% of the issued Shares as enlarged by the allotment and issue of the Consideration Shares. The theoretical dilution effect of the issue of the Consideration Shares calculated in accordance with Note 1 to Rule 7.27B of the Listing Rules is approximately 1.29%. Notwithstanding that the issue of the Consideration Shares will result in a dilution of the public shareholders' shareholding in the Company, the Company considered that the settlement of the consideration by the issue of the Consideration Shares instead of cash will reduce the pressure on the Group's working capital and cash flow, and is therefore in the interest of the Company and the Shareholders as a whole.

We have conducted independent research from the public domain and obtained the "2023 Global Games Market Report" published by Newzoo International B.V. (the "**Newzoo Report**"), a leading games market research firm. According to the Newzoo Report, we noted that Newzoo International B.V. has a positive outlook on the gaming industry:

1. The number of players worldwide will reach 3.38 billion in 2023, growing 6.3% year-on-year. Mobile games will contribute to most of this growth. As gaming continues to permeate the mainstream and young people age up, player numbers will rise across the board. Factors driving this growth include the evolvement of mobile related internet infrastructure, accessible and affordable internet, and the rise of the middle class. The free-to-play feature of games making gaming as an affordable recreational activity and the increasing population of smartphone users is also contributing to the growth of the mobile gaming segment.

2. Number of paying players will grow by 7.3% globally to 1.47 billion in 2023. Looking further ahead, worldwide paying players will continue to grow with a compound annual growth rate (2021–2026) of 4.7% to reach 1.66 billion players by the end of 2026.

3. In 2023, the global games market will generate revenues of US$184.0 billion in 2023, representing a 0.6% year-on-year growth.

4. Mobile games revenues accounts for approximately 49% of the global games revenues.

5. The industry is continuing to stabilise after some pandemic-induced turbulence. The global games market will generate yearly revenues of US$205.7 billion in 2026.

6. Asia-Pacific accounts for more than half of the players worldwide, benefiting from huge markets like India and PRC as well as highly gaming-engaged countries like Japan and South Korea. Meanwhile, United States and Europe account for 20% of total players worldwide. Relatively, the less mature markets of the Middle East and Africa (12.3% year-on-year growth) and Latin America (6.1% year-on-year growth) will enjoy strong growth in player number in 2023.

Users of games distributed by CashBox are mainly in countries with high population density, such as the United States, Brazil, India and Indonesia, it is expected that CashBox would be able to benefit from such geographical growth trend going forward.

We note that the principal activities of the Group comprise provision of commercial factoring, financial leasing and other financial services in the PRC. However, as set out in the 2023 Interim Report, the Management has kept exploring different new business opportunities so as to grow by developing new businesses, and the Management believes the current strategy of maintaining growth by continuously developing the commercial factoring business and simultaneously exploring new businesses can lead the Group to develop steadily. As such, we consider that although the entering into of the Agreements is not in the ordinary and usual course of business of the Group, it follows the long-term business strategy of the Group.

In addition to the Group's intention in exploring new business opportunities as its long-term business strategy which is well documented in the 2023 Interim Report, we further noted that the Management, namely Mr. Zhou and Mr. Song, being the executive Director, as well as Mr. Li who will be entering into an employment contract with CashBox and continue to serve as its chief executive officer of not less than six (6) years upon completion of the Proposed Acquisitions, all of whom possess sufficient relevant experience and expertise in the operation of gaming business to which CashBox belongs, in particular (a) Mr. Zhou had led his team to conduct in-depth research and study of Shanda Games's business which ultimately facilitated the acquisition of Shengqu Games by Zhejiang Century and the Company believes that after completion of the Proposed Acquisitions, Mr. Zhou will continue to play a critical role in the Group's strategy formulation and business synergy with CashBox; (b) Mr. Song had served as the chief financial officer and financial advisor of Shenzhen Kinetic (specialised in game development, commercialisation and is principally engaged in the research and development and distribution of mini mobile games and various internet mobile application tools), and is responsible for its overall financial management, internal control system construction and capital operations and the Company believes that Mr. Song possesses the expertise and experience required for managing the finance of a game development and publishing company like CashBox; and (c) Mr. Li as the current director and the chief executive officer of CashBox, who had served as the product manager of the overseas product of Sohu ChangYou and had participated in the creation of numerous APP content products with tens of millions of daily active users, such as "QuickGame" and the Company considers that the continued service of Mr. Li would be beneficial to the continued development of the business of CashBox. For further details, please refer to the above paragraphs (i), (ii) and (iii) in this section. The gaming business of CashBox is therefore not entirely new business for the existing management personnel as abovementioned and instead, they can leverage on their knowledge, experience and expertise acquired over the years in managing technology related businesses and CashBox, as the case may be, while satisfying the long-term business strategy of the Group going forward.

In addition, due to the fact that both Mr. Zhou and Mr. Song are the existing Board members as well as the senior management of the Group. Upon completion of the Proposed Acquisitions, the financial results of which will be consolidated into the consolidated financial statements of the Group, Mr. Zhou and Mr. Song will be fully dedicated into the management and daily operation of CashBox, based on our discussion with the Management, it is expected that Mr. Zhou and Mr. Song, as senior management of the Group, would spend significant portion of their time and effort in the management and daily operation of CashBox.

As set out in the 2023 Interim Report, the Group's long-term objective is to become a market-leading comprehensive financial technology services group and the Management has kept exploring different new business opportunities so as to grow by developing new businesses and, as described above, the Company expects, through the Proposed Acquisitions, to rely on the large and multiregional user resources of CashBox, combining with the Company's advantages in internet technology, to create synergies for the Group's businesses. Having considered the information and analysis above, we concur with the view of the Company that the Proposed Acquisitions follows the long-term strategy of the Group.

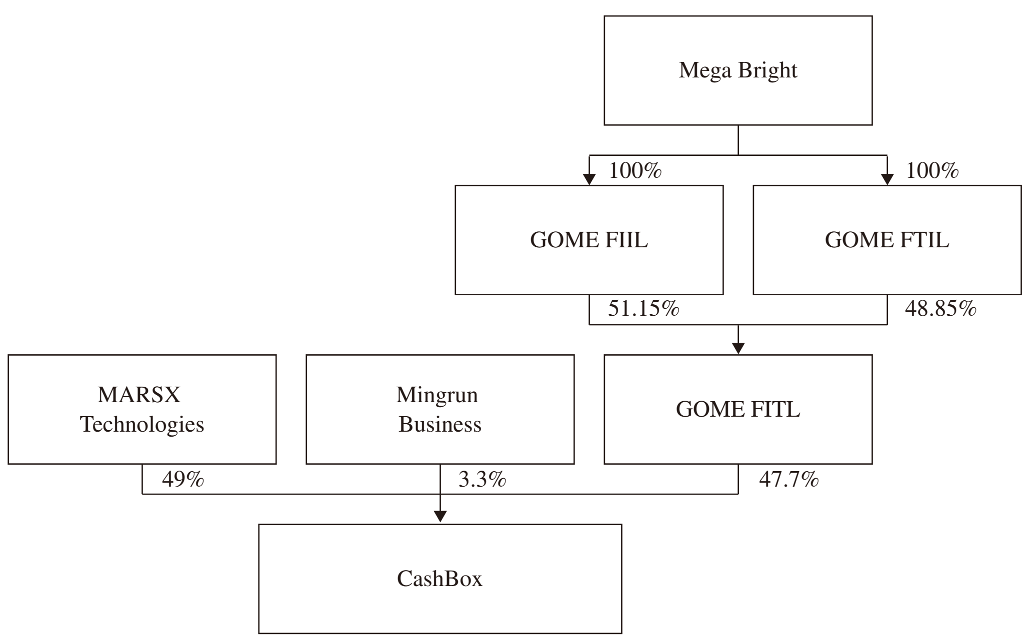
6. Information of GOME FIIL and CashBox

6.1 Background information of GOME FIIL and CashBox

General information

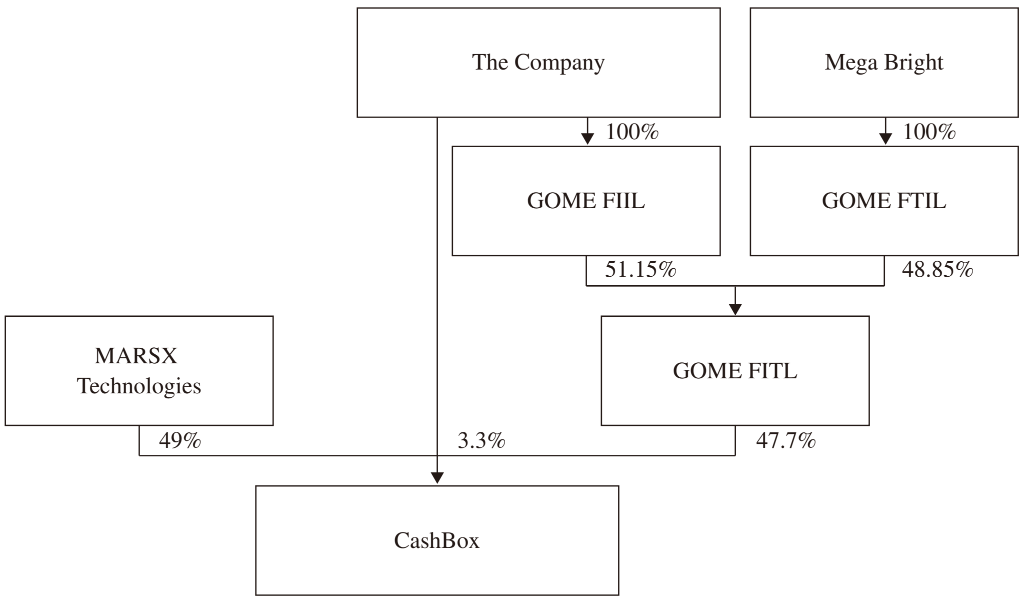
GOME FIIL is principally engaged in investment holding. The only asset of GOME FIIL is the 51.15% interest in GOME FITL and the only asset of GOME FITL is the 47.7% interest in CashBox. CashBox is principally engaged in game development and publishing business, details of which are set out in the paragraph headed "Business of CashBox" in the Letter from the Board.

A corporate structure chart of GOME FIIL and CashBox as at the Latest Practicable Date is set out below:



Immediately after completion of the Proposed Acquisitions, GOME FIIL will become a wholly-owned subsidiary of the Company and CashBox will become an indirect non-wholly owned subsidiary of the Company, and the financial results of the GOME FIIL Group and CashBox will be consolidated in the financial statements of the Group.

A corporate structure chart of GOME FIIL and CashBox immediately after completion of the Proposed Acquisitions is set out below:



6.2 Financial information of GOME FIIL and CashBox

Set out below is the audited consolidated financial information of GOME FIIL Group prepared in accordance with HKFRSs for each of FY2021, FY2022, and FY2023 as extracted from Appendix IIA to this Circular:

	FY2021	**FY2022**	**FY2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Loss before taxation	(1)	(1)	(4)
Loss after taxation	(1)	(1)	(4)

Source: Appendix IIA to this Circular

The audited consolidated net asset value of GOME FIIL Group as at 31 December 2023 was approximately RMB4,401,000.

Set out below is the key audited financial information of CashBox prepared in accordance with HKFRSs for each of the year ended 31 December 2020 ("**FY2020**"), FY2021, FY2022, and FY2023 as extracted from Appendix IIB to this Circular:

	FY2020	**FY2021**	**FY2022**	**FY2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Revenue	32,202	36,943	61,661	227,329
Profit/(loss) before tax	1,175	(2,018)	584	17,837
Profit/(loss) for the year	1,175	(2,018)	584	17,837

Source: Appendix IIB to this Circular

The revenue of CashBox increased by approximately 14.7% from approximately RMB32.2 million for FY2020 to approximately RMB36.9 million for FY2021, such improvement in revenue was mainly attributable to the increase in income generated from advertising revenue segment for FY2021. However, the net profit of approximately RMB1.2 million for FY2020 reversely deteriorated to a loss of approximately RMB2.0 million for FY2021 offsetting the positive financial effects brought about by the revenue increase. As advised by the Management, such significant decrease in net profit was mainly attributable to the increase in cost of sales, primarily due to the increase in research and development expenses incurred in relation to the design and development of mobile games during FY2021.

For FY2022, CashBox recorded revenue of approximately RMB61.7 million, represented a significant increase of approximately 66.9% from approximately RMB36.9 million for FY2021. The net profit was approximately RMB0.6 million for FY2022, represented a turnaround from a net loss of approximately RMB2.0 million for FY2021. Such improvement in net profit was mainly attributable to the increase in revenue generated from both advertising revenue and top-up revenue segment during FY2022.

The revenue of CashBox increased significantly by approximately 268.7% from approximately RMB61.6 million for FY2022 to approximately RMB227.3 million for FY2023. For FY2023, CashBox experienced rapid growth in net profit, which increased to approximately RMB17.8 million as compared with the net profit of RMB0.6 million for FY2022, such increase in net profit is attributable to the increase in revenue generated from both advertising revenue and top-up revenue segment for FY2023.

The following is a summary of the financial positions of CashBox as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, as extracted and determined from Appendix IIB to this Circular:

	Audited As at 31 December			
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	—	372	857	951
Current assets	10,660	27,749	19,750	82,761
Total assets	10,660	28,121	20,607	83,712
Current liabilities	9,778	29,240	21,221	66,432
Net assets/(liabilities)	882	(1,119)	(614)	17,280

Source: Appendix IIB to this Circular

As at 31 December 2023, the total assets of CashBox were approximately RMB83.7 million, raised by approximately RMB63.1 million or 306.2% as compared to approximately RMB20.6 million as at 31 December 2022. The increase in total assets was mainly attributable to the combined effect of, among others, (i) the increase in trade receivables of approximately RMB14.6 million; (ii) the increase in prepayments and other receivables of approximately RMB10.4 million; and (iii) the increase in cash and cash equivalents of approximately RMB35.9 million.

CashBox's current liabilities were approximately RMB66.4 million as at 31 December 2023, represented an increase of approximately RMB45.2 million or 213.0% as compared to approximately RMB21.2 million as at 31 December 2022. Such increase was mainly attributable to a combined effect of, among others, (i) the increase in trade payables of approximately RMB45.1 million; and (ii) the rise in amount due to a director of approximately RMB0.1 million.

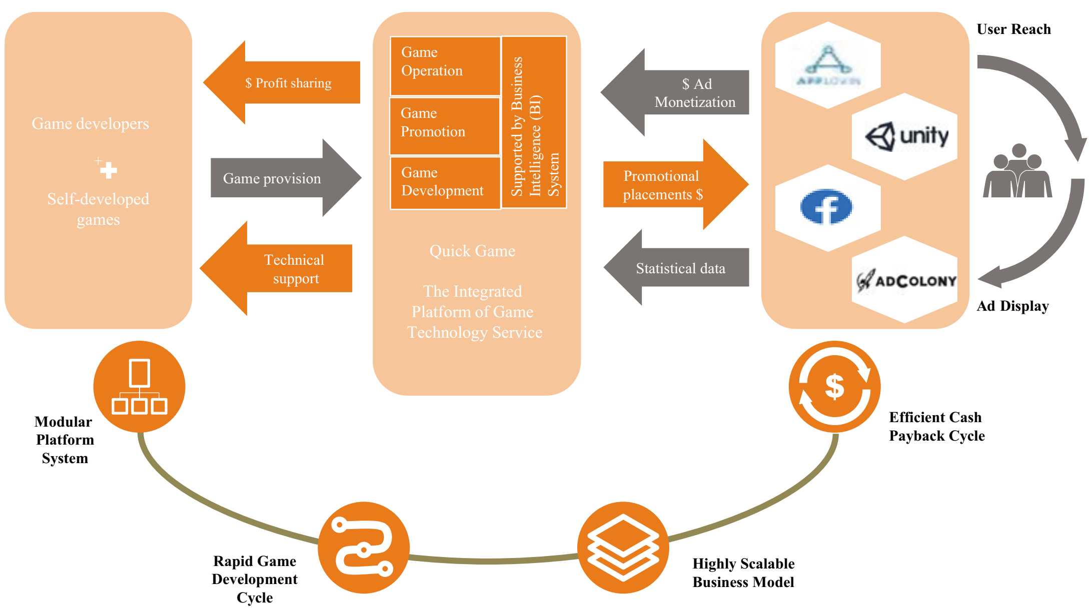
As a result of the combination of movements of total assets and liabilities of CashBox highlighted above, the net asset value recorded an increase of approximately RMB17.9 million from a net liabilities position of approximately RMB0.6 million as at 31 December 2022 to a net assets position of approximately RMB17.3 million as at 31 December 2023.

As at the Latest Practicable Date, CashBox owed an amount of US$540,000 to Mr. Li. Mr. Li has undertaken to assign the loan to MARSX Technologies and MARSX Technologies has undertaken to convert the loan into the share capital of CashBox without allotment and issuance of new shares before completion of the Proposed Acquisitions.

Further financial information of each of GOME FIIL and CashBox is set out in the accountants' reports in Appendix IIA and Appendix IIB to this Circular respectively.

The GOME FIIL Sale Share was acquired by Mr. Wong through Mega Bright at HK$186,146,835. The 47.7% interest in CashBox was acquired by Mr. Wong through GOME FITL from MARSX Technologies for a consideration of approximately HK$363,923,000. MARSX Technologies is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Li as at the Latest Practicable Date. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of MARSX Technologies and Mr. Li is independent of the Company and connected persons of the Company.

6.3 Business of CashBox



Business model

With the support of the data analysis of its big data Business Intelligence (i.e. BI) platform, CashBox can promptly capture users' preferences for leisure game categories and innovative gameplay in the market. Using QuickGame's integrated technology platform, it can quickly develop new products and launch them in the market. The integrated personalised promotion system effectively promotes the products on social media and video platforms, including social media, search engines, video sharing websites, etc. to attract potential users to download the game APP and became CashBox's users, and at the same time earns revenue through advertising within the game APP (in-app advertising or "**IAA**") and players' purchase of game props (in-app purchase or "**IAP**"). A more detailed introduction of this business model is set out as follows:

1. Advertising monetisation through IAA: CashBox cooperates with various social and video platforms such as Google, Facebook and TikTok, allowing them to display various forms of advertising, such as banner, video, and interstitial advertisements in the game APP. When users are playing the

game, they will see these advertisements and may click on them to take further action. CashBox charges the social and video platforms based on advertisement clicks and display times.

2. IAP: Apart from the revenue from advertising monetisation, CashBox also earns revenue by providing game membership services to users and selling game props (IAP). Game membership usually allows the members to obtain additional game features or privileges, such as priority access to new game content, free access to game props, etc. Users can pay a certain fee to become a game member or purchase game props in the game to enhance their gaming experience.

Such business model has the following advantages:

1. Low user acquisition cost: Promotion through social and video platforms can attract potential users at a relatively low cost.

2. Diversification of revenue sources: Earning revenue through advertising monetisation and selling game props (IAP) diversifies sources of revenue and reduces reliance on a single source of revenue.

3. High user viscosity: By providing interesting game content and high-quality gaming experience, users are attracted to use the game APP for a long time, thereby increasing user viscosity and improving user retention rate.

To sum up, CashBox's business model is to attract potential users through promotion on social and video platforms, and then earn revenue through advertising and sales of game props (IAP). This model has the advantages of low cost, diversified revenue sources, and high user viscosity, and is therefore an effective business model.

As at the Latest Practicable Date, CashBox had no employees. All personnel were employed by Beijing Happy Joyful, a company controlled by Mr. Li, which provided BI system development and maintenance services in return for service fees paid by CashBox to Beijing Happy Joyful. According to the Vendors, as at 31 December 2023, there were 86 employees in Beijing Happy Joyful who provided the aforesaid services to CashBox. Mr. Li has undertaken to procure (i) the change of the employer of all such personnel to a PRC company to be set up by CashBox; and (ii) the submission of application for the transfer of the intellectual property rights required for the operation of CashBox's business to CashBox, prior to completion of the Proposed Acquisitions at nil consideration. Completion of the transfer of the intellectual property rights shall be completed within 6 months after completion of the Proposed Acquisitions. Mr. Li has also undertaken that after completion of the Proposed Acquisitions, he will not, and will procure his associates (including his controlled companies except CashBox) not to, directly or indirectly engage in or in any way involve in or hold interest in any business which competes or may compete with CashBox's business (other than his indirect shareholding interest in CashBox through MARSX Technologies).

For further details in relation to the intellectual property rights to be transferred from Beijing Happy Joyful to CashBox, please refer to subsection headed "1. Software copyrights", "2. Trademarks", "3. Patents", "4. Domain names" and "5. Intangible assets" in the Letter from the Board.

Revenue model

CashBox mainly generates revenue through:

(i) Advertising monetisation through IAA: CashBox allows various social and video platforms to display advertisements on its game APP and charges such platforms based on advertisement clicks and display times.

(ii) IAP: CashBox earns revenue by providing game membership services to users and selling game props. Different membership fees apply depending on the terms of membership.

The expenses of CashBox are mainly promotion expenses, technical service fees, bank charges, consulting fees and other administrative fees, etc.

Core competitiveness

CashBox's core competitiveness can be summarised in the following aspects:

1. Strength of the team: CashBox has an international technician team and management team with extensive industry experience and professional skills. This strong team provides CashBox with stable technical support and efficient management capabilities, which helps CashBox maintain its leading position in the industry.

2. Big data and artificial intelligence capabilities: CashBox independently developed a BI system that can achieve minute-level data acquisition and analysis. By utilising big data and artificial intelligence technology, CashBox can dynamically adjust investment channels and strategies, select suitable and effective advertising channels, and thereby increase return on investment. This also helps CashBox to more accurately locate target users during the advertising process and improve advertising effectiveness and revenue.

3. Data-driven research and development capabilities: CashBox possesses strong data analysis capabilities and can improve game development efficiency through big data analysis and improve product templates and

precision. Such capabilities enable CashBox to have a short product development cycle so that it can quickly iterate and optimise products, thereby increasing user viscosity and number of users.

4. Localised operation capabilities: Users of CashBox are mainly distributed in countries with high population density, such as the United States, Brazil, India and Indonesia. It has the ability to localise products according to the language and culture of different countries and regions, which helps it to better adapt to the needs and cultural characteristics of the local markets and increase user satisfaction and loyalty.

To sum up, the core competitiveness of CashBox lies in its strong team, big data and artificial intelligence capabilities, data-driven research and development capabilities and localised operation capabilities. These capabilities have provided CashBox with significant advantages in social and video platform promotion, advertising, game development, etc., enabling it to maintain a leading position in the industry.

Games

CashBox had developed and launched over 200 games. Approximately 80% of the games of CashBox were developed by CashBox independently or together with other game developers, which contributed to approximately 81% of CashBox's total revenue. Approximately 20% of the games of CashBox were developed by external game developers, where CashBox was mainly responsible for commercial monetisation and development and operation promotion, which contributed to approximately 19% of CashBox's total revenue. Details of the top 10 games of CashBox in terms of contribution to revenue are set out as follows:

	Name	**Description**	**Category**
1.	Mystic Bingo Voyage	A classic gameplay of bingo with bonus rounds, power-ups, and special features.	Bingo
2.	Bingo Day: Lucky to Win	A super classic bingo game.	Bingo
3.	Lucky Chip Spin: Free Puzzle!	A pusher game where players try to drop the coins onto the platform carefully so that they can push the other medals and prizes off of the edge.	Pusher
4.	Cash N Casino: Lucky Slots	A classic casino game.	Slots
5.	Water Sort Puzzle: Sort Color	A puzzle game where the player tries to sort the colored water in the glasses until all colors in the same glass.	Puzzle

	Name	Description	Category
6.	Block Puzzle: Wooden Challenge	A puzzle game with wooden style which is suitable for all ages.	Puzzle
7.	Slots Tycoon: Jackpot Cash	A fun slot game intended for users over the age of 18.	Slots
8.	Farming Frenzy: Harvest Haven	A casual, delightful gameplay where players create their desert paradise, dive into the excitement of farming, town life, and the quest for rare treasures.	Casual
9.	Olympian Riches: Zeus Slots	A casino game combined with the excitement of a jackpot.	Slots
10.	Blackjack 21: Cash Poker	A classic Blackjack play with a new visual experience.	Blackjack 21

There are currently 8 games under development and 11 games which are planned to be developed. They are all mini casual games and are expected to be launched in the first half of 2024.

The games developed by CashBox are mini and casual games which are classic and common, and it is not practical for CashBox to register intellectual property rights in respect of such games. As such, as at the Latest Practicable Date, CashBox had not registered intellectual property right in respect of its games and no intellectual property rights were recognised in its balance sheet as set out in Appendix IIB to this Circular.

Key operation data

The key operation data of CashBox for FY2020, FY2021, FY2022 and FY2023 are set out below:

	FY2020	**FY2021**	**FY2022**	**FY2023**
MAU as at end of the year/period	958,755.7	2,268,766.5	3,326,310.3	20,665,736
Accumulated users	11,281,489	30,978,410	58,618,952	126,660,018
Average gross business value per MAU *(Note)*	2.00	2.30	2.65	3.15
Games				
– Launched	20+	65+	120+	280+
– Developing	10+	20+	40+	20+

Note: Calculated based on the average monthly advertisement income generated by such user by viewing advertisements, or the average amount of top up each month, when such user played the games during the relevant year/period in the reporting period.

For further details in relation to the regulatory environment in countries where CashBox has principal operations in, please refer to subsection headed "Regulatory environment" in the Letter from the Board.

7. Principal terms of the GOME FIIL Agreement

The principal terms of the GOME FIIL Agreement are set out below.

Parties

(1) the Company as purchaser; and

(2) Mega Bright as vendor.

Assets to be acquired

The GOME FIIL Sale Share, representing 100% of the issued share of GOME FIIL as at the date of the GOME FIIL Agreement.

Consideration

The consideration for the acquisition of the GOME FIIL Sale Share is HK$174.8 million, which shall be satisfied by the Company allotting and issuing the Consideration Shares I, comprising 2,185,286,341 new Shares, to Mega Bright at the Issue Price of HK$0.08 per Share at completion.

The consideration was determined after arm's length negotiations between the Company and Mega Bright based on the number of users of CashBox as at June 2023 and subject to valuation performed by an independent valuer appointed by the Company.

As at the end of June 2023, CashBox had over 50 million accumulated users and 5 million MAU. The number of accumulated users had recorded a year-on-year growth of over 100% from 2021 to 2022 and around 56% from 2022 to 2023. The number of MAU as at the end of September 2023 was over 8 million as compared to less than 1 million as at the beginning of 2021. As at the end of December 2023, the number of MAU was over 10 million, representing an increase of more than 1,000% as compared to the number of MAU as at the beginning of 2021, showing that CashBox is entering an explosive growth cycle. The market value of game companies, especially small and medium-sized ones, is mostly determined based on the number of users, user value and growth rate of users, instead of income, during their early and rapid development stage, common for companies in Internet-related businesses.

Based on the daily operation data from 1 January 2020 to 30 June 2023 provided by the Vendors, each MAU of CashBox spent an average of over 60 minutes every month playing games of CashBox (industry average: 30 minutes, according to the data published by Udonis, a global mobile marketing agency). During such 60 minutes of playing games (excluding the time spent on viewing the advertisements), each user on average viewed 100 to 140 advertisements or topped up 2 to 3 times. Such advertisements include banner advertisement, interstitial advertisement and rewarded video advertisement, and top-up means the users paid membership fee or topped up their app wallet for in-app purchase, mainly for props for use in games. CashBox's income per advertisement was between US$0.03 to US$0.04 (and the advertisement income from every time a user plays a game was approximately US$0.2 to US$0.5), and the amount of each top up was approximately US$1.5. The aforesaid two types of income are alternative to each other because if a user chooses in-app purchase to recharge game membership or purchase props, there is no need to watch the corresponding advertisements. Taking the lower end of each of the ranges in the number of advertisements viewed by each active user and the minimum income per advertisement, or the lower end in the range of the top up times per active user, each active user can generate gross business value of approximately US$3 for CashBox every month. After deducting the associated expenses including platform charges, taxes and other miscellaneous expenses such as data analysis carried out by third parties and loss on foreign exchange, which amounted to a total of approximately US$1 per active user, the net business value generated by each active user every month was approximately US$2.

Calculation of the average monthly business value of each MAU with reference to the historical operation data provided by the Vendors is set out in the table below:

	Average units *(per month)*
(a) Advertisement income	
Number of advertisements viewed	100
Income from each advertisement viewed	US$0.03
(b) Top up amount	
Top up times	2
Amount of each top up	US$1.50
Gross business value per user per month calculated based on (a) or (b)	**US$3**
Deducting:	
Associated expenses including platform charges, taxes and other miscellaneous expenses such as data analysis carried out by third parties and loss on foreign exchange attributable to each user per month	US$1
Net business value per user per month	**US$2**

Note: The estimated business value of the MAU of CashBox for determining the consideration is not the historical revenue of CashBox. The historical revenues of CashBox for the relevant financial years are shown in the financial statements in Appendix IIB. The reason is that the estimated business value of the MAU was arrived at using the operating standards, and the calculation was based on the number of MAU as at the end of 30 June 2023, multiplied by the average business value of the MAU. On the other hand, the historical revenue as shown in the financial statements was arrived at in accordance with the relevant accounting standards. The difference in the calculation bases of these two standards can be summarised as follows:

1. Under the applicable accounting standards, revenue would only be recognised after comprehensive consideration of business records (e.g. contracts, invoices and bills) and various other factors. For example, CashBox, as agent, collaborated with numerous game developers during the reporting period. As an agent, CashBox reported revenue on a net basis. Therefore revenue would only be recognised after deducting relevant promotion costs or share of revenue payable to the game developers. The promotion costs and share of revenue payable to the game developers were not included in the "associated expenses" for calculating the net business value per user per month, as such costs are not the most significant part of CashBox's operations and development in the long run, mainly for the following reasons: (i) based on CashBox's operating conditions, the product cooperation strategies with the game developers may be adjusted and the revenue-sharing ratios may also be adjusted at different development stages, and the proportion of revenue shared to game developers would be higher at the early stage of operation of CashBox and will reduce as CashBox's operations stabilise later; (ii) compared with the development of such casual leisure games (which are relatively easy to develop and alternative game developers can be found without difficulty), the operation, promotion and monetisation ability of the games, which is handled by CashBox itself, is more important to CashBox's operations; and (iii) it is expected that the Group's business and CashBox's business will create synergies in different ways and the need to cooperate with third party developers may diminish in the future, thereby reducing operating costs of CashBox; and

2. The number of MAU of CashBox has increased rapidly from 2021 to 2023 (increased from around 1 million to 3 million from 2021 to 2022, and from around 3 million to 5 million from end of 2022 to first half of 2023) and the average gross business value per MAU (determined above based on the number of advertisements viewed and top-up value per MAU per month was relatively constant for the period from 2021 to 2023 based on the operating data provided by the Vendors. As the number of MAU was rapidly increasing throughout the relevant period, the impact of the rapid increase in MAU, which was reflected in the calculation of the estimated business revenue, would not be fully reflected in the financial statements.

Calculated based on the number of MAU as at June 2023 (i.e. 5 million) multiplied by the monthly net business value of approximately US$2 expected to be generated by each active user and the average promotion cycle of CashBox's games of 12 months, the business value of CashBox was determined to be approximately US$120 million or HK$900 million (based on an agreed exchange rate of US$1=HK$7.5). The agreed business value of CashBox was arrived at by applying a discount of approximately 15% to the business value, which was determined based on arm's length negotiations between the parties to the Proposed Acquisitions with reference to the discount for lack of marketability for unlisted businesses acquired by other listed issuers on the Stock Exchange in the previous 12 months, which mostly range from approximately 15% to 20%, based on a report prepared by Moore (an audit and consultancy firm in Hong Kong) in October 2023. The agreed business value of CashBox was determined to be approximately HK$763 million.

We considered that the Company's approach of considering 5 million average MAU as a key input appears to be reasonable. MAU is a widely used metric in the industry to assess the user base and potential reach of a platform. According to our review on the notable historical acquisitions, namely, (a) the acquisition of Mojang (the Stockholm-based game developer and the iconic game, "**Minecraft**" franchise) by Microsoft Corporation (MSFT.NASDAQ) in 2014 was driven by various factors, including among others, the massive player base of "**Minecraft**" and such strategic value it would bring to Microsoft's gaming portfolio; (b) the acquisition of WhatsApp by Facebook, Inc. (now known as Meta Platforms, Inc.) in 2014 was mainly motivated by various factors, including among others, the user base and growth of WhatsApp. At the time of the acquisition, WhatsApp had over 450 million MAU and was experiencing rapid growth over the years; and (c) the acquisition of King Digital Entertainment plc. (KING. NYSE) (intellectual property owner of the renowned mobile games, namely "**Candy Crush Saga**" and "**Candy Crush Soda Saga**") by Activision Blizzard, Inc. (ATVI. NASDAQ) in 2015 would create one of the largest global entertainment networks with over half a billion combined MAU across 196 countries. This global audience would reach across casual and core gamers, direct relationships with this large and diverse audience will extend Activision Blizzard's reach whereby creating opportunities to cross-promote content and engage new players with Activision Blizzard's franchises, all of which have demonstrated the relevancy of MAU in determining consideration in the technology related industry. Thus, the large and highly engaged user bases of these companies played a significant role during the course of valuation and consideration negotiation. We acknowledge the differences in nature and scale of these transactions comparing with that of the Proposed Acquisitions. However, the principal underlying factors used in determining the value of the transactions involving user bases and platforms are consistent. Accordingly, we considered that the use of MAU as a key input is reasonable.

In addition, we considered that the net business value generated by each active user of approximately US$2 to be a reasonable benchmark. Firstly, based on our discussion with the Valuer and Management in connection with the methodology and assumptions adopted in determining the business value generated by each active user, each of the component (i.e. number of advertisements viewed and top up times etc.) to form the calculation of net business value of US$2 can be verified by historical operation data.

As at the date of the GOME FIIL Agreement, CashBox was held as to 47.7% by GOME FITL. Since GOME FITL had no material assets and liabilities other than the interest in CashBox, the equity value of GOME FITL was agreed to be 47.7% of the market value of CashBox. Same for the 51.15% equity interest in GOME FITL, since GOME FIIL had no other material assets and liabilities, the equity value of GOME FIIL was agreed to be 51.15% of the equity value of GOME FITL. The consideration for the GOME FIIL Sale Share was calculated based on 51.15% of 47.7% of HK$763 million, and applying a discount of around 6% based on arm's length negotiations between the parties to the Proposed Acquisitions as Mega Bright was willing to offer a discount taking into account that Mr. Wong is a connected person of the Company and a discount is in the interest of the Company and the Shareholders.

Moore Hong Kong regularly publishes reports of its study on control premium & discount for lack of marketability study based on the notifiable transactions published on the website of the Stock Exchange. Moore Hong Kong is a member firm of Moore Global, an accounting and consulting networks based from the United Kingdom and comprises Moore CPA Limited, Moore Associates Limited, Moore Tax Services Limited, Moore Advisory Services Limited, Moore Transaction Services Limited, Moore Recovery Limited, and First Island Secretaries Limited. We have obtained and reviewed a report titled "Control Premium & Discount for Lack of Marketability Study, Issue 4 — October 2023" (the "**Moore Report**") prepared by Moore Hong Kong published on 31 October 2023. The Moore Report reported that during the period from 1 October 2022 to 30 September 2023, 26 out of 355 circulars included valuation reports with adoption of 32 discounts for lack of marketability ("**DLOM**") and majority of the valuers (i.e. approximately 71.9%) of those transactions quoted the DLOM figures from the "Stout Restricted Stock Study Companion Guide" as published by Stout Risius Ross, LLC., which we understand as one of the largest fully-vetted databases on providing DLOM figures commonly referenced by professional valuers. The DLOM in the Moore Report ranged from 9.0% to 42.9% ("**DLOM Range**") with average at 22.9% and median at 20.6%.

The discount of the consideration of the GOME FIIL Sales Share of HK$174.8 million was approximately 16.7% to the attributable market value of the GOME FIIL Sale Share of approximately HK$209.79 million. We note that the discount adopted in respect of the GOME FIIL Sales Share of approximately 16.7% falls within the range of the DLOM Range but lower than the average and median of 22.9% and 20.6%. Although the discount of 16.7% is lower than the average and median of 22.9% and 20.6% of the DLOM in the Moore Report, we consider that discount is acceptable and fair and reasonable.

As shown in the Valuation Report (a summary of which is set out in Appendix V to this Circular), the Valuation of the entire equity value of CashBox amounted to approximately US$109.73 million (equivalent to approximately HK$859.84 million) as at 30 June 2023, which was arrived at using market approach. Based on the Valuation of the equity value of CashBox, the attributable market value of the GOME FIIL Sale Share would be approximately HK$209.79 million, which is higher than the consideration of HK$174.8 million. Therefore, no adjustment to the consideration of the GOME FIIL Sale Share was made.

The Valuer is an independent valuer licensed to carry out valuation business in the PRC, and the relevant appraisers in charge of the valuation are accredited assets appraisers by China Appraisal Society* (中國資產評估協會) with extensive experience in conducting valuation in difference industries, including Internet and start-up companies operating in business of Software as a Service (SaaS), game developing, e-commerce and websites etc., as well as games company. Taking into account (i) the qualifications and experience of the Valuer; (ii) the Valuer, in adopting the market approach, has made reference to various comparable transactions based on information obtained from publicly available sources as set out in the Valuation Report; and (iii) the Target Group's business is still at the development stage and future income cannot be accurately determined, the Company considers that the Valuation Report is appropriate.

For the reasons set out above, the Company considers that the consideration for the GOME FIIL Sale Share is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions precedent

Completion is conditional upon fulfilment of the following conditions:

(a) the Company being satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational or other aspects that the Company may consider necessary) on the GOME FIIL Group and CashBox;

(b) the passing of the ordinary resolutions by the Independent Shareholders at the SGM to approve (i) the GOME FIIL Agreement and the transactions contemplated thereunder; and (ii) the specific mandate for the issue of the Consideration Shares I;

(c) the listing committee of the Stock Exchange having granted the approval for the listing of and permission to deal in the Consideration Shares I;

(d) the warranties provided by Mega Bright as set out in the GOME FIIL Agreement remaining true, accurate and correct in all respects;

(e) Mega Bright having complied with and performed its obligations under the GOME FIIL Agreement on or before the date of completion;

(f) no governmental authority having proposed or enacted any statute, regulation or decision, or taken any measure or action that would prohibit, restrict or materially delay the continuation of the proposed acquisition under the GOME FIIL Agreement or the business of the GOME FIIL Group;

(g) CashBox having entered into an employment contract with Mr. Li in form and substance satisfactory to the Company; and

(h) the conditions precedent as set out in the CashBox Agreement (except for the satisfaction or waiver of the conditions precedent as set out in the GOME FIIL Agreement) being satisfied or waived.

The Company may at any time waive in whole or in part and conditionally or unconditionally any of the conditions precedent above (save for (b) and (c), which cannot be waived).

The Company does not expect to waive, in whole or in part and conditionally or unconditionally, any of the above conditions precedent.

With respect to the employment contract to be entered into between CashBox and Mr. Li as set out in condition (g) above, Mega Bright has undertaken to procure that it will be in a form and content satisfactory to the Company and the term of service of Mr. Li will be not less than six (6) years after completion of the Proposed Acquisitions, subject to the right of the Company or CashBox to terminate such employment early at its absolute discretion if it takes the view that Mr. Li's performance is not satisfactory. The Company will negotiate the terms of the employment contract with Mr. Li to ensure that they will be normal commercial terms and in the interest of the Company and the Shareholders as a whole. If the Group cannot secure Mr. Li's employment, the Proposed Acquisitions will not proceed.

In addition, Mr. Li has undertaken to procure (i) the transfer of all employees from Beijing Happy Joyful to a PRC company to be newly set up by CashBox; and (ii) the submission of application for transfer of all intellectual property rights required for the operation of CashBox's business to CashBox, prior to completion of the Proposed Acquisitions at nil consideration. Completion of the Proposed Acquisitions will not take place unless and until after the aforesaid transfer and application for transfer have been completed. For details, please refer to the section headed "Information on GOME FIIL and CashBox — Business of CashBox — Business model" in the Letter from the Board.

If the conditions precedent set out in (b) and (c) above have not been satisfied on or before the Long Stop Date or any other conditions precedent have not been satisfied or waived on or before completion, the Company may by written notice to Mega Bright terminate the GOME FIIL Agreement, whereupon all rights and obligations of the parties shall cease to have effect, save and except for certain surviving clauses and rights and liabilities accrued prior to termination of the GOME FIIL Agreement.

As at the Latest Practicable Date, no conditions precedent have been satisfied.

Completion

Subject to fulfilment of all the conditions precedents above, completion of the GOME FIIL Agreement shall take place on the fifth business day after the last of the conditions precedent set out in (b) and (c) above has been satisfied, or on such later date as the Company and Mega Bright may agree in writing.

8. Principal terms of the CashBox Agreement

The principal terms of the CashBox Agreement are set out below.

Parties

(1) the Company as purchaser; and

(2) Mingrun Business as vendor.

Assets to be acquired

The CashBox Sale Shares, representing 3.3% of the issued shares of CashBox as at the date of the CashBox Agreement.

Consideration

The consideration for the acquisition of the CashBox Sale Shares is HK$25.2 million, which shall be satisfied by the Company allotting and issuing the Consideration Shares II, comprising 314,713,659 new Shares, to Mingrun Business at the Issue Price of HK$0.08 per Share at completion.

The consideration was determined after arm's length negotiations between the Company and Mingrun Business based on the number of users of CashBox as at June 2023 and subject to valuation performed by an independent valuer appointed by the Company.

The detailed basis for determining the initial consideration for the CashBox Sale Shares is set out in the paragraph headed "The GOME FIIL Agreement — Consideration" in the Letter from the Board. The initial consideration for the CashBox Sale Shares was calculated based on 3.3% of HK$763 million. Based on the Valuation of the entire equity value of CashBox, the attributable market value of the CashBox Sale Shares would be approximately HK$28.37 million, which is higher than the consideration of HK$25.2 million. Therefore, no adjustment to the consideration of the CashBox Sale Shares was made.

The discount of the consideration of the CashBox Sales Shares of HK$25.2 million was approximately 11.1% to the attributable market value of the GOME FIIL Sale Share of approximately HK$28.37 million. We note that the discount in respect of the CashBox Sales Shares of approximately 11.1% falls within the range of the DLOM Range but lower than the average and median of 22.9% and 20.6%. Although the discount of 11.1% is lower than the average and median of 22.9% and 20.6% of the DLOM in the Moore Report, we consider that the amount of the consideration of the CashBox Sale Shares is much lower and the discount is acceptable, fair and reasonable.

For the reasons set out above, the Company considers that the consideration for the CashBox Sale Shares is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions precedent

Completion is conditional upon fulfilment of the following conditions:

(a) the Company being satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational or other aspects that the Company may consider necessary) on CashBox;

(b) the passing of the ordinary resolutions by the Independent Shareholders at the SGM to approve (i) the CashBox Agreement and the transactions contemplated thereunder; and (ii) the specific mandate for the issue of the Consideration Shares II;

(c) the listing committee of the Stock Exchange having granted the approval for the listing of and permission to deal in the Consideration Shares II;

(d) the warranties provided by Mingrun Business as set out in the CashBox Agreement remaining true, accurate and correct in all respects;

(e) Mingrun Business having complied with and performed its obligations under the CashBox Agreement on or before the date of completion;

(f) no governmental authority having proposed or enacted any statute, regulation or decision, or taken any measure or action that would prohibit, restrict or materially delay the continuation of the proposed acquisition under the CashBox Agreement or business of CashBox; and

(g) the conditions precedent as set out in the GOME FIIL Agreement (except for the satisfaction or waiver of the conditions precedent as set out in the CashBox Agreement) being satisfied or waived.

The Company may at any time waive in whole or in part and conditionally or unconditionally any of the conditions precedent above (save for (b) and (c), which cannot be waived).

The Company does not expect to waive, in whole or in part and conditionally or unconditionally, any of the above conditions precedent.

If the conditions precedent set out in (b) and (c) above have not been satisfied on or before the Long Stop Date or any other conditions precedent have not been satisfied on or before completion, the Company may by written notice to Mingrun Business terminate the CashBox Agreement, whereupon all rights and obligations of the parties shall cease to have effect, save and except for certain surviving clauses and rights and liabilities accrued prior to termination of the CashBox Agreement.

As at the Latest Practicable Date, no conditions precedent have been satisfied.

Completion

Subject to fulfilment of all the conditions precedents above, completion of the CashBox Agreement shall take place simultaneously with the completion of the GOME FIIL Agreement.

9. The Consideration

CashBox is a company incorporated in Hong Kong with limited liability and is principally engaged in game development and publishing business.

Comparable Companies

In assessing the fairness and reasonableness of the consideration for the acquisition of the GOME FIIL Sale Share and the CashBox Sale Shares (together, the "**Consideration**"), we have conducted a comparable analysis by comparing the relevant listed peer companies, which are engaged in similar principal business activities, against CashBox. In such regard, we have, on a best effort basis, identified a list of comparable companies (the "**Comparable Companies**") based on the following selection criteria:

(i) they are listed in stock exchanges in Hong Kong or United States. As CashBox is principally engaged in game development and publishing business that targets customers in United States, we considered companies listed on both Hong Kong and United States would provide a broader comparison;

(ii) at least 30.0% of the latest published annual revenue was generated from the United States. We considered companies with a significant portion of their revenue derived from the United States could capture companies focusing in the United States as the key geographical market;

(iii) they are principally engaged in the provision of mobile games development. We focused on companies that were primarily engaged in the development of mobile games so as to ensure the selected companies possess a similar business model and industry that are comparable to those of CashBox; and

(iv) their market capitalisation are below approximately US$4.0 billion. This was implemented with an aim to obtain a comprehensive sample size for our comparison purpose, we noted that the market capitalisations, profitability and financial positions of the Comparable Companies may not be the same as those of CashBox. Nevertheless, the Comparable Companies can provide a general reference to assess the fairness and reasonableness of the consideration for the Proposed Acquisitions.

Initially, we have obtained a full list of 75 comparable companies in total based on the selection criteria (i) as set out above. Secondly, after applying the section criteria (ii), (iii) and (iv), the list of comparable companies were further refined into a list of five companies (including DoubleDown Interactive Co., Ltd.) which met all the said criteria. We consider, to the best of our knowledge and ability, that the Comparable Companies are exhaustive, fair and indicative in assessing the fairness and reasonableness of the consideration for the Proposed Acquisitions and we also consider that the selection criteria are appropriate since it provided, in our opinion, a reasonable and meaningful number of companies for our analysis purpose and the Comparable Companies is a fair and representative sample.

For the purpose of our comparison of the fairness and reasonableness of the Consideration with the respective value of the Comparable Companies, we have used the price to MAU ("**P/MAU**") multiple which is consistent with the measure used by the Valuer in its valuation of the equity value of CashBox, details of which are set out in the Valuation Report (a summary of which is set out in Appendix V to this Circular). MAU is defined as a registered user who logged in or used (excluding repeated logins) the mobile application in the last 30 days of the date of measurement.

In assessing the fairness and reasonableness of using P/MAU as the valuation metric, we have further held discussion with the Valuer and understand that P/MAU is commonly employed multiple in the gaming industry to evaluate companies based on their ability to monetise their user base and assess potential growth prospects. P/MAU multiple is also able to provide insights into the price investors are willing to pay for each MAU, which therefore is often used in technology, gaming or social media sector where user engagement and user base are important drivers of value. As stated in the subsection headed "Key operation data" above, the MAU of CashBox increased significantly from approximately 2.3 million in FY2021 to approximately 3.3 million in FY2022, representing a hike of approximately 43.5%. In addition to the P/MAU multiple, we have also considered the feasibility of adopting other valuation metrics as part of the valuation assessment. However, certain valuation metrics such as price-to-earnings multiple ("**P/E**") was not applicable due to the fact that two of the Comparable Companies, namely DoubleDown Interactive Co., Ltd. and Playstudios, Inc. have both incurred a net loss for FY2022, and could not provide a meaningful figure for comparison purpose. Meanwhile, price-to-sales multiple ("**P/S**") and is a broader measure of valuation metric that considers the overall revenue generation capability of a company focuses on a company's value relative to its revenue instead of assessing how much an investor is willing to pay for each active user of a platform. We, therefore, are of the view that P/MAU is an appropriate valuation metric for the Proposed Acquisitions.

The implied P/MAU of CashBox of approximately US$19.25 per MAU is determined based on the aggregate consideration for the acquisition of the Gome FIIL Sale Share and CashBox Sale Shares of HK$200 million, the aggregate effective shareholding in CashBox of approximately 27.7% following completion of the Proposed Acquisitions, CashBox's MAU of 5 million and the exchange rate of US$1=HK$7.5.

Set out below in Table 1 is the list of Comparable Companies identified based on the above selection criteria.

Table 1: List of Comparable Companies

Company name *(Note)*	Ticker/stock code	Listing location	Market Capitalisation as at Latest Practicable Date (A) (US$ million)	Average latest published MAU (B) (million)	P/MAU (C = A/B) (US$ per user)
Playtika Holding Corp.	PLTK. NASDAQ	United States	2,791.0	31.4	88.89
GDEV Inc.	GDEV. NASDAQ	United States	393.0	7.6	51.71
IGG Inc	799.HK	Hong Kong	520.5	35.0	14.87
Playstudios, Inc.	MYPS. NASDAQ	United States	303.0	7.9	38.35
				Maximum	88.89
				Minimum	14.87
				Average	48.46
				Median	45.03
CashBox				**5.0**	**19.25**

Source: www.statista.com and the respective latest annual reports

Note: We have excluded DoubleDown Interactive Co., Ltd. (Ticker: DDI.NASDAQ) from the list of Comparable Companies above when arriving at the maximum, minimum, average and median of the Comparable Companies as, in our view, it is an extreme outlier when compared to other Comparable Companies with a P/MAU multiple of approximately 236.4 times (calculated based on a market capitalisation as at Latest Practicable Date and MAU of approximately US$520.0 million and 2.2 million respectively), which may in turn provide an unreasonably high maximum value and average value for our comparison purpose, thus does not provide a meaningful analysis.

The P/MAU multiples of the Comparable Companies ranged from approximately US$14.87 per user to approximately US$88.89 per user with an average and a median of approximately US$48.46 per user and US$45.03 per user, respectively. We noted that the implied P/MAU multiple of CashBox of approximately US$19.25 per user is close to the lower bound of the P/MAU multiples of the Comparable Companies and it is significantly below the average and median of the P/MAU multiples of the Comparable Companies. Taking into account the fact that the implied P/MAU multiple of CashBox of approximately US$19.25 per user is significantly below the average and the median of that of the Comparable Companies, we consider the Consideration to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Comparable Transactions

Apart from the analysis on the Comparable Companies, we have considered to assess the fairness and reasonableness of the Consideration or P/MAU multiples by analysing transactions that are comparable to the Proposed Acquisitions (the "**Comparable Transactions**"). For our purpose of comparison, we have identified four transactions (excluding outlier) that meet the following selection criteria:

(i) the principal business of the acquiree is engaged in operating in gaming business;

(ii) the transaction was announced between October 2022 and October 2023, being approximately one years prior to the date of Agreements, which we considered sufficiently close to the date of the Agreements to demonstrate recent market trends; and

(iii) for our comparison approach, we have computed the implied P/MAU multiples from the transactions based on the financial information obtained from public information and relevant announcements and Bloomberg.

Preliminary, we have review and cross-checked the list of merger and acquisition cases obtained by the Valuer against the Comparable Transactions (save as the acquisition of Rovio Entertainment Oyj (ROVIO.HE) by Sega Sammy Holdings Inc. (6460.T)), which are in line with each other. Furthermore, we have also held discussion with the Management and Valuer in relation to the list of Comparable Transactions so as to ensure the Comparable Transactions are consistent with their industry knowledge. During the course of our research, we have initially obtained a list of 11 comparable transactions in total based on the above selection criteria (i) and (iii) which have been completed within 3 years prior to the date of Agreements. Secondly, after applying the section criteria (ii), the list of comparable transactions were further refined into a list of four companies (excluding outliers) which met all the said criteria. Based on the above, we consider, to the best of our knowledge and ability, that the Comparable Transactions are exhaustive, fair and representative in assessing the fairness and reasonableness of the consideration for the Proposed Acquisitions and we also consider that the selection criteria are appropriate since it provided, in our opinion, a reasonable and meaningful number of companies for our analysis purpose and the Comparable Transactions is a fair and representative sample.

Below set out the details of the Comparable Transactions:

Table 2: List of Comparable Transactions

Target company name/target intellectual property *(Note)*	Acquired interest (%)	Transaction consideration (US$'million)	Transaction description	Announcement date	Date of completion	P/MAU multiple (US$ per user)
Rovio Entertainment Oyj (ROVIO.HE)	100	774	Sega Sammy Holdings Inc. (6460.T) implemented a tender offer to acquire Rovio Entertainment Oyj, a Finland based mobile game company which developed mobile game Angry Birds, at consideration of approximately EUR706.0 million (approximately US$774 million)	17 April 2023	18 August 2023	40.98
Food Match 3D and Tile Match: Home Design Puzzle	Not applicable for acquiring intellectual property	11	Matchingham Games, a United Kingdom based gaming company acquired two games, namely Food Match 3D and Tile Match: Home Design Puzzle from the Turkish based Pow Games for a consideration of approximately US$11.7 million	1 November 2022	N/A	23.90
Zen Match	100	150	Israeli mobile games giant Moon Active Ltd. acquired Zen Match from Turkish developed Good Job Games for an estimated consideration of approximately US$100 million to US$150 million	22 December 2022	N/A	28.47

Target company name/target intellectual property *(Note)*	Acquired interest (%)	Transaction consideration (US$'million)	Transaction description	Announcement date	Date of completion	P/MAU multiple (US$ per user)
Brainium Studios LLC.	100	70	PLAYSTUDIOS, Inc. (MYPS.NASDAQ), the creator of the playAWARDS loyalty platform and an award-winning developer of free-to-play mobile and social games that offer real-world rewards to players, announced the acquisition of Brainium Studios LLC., a long-standing publisher of casual games. The acquisition consisted of US$70.0 million in upfront cash with contingent consideration tied to the performance of Brainium for the period from the closing of the acquisition through 31 December 2022	12 October 2022	31 December 2022	23.33

Sources: Public information, relevant announcements and Bloomberg

Note: We have excluded the transaction announced on 15 September 2023 in relation to the acquisition of the Israeli mobile games studio, namely Innplay Labs (i.e. the developer of the highly rated game Animals & Coins), by Playtika Holding Corp. (PLTK.NASDAQ), a mobile gaming entertainment and technology market leader with a portfolio of multiple game titles, at a maximum consideration of approximately US$300.0 million from the Comparable Transactions as, in our view, it is an extreme outlier when compared to other Comparable Transactions with an implied P/MAU multiple reaching approximately 171.0 times, which may in turn skew the overall results.

As shown in Table 2 above, the implied P/MAU multiples as contemplated under the Comparable Transactions ranged from approximately US$23.33 per user to US$40.98 per user. The implied P/MAU multiple of CashBox (i.e. approximately US$19.25 per user) is therefore slightly below the minimum implied P/MAU multiple of the Comparable Transactions of approximately US$23.33 per user. As such, we are of view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Taking into consideration (i) the positive industry outlook for the target group as discussed in the Newzoo Report under the section headed "5. Reasons for and benefits of the Proposed Acquisitions" above; and (ii) the analysis of the Comparable Transactions as set out under the subsections headed "Comparable Companies" and "Comparable Transactions" above, we are of the view and concur with the view of the Management that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

9.2 Assessment of the Valuation

Suitability of the Valuer

We have reviewed the Valuation Report and also interviewed the relevant team members of the Valuer with particular attention to: (i) the terms of engagement of the Valuer with the Company; (ii) the qualifications and experience of the Independent Valuer; and (iii) the steps and due diligence measures taken by the Valuer in performing the Valuation of the equity value of CashBox. After our review of the engagement letter between the Company and the Valuer dated 10 September 2023, we are satisfied that the scope of work performed by the Valuer is appropriate to perform the Valuation. We are not aware of any limitation on the scope of work which might have a negative impact on the degree of assurance given by the Valuer. The Valuer have confirmed that they are independent of and not connected with the Company and its connected persons.

We further understand that 北京北方亞事資產評估事務所(特殊普通合夥) (Beijing North Asia Assets Assessment Firm (Special General Partnership)), the Valuer, is a company incorporated in the PRC and is licensed to carry out valuation business in the PRC. 侯新風先生 (Mr. Hou Xinfeng) and 巫丹女士 (Ms. Wu Dan), the persons in-charge of the Valuation from the Valuer, are asset appraisers accredited certified by 中國資產評估協會 (China Appraisal Society*). Mr. Hou Xinfeng and Ms. Wu Dan have approximately 22 and 4 years, respectively, of experience in conducting valuation to a wide range of clients in different industries. In particular, they have experience in conducting valuation of internet and start-up companies operating in business of Software as a Service (SaaS), game developing, e-commerce and websites etc. In addition, they have experience in conducting valuation of a games company in the past.

We also note that the Valuer mainly conducted their respective due diligences through their own research and have relied on public information found through their own research as well as information provided by the Management. The Valuer represented that it has assumed such information to be true, complete and accurate and has accepted it without verification.

We have also conducted our own research for the Valuers through public domain and the respective corporate website for our due diligence purpose, the client mix of the Independent Valuers includes state-owned enterprises of China such as China National Cereals, Oils and Foodstuffs Corporation and China UnionPay Company Limited, as well as other sizeable listed companies namely PetroChina Company Limited, China Southern Airlines Company Limited, China Telecom Corporation Limited, China Mobile Limited and CIG Shanghai Co., Ltd.

In light of the above, we are not aware of any matters that would cause us to question the Valuer's expertise, experience and independence and we consider that the Valuer have sufficient expertise and experience, and are independent to perform the Valuation.

Valuation

For our due diligence purpose, we have reviewed and discussed with the Valuer (i) the methodology of, and basis and assumptions adopted for the Valuation; (ii) the steps and due diligence measures taken by the Valuer; and (iii) details of the comparable transactions adopted for the Valuation. We understand that the common valuation approaches include asset approach, market approach and income approach. Asset approach provides an indication of value by aggregating the market values of the subject company's asset and liabilities. Market approach provides an indication of value by comparing the asset with identical or comparable assets for which price information is available. Income approach provides an indication of value by converting future economic benefits to a present value.

Based on our discussion with the Valuer, we understand that the valuation multiples generally include profit-based multiple, asset-based multiple, revenue-based multiple and other specific multiples. Earnings-based multiple is a valuation multiple established between the asset value and earnings indicators, which can be further divided into full investment value multiples and equity value multiples, such as the enterprise value to earnings before interest and taxes multiple (EV/EBIT), enterprise value to earnings before interest, taxes, depreciation and amortisation multiple (EV/EBITDA) and P/E multiple, etc., whereas income-based multiples is a valuation multiple established between the asset value and sales income, such as the price to sales multiple. Asset-based multiple is a valuation multiple established between asset value and asset indicators, including enterprise value to total asset multiple, enterprise value to fixed asset value multiple and price to book ("**P/B**") multiple. Given the fact that CashBox is principally engaged in the gaming development business, which is still under its stage of rapid growth, with a large amount of capital being invested during the early stage of business development and yet to recognise any stable gross profit and earnings. Furthermore, the gaming industry is regarded as an asset light industry, the valuation multiples such as P/E and P/B are therefore not applicable in this valuation exercise. Based on the unique characteristics of the gaming development industry, several core indicators such as total number of users, number of daily active users, number of MAU and retention rate are commonly adopted indicators. In particular, during the course of Valuation, the Valuer noted from the comparable transactions that statistical data such as active users of the comparable companies which their income are also mainly driven by advertising and/or in game top-up activities, are mostly adopted as the main parameter for valuation and the number of MAU is more stable and reliable than that of daily active users, as this indicator can be obtained through reliable third-party channels. As a result, P/MAU multiple has been selected in appraising the market value of the equity interest in CashBox.

As discussed with the Valuer, the Valuer considers that the market approach to be the most appropriate valuation approach over the income approach and the asset approach as: (i) the income approach requires relatively subjective assumptions to which the valuation is largely influenced by an inappropriate assumptions made; (ii) the asset approach is unlikely to capture the future earning potential of CashBox; and (iii) the application of market approach is relatively more objective as publicly available data is used which reflects the market consensus on the pricing of similar businesses or assets.

From the discussion with the Valuer regarding the Valuation, we understand that they have identified four comparable transactions. In arriving at the appraisal value of CashBox, the Valuer have taken into account a number of factors including but not limited to: (i) transaction condition; (ii) regional factors; and (iii) specific factors of the comparable transactions selected by the Valuer.

We understand that the Valuer have adopted the price to MAU multiple as its valuation methodology. There are several core data metrics in the gaming industry, for example, the total number of users, the number of daily active users, the number of MAU, and the retention rate etc.. The statistical indicator of user activity is mostly used as one of the parameters for valuation in the investment and financing transactions in the gaming industry. Among them, the monthly active number (i.e. MAU) is more stable and reliable than the other users related metrics as abovementioned. In addition, this metric can be obtained through relevant third-party channels. Therefore, the P/MAU multiple was finally selected to calculate the equity value of CashBox. We noted the Valuer has obtained the relevant MAU data figures from Appsflyer, a third-party service provider and global leader in mobile marketing data measurements, analytics, and engagement, which has 20 offices worldwide and more than 1,000 employees and serving clients such as Nike, TikTok and ebay. We understand that CashBox has entered into agreements with Appsflyer whereas the relevant statistical data can be obtained in a real time manner. The Valuer has then confirmed the relevant MAU data of CashBox by on-site inspection, verbal and written communication with the Management. For our due diligence purpose pursuant to the verification of the MAU data figures, we have held discussions with the Management and understand that the Valuer has performed the necessary inspection and verification on CashBox and the necessary due diligence on its business operations and management. We noted that the verification procedure of the MAU data figures conducted by the Valuer including, among others: (i) conducted on-site enquiries, discussions and interviews with the management of CashBox; (ii) obtained written explanations from the management of CashBox; and (iii) carried out due diligence on the relevant records of the MAU data figures as retrieved from the system independently hosted by Appsflyer which can be obtained in a real time manner. In this regard, we have also obtained and reviewed those relevant records to verify the existence of the MAU data figures as set out in the Valuation Report.

The criteria of selection of the comparable transactions included the subject companies are principally engaged in the development leisure and educational games which are in the similar business type compared with CashBox, the transactions involved the sale and purchase of controlling shareholding of the subject companies, and the relevant information can be obtained from public domains with MAU information. The average of the P/MAU multiples of the four comparable transactions identified by the Valuer is US$21.95 per user. Based on the 5 million MAU of CashBox, the entire equity value of CashBox was determined to be US$109,730,000.

Having discussed with the Valuer and having performed our review as set out above, we consider that (i) the valuation methodology in establishing the Valuation is common and appropriate for determining the equity value of CashBox; and (ii) the bases and assumptions of the Valuation adopted in the Valuation Report are fair and reasonable.

Based on all of the foregoing, having taken into account that the average of the P/MAU multiples of the four comparable transactions selected by the Valuer is lower than the average of the P/MAU multiples of the Comparable Transactions hence we are of the view that the Valuation is fair and reasonable as a whole.

10. The Consideration Shares

The total of 2,500,000,000 Consideration Shares comprise (i) 2,185,286,341 Consideration Shares I; and (ii) 314,713,659 Consideration Shares II, which will be allotted and issued at the Issue Price of HK$0.08 each, credited as fully paid.

The aggregate nominal value of the Consideration Shares is HK$250,000,000.

The Consideration Shares in aggregate represent (i) approximately 92.55% of the issued Shares as at the Latest Practicable Date; and (ii) approximately 48.07% of the issued Shares as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of completion of the Proposed Acquisitions).

The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Consideration Shares will be allotted and issued pursuant to the specific mandate to be granted by the Independent Shareholders at the SGM.

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

Set out below are the shareholding structures of the Company (a) as at the Latest Practicable Date; (b) immediately after the allotment and issue of the Consideration Shares (assuming there will be no other change to the issued share capital of the Company from the Latest Practicable Date to the date of completion of the Proposed Acquisitions):

Name of Shareholders	**As at the Latest Practicable Date**		**Immediately after the allotment and issue of the Consideration Shares on the above assumptions**	
	No. of Shares	*%*	*No. of Shares*	*%*
Swiree *(Note 1)*	1,653,073,872	61.20	1,653,073,872	31.78
Mega Bright	—	—	2,185,286,341	42.02
Sub-total	**1,653,073,872**	**61.20**	**3,838,360,213**	**73.80**
Mingrun Business	—	—	314,713,659	6.05
Mr. Ko Chun Shun, Johnson *(Note 2)*	339,490,312	12.57	339,490,312	6.53
Other public Shareholders	708,558,936	26.23	708,558,936	13.62
Total	**2,701,123,120**	**100.00**	**5,201,123,120**	**100.00**

Notes:

1. Swiree is wholly and beneficially owned by Ms. Du. Mr. Wong is spouse of Ms. Du. Therefore, both of them are deemed to be interested in these 1,653,073,872 Shares.

2. Mr. Ko Chun Shun, Johnson held 5,000,000 Shares directly. He also held 334,490,312 Shares indirectly, among which he held 295,512,312 Shares through Richlane Ventures Limited and 38,978,000 Shares through Sonic Gain Limited, both of which were wholly-owned by him.

Potential dilution of shareholding of the Company

As shown in the above table, assuming there are no other changes to the total number of Shares from the Latest Practicable Date to the allotment and issue of the Consideration Shares, the shareholding in the Company held by the other existing public Shareholders will be diluted from approximately 26.23% as at the Latest Practicable Date to approximately 13.62% immediately upon the allotment and issue of the Consideration Shares. Nevertheless, in view of (i) the reasons for and benefits of the Proposed Acquisitions to the Group, details of which are set out under the above section headed "5. Reasons for and benefits of the Proposed Acquisitions"; (ii) the terms of the Agreements being fair and reasonable so far as the independent Shareholders are concerned; and (iii) the potential dilution effect of the Proposed Acquisitions falling within the range of the potential dilution effect as set out in the Comparable Share Transactions (as defined below) and being close to the median, details of which are set out under the section headed "11. Issue Price" below, we consider that such dilution effect on the shareholding interests of the existing public Shareholders resulting from the issue of the Consideration Shares is acceptable.

11. The Issue Price

The Issue Price of HK$0.08 per Consideration Share represents:

(a) the closing price of the Shares of HK$0.08 per Share as quoted on the Stock Exchange on the date of the Agreements;

(b) a discount of approximately 2.68% to the average closing price of the Shares of HK$0.0822 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately preceding the date of the Agreements;

(c) a discount of approximately 0.99% to the average closing price of the Shares of HK$0.0808 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately preceding the date of the Agreements;

(d) a discount of 60% to the closing price of the Shares of HK$0.2 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(e) a discount of approximately 88.37% to the consolidated net asset value per Shares of approximately RMB0.6235 (equivalent to approximately HK$0.6880) based on a total of 2,701,123,120 Shares in issue, the consolidated net asset of approximately RMB1,684,195,000 as at 31 December 2023, and the exchange rate of HK$1.0 to RMB0.90622 as at 29 December 2023 published by People's Bank of China.

The Issue Price was determined with reference to the prevailing market price of the Shares. While the Issue Price represents a discount of approximately 88.37% to the consolidated net asset value per Share as at 31 December 2023, having taken into account that the closing prices of the Shares had at all times represented a significant discount to the net asset value per Share during the period of 12 months preceding the date of the Agreements due to the net loss incurred by the Group in 2021 and 2022 and the global economic environment, the Company considers that the discount of the Issue Price to the consolidated net asset value per Share is not uncommon and is still reasonable. In light of the above, the Company considers that the Issue Price is fair and reasonable.

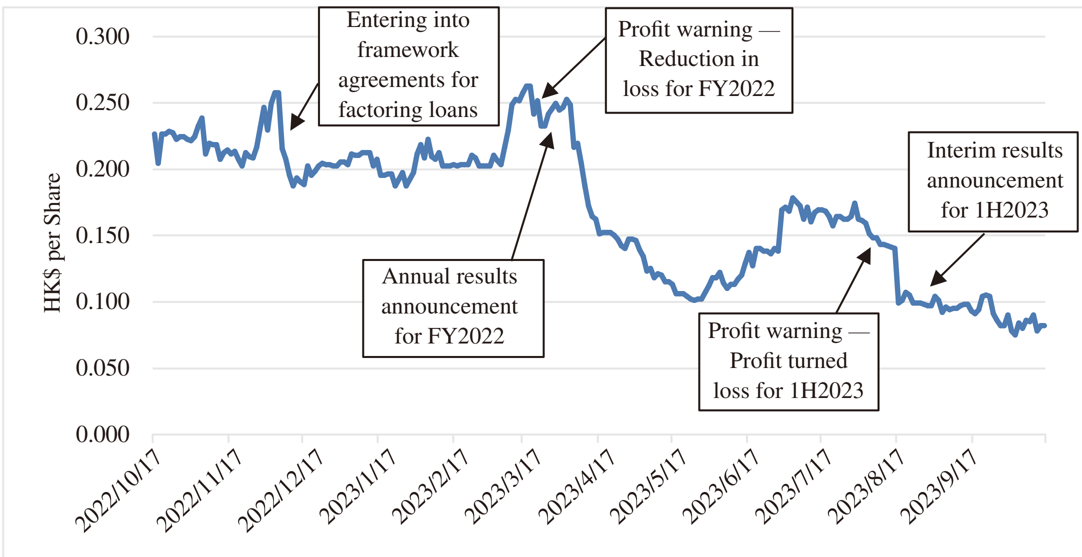
Based on our discussion with the Management, we understand that the Management determined the Issue Price by referencing to: (i) the closing price of the Shares as quoted on the Stock Exchange on the date of the Agreements; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately preceding the date of the Agreements. Such determination process of the Issue Price is in line with widely accepted commercial standard and market practice for a listed company in Hong Kong when issuing new shares.

Our assessment on the Issue Price

(a) Share price performance

We have reviewed the daily closing prices of the Shares during the twelve-month period from 17 October 2022, up to and including 16 October 2023, the date of the Announcement (the "**Review Period**"). We consider that a period of twelve months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Issue Price.

Chart 1: Daily closing price of the Shares during Review Period



Source: The Stock Exchange

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK$0.073 per Share recorded on 4 October 2023 and HK$0.26 per Share recorded on 16 and 17 March 2022, respectively. The average daily closing price of the Shares during the Review Period was approximately HK$0.167 per Share.

The closing prices of the Shares was in a declining trend during the Review Period and reached a low of HK$0.073 on 4 October 2023. Although there were spikes at the end of November 2022, and in March 2023 and July 2023, we are unable to identify any market news nor announcement of the Company which might have triggered the price movements. Having made enquiry with the Company, the Management confirmed that they are not aware of any reason which could lead to the aforesaid movements of the closing prices of the Shares during the Review Period.

Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the market price of the Shares may increase or decrease from its closing price on the Latest Practicable Date.

Although the Issue Price of HK$0.08 represents a discount of approximately 69.23% and 52.09% to the highest closing price of the Shares of HK$0.26 and the average closing price of the Shares of approximately HK$0.167, respectively, during the Review Period, we noted that the Issue Price represents a premium of approximately 9.59% over the lowest closing price of the Shares of HK$0.073 during the Review Period.

We note that as shown in Chart 2, the market price of the Shares increased significantly immediately after the announcement of the Agreements on 16 October 2023. On 17 October 2023, the market price of the Shares closed at HK$0.175, representing an increase of approximately 118.75%. The closing price of the Shares reached a high of HK$0.33 on 20 December 2023. Other than the Announcement, we are unable to identify any market news nor announcement of the Company which might have triggered the price movements. Having made enquiry with the Company, the Management confirmed that they are not aware of any reason which could lead to the aforesaid movements of the closing prices of the Shares subsequent to the Announcement. The upward movements of the market price of the Shares may be a positive reaction to the Proposed Acquisitions by the Company despite the fact that completion of the Proposed Acquisitions remain subject to satisfaction of the conditions precedent as set out in the Agreements.

Chart 2 — Movements of closing price following announcement of the Proposed Acquisitions

Source: The Stock Exchange

Shareholders and potential investors of the Company should note that completion of the Proposed Acquisitions is subject to the satisfaction of the conditions precedent as set out in the Agreements. Therefore, the Proposed Acquisitions may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

(b) Trading liquidity of the Shares

In order to understand the market demand for the Shares and whether the Company has a readily available market for the issuance of new Shares to raise fund in the amount of HK$200 million for settlement of the Consideration, we have studied the historic trading liquidity of the Shares. The following Table 3 sets out the number of trading days, the total volume of the Shares traded, and the average daily trading volume of the Shares, as well as the percentage of the average daily trading volume of the Shares to the total number of issued Shares and the number of issued Shares held by the Shareholders other than Ms. Du and Mr. Wong (the "**Public Shareholders**") for each of the periods/months during the Review Period:

Table 3: Trading liquidity of the Shares

Month/Period	Number of trading days (Days)	Monthly total trading volume (Shares)	Average Daily Trading Volume (Shares)	Percentage of Average Daily Trading Volume to the total number of issued Shares (%)	Percentage of Average Daily Trading Volume to the shares held by Shareholders other than Ms. Du and Mr. Wong (%)
2022					
October (From 17 to 31 October 2022)	11	1,276,000	116,000	0.004%	0.011%
November	22	13,110,400	595,927	0.022%	0.057%
December	20	12,194,891	609,745	0.023%	0.058%
2023					
January	18	6,616,515	367,584	0.014%	0.035%
February	20	7,316,841	365,842	0.014%	0.035%
March	23	10,723,680	466,247	0.017%	0.044%
April	17	8,457,520	497,501	0.018%	0.047%
May	21	4,913,552	233,979	0.009%	0.022%
June	21	6,727,760	320,370	0.012%	0.031%
July	20	7,294,756	364,738	0.014%	0.035%
August	23	14,702,320	639,231	0.024%	0.061%
September	19	11,189,990	588,947	0.022%	0.056%
October (From 1 to 16 October 2023)	10	5,942,080	594,208	0.022%	0.057%
			Highest	0.024%	0.061%
			Lowest	0.004%	0.011%
			Average	0.016%	0.042%

Source: The Stock Exchange

Regarding the trading liquidity of the Shares during the Review Period, as shown in the Table 3 above, the percentage of the average daily trading volume of the Shares by period/month were (i) in the range of less than 0.01% to approximately 0.024% with an average of 0.016% of the total number of issued Shares as at the end of the period/month; and (ii) in the range of approximately 0.011% to approximately 0.061% with an average of 0.042% of the total number of Shares held by Public Shareholders as at the end of the period/month. We noted that the highest average daily trading volume was approximately 7,980,000 Shares on 16 August 2023, representing approximately 0.295% of the total number of issued Shares and approximately 0.761% of the total number of Shares held by Public Shareholders as at 31 August 2023. We note that the Company announced that the Group expected to record a net loss in the range of approximately RMB1 million to RMB3 million for the six months ended 30 June 2023, as compared to a net profit of approximately RMB2.7 million for the corresponding period in 2022.

We noted that the average daily trading liquidity of the Shares were very thin during the Review Period, with the average daily volume for all the period/months in the Review Period are less than 0.07% to the then total number of issued Shares and the total number of Shares held by Public Shareholders as at the end of their respective period/month.

Further to our discussion with the Management, we concur with the Management's view that the liquidity of the Shares is relatively low, and it is unlikely that the Company is able to raise fund by issue of new Shares without discount. The issuance of the Consideration Shares is appropriate method currently available to the Group for the settlement of the consideration of the Proposed Acquisitions.

The Issue Price of HK$0.08 is the same as the closing price of HK$0.08 per Shares as quoted on the Stock Exchange on the date of the Agreements. On this basis and having considered the financial performance and financial conditions of the Group as set out in the sections headed "Financial performance of the Group" and "Financial position of the Group" in this Letter above, we are of the view that the Issue Price is the same as the closing price of the Shares on the date of the Agreements and the slight discounts of the Issue Price to the closing price of the Shares for the five and ten consecutive trading days immediately preceding the date of the Agreements, is justifiable and the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(c) Comparable issues analysis

To further assess the fairness and reasonable of the Issue Price, we have conducted a search of the website of the Stock Exchange to identify companies listed on the Main Board of the Exchange which announced issuance of consideration shares to connected person pursuant to specific mandate for acquisition activities during the Review Period, being the date of the Agreements (the "**Comparable Share Transactions**"). We have excluded issuance of A shares, H shares or domestic shares or the issuance of shares resulting in change of control and formation of joint venture. On such basis, we have identified six Comparable Share Transactions, which we consider to be an exhaustive list of the relevant comparable transactions based on the abovementioned selection criteria. We consider that a review period of around twelve months prior to the date of the Agreements is a reasonable timeframe for identifying recent Comparable Share Transactions that reflect the prevailing market sentiment, economic conditions and financial market cycles for the purpose of assessing the reasonableness of the Issue Price. In addition, we believe that the six Comparable Share Transactions identified based on the abovementioned selection criteria provide a representative sample for our comparable issues analysis purpose.

In selecting the Comparable Share Transactions, we have also included companies with different market capitalisation and from different industries listed on the Main Board of the Stock Exchange, given that we consider (i) such inclusion would provide a more comprehensive reference point compared to a limited number of comparable transactions which are announced only by other companies having similar businesses as those of the Company and listed on the Main Board of the Stock Exchange, and/or by those with a market capitalisation that is close to that of the Company; and (ii) the market sentiment toward a company's shares, which are often affected by, among others, the company's financial performance, industry or market capitalisation, are already reflected in their recent share prices and hence the premium/discount represented by the Comparable Share Transactions' issue prices over/to the recent share prices already provides a relevant and direct reference with regards to the market practice in determining the issue price. Taking into account these factors, we consider that our selection criteria for the Comparable Share Transactions are fair and reasonable and provide a meaningful reference for our assessment of the Issue Price. Accordingly, we are of the view that the Comparable Share Transactions provide a meaningful reference in our assessment of the fairness and reasonableness of the Issue Price.

The following Table 4 sets out the issue price of the consideration shares and the premium or discount of issue price to the respective closing price on or immediately prior to the date of relevant agreement, the last five and ten consecutive trading days prior to the date of the relevant agreement, the potential dilution of shareholding of public shareholders of the Comparable Share Transactions, and the appreciation and decrease of respective market price immediately following the date of the relevant agreement.

Table 4: Comparable Share Transactions

Date of announcement	Company	Stock code	Issue price *HK$*	Premium/ (discount) of issue price over/to closing price per share on the date of the agreement	Premium/ (discount) of issue price over/to the average closing price per share for the last five trading days prior to the date of the agreement	Premium/ (discount) of subscription price over/to the average closing price per share for the last ten trading days prior to the date of the agreement	Potential dilution of shareholding of public shareholders	Appreciation/ (decrease) of market price immediately following the date of the agreement
18/11/2022	Anchorstone Holdings Limited *(Note 1)*	1592	0.1674	(1.53%)	(7.10%)	(8.22%)	(6.46%)	(2.94%)
19/12/2022	CASH Financial Services Group Limited	510	0.425	(7.61%)	(7.61%)	(5.13%)	(31.50%)	(6.52%)
5/5/2023	Asia Energy Logistics Group Limited *(Note 2)*	351	0.202	(12.55%)	(9.82%)	(11.01%)	(19.85%)	8.23%
4/9/2023	Anchorstone Holdings Limited	1592	0.085	66.67%	42.14%	41.67%	(43.02%)	(1.96%)
8/9/2023	Infinities Technology International (Cayman) Holding Limited	1961	1.4	0.00%	(3.58%)	(2.64%)	(13.56%)	2.86%
19/9/2023	Alibaba Pictures Group Limited	1060	0.52	(5.45%)	(0.38%)	0.00%	(8.52%)	5.45%
16/10/2023	**The Company**	**628**	**0.08**	**0.00%**	**(2.68%)**	**(0.99%)**	**(48.07%)** *(Note 3)*	**118.75%**
			Average	**6.59%**	**2.27%**	**2.44%**	**(20.48%)**	**0.85%**
			Highest premium/dilution	**66.67%**	**42.14%**	**41.67%**	**(43.02%)**	**8.23%**
			Highest discount/lowest dilution	**(12.55%)**	**(9.82%)**	**(11.01%)**	**(6.46%)**	**(6.52%)**
			Median	**(3.49%)**	**(5.34%)**	**(3.89%)**	**(16.71%)**	**0.45%**

Source: The website of the Stock Exchange

Notes:

1. As stated in the announcement of Anchorstone Holdings Limited dated 30 June 2023, the relevant sale and purchase agreement has lapsed as the conditions precedent were fulfilled on or prior to the long stop date as at 30 June 2023. As such, the sale and purchase agreement was terminated and had become null and void of no further effect.

2. As stated in the announcement of Asia Energy Logistics Group Limited dated 31 October 2023, pursuant to the termination agreement dated 31 October 2023 (after trading hours), the relevant sale and purchase agreement was terminated with effect from the date of the termination agreement.

3. For illustration purpose only, the potential dilution of shareholding of Mr. Ko is not included because shareholding of Mr. Ko is more than 10% and he is not considered a public Shareholder under the Listing Rules.

As illustrated in Table 4 above, the issue prices in the Comparable Share Transactions:

(i) ranged from a discount of approximately 12.55% to a premium of approximately 66.67% to/over their respective closing share prices on the date of the relevant agreements, with an average premium of approximately 6.59%, and a median of discount of 3.49%;

(ii) ranged from a discount of approximately 9.82% to a premium of approximately 42.14% to/over their respective average closing prices for the last five consecutive trading days prior to the date of the relevant agreements, with an average premium of approximately 2.27%, and a median of discount of 5.34%; and

(iii) ranged from a discount of approximately 11.01% to a premium of approximately 41.67% to/over their respective average closing prices for the last ten consecutive trading days prior to the date of the relevant agreements, with an average premium of approximately 2.44%, and a median of discount of 3.89%.

As such,

(i) the Issue Price, which is the same as the closing price on the date of the Agreements (the "**LTD Discount/Premium**"), falls within the above ranges of discounts/premiums of the Comparable Share Transactions on the date of the relevant agreements;

(ii) the discount of the Issue Price of approximately 2.68% to the average closing price for the last five consecutive trading days immediately prior to the date of the Agreements (the "**Five Days Discount**") falls within the above ranges of discounts/premiums of the Comparable Share Transactions;

(iii) the discount of the Issue Price of approximately 0.99% to the closing price for the last ten consecutive trading days immediately prior to the date of the Agreements (the "**Ten Days Discount**") falls within the above ranges of discounts/premiums of the Comparable Share Transactions; and

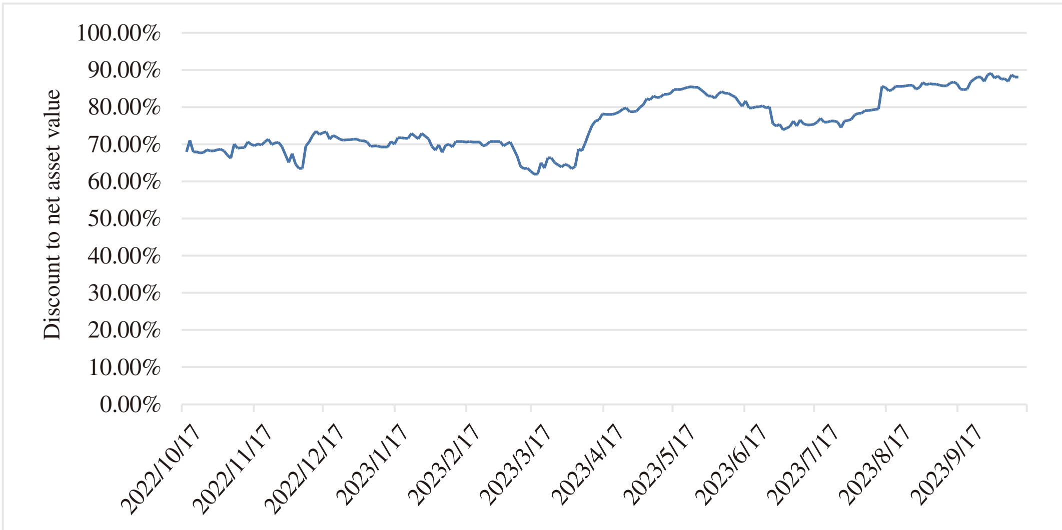
(iv) although the LTD Discount/Premium, the Five Days Discount and the Ten Days Discount represent a mix of deviations from the averages and medians of the Comparable Share Transactions, the deviations are small and at acceptable levels.

For illustration purpose only, as set out in Table 4 above, the potential dilution of shareholding of public shareholders demonstrated from the Comparable Share Transactions ranged from approximately 6.46% to approximately 43.02%, with an average and median of approximately 20.48% and 16.71% respectively. Although the potential dilution of shareholding of public shareholders arising from the Proposed Acquisitions is approximately 48.07%, which is above the range, average and median of the potential dilution of shareholding of public shareholders among the Comparable Share Transactions, it is only slightly above the potential dilution of shareholding of public shareholders demonstrated from the Comparable Share Transactions of 43.02%. As set out in Table 4 above, the market prices of the Comparable Share Transactions immediately following the date of the relevant agreement reacted differently ranging from appreciation of 8.23% to decrease of 6.52%. We note that the market price of the Shares appreciated from the closing price of HK$0.08 per Share on 16 October 2023 to HK$0.175 per Share on 17 October 2023, representing an appreciation of 118.75%. Despite a higher potential dilution of shareholding of public shareholders arising from the Proposed Acquisitions is higher than that of the Comparable Share Transactions, the appreciation of the market price of the Shares following the date of the Agreements represents a significant valuation appreciation on the Shares. Furthermore, notwithstanding that the issue of the Consideration Shares will result in a dilution of the public Shareholders' shareholding in the Company, the Management considered that the settlement of the consideration by the issue of the Consideration Shares instead of cash will reduce the pressure on the Group's working capital and cash flow, and is therefore in the interest of the Company and the Shareholders as a whole. As such, taking into account the significant valuation appreciation on the Shares and the benefit to the working capital position and cash flow of the Group, we are of the view that the potential dilution of shareholding of public Shareholders of the Company is justifiable.

(d) Net asset value per Share

Despite the Issue Price of HK$0.08 per Share represents a discount of approximately 88.17% to the audited net asset value per Share of approximately RMB0.6043 (or equivalent to approximately HK$0.6765) as at 31 December 2022, the Company noted that the closing prices of the Shares had at all times represented a significant discount to the net asset value per Share during the Review Period. As illustrated in the Chart 3 below, the closing prices of the Shares represented a discount, ranging from approximately 61.57% to 89.06% to the then net asset value per Share, with an average of 75.39%.

Chart 3: Discount of daily closing prices of the Shares to net asset value per Share during the Review Period



Source: The website of the Stock Exchange

The principal business of the Group is provision of commercial factoring, financial leasing and other financial services in the PRC. In recent years, despite the Group has been generating operating profit of approximately RMB33.5 million and RMB54.5 million for FY2021 and FY2022 respectively, the Group recorded loss for the year of approximately RMB128.0 million and RMB5.6 million for FY2021 and FY2022 respectively. This was mainly due to the impairment loss on prepayment for acquisition of TJGCMT of approximately RMB157 million and RMB51 million for FY2021 and FY2022 respectively. As at 31 December 2022 and 30 June 2023, the recoverable amount of the prepayment in relation to the acquisition of TJGCMT was estimated to be approximately RMB368 million. As the completion of the acquisition of TJGCMT, thus the recoverability of the prepayment remains uncertain, there remains possibility of further impairment loss on the prepayment. As such, it is not usual for the market price of the Shares to trade below the net asset value of the Company. Furthermore, with a number of overhanging challenges, including global economy slowdown, uncertain global inflation outlook, political unrest in Eastern Europe and Middle East, energy prices fluctuation, and economic outlook and market instability, it is expected that the market price of the Shares will continue to trade at a discount to the net asset value of the Company.

We also considered the relationship between the market prices of other companies listed on the Main Board of the Stock Exchange, which include money lending as one of their principal businesses, and their respective net asset value per share. The review identified 41 companies, which is on exhaustive basis, excluding four companies of which two companies reported net deficit and two companies whose shares were suspended from trading for a pro-longed period and remained suspended on 16 October 2023. Out of the 41 companies reviewed, shares of five companies were traded on 16 October 2023 at premium over their respective last reported audited net asset value per share with a range between approximately 3.88% to 106.46% with an average of approximately 47.47%. Shares of the remaining 36 companies were traded on 16 October 2023 at discount to their respective last reported audited net asset value per share with a range between approximately 0.29% to 94.99% with an average of approximately 66.40%. Set out below is the distribution of the discounts of market prices to last reported audited net asset values per share of the remaining 36 companies:

Table 5: Discounts of share price to net asset value per share

Range of discounts	**Number of companies**
Below 10%	2
10% or more and below 20%	0
20% or more and below 30%	0
30% or more and below 40%	2
40% or more and below 50%	2
50% or more and below 60%	6
60% or more and below 70%	4
70% or more and below 80%	8
80% or more and below 90%	9
90% or more and below 100%	3
Total	36

It is noted that the discounts of market prices to last reported audited net asset values per share of the 36 companies selected are mostly in the ranges from 50% or more to 90% with higher number of distribution in the ranges from 70% to 90%. This indicates that market prices of majority of the companies having money lending as one of their principal businesses are generally trading at discount to their respective net asset value. Accordingly, we are of the view that the discount of the Issue price to the audited net asset value per Share is not uncommon and it is acceptable.

Having considered that (i) the LTD Discount/Premium, the Five Days Discount and the Ten Days Discount are all within the ranges of those of the Comparable Share Transactions; (ii) the LTD Discount/Premium, the Five Days Discount and the Ten Days Discount represent a mix of deviations from the averages and medians of the Comparable Share Transactions, the deviations are small and at acceptable levels; the net losses recorded by the Group for FY2021, FY2022 and the six months ended 30 June 2023; (iii) the liquidity of the Shares had been relatively low during the Review Period; (iv) the reasons for and benefits of the Proposed Acquisitions; and (v) the issuance of the

Consideration Shares is appropriate method currently available to the Group for the settlement of the consideration of the Proposed Acquisitions, we are of the view that the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

12. Potential financial effects as a result of the Proposed Acquisitions

Upon completion of the Proposed Acquisitions, GOME FIIL will become a wholly-owned subsidiary of the Company and CashBox will become an indirect non-wholly-owned subsidiary of the Company. The financial results of the GOME FIIL Group and CashBox will be consolidated into the financial statements of the Group.

Assets and liabilities

As illustrated in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this Circular, had the Proposed Acquisitions taken place on 31 December 2023, the total assets of the Enlarged Group would increase from RMB1,702,206,000 to approximately RMB1,971,987,000 on a pro forma basis, and the total liabilities of the Enlarged Group would increase from RMB18,011,000 to approximately RMB91,601,000 on a pro forma basis.

Earnings

The revenue of the Enlarged Group would increase from RMB82,024,000 to approximately RMB309,533,000 for FY2023 on a pro forma basis, and the profit for the year would increase from RMB36,997,000 to approximately RMB54,834,000 for FY2023 on a pro forma basis.

As the consideration for the Proposed Acquisitions will be settled by the Consideration Shares, the equity of the Group is expected to increase as a result of the enlarged capital base following the issuance of the Consideration Shares. Other than the expenses in relation to the Proposed Acquisitions, the cash position and the working capital position of the Group would not be affected as the Proposed Acquisitions does not involve cash outlay on the part of the Group.

RECOMMENDATION

Having considered the above principal factors, we are of the view that:

(a) the entering into of the Agreements is not in the ordinary and usual course of business of the Group;

(b) the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; and

(c) the Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Agreements.

Yours faithfully,
for and on behalf of
CHINA SUNRISE CAPITAL LIMITED

Larry Chan	**Lenny Li**
Managing Director	*Executive Director*

Mr. Larry Chan and Mr. Lenny Li are licensed persons registered with the SFC and are responsible officers of China Sunrise Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO who have over 30 years and over 17 years of experience in corporate finance industry respectively.

* *For identification purposes only*

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023 were disclosed in the following documents which have been published on the website of the Company (www.gomejr.com) and the website of the Stock Exchange (www.hkexnews.hk):

(i) Annual report of the Company for the year ended 31 December 2021 (pages 93 to 183) https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800345.pdf

(ii) Annual report of the Company for the year ended 31 December 2022 (pages 95 to 169) https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042500633.pdf

(iii) Annual report of the Company for the year ended 31 December 2023 (pages 97 to 161) https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042901113.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had lease liabilities of RMB342,000, the amount due to a director of RMB3,800,000 and the amount due to a related party of RMB4,661,000.

Save for the aforesaid and apart from intra-group liability and normal trade payables in the ordinary course of business, the Enlarged Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other contingent liabilities, at the close of business on 31 March 2024.

The Directors are not aware of any material adverse changes in the Enlarged Group's indebtedness position and contingent liabilities since 31 March 2024.

3. WORKING CAPITAL

The Company confirms that, after due and careful consideration, taking into account the Enlarged Group's internal resources and cash flow from operations, the working capital available to the Enlarged Group is sufficient for the present requirements of the Enlarged Group for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors has confirmed that, at the Latest Practicable Date, there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

After completion of the Proposed Acquisitions, the Enlarged Group will continue to focus on technology-based finance as its strategic goal, further explore the integration and development of the meta-universe with the supply chain finance industry, further its support for the real economy, develop more diversified and differentiated products and service matrix, continue to expand its business income streams, and provide professional and refined financial services to customers while bringing more stable and lucrative returns to shareholders.

The Enlarged Group will also continue to deeply cultivate the global entertainment industry, offering innovative models and AI-driven interactive gameplay to bring novelty, joy, and unique experiences to users. It will also explore the market demands of various countries and regions, emphasizing localisation strategies, aiming to become a leading provider of internet products, content, and services in each local market.

As illustrated in the section headed "2. THE PROPOSED ACQUISITIONS — E. Reasons for and benefits of the Proposed Acquisitions" in the Letter from the Board in this circular, the Company expects, through the Proposed Acquisitions, to rely on the large and multiregional user resources of CashBox, combining with the Company's advantages in internet technology, to create synergies for the Group's business. It is also expected that the technological capabilities and the commercial value of game products of CashBox will continue to bring more users and value to the Enlarged Group's existing financial technology service business.

The Enlarged Group is also considering to expand the gaming business of CashBox into the PRC in the second half of 2024, depending on the regulatory environment. It is hoped that the users of CashBox in the PRC may become C-side customers or potential C-side customers of the financial services of the Group, thereby helping the Group to expand its C-side business.

The following is the text of a report set out on pages IIA-1 to IIA-18, received from the Company's reporting accountants, Baker Tilly Hong Kong Limited, for the purpose of incorporation in this circular.

bakertilly
天職國際

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF GOME FAITH INTERNATIONAL INVESTMENT LIMITED TO THE DIRECTORS OF GOME FINANCE TECHNOLOGY CO., LTD.

Introduction

We report on the historical financial information in relation to GOME Faith International Investment Limited ("**GOME FIIL**") and its subsidiary (together, the "**Target Group**") set out on pages IIA-4 to IIA-18, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2021, 31 December 2022 and 31 December 2023, and the consolidated statements of profit or loss and other comprehensive income and the consolidated statements of changes in equity of the Target Group for the years ended 31 December 2021, 2022 and 2023 (the "**Relevant Years**") and notes to the historical financial information, including material accounting policy information and other explanatory information (collectively referred as, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIA-4 to IIA-18 forms an integral part of this report, which has been prepared for inclusion in the circular of Gome Finance Technology Co., Ltd. ("**Gome Finance**" or the "**Company**") dated 8 May 2024 (the "**Circular**") in connection with a major and connected transaction in relation to the proposed acquisition of GOME FIIL by the Company.

Directors' responsibility for the Historical Financial Information

The sole director of GOME FIIL is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the sole director of GOME FIIL determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of Gome Finance is responsible for the contents of this Circular in which the Historical Financial Information is included, and such information is prepared based on accounting policies materially consistent with those of Gome Finance.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (''**HKICPA**''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to GOME FIIL's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of GOME FIIL, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group as at 31 December 2021, 31 December 2022 and 31 December 2023 and the financial performance of the Target Group for the Relevant Years in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIA-4 have been made.

Dividends

No dividends have been declared or paid by GOME FIIL during the Relevant Years.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 8 May 2024

Del Rosario, Faith Corazon
Practising certificate number P06143

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Years on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA, except that the Reorganisation (as defined in Note 2.1) has been accounted for as if it has been occurred before the start of the Relevant Years and the investment is carried at cost less impairment losses and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") which is different from the Target Group's functional currency of Hong Kong dollars ("**HKD**") and all values are rounded to the nearest thousands, except when otherwise indicated.

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December		
		2021	**2022**	**2023**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Administrative expense and loss for the year	*3*	(1)	(1)	(4)
Other comprehensive (expense)/income for the year:				
Item that will not be reclassified to profit or loss:				
Exchange differences on translation from functional currency to presentation currency		(239)	754	41
Total comprehensive (expense)/income for the year		(240)	753	37
Total comprehensive (expense)/income attributable to:				
Owners of GOME FIIL		(123)	385	18
Non-controlling interests		(117)	368	19
		(240)	753	37

Consolidated statements of financial position

		As at 31 December		
		2021	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset				
Investment	*6*	—	—	329,795
Current asset				
Amounts due from related parties	*7*	8,176	8,932	9,062
Current liabilities				
Amount due to a related party	*7*	9	10	4,661
Other payables		10	12	—
		19	22	334,456
Net current asset		8,157	8,910	4,401
Net assets		8,157	8,910	334,196
Equity				
Share capital	*8*	—*	—*	—*
Reserves		4,168	4,553	329,820
Equity attributable to owners of GOME FIIL		4,168	4,553	329,820
Non-controlling interests		3,989	4,357	4,376
Total equity		8,157	8,910	334,196

* *Less than RMB1,000*

Consolidated statements of changes in equity

	Attributable to owners of GOME FIIL						
	Share capital *RMB'000*	Other reserve *RMB'000* *(Note)*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2020 and 1 January 2021	—*	4,546	(240)	(15)	4,291	4,106	8,397
Loss for the year	—	—	—	(1)	(1)	—*	(1)
Other comprehensive expense for the year	—	—	(122)	—	(122)	(117)	(239)
Total comprehensive expense for the year	—	—	(122)	(1)	(123)	(117)	(240)
At 31 December 2021 and 1 January 2022	—*	4,546	(362)	(16)	4,168	3,989	8,157
Loss for the year	—	—	—	(1)	(1)	—*	(1)
Other comprehensive income for the year	—	—	386	—	386	368	754
Total comprehensive income/(expense) for the year	—	—	386	(1)	385	368	753
At 31 December 2022 and 1 January 2023	—*	4,546	24	(17)	4,553	4,357	8,910
Loss for the year	—	—	—	(3)	(3)	(1)	(4)
Other comprehensive income for the year	—	—	21	—	21	20	41
Total comprehensive income/(expense) for the year	—	—	21	(3)	18	19	37
Deemed contribution	—	329,795	—	—	329,795	—	329,795
On the Reorganisation *(note 2.1)*	—	(4,546)	—	—	(4,546)	—	(4,546)
At 31 December 2023	—*	329,795	45	(20)	329,820	4,376	334,196

* *Less than RMB1,000*

Note: Other reserve represents (i) the contribution of RMB4,546,000 from Mr. Wong Kwong Yu ("**Mr. Wong**"), the ultimate controlling party of GOME FIIL, in GOME FITL which has been eliminated upon the completion of the Reorganisation (as defined in note 2.1); and (ii) the deemed contribution of RMB329,795,000 from Mr. Wong, resulting in the acquisition of 47.7% interest in CashBox Group Technology (Hong Kong) Limited ("**CashBox**") from MARSX Technologies Limited ("**MARSX Technologies**") at a consideration of approximately HK$363,923,000 (equivalent to approximately RMB329,795,000) in September 2023.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

GOME FIIL was incorporated in Hong Kong with limited liability on 18 July 2016. Its registered office and principal place of business is located at Suite 2912, 29th Floor, Two International Finance Centre, 8 Finance Street Central, Hong Kong.

GOME FIIL is an investment holding company and has not carried on any business since the date of its incorporation save for the reorganisation as explained below. No statutory financial statements have been issued since its incorporation.

On 29 September 2023, China Gome Group Company Limited ("**China Gome**"), the former shareholder of GOME FIIL, transferred its entire equity interest in GOME FIIL to Mega Bright Capital Resources Limited ("**Mega Bright**"). China Gome, Mega Bright and GOME FIIL are all controlled by Mr. Wong ultimately.

2.1 BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 2.3 which conform with HKFRSs, except that the Reorganisation (as defined below) has been accounted for as if it has been occurred before the start of the Relevant Years and the investment is carried at cost less impairment losses.

No statements of cash flows are presented as the Target Group does not have any cash transactions during the Relevant Years.

Pursuant to an equity transfer agreement entered into between GOME FIIL and Gome Holdings Limited, an entity controlled by Mr. Wong, GOME FIIL agreed to acquired 51.15% equity interest in GOME FITL, at a consideration of HK$5,115,000 equivalent to RMB4,546,000 (the "**Reorganisation**"). Upon the completion of Reorganisation on 29 September 2023, GOME FIIL became the immediate parent of GOME FITL.

GOME FIIL and GOME FITL were controlled by Mr. Wong before and after the Reorganisation and there were no changes in the economic substances of the ownership of which Mr. Wong was still the ultimate controlling party of GOME FIIL and GOME FITL. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a common control transaction with book value accounting being adopted. The Historical Financial Information has been prepared and presented as if the Reorganisation had occurred before the start of the Relevant Years with assets and liabilities of GOME FITL recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

Basis of consolidation

The Historical Financial Information include the financial information of GOME FIIL and its subsidiary, GOME FITL, for the Relevant Years. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the GOME FIIL. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Target Group has less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial information of the subsidiary are prepared for the same reporting period as GOME FIIL, using consistent accounting policies. The result of a subsidiary, of which control is obtained from GOME FIIL's ultimate controlling party, is consolidated from the date when GOME FIIL and the subsidiary first came under the common control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of GOME FIIL and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if GOME FIIL had directly disposed of the related assets or liabilities.

2.2 APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Years, the Target Group has consistently applied the accounting policies set out in note 2.3 which conform with HKFRSs effective for the accounting period beginning on 1 January 2023 throughout the Relevant Years.

The Target Group has not applied the following amendments to HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (Revised)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "**2022 Amendments**")[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after 1 January 2025

The sole director of GOME FIIL anticipated that the application of the amendments to HKFRSs will have no material impact on the financial statements of the Target Group in the foreseeable future.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Investment

For the purpose of preparation of the Historical Financial Information, the investment is stated at cost less impairment losses.

The carrying amount of the investment is reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of the investment exceeds its recoverable amount. The recoverable amount of the investment is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**"), and fair value through profit or loss ("**FVTPL**").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. The Target Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

All regular way purchases and sale of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Target Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group recognises an allowance for expected credit loss ("**ECL**") for all financial assets not held at FVTPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For all financial assets, ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In particular the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when the debtor's contractual payments are past due for certain days.

The Target Group considers a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. Irrespective of the above, the Target Group considers that default has occurred when the financial instrument is overdue and remained unsettled despite follow-up actions have been taken.

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, amount due to a related party and other payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classified as follows:

Financial liabilities at amortised cost

After initial recognition, amount due to a related party and other payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of this reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currencies

Each entity in the Target Group determines its own functional currency and items included in the Historical Financial Information are measured using that functional currency, i.e. HKD, and presented in presentational currency, i.e. RMB. Foreign currency transactions recorded by the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

As at the end of the reporting period, the assets and liabilities of the Target Group are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

3 LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Director's remuneration	—	—	—
Auditor's remuneration *(Note)*	—	—	—

Note: Auditor's remuneration for the Relevant Years were borne by the ultimate controlling party.

4 INCOME TAX EXPENSE

(a) Income tax

No provision of Hong Kong Profits Tax has been made as the Target Group did not generate any assessable profits arising in Hong Kong for the Relevant Years.

(b) Reconciliation of income tax expense

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the country (or jurisdiction) in which the Target Group is domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Loss before tax	(1)	(1)	(4)
Tax at the statutory tax rate of 16.5%	(1)	(1)	(1)
Tax effect of expenses non-deductible for tax purpose	1	1	1
Total income tax expense	—	—	—

5 DIVIDENDS

No dividends have been declared or paid by GOME FIIL during the Relevant Years.

6 INVESTMENT

During the year ended 31 December 2023, GOME FITL acquired 47.7% equity interest in CashBox from MARSX Technologies, an independent third party of GOME FIIL at a consideration of approximately HK$363,923,000. The principal activities of CashBox is the provision of online advertising services and top-up services.

7 AMOUNTS DUE FROM/(TO) RELATED PARTIES

Amounts due from related parties

The amounts due from related parties, who are the shareholders of GOME FITL are unsecured, interest-free and have no fixed terms of repayment.

Amount due to a related party

The amount due to a related party, in which Mr. Wong is the ultimate beneficial owner is unsecured, interest-free and has no fixed terms of repayment.

8 SHARE CAPITAL

	Number of share		Equivalent to
		HKD	*RMB*
Issued and fully paid:			
At 1 January 2021, 31 December 2021, 31 December 2022 and 31 December 2023	1	1	—*

* *Less than RMB1,000*

9 RELATED PARTY TRANSACTIONS AND BALANCES

Details of the Target Group's outstanding balances with related parties are set out in the consolidated statements of financial position and note 7.

10 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FAIR VALUE MEASUREMENT

The Target Group's financial instruments include amounts due from/to related parties, which arises directly from its operations.

The main risks arising from the Target Group's financial instruments are credit risk and liquidity risk. The sole director of GOME FIIL reviews and adopts policy for managing these risks as below.

(a) Credit risk

Credit risk refers to the risk that a counterparty fails to discharge its contractual obligations that will cause a financial loss for the Target Group. The Target Group's credit risk is primarily attributable to amounts due from the related parties.

For the purposes of internal credit risk management, the Target Group uses past due information to assess whether credit risk has increased significantly since initial recognition for the amounts due from related parties. Based on the assessment of the directors of the Target Group, there is no significant increase in credit risk from the amounts due from related parties at the end of the reporting period. The Target Group measures loss allowances for amounts due from related parties at an amount equal to a 12-months ECL.

(b) Liquidity risk

The Target Group's financial liabilities as at 31 December 2021, 31 December 2022 and 31 December 2023 represent amount due to a related party which are repayable within one year on demand. The contractual undiscounted cashflows of these financial liabilities are equal to their carrying amounts as at 31 December 2021, 31 December 2022 and 31 December 2023.

Other than credit risk and liquidity risk, the sole director of GOME FIIL considers the financial risks are low.

Fair value measurement

The carrying amounts of the Target Group's financial instruments approximate to their fair values as at 31 December 2021, 31 December 2022 and 31 December 2023.

11 EVENT AFTER THE END OF THE REPORTING PERIOD

There have been no material events subsequent to 31 December 2023, which require adjustment or disclosure in accordance with HKFRSs.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 December 2023 and up to the date of this report.

The following is the text of a report set out on pages IIB-1 to IIB-28, received from the Company's reporting accountants, Baker Tilly Hong Kong Limited, for the purpose of incorporation in this circular.

bakertilly
天職國際

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF CASHBOX GROUP TECHNOLOGY (HONG KONG) LIMITED TO THE DIRECTORS OF GOME FINANCE TECHNOLOGY CO., LTD.

Introduction

We report on the historical financial information in relation to CashBox Group Technology (Hong Kong) Limited (the "**Target Company**") set out on pages IIB-4 to IIB-28, which comprises the statements of financial position of the Target Company as at 31 December 2021, 31 December 2022 and 31 December 2023, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for the years ended 31 December 2021, 2022 and 2023 (the "**Relevant Years**") and notes to the historical financial information, including material accounting policy information and other explanatory information (collectively referred to as, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIB-4 to IIB-28 forms an integral part of this report, which has been prepared for inclusion in the circular of Gome Finance Technology Co., Ltd. ("**Gome Finance**" or the "**Company**") dated 8 May 2024 (the "**Circular**") in connection with a major and connected transaction in relation to the proposed acquisition of the Target Company by the Company.

Director's responsibility for the Historical Financial Information

The sole director of the Target Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the sole director of the Target Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of Gome Finance is responsible for the contents of this Circular in which the Historical Financial Information is included, and such information is prepared based on accounting policies materially consistent with those of Gome Finance.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (''**HKICPA**''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the Target Company's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Company's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2021, 31 December 2022 and 31 December 2023 and the financial performance and cash flows of the Target Company for the Relevant Years in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIB-4 have been made.

Dividends

No dividends have been declared or paid by the Target Company during the Relevant Years.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Hong Kong, 8 May 2024

Del Rosario, Faith Corazon
Practising certificate number P06143

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Years on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") which is different from the Target Company's functional currency of United States dollars ("**USD**") and all values are rounded to the nearest thousands, except when otherwise indicated.

Statements of profit or loss and other comprehensive income

		Year ended 31 December		
		2021	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*5(a)*	36,943	61,661	227,329
Other income and other gains and losses	*5(b)*	(182)	128	966
Administrative expenses		(38,779)	(61,205)	(210,458)
(Loss)/profit before tax	*6*	(2,018)	584	17,837
Income tax expense	*7*	—	—	—
(Loss)/profit for the year		(2,018)	584	17,837
Other comprehensive income/(expense) for the year:				
Item that will not be reclassified to profit or loss:				
Exchange differences on translation from functional currency to presentation currency		17	(78)	57
Total comprehensive (expense)/income for the year		(2,001)	506	17,894

Statements of financial position

		As at 31 December		
		2021	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Intangible assets	*9*	372	857	951
Current assets				
Trade receivables	*10*	22,712	15,479	30,063
Prepayments and other receivables	*11*	3	4	10,449
Amount due from a related company	*13*	—	170	2,302
Cash and cash equivalents		5,033	4,097	39,947
		27,748	19,750	82,761
Current liabilities				
Trade payables	*12*	23,199	17,484	62,632
Amount due to a director	*13*	3,579	3,737	3,800
Amount due to a related company	*13*	2,462	—	—
		29,240	21,221	66,432
Net current (liabilities)/assets		(1,492)	(1,471)	16,329
Net (liabilities)/assets		(1,120)	(614)	17,280
Equity				
Share capital	*14*	9	9	9
Reserves		(1,129)	(623)	17,271
Total (deficit)/equity		(1,120)	(614)	17,280

Statements of changes in equity

		Reserves			
	Share capital *RMB'000*	**Exchange reserve** *RMB'000*	**(Accumulated losses)/ retaining earnings** *RMB'000*	**Total** *RMB'000*	**Total (deficit)/ equity** *RMB'000*
At 31 December 2020 and 1 January 2021	9	(46)	918	872	881
Loss for the year	—	—	(2,018)	(2,018)	(2,018)
Other comprehensive income for the year	—	17	—	17	17
Total comprehensive income/ (expense) for the year	—	17	(2,018)	(2,001)	(2,001)
At 31 December 2021 and 1 January 2022	9	(29)	(1,100)	(1,129)	(1,120)
Profit for the year	—	—	584	584	584
Other comprehensive expense for the year	—	(78)	—	(78)	(78)
Total comprehensive (expense)/ income for the year	—	(78)	584	506	506
At 31 December 2022 and 1 January 2023	9	(107)	(516)	(623)	(614)
Profit for the year	—	—	17,837	17,837	17,837
Other comprehensive income for the year	—	57	—	57	57
Total comprehensive income for the year	—	57	17,837	17,894	17,894
At 31 December 2023	9	(50)	17,321	17,271	17,280

Statement of cash flows

		Year ended 31 December		
		2021	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities				
(Loss)/profit before tax		(2,018)	584	17,837
Adjustments for:				
Amortisation of intangible assets	*6*	6	88	230
Interest income	*5*	—	(12)	(89)
Operating cash flows before movements in working capital		(2,012)	660	17,978
(Increase)/decrease in trade receivables		(17,498)	7,233	(14,584)
Increase in prepayments and other receivables		(2)	(1)	(10,445)
Increase/(decrease) in trade payables		17,950	(5,715)	45,148
Changes in amount due from/to a related company, net		1,378	(2,632)	(2,132)
Cash (used in)/generated from operations		(184)	(455)	35,965
Income tax paid		—	—	—
Net cash (used in)/generated from operating activities		(184)	(455)	35,965
Cash flows from investing activities				
Interest received		—	12	89
Payment for the cost capitalised as intangible assets		(386)	(519)	(310)
Net cash used in investing activities		(386)	(507)	(221)

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from financing activity			
Advances received from a director	134	158	63
Net (decrease)/increase in cash and cash equivalents	(436)	(804)	35,807
Cash and cash equivalents at the beginning of year	5,444	5,033	4,097
Effect of foreign exchange rate changes	25	(132)	43
Cash and cash equivalents at end of year, representing by			
Cash and bank balances	5,033	4,097	39,947

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Target Company was incorporated in Hong Kong with limited liability on 24 May 2018. Its registered office is located at 6/F Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and its principal place of business is located at 12B06-A, 14th Floor 4, No.18 Suzhou Street, Haidian, Beijing. The Target Company is engaged in the provision of online advertising services and top-up services.

On 16 November 2022, Beijing Happy Joyful Technology Co., Ltd.* (北京開心燦爛科技有限公司) ("**Beijing Happy Joyful**"), the former shareholder of the Target Company, fully transferred its shares in the Target Company to Mr. Li Tengfei ("**Mr. Li**"). On 26 September 2023, Mr. Li fully transferred his shares in the Target Company to MARSX Technologies Limited ("**MARSX**"). On 13 October 2023, MARSX transferred 3.3% and 47.7% of its shares in the Target Company to Hongkong Mingrun Business Co., Limited and GOME Faith Technology International Limited, respectively.

2.1 BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 2.3 which conform with HKFRSs.

2.2 APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Years, the Target Company has consistently applied the accounting policies set out in note 2.3 which conform with HKFRSs effective for the accounting period beginning on 1 January 2023 throughout the Relevant Years.

The Target Company has not applied the following amendments to HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (Revised)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "**2022 Amendments**")[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined
[2] Effective for annual periods beginning on or after 1 January 2024
[3] Effective for annual periods beginning on or after 1 January 2025

The sole director of the Target Company anticipated that the application of the above amendments to HKFRSs will have no material impact on the financial statements of the Target Company in the foreseeable future.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate assets is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Target Company;

  (ii) has significant influence over the Target Company; or

  (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**"), and fair value through profit or loss ("**FVTPL**").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at FVTPL, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 "Revenue from Contracts with Customers" in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

All regular way purchases and sale of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Target Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

Impairment of financial assets

The Target Company recognises an allowance for expected credit loss ("**ECL**") for all financial assets not held at FVTPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Target Company applies the practical expedient of not adjusting the effect of a significant financing component, the Target Company applies the simplified approach in calculating ECL. Under the simplified approach, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Target Company has applied loss rates which are referenced to the default rates adjusted for forward-looking factors specific to the debtors and the economic environment.

General approach

For all other financial assets, ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit loss that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit loss expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Company assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In particular the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Company presumes that the credit risk has increased significantly since initial recognition when the debtor's contractual payments are past due for certain days.

The Target Company considers a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company. Irrespective of the above, the Target Company considers that default has occurred when the financial instrument is overdue and remained unsettled despite follow-up actions have been taken.

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

According to the changes of credit risk of financial instruments since the initial recognition, the Target Company calculates the ECL by three stages:

- Stage 1: Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECL
- Stage 2: Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECL
- Stage 3: Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECL

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, trade payables, amount due to a director and amount due to a related company, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classified as follows:

Financial liabilities at amortised cost

After initial recognition, trade payables, amount due to a director and amount due to a related company are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at banks and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash and bank balances, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of this reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Company expects to be entitled in exchange for those goods or services.

(a) Advertising revenue

The Target Company provides advertising services primarily through display of impressions or clicks of the advertisement/embedded hyperlinks on particular areas of the Target Company's mobile games. The service fee from customers is charged primarily on the basis of per number of click or per duration of display time. Advertising revenue is recognised at a point in time once the advertisement/embedded hyperlinks being clicked or displayed.

(b) Top-up revenue

The Target Company engages in development and operation of mobile games. All mobile games of the Target Company are free to play. The Target Company offers virtual items to players. Players can purchase online points and convert them into various in-game virtual items for better in-game experience. In-game virtual items represent consumable items that can be consumed by player actions or expire over a predetermined expiration time. The service fee is paid directly by end players mainly via online payment channels or distributions. Given there is obligation to maintain the in-game virtual items and allow users to gain access and experience from them, top-up revenue is recognised over time when services are rendered to players.

Principal vs agent consideration

The Target Company reports the revenue on a gross or net basis depending on whether the Target Company is acting as a principal or an agent in a transaction. The Target Company is a principal if it controls the specified product or service before that product or service is transferred to a customer or it has a right to direct others to provide the product or service to the customer on the Target Company's behalf. Indicators that the Target Company is a principal include but are not limited to whether the Target Company (i) is the primary obligor in the arrangement; (ii) has latitude in establishing the selling price; (iii) has discretion in supplier selection; (iv) changes the product or performs part of the service, and (v) has involvement in the determination of product or service specifications.

The sole director has evaluated the respective roles and responsibilities of the Target Company, the game developers and third-party game distribution platforms in the delivery of game experience to players and concluded that the Target Company has the primary responsibility in these licensing arrangements as the Target Company is responsible for marketing and promotion of the games in the market, hosting the game servers, determining the price of the in game virtual items, selection of distribution and payment channels and providing customer services.

Foreign currencies

Target Company determines its own functional currency and items included in the Historical Financial Information are measured using that functional currency, i.e. USD, and presented in presentational currency, i.e. RMB. Foreign currency transactions recorded by the Target Company are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of the Target Company is USD. As at the end of each reporting period, the assets and liabilities of the Target Company are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

For the purpose of the statement of cash flows, frequently recurring cash flows of the Target Company which arise throughout the year are translated into RMB at the weighted average exchange rates for each of the reporting period.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the Historical Financial Information requires management to make judgement, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of trade receivables

The policy for impairment of trade receivables of the Target Company is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

4 SEGMENT INFORMATION

Information reported to the management, for the purposes of resource allocation and assessment, focuses on revenue analysis by customers. No other discrete financial information is provided other than the Target Company's results and financial position as a whole. Accordingly, only geographical and major customers information are presented.

Geographical information

As substantially all of Target Company's non-current assets are located in the People's Republic of China (the "**PRC**") and substantially all of the Target Company's revenue is derived from operations in the PRC, no geographical information is presented.

Information about major customer

Revenue from customer contributing over 10% of the Target Company's revenue of the Relevant Years are as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	9,694	Note	Note
Customer B	5,256	—	Note
Customer C	7,865	7,372	Note

Note: Revenue from the customer is less than 10% of the total revenue.

5 REVENUE AND OTHER INCOME AND OTHER GAINS AND LOSSES

(a) An analysis of revenue of the Target Company is as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers under HKFRS 15			
Advertising revenue	36,516	55,779	62,809
Top-up revenue	427	5,882	164,520
	36,943	61,661	227,329
Timing of revenue recognition:			
A point in time	36,516	55,779	62,809
Over time	427	5,882	164,520
	36,943	61,661	227,329

(b) An analysis of other income and other gains and losses of the Target Company is as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Bank interest income	—	12	89
Exchange (loss)/gain	(307)	115	877
Others	125	1	—
	(182)	128	966

6 (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is arrived at after charging:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Director's remuneration	—	—	—
Auditor's remuneration *(note)*	42	3	—
Amortisation of intangible assets *(note 9)*	6	88	230
Marketing expenses (included in administrative expenses)	29,611	49,234	192,393
Service fee charge (included in administrative expenses)	9,032	11,361	17,428

Note: Auditor's remuneration for the year ended 31 December 2023 was borne by the ultimate controlling party.

7 INCOME TAX EXPENSE

(a) Income tax

No provision of Hong Kong Profits Tax nor PRC Enterprise Income Tax has been made as the Target Company did not generate any assessable profits in Hong Kong or the PRC for the Relevant Years.

(b) Reconciliation of income tax expense

A reconciliation of the tax expense applicable to profit or loss before tax at the statutory rates for the country (or jurisdiction) in which the Target Company is domiciled to the tax expense at the effective tax rates are as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before tax	(2,018)	584	17,837
Tax at the statutory tax rate of 16.5%	(333)	96	2,943
Tax effect of income non-taxable for tax purpose	(6,096)	(10,195)	(37,669)
Tax effect of expenses non-deductible for tax purpose	6,429	10,099	34,726
Total income tax expense	—	—	—

8 DIVIDENDS

No dividends have been declared or paid by the Target Company during the Relevant Years.

9 INTANGIBLE ASSETS

	Software development costs *RMB'000*
Cost:	
At 1 January 2020, 31 December 2020 and 1 January 2021	—
Additions	386
Exchange adjustment	(8)
At 31 December 2021 and 1 January 2022	378
Additions	519
Exchange adjustment	58
At 31 December 2022 and 1 January 2023	955
Additions	310
Exchange adjustment	17
At 31 December 2023	1,282
Amortisation:	
At 1 January 2020, 31 December 2020 and 1 January 2021	—
Charge for the year	6
At 31 December 2021 and 1 January 2022	6
Charge for the year	88
Exchange adjustment	4
At 31 December 2022 and 1 January 2023	98
Charge for the year	230
Exchange adjustment	3
At 31 December 2023	331
Carrying value:	
At 31 December 2020	—
At 31 December 2021	372
At 31 December 2022	857
At 31 December 2023	951

Software development costs recognised as assets are amortised from the dates when the software becomes available for use using the straight-line method over 5 years.

10 TRADE RECEIVABLES

Ageing analysis of trade receivables, net of provision based on the invoice date, is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
0 to 30 days	19,676	12,932	29,952
31 to 60 days	1,876	2,410	52
61 to 90 days	486	—	29
Over 90 days	674	137	30
	22,712	15,479	30,063

Trade receivables are due within 7 to 60 days from the invoice date.

As at 31 December 2021, 31 December 2022 and 31 December 2023, the loss allowance was assessed to be minimal as the corporate customers have good background and history of repayment.

The Target Company has concentration risk on trade receivables as it has total outstanding balances as at 31 December 2021, 31 December 2022 and 31 December 2023 of RMB16,255,000, RMB10,008,000 and RMB25,203,000, respectively, from the top five customers, and accounted for 72%, 65%, and 84%, respectively, of the Target Company total trade receivables.

Out of total trade receivables as at 31 December 2021, 31 December 2022 and 31 December 2023 of RMB11,774,000, RMB6,689,000 and RMB3,544,000, respectively, are due from advertising platforms, who also provided marketing services to the Target Company during the Relevant Years. The outstanding balances of trade payables with these advertising platforms amounted to RMB19,358,000, RMB10,797,000 and RMB44,094,000 as at 31 December 2021, 31 December 2022 and 31 December 2023, respectively.

11 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	—	—	10,449
Other receivables	3	4	—
	3	4	10,449

12 TRADE PAYABLES

The following is an ageing analysis of trade payables based on the invoice date:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
0 to 30 days	13,358	10,913	33,272
31 to 60 days	8,601	6,571	28,232
61 to 90 days	1,161	—	614
Over 90 days	79	—	514
	23,199	17,484	62,632

13 AMOUNTS DUE FROM/(TO) A DIRECTOR/A RELATED COMPANY

The amount due to a director is unsecured, interest-free and repayable on demand.

The amount due from/(to) a related company represents balance due from/(to) Beijing Happy Joyful, of which the controlling shareholder is Mr. Li. The amount due is in trade nature, unsecured, interest-free and repayable within 1 year.

14 SHARE CAPITAL

A summary of the Target Company's share capital is as follows:

	Number of shares in issue		**Equivalent to**
	'000	*HK$'000*	*RMB'000*
At 1 January 2021, 31 December 2021, 31 December 2022 and 31 December 2023	10	10	9

15 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Target Company had the following transactions with related party during the Relevant Years:

Entity	**Nature of transactions**	**Year ended 31 December**		
		2021	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Beijing Happy Joyful	Service fee charge	9,032	11,361	17,428

16 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amount and fair values of each of the categories of the Target Company's financial instruments as at 31 December 2021, 31 December 2022 and 31 December 2023 are as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
At amortised cost			
— Trade receivables	22,712	15,479	30,063
— Other receivables	3	4	—
— Amount due from a related company	—	170	2,302
— Cash and cash equivalents	5,033	4,097	39,947
	27,748	19,750	72,312
Financial Liabilities			
At amortised cost			
— Trade payables	23,199	17,484	62,632
— Amount due to a director	3,579	3,737	3,800
— Amount due to a related company	2,462	—	—
	29,240	21,221	66,432

17 FAIR VALUE MEASUREMENT

Management has assessed that the fair values of cash and cash equivalents, trade receivables, other receivables, amount due from/to a related company, trade payables and amount due to a director, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Target Company's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the sole director of the Target Company.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company has various other financial assets and liabilities such as cash and cash equivalents, trade receivables, other receivables, amounts due from/to a related company/director and trade payables which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are foreign currency risk, credit risk and liquidity risk. The sole director of the Target Company reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Foreign currency risk

The Target Company has certain trade receivables, trade payables and cash and cash equivalents denominated in currency (i.e. Hong Kong Dollars ("**HKD**")) other than the functional currency (i.e. USD), which expose the Target Company to foreign currency risk. The Target Company has not used any financial instruments to hedge against currency risk. The sole director of the Target Company considers that, as HKD is pegged to USD, the Target Company is not subject to significant foreign currency risk from change in foreign exchange of HKD against USD and vice versa. No sensitivity analysis on foreign currency risk is presented as the sole director of the Target Company considers the exposure to foreign currency risk is insignificant.

(b) Credit risk

The Target Company trades only with recognised and creditworthy third parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The Target Company reviews the recoverable amount of each individually significant trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Target Company's other financial assets, which comprise bank balances, other receivables and amount due from a related company, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. For the purpose of internal credit risk management, the Target Company uses past due information to assess whether credit risk has increased significantly since initial recognition for other receivables and amount due from a related company. Based on the assessment of the sole director of the Target Company, there is no significant increase in credit risk from other receivables and the amount due from a related company at the end of each reporting period. The Target Company measures loss allowances for other receivables and amounts due from a related company at an amount equal to a 12-months ECL. The Target Company's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks of good standing, for which the Company considers to have low credit risk.

Credit risk measurement

The Target Company shall measure ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, the Target Company need not necessarily identify every possible scenario. However, the Target Company shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Target Company conducted an assessment of ECL according to forward-looking information and assumptions in its expected measurement of credit losses. These assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Target Company adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for identifying whether there has been a significant increases in credit risk
- Parameters of ECL measurement
- Forward-looking information

(c) Liquidity risk

The Target Company's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Target Company will raise funds either through the financial markets or from the realisation of its assets if required.

The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of the Target Company's available cash.

Liquidity risk represents the Target Company's ability to meet its contractual obligations. The Target Company evaluates its liquidity requirements on an ongoing basis using cash flow forecasting. In general, the Target Company generates sufficient cash flows from its operating activities and holds and retains cash to meet its obligations arising from its financial liabilities.

The following table sets out the contractual cash flows for all financial liabilities at the reporting date:

	On demand or less than 3 months	**Total contractual undiscounted cash flows**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2021			
Non-derivative financial liabilities			
Trade payables	23,199	23,199	23,199
Amount due to a director	3,579	3,579	3,579
Amount due to a related company	2,462	2,462	2,462
	29,240	29,240	29,240

	On demand or less than 3 months	**Total contractual undiscounted cash flows**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2022			
Non-derivative financial liabilities			
Trade payables	17,484	17,484	17,484
Amount due to a director	3,737	3,737	3,737
	21,221	21,221	21,221

	On demand or less than 3 months *RMB'000*	Total contractual undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
At 31 December 2023			
Non-derivative financial liabilities			
Trade payables	62,632	62,632	62,632
Amount due to a director	3,800	3,800	3,800
	66,432	66,432	66,432

19 CASH FLOW INFORMATION

The table below details changes in the Target Company's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Target Company's statement of cash flows as cash flows from financing activities:

Reconciliation of liabilities arising from financing activities:

	Amount due to a director *RMB'000*
At 1 January 2021	3,445
Financing cash flows	134
At 31 December 2021 and 1 January 2022	3,579
Financing cash flows	158
At 31 December 2022 and 1 January 2023	3,737
Financing cash flows	63
At 31 December 2023	3,800

20 EVENT AFTER THE END OF THE REPORTING PERIOD

There have been no material events subsequent to 31 December 2023, which require adjustment or disclosure in accordance with HKFRSs.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2023 and up to the date of this report.

The following discussion and analysis should be read in conjunction with the consolidated financial information of GOME FIIL Group for the three years ended 31 December 2021, 2022 and 2023 (the "**Relevant Years**"), as set out in Appendix IIA to this circular.

BUSINESS REVIEW

GOME FIIL is principally engaged in investment holding.

FINANCIAL REVIEW

The following is the consolidated financial information of GOME FIIL Group for the Relevant Years extracted from Appendix IIA to this circular. Please refer to note 2 in Appendix IIA to this circular for details on the basis of preparation and presentation of financial information.

Revenue

There was no revenue during the Relevant Years.

Profit/Loss

Loss for each of the three years ended 31 December 2021, 2022 and 2023 amounted to RMB1,000, RMB1,000 and RMB4,000, respectively.

Segmental information

GOME FIIL Group had no reportable segment during the Relevant Years.

Capital structure, liquidity and financial resources

GOME FIIL Group's asset primarily consisted of interest in an associate and amount due from a related party.

GOME FIIL Group's liability primarily consisted of amount due to a related party and other payables.

The non-current assets of GOME FIIL Group were nil, nil and RMB329,795,000 as at 31 December 2021, 2022 and 2023 respectively.

The total asset of GOME FIIL Group as at 31 December 2021, 2022 and 2023 were RMB8,165,000, RMB8,920,000 and RMB338,857,000.

The total liabilities of GOME FIIL Group as at 31 December 2021, 2022 and 2023 were RMB8,000, RMB10,000, RMB334,456,000 respectively.

Significant investment

GOME FIIL Group did not have any significant investment as at 31 December 2021, 2022 and 2023.

Material acquisitions or disposal of subsidiaries, associates or joint ventures

Save for the indirect acquisition of 47.7% interest in CashBox through GOME FITL in 16 October 2023, GOME FIIL did not make any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Relevant Years.

Contingent liabilities

GOME FIIL Group did not have any material contingent liabilities as at 31 December 2021, 2022 and 2023.

Foreign exchange exposure

GOME FIIL Group did not have any foreign exchange exposure as at 31 December 2021, 2022 and 2023.

Charge of assets

GOME FIIL Group did not have any charge on its assets as at 31 December 2021, 2022 and 2023.

Future plans for material investments or capital assets

GOME FIIL Group had no future plan for material investments or capital assets as at 31 December 2021, 2022 and 2023.

Employees

As at 31 December 2021, 2022 and 2023, GOME FIIL Group did not have any employees. During the Relevant Years, GOME FIIL Group did not have any employee salary and benefit expenses.

The following discussion and analysis should be read in conjunction with the financial information of CashBox for the three years ended 31 December 2021, 2022 and 2023 (the "**Relevant Years**"), as set out in Appendix IIB to this circular.

BUSINESS REVIEW

CashBox is a company incorporated in Hong Kong with limited liability and is principally engaged in game development and publishing business.

FINANCIAL REVIEW

The following is the financial information of the CashBox for the Relevant Years extracted from Appendix IIB to this circular. Please refer to note 2 in Appendix IIB to this circular for details on the basis of preparation and presentation of financial information.

Revenue and net profit

The revenue and net profit/(loss) of CashBox during the Relevant Years are set out below:

	For the year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	36,943	61,661	227,329
Net profit/(loss)	(2,018)	584	17,837

Revenue

With the continuous improvement of global artificial intelligence and big data computing capabilities, the global internet economy has experienced rapid development in recent years. CashBox's business performance has expanded significantly within the rapidly growing global internet environment.

In 2021, CashBox's revenue primarily focused on a single category of lightweight casual puzzle games.

CashBox's revenue increased by approximately 66.9% for the year ended 31 December 2022 as compared with the year ended 31 December 2021. This growth was mainly attributed to CashBox's strategic focus on diversifying its gaming product portfolio. While CashBox primarily offered lightweight casual puzzle games before 2021, it had since increased investment in game category development, gradually expanding its product line to include medium and "heavy" games, as well as branching into competitive and social gaming genres. The enriched game product matrix has attracted a larger user base, significantly increasing CashBox's revenue from in-app advertisements and in-app purchases.

For the year ended 31 December 2023, CashBox's revenue increased by approximately 268.7% of as compared with the year ended 31 December 2022. This growth was primarily due to CashBox's efforts to consolidate its business scale in the European and American markets while also expanding into the Southeast Asian and Latin American markets. These emerging markets have active and extensive internet user bases, which have contributed to a substantial increase in CashBox's user base for gaming products. At the same time, due to changes in the overall advertising market environment in 2023, there were more development opportunities for top-up business. CashBox increased investment in the top-up business in terms of technology and personnel, also adjusted certain advertising revenue scenarios to the top-up business scenarios, resulting in a significant increase in top-up revenue in the fourth quarter of 2023.

Revenue of CashBox is primarily divided into online advertising revenue and top-up revenue. As mentioned above, with the gradual expansion of CashBox's product categories and the increasing reach of game promotions, both of these revenue streams have shown significant growth in 2022 and 2023.

	For the year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Advertising revenue	36,516	55,779	62,809
Top-up revenue	427	5,882	164,520

Online advertising services revenue was the initial source of income for CashBox. However, this revenue stream is subject to regulatory requirements in different industries and varying policies governing the advertising industry in different countries. As a result, CashBox's advertising revenue from its gaming products carries higher risks.

In light of this, CashBox began expanding its top-up revenue business in 2022. This revenue stream is generated through in-app top-up made by game users within the game products. Such business is not subject to policy fluctuations and carries relatively lower risks. While maintaining steady development of the advertising revenue business segment, CashBox has been actively increasing the scale of this business segment to enhance overall risk resilience. At the same time, due to changes in the overall advertising market environment in 2023, there were more development opportunities for top-up business. CashBox increased investment in the top-up business in terms of technology and personnel, and also adjusted certain advertising revenue scenarios to the top-up business scenarios, resulting in a significant increase in top-up revenue in the fourth quarter of 2023.

Net profit/(loss)

For the year ended 31 December 2021, CashBox has successfully established a stable customer base through its professional expertise in casual puzzle games, and began preparing for opportunities in multi-category products and multi-channel business.

Net loss was approximately RMB2,018,000 for the year ended 31 December 2021 mainly because CashBox started expanding its in-app purchase business and diversified from a single category of lightweight casual puzzle games to medium, heavy, and multi-category games. This expansion required higher investments in personnel for technology development and marketing operations, resulting in substantial losses in 2021.

Net profit was RMB584,000 for the year ended 31 December 2022 as compared with the net loss of approximately RMB2,018,000 for the year ended 31 December 2021. In 2022, CashBox showed a significant improvement in profitability compared to 2021 and achieved a profitable outcome. This improvement can be attributed to CashBox's increased investment in multi-category products in 2021, which resulted in higher costs in areas such as technology and marketing. However, these investments created greater market opportunities in 2022 and gradually offset the additional costs incurred.

For the year ended 31 December 2023, CashBox experienced rapid growth in net profit, which increased to net profit of approximately RMB17,837,000 as compared with the net profit of RMB584,000 for the year ended 31 December 2022, primarily due to an increase in product categories, a larger user base in various regions worldwide. At the same time, due to changes in the overall advertising market environment in 2023, there were more development opportunities for top-up business. CashBox increased investment in the top-up business in terms of technology and personnel, and also adjusted certain advertising revenue scenarios to the top-up business scenarios, resulting in a significant increase in top-up revenue in the fourth quarter of 2023.

Capital structure, liquidity and financial resources

CashBox's assets primarily consisted of cash and cash equivalents, accounts receivable, and intangible assets. Its liabilities mainly included accounts payable and loans from the founder, Mr. Li.

The total assets of CashBox as at 31 December 2022 were RMB20,607,000, comprising trade receivables and cash and cash equivalents. The total liabilities of CashBox as at 31 December 2022 were approximately RMB21,221,000. The total assets and total liabilities of CashBox as at 31 December 2022 decreased by 26.7% and 27.4% respectively as compared with the total assets and total liabilities as at 31 December 2021.

As the upfront investments made in 2021 gradually generated cash inflows in subsequent years and the settlements with customers and suppliers stabilised, accounts receivable and accounts payable decreased in 2022.

As at 31 December 2023, CashBox's assets are as follows: cash and cash equivalents of approximately RMB39,947,000, accounts receivable of approximately RMB30,063,000, prepayments and other receivables of approximately RMB10,449,000 and intangible assets of approximately RMB951,000.

As at 31 December 2023, CashBox's liabilities include accounts payable of approximately RMB62,632,000 and amount due to director, i.e. Mr. Li in the amount of approximately RMB3,800,000.

The total assets and total liabilities of CashBox as at 31 December 2023 increased by 306.2% and 213.1% respectively as compared with the total assets and total liabilities as at 31 December 2022.

In 2023, CashBox expanded its top-up business strategy and upgraded the technology for in-game purchase services, resulting in a significant increase in top-up revenue, which was mainly due to the increase in cash and cash equivalents, trade receivables, prepayments and other receivables as well as the simultaneous increase in trade payables. Therefore, the total assets and liabilities increased simultaneously.

CashBox's current ratios (calculated by total assets divided by total current liabilities) for the Relevant Years are as follows: 1.09 for the year ended 31 December 2020, 0.96 for the year ended 31 December 2021, 0.97 for the year ended 31 December 2022, and 1.26 for the year ended 31 December 2023. Since CashBox's purchases from suppliers primarily relate to market promotions and its customers primarily generate advertising revenue, the payment and collection periods for accounts payable and accounts receivable are generally fast, usually not exceeding 60 days. Therefore, CashBox's current ratio was maintained at around 1.

The current ratio as at 31 December 2022 remained stable as compared with 31 December 2021.

CashBox did not have any external borrowings other than trade debt and amount due to a director as at 31 December 2021, 2022 and 2023.

The current ratio as at 31 December 2023 increased as compared with 31 December 2022, which was mainly due to the increase in revenue from various businesses and the improvement in cash flow.

Significant investment

CashBox did not have any significant investment as at 31 December 2021, 2022 and 2023.

Material acquisitions or disposal of subsidiaries, associates or joint ventures

CashBox did not make any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Relevant Years.

Contingent liabilities

CashBox did not have any material contingent liabilities as at 31 December 2021, 2022 and 2023.

Foreign exchange exposure

CashBox uses the US dollar as its functional currency for accounting purposes. Its business revenue mainly comes from overseas markets, and is denominated in US dollars. Additionally, the costs of market promotions are primarily incurred in foreign currencies, predominantly in US dollars. Therefore, overall, there is no significant foreign exchange risk.

Charge of assets

CashBox did not have any charge on its assets as at 31 December 2021, 2022 and 2023.

Future plans for material investments or capital assets

CashBox had no future plan for material investments or capital assets as at 31 December 2021, 2022 and 2023.

Employees

CashBox itself does not have any employees. All personnel are employed by another company controlled by Mr. Li, namely Beijing Happy Joyful, located in mainland China. CashBox incurs operating expenses by settling service fees with Beijing Happy Joyful.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Reference is made to the announcement of the Company dated 16 October 2023 in relation to the proposed acquisition of the GOME FIIL Sale Share and the CashBox Sale Shares (the "**Proposed Acquisitions**") and proposed reduction of the issued share capital of the Company and the proposed sub-division of each authorised but unissued existing share into ten unissued new shares of the Company (the "**Capital Reorganisation**"). The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2023 and related notes as set out in Appendix IV to this circular (the "**Unaudited Pro Forma Financial Information**") have been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Proposed Acquisitions and the Capital Reorganisation on the Group's financial position as at 31 December 2023 as if the Proposed Acquisitions and the Capital Reorganisation had taken place at 31 December 2023.

The Unaudited Pro Forma Financial Information was prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2023 as extracted from the annual report of the Group for the year ended 31 December 2023 issued on 27 March 2024.

The Unaudited Pro Forma Financial Information was prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Proposed Acquisitions that are factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information was also prepared by the Directors based on certain assumptions, estimates and uncertainties for illustrative purposes only. Due to its hypothetical nature, the Unaudited Pro Forma Financial Information may not purport to predict what the assets and liabilities of the Group would have been if the Proposed Acquisitions and Capital Reorganisation had been undertaken at 31 December 2023 nor in any future period or on any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with, among others, the annual report of the Group issued on 27 March 2024 and the Accountants' Reports of GOME FIIL and CashBox as set out in Appendices IIA and IIB to this circular and other financial information included elsewhere in this circular, respectively.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

AT 31 DECEMBER 2023

	The Group	GOME FIIL Group	CashBox	Pro forma adjustments				Pro forma total for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	
Non-current assets								
Investment	—	329,795	—		(329,795)			—
Prepayment	368,000	—	—					368,000
Property, plant and equipment	31	—	—					31
Goodwill	—	—	—		158,905	18,102		177,007
Intangible assets	—	—	951					951
Right-of-use assets	627	—	—					627
Deferred tax assets	2,875	—	—					2,875
Total non-current assets	371,533	329,795	951					549,491
Current assets								
Trade and loan receivables	1,043,488	—	30,063					1,073,551
Prepayments, deposits and other receivables	2,802	—	10,449					13,251
Amount due from related parties	—	9,062	2,302					11,364
Cash and cash equivalents	284,383	—	39,947					324,330
Total current assets	1,330,673	9,062	82,761					1,422,496
Current liabilities								
Trade payables	50	—	62,632					62,682
Other payables and accruals	5,777	—	—				1,531	7,308
Amount due to a director	—	—	3,800					3,800
Amount due to a related party	—	4,661	—					4,661
Tax payables	11,617	—	—					11,617
Lease liabilities	567	—	—					567
Total current liabilities	18,011	4,661	66,432					90,635
Net assets	1,684,195	334,196	17,280					1,881,352
Equity								
Share capital	230,159	—*	9	(207,143)	19,866	2,852		45,743
Reserves	1,454,035	329,820	17,271	207,143	(190,756)	2,756	(1,531)	1,818,738
Total equity attributable to owners	1,684,194	329,820	17,280					1,864,481
Non-controlling interests	1	4,376	—			12,494		16,871
Total equity	1,684,195	334,196	17,280					1,881,352

* *Less than RMB1,000*

NOTES TO THE PRO FORMA FINANCIAL INFORMATION

AT 31 DECEMBER 2023

1. The amounts of assets and liabilities are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2023 as set out in the annual report of the Group for the year ended 31 December 2023 issued on 27 March 2024.

2. The amounts of assets and liabilities of GOME FIIL are extracted from the accountants' report of GOME FIIL as at 31 December 2023 as set out in Appendix IIA to this circular.

3. The amounts of assets and liabilities of CashBox are extracted from the accountants' report of CashBox as at 31 December 2023 as set out in Appendix IIB to this circular.

4. The adjustment represents the proposed reduction of the issued share capital of the Company by cancelling the paid-up share capital of the Company to the extent of HK$0.09 on each issued Existing Share such that the par value of each issued Existing Share will be reduced from HK$0.10 to HK$0.01 at exchange rate of RMB1 to HK$1.1736.

5. Upon completion of the Proposed Acquisitions, GOME FIIL and GOME FITL will become subsidiaries of the Company with effective shareholding of 100% and 51.15%, respectively (GOME FIIL and GOME FITL together, "**GOME FIIL Group**"). Accordingly, the identifiable assets and liabilities of GOME FIIL Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values using the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations" ("**HKFRS 3**") issued by the Hong Kong Institute of Certified Public Accountants.

   The adjustment represents:

   (i) the consideration to be settled by 2,185,286,341 new Shares at the Issue Price of HK$0.08 per Share for the Proposed Acquisitions, equivalent to approximately HK$174,823,000 or RMB158,930,000;

   (ii) the elimination of pre-acquisition reverses of GOME FIIL Group of approximately RMB329,820,000, including other reserve of RMB329,795,000 arising from acquisition of 47.7% equity interest in CashBox by GOME FITL of which the consideration was fully borne by Mr. Wong Kwong Yu ("**Mr. Wong**"), the ultimate controlling party, in September 2023 as set out in the accountants' report of GOME FIIL included as Appendix IIA to this circular;

   (iii) the elimination of investment cost in CashBox of approximately RMB329,795,000; and

   (iv) the excess of the net assets value of GOME FIIL Group, after considering the adjustments mentioned above, of approximately RMB158,905,000 is recognised as goodwill in accordance with HKFRS 3.

6. Upon completion of the Proposed Acquisitions, CashBox will become a subsidiary of the Company with effective shareholding of 27.70%. Accordingly, the identifiable assets and liabilities of CashBox will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values using the acquisition method in accordance with HKFRS 3.

   The adjustment represents:

   (i) the consideration to be settled by 314,713,659 new Shares at the Issue Price of HK$0.08 per Share for the Proposed Acquisitions, equivalent to approximately HK$25,177,000 or RMB22,888,000;

   (ii) the elimination of the share capital of the CashBox of RMB9,000 and pre-acquisition reserves of approximately RMB17,271,000;

(iii) the recognition of non-controlling interests of approximately RMB12,494,000; and

(iv) the excess of the net assets value of CashBox, after considering the adjustments mentioned above, of approximately RMB18,102,000 is recognised as goodwill in accordance with HKFRS 3.

7. The adjustment represents the estimated professional services fee, that are directly attributable to the Proposed Acquisitions of approximately RMB1,531,000.

8. For the purpose of preparing the unaudited pro forma consolidated statement of financial position of the Enlarged Group, the Directors assumed that the pro forma fair value of identifiable assets and liabilities of GOME FIIL Group and CashBox approximate their respective carrying amounts as at 31 December 2023. The amounts of goodwill and fair value of the identifiable assets and liabilities of GOME FIIL Group and CashBox on the Completion Date are subject to change upon the completion of the valuation of the fair value of the identifiable assets and liabilities of GOME FIIL Group and CashBox on the Completion Date. Accordingly, the amounts of goodwill and fair value of the identifiable assets and liabilities of GOME FIIL Group and CashBox may be materially different from the amounts used in the preparation of the unaudited pro forma financial information presented above.

9. For the purpose of this Unaudited Pro forma Financial Information, the translation of RMB to HKD was made at a rate of RMB1 to HK$1.1 except stated otherwise.

10. Apart from the effect of the Capital Reorganisation and the Proposed Acquisitions, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group, GOME FIIL Group and CashBox entered into subsequent to 31 December 2023.

The following is the text extracted from the independent reporting accountants' assurance report received from Baker Tilly Hong Kong Limited, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of inclusion in this circular.

bakertilly
天職國際

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF GOME FINANCE TECHNOLOGY CO., LTD.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Gome Finance Technology Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") upon completion of the proposed acquisition of the shares of GOME Faith International Investment Limited and CashBox Group Technology (Hong Kong) Limited (the "**Proposed Acquisitions**") and completion of the proposed capital reduction of issued shares of the Company and sub-division of each authorised but unissued existing share into 10 new shares of the Company (the "**Capital Reorganisation**") prepared by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2023 and related notes as set out on pages IV-1 to IV-4 of the circular issued by the Company dated 8 May 2024 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-3 and 4 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Proposed Acquisitions and Capital Reorganisation on the Group's financial position as at 31 December 2023 as if the Proposed Acquisitions and Capital Reorganisation had taken place at 31 December 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2023, on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

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 HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including 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, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Hong Kong, 8 May 2024

Del Rosario, Faith Corazon
Practising certificate number P06143

The following is the summary of the Valuation Report prepared for the purpose of incorporation in this circular and received from Beijing North Asia Asset Assessment Firm (Special General Partnership), the Valuer, in connection with its valuation of CashBox as at 30 June 2023. The Chinese text of the Valuation Report shall prevail over the English text in the event of inconsistency.

VALUATION REPORT FOR THE ENTIRE SHAREHOLDERS' EQUITY OF CASHBOX GROUP TECHNOLOGY (HONG KONG) LIMITED INVOLVED IN THE PROPOSED ACQUISITION OF EQUITY INTEREST BY GOME FINANCE TECHNOLOGY CO., LTD.
Bei Fang Ya Shi Zi Bao Zi [2023] Number 01

Date: 10 January 2024

Gome Xinda Commercial Factoring Co., Ltd* (國美信達商業保理有限公司):

Beijing North Asia Asset Assessment Firm (Special General Partnership) has been commissioned by the Company to appraise the value of the entire shareholders' equity of CASHBOX GROUP TECHNOLOGY (HONG KONG) LIMITED on the basis of the principles of independence, objectivity and fairness by the proposed adoption of the market approach and the income approach. The appraiser has carried out the necessary valuation procedures, such as on-site inspection and market investigation of the assets and liabilities within the scope of the valuation, and has made a fair reflection of the market value of the entire shareholders' equity of CASHBOX GROUP TECHNOLOGY (HONG KONG) LIMITED as at the valuation reference date of 30 June 2023. The situation and results of the valuation are reported below:

I. TARGET AND SCOPE OF THE VALUATION

(i) Target and scope of valuation

The subject of this valuation is the value of the entire shareholders' equity of CASHBOX GROUP TECHNOLOGY (HONG KONG) LIMITED as at the valuation reference date.

The scope of the valuation is the entire assets and liabilities as stated in the balance sheet of CASHBOX GROUP TECHNOLOGY (HONG KONG) LIMITED as at the valuation reference date.

The subject and scope of the valuation are the same as those involved in the economic activity, and the book value is extracted from the consolidated and individual Audit Reports audited by Baker Tilly China Certified Public Accountants LLP, which issued the standard unqualified audit report.

* *For identification purposes only*

II. TYPES OF VALUES

For the purposes of this valuation, the type of value was determined to be the market value.

Market value is the estimated amount against the target of valuation in an arm's length transaction between a willing buyer and a willing seller, each acting rationally and without any compulsion, on the valuation reference date.

The determination of market value as the type of value for this valuation was made in accordance with the principle of consistency between the type of value and the purpose of the valuation, and generally with due consideration of market conditions and the conditions of the target of consultation, among other factors.

III. VALUATION REFERENCE DATE

(i) The valuation reference date for this report is 30 June 2023.

(ii) The principal determines the valuation reference date in accordance with the principle that the valuation reference date is as close as possible to the date on which the economic behaviour in relation to the operation under valuation is realised.

(iii) In this valuation, the definition of the scope of valuation, the selection of valuation parameters and the determination of the appraisal value, among other things, were determined on the basis of the financial statements of the enterprise, the external economic environment and the market situation as at the valuation reference date.

IV. VALUATION BASIS

(i) Basis for economic behaviour

1. "Proposed Acquisition — Major and Connected Transaction Involving Issue of Consideration Shares under Special Mandate" with regard to Gome Finance Technology Co., Ltd.* (國美金融科技有限公司涉及根據特別授權發行代價股份之主要及關聯交易建議收購事項).

(ii) Basis of title

1. Business Registration Certificate, Certificate of Incorporation, Register of Directors;

2. Contracts and invoices for the acquisition of major assets, as well as information such as relevant operational agreements and contracts;

3. Other documents of title.

(iii) Basis of pricing

1. Historical operating data information, financial statements, audit reports and other financial information provided by the Target Company;

2. The Declaration Form (申報表) and the Earnings Projection Statement provided by the Target Company;

3. Information provided by the Target Company on its future annual business plan and profit forecast etc.;

4. Information such as market analysis of industries investigated by the appraiser;

5. Records of on-site investigation and other relevant valuation information collected by the appraiser;

6. Third-party platform technical data information, such as cumulative user data, MAU, DAU etc.;

7. Other relevant information provided by the Target Company;

(iv) Other references

1. Statistics, technical standards and price information issued by relevant authorities of the country;

2. Other information on financial terminals of "同花順" and Bloomberg;

3. Other relevant references.

V. VALUATION METHODOLOGY

The main approaches for valuing the overall assets of a business are the asset-based approach, market approach and income approach. One or more asset valuation approaches need to be appropriately selected based on the purpose of the valuation, the type of value, the information collection and other relevant conditions.

Asset-based approach refers to the valuation approach of determining the value of the subject by reasonably assessing the value of on-balance-sheet and identifiable off-balance-sheet assets and liabilities of the enterprise based on the balance sheet of the Target Company at the valuation reference date. Market approach refers to the valuation approach to determine the value of the subject by comparing the subject with comparable listed companies or cases of comparable transactions; and income approach refers to the valuation approach of determining the value of the subject by capitalising or discounting the expected income.

Based on the relevant conditions such as the purpose of the valuation, the target of the valuation, the type of value, the information collected, and the conditions applicable to the three basic approaches of valuation, the valuation approaches selected for this appraisal are: the income approach and the market approach. The reasons for the selection of the valuation approaches are set out below:

The asset-based approach is prone to neglect the comprehensive profitability of each asset in the assessment of enterprise value, and according to the characteristics of the industry, the asset-based approach generally fails to adequately and reasonably reflect the characteristics of the enterprise's resources and assets, such as customer source and sales network. Meanwhile, in light of the economic behaviour, the purpose and target of the valuation, it is not appropriate to adopt the asset-based approach in this assessment.

The income approach is based on the expected utility theory of economics. In other words, from the perspective of the investors, the enterprise value lies in the future income expected to be generated from the enterprise. Despite the absence of the direct use of comparable in the actual market for stating the prevailing fair market value of the target, the income approach assesses the value of an asset by its expected profitability, which is the essential basis for determining the prevailing fair market value of the asset. As such, it can completely reflect the overall value of an enterprise and its valuation conclusion is more reliable and convincing. From the perspective of applicable conditions of the income approach, since the enterprise is profitable in its own right and the management of the Target Company has provided the profit forecast for the future years, according to the historical operating data of the enterprise and the internal and external operating environment, the future profit level of the enterprise can be reasonably forecasted. In addition, the risk related to future income can be reasonably quantified. Therefore, the income approach could be used for this valuation.

Market approach is to assess the current fair market value of the subjects by using references in the actual market. The valuation data of the market approach comes directly from the market. It has a direct valuation perspective and valuation approach, and an intuitive valuation process. The valuation approach is market-oriented and the valuation results are more persuasive. As there are significant differences between the Target Company and listed companies in terms of revenue scale, access to resources and business type, it is not appropriate to adopt the listed company comparison approach directly for this valuation; and as there have been more cases of equity mergers and acquisitions of global gaming companies in recent years, and certain specific conditions associated with the transaction cases and affecting the transaction price can be obtained through public channels, the adequacy and reliability of the data acquisition can meet the needs of this valuation. Therefore, the transaction comparison approach was adopted for this valuation.

In summary, the income approach and the market approach were adopted for this valuation.

VI. IMPLEMENTATION PROCESS AND STATUS OF THE VALUATION PROCEDURES

Beijing North Asia Asset Assessment Firm (Special General Partnership), as entrusted by Gome Xinda Commercial Factoring Co., Ltd.* (國美信達商業保理有限公司), has conducted a valuation on the market value of the entire shareholders' equity of CASHBOX GROUP TECHNOLOGY (HONG KONG) LIMITED as at 30 June 2023 in relation to the proposed acquisition of its equity by Gome Finance Technology Co., Ltd. The appraiser has carried out the necessary verification and checking on the assets and liabilities included within the scope of the valuation, examined the relevant accounts, proof of ownership and other documents and information, and completed the necessary valuation procedures. On this basis, the value of the entire shareholders' equity of CASHBOX GROUP TECHNOLOGY (HONG KONG) LIMITED was assessed and estimated by adopting the income approach and market approach in accordance with the purpose of the valuation and the specific circumstances of the assets under appraisal. The entire valuation process, including, among other things, acceptance of the engagement, preparation of the valuation, on-site investigation and verification, appraisal and estimation, summary of the valuation and submission of the report, is set out specifically below:

(i) To preliminarily understand the economic activities and the relevant circumstances concerning the assets under appraisal, clarification of the purpose, subject and scope of the valuation, determination of the valuation reference date with the principal and the Target Company; and to prepare the Declaration Form and information checklist in accordance with the relevant requirements.

(ii) Preliminary preparation

The appraiser built a valuation project team and formulated a valuation plan based on the types of the Target Company's assets and the volume of assets concerning the Target Company.

* *For identification purposes only*

(iii) On-site investigation

The appraiser has performed the necessary inspection and verification of the assets and liabilities concerning the subject and the necessary due diligence on the business operations and management of the Target Company, etc., through on-site field surveys and due diligence.

1. Asset verification

(1) To instruct relevant personnel of the Target Company to fill in forms and collect relevant information

To communicate with the relevant finance and asset management personnel of the enterprise and assist the enterprise in detailedly and accurately filling in the "Income Approach Appraisal Declaration Form" and "Detailed Statement of Asset Inspection" provided by the appraisal institutions, according to the form and the statement as well as the requirements for completing the same and the checklist of information; and meanwhile collect the title certificates on the property ownership of the asset appraised and the documents reflecting the financial and operating conditions of the company.

(2) Preliminary review of the Income Approach Appraisal Declaration Form provided by the Target Company

Having understood the details of the specific subject within the scope of the valuation through reading relevant information, the appraiser then proceeded to review in detail the Income Approach Appraisal Declaration Form to check preliminarily if there were any, among other things, missed items, inaccurate items, unclear items, as well as inconsistency and illogical relationships, and meanwhile provided feedback to the enterprise to make additional modifications and improvements.

(3) On-site field surveys and on-site interviews

The appraiser, taking into account the characteristics of the appraised subject and the valuation methodology, verified the financial and operating conditions of the major assets, and conducted on-site interviews into the enterprise's historical financial and operating conditions and the specific implementation of its future development strategy and development plan.

(4) Verification of title certificate documents

The appraiser verified the ownership information provided by the Target Company to clarify the ownership of property.

2. Due diligence

The appraiser has conducted the necessary due diligence in order to fully understand the business operations and management of the Target Company and the risks it faces. Below are the major contents of the due diligence:

(1) The history, substantial shareholders and their shareholding ratio, property rights and business management structure of the Target Company;

(2) The asset, financial, risk, operation and management status of the Target Company;

(3) The business plans, development plans and financial projections of the Target Company;

(4) Macroeconomic and regional economic factors affecting the Target Company's operations;

(5) The development status and prospect of the industry in which the Target Company operates;

(6) Other relevant information and data.

(iv) Data collection

The appraiser has collected appraisal data in accordance with the specific circumstances of the appraised subject, including data directly obtained from market and other channels independently, data obtained from the Target Company and other concerned parties, as well as data obtained from government departments, various professional bodies and other relevant authorities, and carried out the necessary analysis, generalization and collation of the collected appraisal data to form the basis for the appraisal and estimation.

(v) Appraisal and estimation

Taking into account the specific circumstances of the enterprise, the appraiser ascertained the corresponding valuation scheme, parameters for analysis and pricing standards for each type of asset, to finally draw the preliminary appraisal conclusion, perform an appraisal analysis and compile a preliminary draft of the valuation report and explanatory notes.

(vi) Internal review, requests for comments and issuance of report

Having completed the first review, the project manager submitted the preliminary draft of the report to the firm for audit, which included second-level and third-level audit. After the firm's internal audit, the valuation results were communicated and reported to the entrusting party and the Target Company. Upon modification and improvement based on the feedbacks, the internal audit was conducted again, and the formal valuation report was submitted to the entrusting party after being signed by the chief appraiser of the firm.

VII. VALUATION ASSUMPTIONS

Due to the uncertainty of the objective environment, the environment in which the enterprise operates could change, so it is necessary to establish a number of valuation assumptions and limitations during the valuation process in order to adequately support the conclusions reached on the valuation of the assets. The assumptions adopted in this valuation are:

(i) General assumptions

1. Transaction assumption

It is assumed that all assets to be appraised are already in the process of transaction, and the appraiser conducts the valuation according to the simulated market conditions such as the transaction conditions of the assets to be appraised. This is one of the most general prerequisite assumptions for valuation to be carried out.

2. Open market assumption

It is assumed that both parties to the transaction are on an equal footing and have the opportunity and time to access and obtain sufficient market information to make rational judgments on the function, use and transaction price of the assets, whether traded or to be traded on the market. This assumption is based on the fact that the assets can be traded on the open market.

3. Going concern assumption

It is assumed that the Target Company's business operations are lawful, that there will be no unforeseen factors that render it unable to continue as a going concern, and that the existing use of the assets under appraisal will remain unchanged and continue in situ.

(ii) Special Assumptions

1. Unless otherwise stated, it is assumed that CashBox is in full compliance with all relevant laws and regulations, and it is assumed that the management of CashBox responsibly fulfils its obligations as an owner of assets and manages the relevant assets in a competent and effective manner.

2. It is assumed that there will be no significant changes in the current industrial policies and that no new laws and regulations (whether favourable or unfavourable) will be enacted.

3. There are no significant changes in the relevant laws, regulations and policies in force in the country, the macroeconomic conditions of the country, the political, economic and social environment of the region in which the Target Company is located, nor will there be any force majeure factors and unforeseeable factors which would have a significant adverse impact on the enterprise.

4. We are fully aware of the current macroeconomic situation and the fluctuations in the interest rates and exchange rates of RMB, but being limited to our professional level and capabilities, we are unable to predict the future trend of these rates, and therefore we assume that there will not be any material changes in the RMB interest rates and exchange rates at their current levels.

5. We assume that the information provided by the entrusting party and other parties on which the valuation conclusion is based is credible and have carried out the necessary verifications in accordance with the valuation procedures, but we give no assurance as to the authenticity, legality and completeness of such information.

6. It is assumed that all licences, permits, consents or other legal or administrative authorizations issued by the relevant local or national governmental agencies, private organizations or bodies that are required in respect of the way in which the assets on which the valuation is based have been or can be renewed at any time.

7. It is assumed that the Target Company will receive net cash flow evenly in each of the future years.

8. In the foreseeable operating period, no consideration has been given to non-recurring gains and losses that may arise from the company's operations, including but not limited to the following items: gains and losses arising from the disposal of long-term equity investments, fixed assets, intangible assets, other long-term assets, and other non-operating income and expenses.

9. CashBox's main business revenue structure and its proportion will be maintained at the current level without significant changes in the future operating period.

10. The current and future operators of the entrusting enterprise are responsible and the management of the enterprise is capable of steadily advancing its development plan to the best of its ability to achieve the projected operating dynamics.

11. It is assumed that the products and services of the enterprise continue to maintain its current competitive market position after the valuation reference date.

12. After the purpose of the valuation is realized, the appraised enterprise will continue to operate under the existing business model with the original products or those that can be achieved with the existing resources and at the existing technological level, and the operating conditions such as the enterprise's supply and sales model and profit distribution with related enterprises will remain unchanged.

VIII. VALUATION PROCESS

(i) Macroeconomic and industry analysis

1. Macroeconomic analysis

Benefiting from the receding negative factors, global economic growth in the first half of 2023 was better than expected. According to the latest outlook reports issued by the International Monetary Fund (IMF) and the Organisation for Economic Cooperation and Development (OECD) in July and September, the global economic growth forecasts increased by 0.2 and 0.3 percentage points to 3.0% and 3.0%, respectively. The OECD report showed that the annualized global GDP growth in the first half was 3.2%, which was higher than expected. However, the global economic growth momentum slowed down after entering the third quarter. The characteristics of "three highs and one low" are more prominent, namely, high core inflation with declined overall inflation, high interest rates, high financial risk and low economic growth.

(1) High core inflation despite notable decline in overall inflation

High inflation has been plaguing major economies in Europe and the United States in recent years. In order to achieve the inflation target and stabilize expected long-term inflation, monetary policy in most economies has initiated a process of rapid interest rate hikes since 2022. Amid a combination of slowing demand, lower commodity prices, easing supply chain bottlenecks and the gradual dissipation of war-induced disruptions in the energy and food markets, the effects of the policies become obvious and the overall inflation level has significantly declined since 2023. For example, in August, the CPI in the United Kingdom, the Eurozone and the United State were 4.4, 5.4, and 5.4 percentage points lower than their highs, respectively.

However, the core CPI (being CPI excluding food and energy of high price volatility) has remained resilient, not only much higher than its pre-pandemic level in 2015–19, but also declining at a significantly slower pace. From January to August this year, the core CPI in the United State declined by only 1.0 percentage point from 2022, remaining high at 5.2%, while the core CPIs in the Eurozone and Japan rose by 1.6 and 1.0 percentage points from 2022 to 5.5% and 3.3%, respectively, rather than decline. The reasons for the rise in core CPIs are mainly the continued high prices of services: firstly, the post-pandemic demand has shifted from commodities to services, resulting in a obvious trend of rising service prices; secondly, the labor market is tight, and the demand for services is supported by income; thirdly, the service prices are more durable than commodity prices because international competition has less impact on service prices, which is more driven by domestic factors, and the rate of change and volatility are significantly lower than commodity prices, which is also an important reason for the strong resilience of core CPIs.

Looking forward to this year and for a period of time during the next year, the overall inflation is expected to fall further, aided by a high base over the same period in 2022, and core inflation will also gradually decline. However, its resilience will be significantly stronger than overall inflation, and it may take longer to reach the 2% inflation target.

(2) High interest rates may last longer than expected

High inflation corresponds to high interest rates. As long as the world's major economies still maintain the 2% inflation target, the strong resilience of core inflation means a longer time to achieve the 2% target, and a longer duration of high interest rates at a high level. Indeed, the economic growth and financial stability will face greater challenges under high interest rates, and the achievement of "soft landing" will be more difficult.

The downtrend of inflation in major economies during the year and for a period of time ahead may face several risks of overshooting expectations: firstly, reduced production and supply shortages of OPEC crude oil have led to recent a higher surge in the recent energy prices, which may prompt the market to re-adjust the inflation expectations; secondly, the bargaining power of workers and labor unions in developed countries such as the United States has increased, along with larger hikes in wages and price levels brought about by strikes; thirdly, the costs of global energy transition increase; and fourthly, the increase in costs arising from geopolitical tensions, a rapidly diminishing peace dividend and supply constraints. While the impact of the above factors on prices will be both short- and long-term and it is difficult to measure the extent of their impact with certainty, but when they do occur, they will strengthen the inflationary resilience, forcing central bank monetary policy cuts to be delayed and high interest rates to persist for a longer period or longer than expected.

(3) High financial risk and slowing and low economic growth

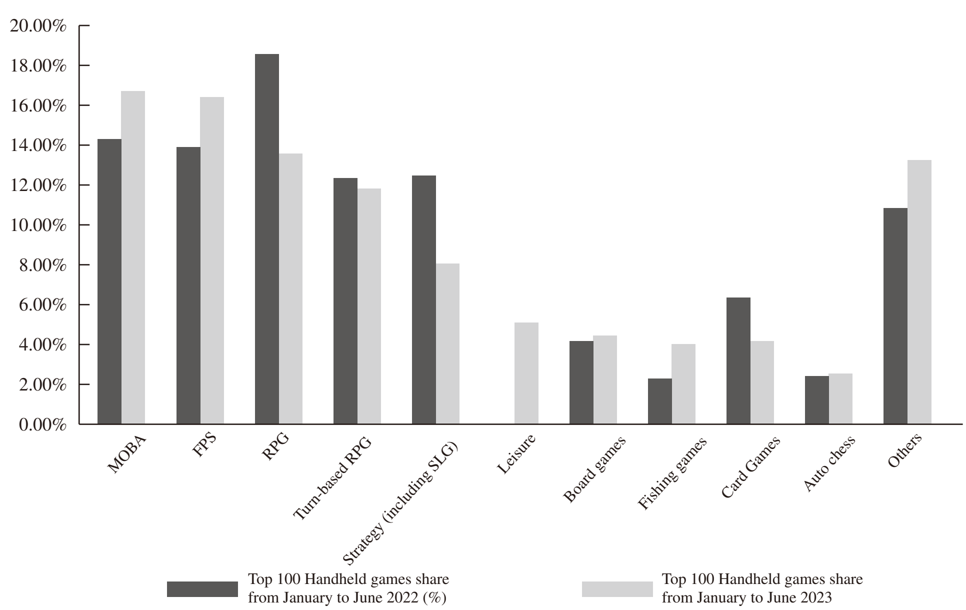
High interest rates is a critical factor behind the slowdown in global economic growth in 2023. Since the beginning of 2022, most major economies have witnessed a rapid rise in interest rates and tighter credit conditions, leading to higher interest rates on corporate and household borrowing and a continued decline in the growth rate of loan demand. Entering the third quarter of this year, the global economic slowdown accelerated as business and consumer confidence declined due to the increasingly pronounced effects of tightening monetary policy, geopolitical tensions and other factors. The service sector, for example, has seen a significant slowdown following its robust recovery since the beginning of the year, with its PMI prosperity index recording a steep slide from its peak, and the manufacturing PMI index also continues to hover around the 50% threshold. In terms of countries or regions, the downward pace was faster in the Eurozone economy, with the two ‘‘locomotive’’ countries Germany and France, in particular, experiencing a marked slowdown in their growth. Germany's real GDP fell by 0.3% in the first half of the year and 0.6 percentage points during the second quarter. Such downward trend has prevailed in the economic climate of the Eurozone as it entered the third quarter, with a particularly pronounced ‘‘stagflation’’ characterized by economic stagnation and high inflation.

Looking ahead to the year, the restraint on the economy by the expected interest rate hikes and the high interest rates will intensify as the downward pressure on the economy grows and global financial risks exacerbates. According to the latest outlook reports of the IMF and OECD, although the two major international institutions have maintained or made an upward adjustment on their full-year growth rates, both reports believe that economic growth in 2023 remains weak by historical standards, with global growth risks and overall risks skewed to the downside. As IMF (October 2023) noted, the 3.0% GDP forecast for 2023 remains ‘‘well below the historical (2000–2019) annual average of 3.8%.’’ and ‘‘the likelihood of a hard landing has receded, but the balance of risks to global growth remains tilted to the downside’’, ‘‘In the medium term, the outlook is becoming increasingly bleak. Prospects for medium-term economic growth are weak, especially in emerging markets and developing economies’’. In terms of financial risks, the IMF pointed out that ‘‘if the financial environment were to tighten suddenly, it could trigger a negative feedback loop and test the global financial system's resilience to risk once again. Most notably, the global credit cycle has begun to change as borrowers' solvency declines and credit growth slows''. The OECD (September 2023) report noted that ''the pickup in global growth in the first half of the year may prove to be short-lived''. ''Uncertainty about the strength and speed of monetary policy transmission and the persistence of inflation are major concerns. The adverse impact of interest rate hikes is likely to be stronger than expected, while a further increase in the persistence of inflation will require further policy tightening, which could expose financial fragilities.''

2. Industry Analysis

In the first half of 2023, among the top 100 games in the overseas market revenue of China's self-developed mobile games, strategy (including SLG) accounted for 33.53%, down 2.28 pcts year-on-year; RPG accounted for 17.54%, up 1.16 pcts year-on-year; FPS accounted for 8.79%, down 2.54 pcts year-on-year; MOBA accounted for 3.83%, up 0.83 pcts year-on-year. Among the top 100 mobile games in terms of domestic revenue, MOBA accounted for 16.72%, up 2.47 pcts year-on-year; FPS accounted for 16.37%, up 2.5 pcts year-on-year; RPG accounted for 13.57%, down 4.88 pcts year-on-year; and the above three categories together accounted for 46.66%, slightly increased 0.09 pcts year-on-year. The top three categories remained basically unchanged. The share of casual category recorded an increase, which, if categorized separately, was mainly attributed to two products, ''Egg Party (蛋仔派對)'' and ''Bullet Squad (彈殼特攻隊)'', while the sell-through market share of RPG products declined dramatically.

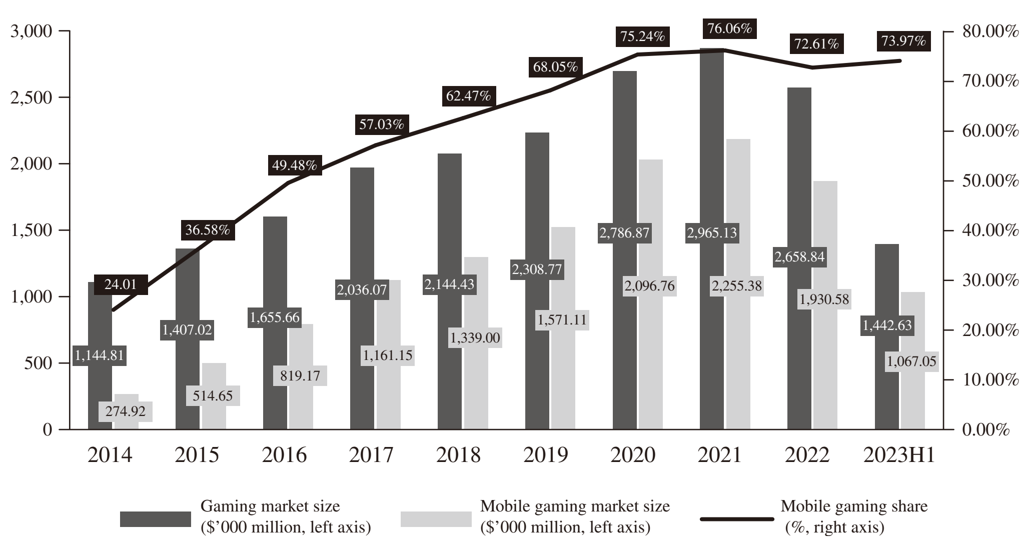
Distribution of the Top 100 Game Types by Mobile Game Revenue in 2022 and H1 2023



Overall speaking, the strategy category (including SLG) generates the highest revenue overseas and the MOBA category generates the highest revenue domestically, while the RPG category and FPS category are in the top three positions when it comes to both domestic and international revenue. The top three overseas genres from January to June 2023 accounted for a total of 59.86%, and the top three domestic genres from January to June 2023 together accounted for 46.66%, followed by turn-based RPG, SLG, casual, chess, fishing, card and placement (self-propelled) games; in addition, there are also SIM and ACT games, etc.

The global gaming market share in 2022 is approximately USD182.9 billion, representing a decline of approximately 5.1% year-on-year. The Asia-Pacific region, the world's largest gaming market, has generated a revenue of USD84.8 billion, representing a year-on-year decline of about 8.9%, while the revenue in North America has seen a flat performance at USD49.7 billion, down 2.5% year-on-year. China and the U.S. remain the largest gaming markets, yielding a revenue of USD46.4 billion and USD44.0 billion respectively in 2022, accounting for 49% of the global gaming market in 2022 in total. China's gaming market amounted to nearly $270 billion, with mobile games accounting for 70%. Following the continuous expansion during 2014–2021, China's gaming market has expanded to approximately $300 billion in 2021, but returned to $265,884 million in 2022 due to the impact of the pandemic. During the first half of 2023, $144,263 million of actual sales revenue was generated in China's gaming market, representing a year-on-year decrease of 2.39% and a sequential increase of 22.16%, of which the actual sales revenue of mobile games accounted for 73.97%; the actual sales revenue of client-end games accounted for 22.84%; and the actual sales revenue of browser games accounted for 1.64%. It is noteworthy that since 2020, the proportion of mobile games in China's overall gaming market has stabilized at around 75% in the past three years, which represents the absolute core of the revenue of the domestic gaming market.

China Gaming Market Size and Handheld Games Share, H1, 2014–2023



According to the latest 2023 market report from industry data firm Newzoo, global game revenues are expected to reach USD184 billion in 2023, representing a year-on-year increase of 0.6%. In terms of platform distribution, handheld games still have the largest share in the industry, with revenues expected to reach USD90.4 billion in 2023, representing a year-on-year decrease of 1.6%, followed by console games ($53.2 billion, representing a year-on-year increase of 1.9%), PC games ($38.4 billion, representing a year-on-year increase of 5.2%) and browser games ($1.9 billion, representing a year-on-year decrease of 16.9%).

The growth in the console and PC gaming market is mainly due to the commercial success of the release of a large number of 3A games, many of which have delayed their release to 2023 due to the impact of the COVID-19 pandemic.

However, Newzoo advises that "pay-to-play and mixed-mode games have grown at the expense of the continued success of online gaming blockbusters, such as "Fortnite", "Rocket League" and other titles of which engagement and realizations declined in 2023."

By market segmentation, Asia-Pacific is expected to account for 46% of the global gaming industry's market share, reaching USD84.1 billion, followed by North America (27%), Europe (18%), Latin America (5%) and MENA (4%), out of which Asia-Pacific may experience a certain degree of decline, mainly due to the exceptionally low growth rate of the Chinese market. Analysts also advise that another reason for such decrease is the negative impact brought about by the termination of cooperation between NetEase and Activision Blizzard in China's PC gaming market.

The number of global players will grow 6.3% year-on-year to 3.38 billion in 2023, with the majority of players (2.85 billion) on mobile gaming platforms, followed by PC (892 million) and console (629 million) platforms. In general, Newzoo considers that "the industry will continue to stabilize after the volatility caused by the impact of the pandemic," and the analysts expect the scale of global gaming industry to reach $205.7 billion and having 3.79 billion players by 2027.

(ii) Valuation Process under Income Approach

The income approach reflects the "profit-to-cost" valuation philosophy, whereby the amount of currency a purchaser of an asset would be willing to pay to acquire the asset would not exceed the discounted value of the expected future income from that asset. In this valuation, the value of CashBox's entire shareholders' equity is estimated using the discounted value of CashBox's net cash flows in the future, which is the sum of the value of the enterprise's operating assets calculated by discounting at an appropriate discount rate the net cash flows to be generated by the enterprise in the coming years, the value of the excess assets and the value of the non-operating assets, minus the value of the interest-bearing liabilities.

In the calculation under income approach valuation, the calibre of the Target Company value connotation and the type of income and the discount rate applied must be consistent.

1. Valuation model

The overall asset value of the enterprise consists of the value of operating assets arising from normal operating activities and the value of non-operating assets not related to normal operating activities, i.e.:

Overall asset value = value of operating assets + value of excess assets + net non-operating assets and liabilities

Value of entire shareholders' equity = overall asset value - value of interest-bearing liabilities

Of which: the value of operating assets is determined by the following formula:

$$P=\sum_{i=1}^{n}\frac{FCFF_i}{(1+r)^i}+\frac{(1+g)FCFF_n}{(r-g)^i\ (1+r)^n}$$

Where: P: Value of operating assets;

$FCFF_i$: expected income (free cash flow of the enterprise) of the valuation object in year i in the future;

r: discount rate;

n: the future operating period of the valuation object;

g: perpetual growth rate, which in this case is 3%.

2. Determination of the enterprise's free cash flow

The forecast of the enterprise's free cash flow is prepared after comprehensive analysis, based on the enterprise's historical operating performance, in compliance with the current relevant laws and regulations, and in accordance with the national macro-policy, the national and regional macro-economic conditions, the development status and development planning of the relevant industries, the enterprise's development planning and business plan, strengths, disadvantages, opportunities, and risks, and in particular, the market environment faced by the enterprise, and the prospects and potential for future development. The formula is as follows:

Enterprise free cash flow = net profit after tax + depreciation and amortisation + interest expense (after tax) - capital expenditure - change in net working capital

= Revenue from principal operations - cost of principal operations - taxes and surcharges - period expenses (selling, administrative, finance and research and development expenses) - income tax + depreciation and amortisation + interest expense x (1 - income tax rate) - capital expenditure - change in net working capital

3. Determination of discount rate (r)

(1). Based on the principle of matching the income amount with the discount rate, the weighted average cost of capital (WACC), which is the WACC model commonly used internationally for calculations, is used as the discount rate. That is:

$$WACC = Re \times 1/(1+D/E) + Rd \times (1-T) \times 1 - 1/(1+D/E)$$

Where:

Re: cost of equity capital
Rd: cost of interest-bearing debt
E: market value of equity capital
D: market value of debt capital
T: income tax rate

(2). The cost of equity capital is derived from the CAPM model, which is commonly used internationally. That is:

$$Re = Rf + \beta \times MRP + Rs$$

Where:
Re — return on equity
Rf — risk-free rate of return
β — risk coefficient
MRP — excess return on market risk
Rs — excess return on firm specific risk

4. Income period

If there are no special circumstances indicating that it is difficult for the enterprise to continue as a going concern, and the condition of the equipment and production facilities can continue to be effectively used through normal maintenance and renewal, the income period is determined on a perpetual basis. In this valuation, taking into account the assumption of continuous use of assets, the future income of assets in continuing operation are allocated into two periods, with the first period starts from 1 July 2023 to 31 December 2028, a total of 5.5 years, during which the future income of the enterprise are analysed and projected year by year on the basis of the operation and income of the enterprise as well as the development of the relevant industry; and the second period starts from 1 January 2029 to perpetuity.

5. *Future projections*

(1) Forecast of revenue from principal operations

CashBox's main business revenue consists of two parts: advertising revenue and top-up business revenue. In the past years, advertising revenue accounted for more than 80% of the total revenue and top-up business accounted for about 20% of the total revenue. According to the communication between the Valuer and the management of CashBox, the Valuer understands that through continuous innovation and optimisation of game categories, increasing the distribution regions of the games and exploring new ways of playing games so as to attract users of different age groups, its market share will be increased in the future. Based on the revenue changes in the historical years and the development plan for the future, the revenue forecast was determined after a reasonable analysis based on the interviews with the relevant personnel and the future plan provided by the marketing personnel.

(2) Forecast of cost of principal operations

According to the historical data, the cost rates in 2021 to January to June 2023 were 102.32%, 97.16% and 94.40%, respectively. Analysed by business type, the cost of the advertising business segment has declined from 97.08% in 2021 to 77.26% in January to June 2023, and the cost of the top-up business segment is currently in a cost reversal situation. As the company's game products require a certain amount of time for pre-development, operation and promotion, the volume of users requires time to accumulate, and under the influence of the normalization of the epidemic and national prevention and control measures, the business experienced slower development during the period, and the level of gross profit was less stable. However, the level of gross profit margin level is on an upward trend in general. In the coming years, the Company will rely on its own advantages and technical coverage capabilities, and continue to supplement and improve its own capabilities to further enhance the gross profit level in the future. In the future, based on the cost measurement taking into account the company's product characteristics and the gross profit level of the industry, the gross profit level in the stabilization period is estimated at around 20%.

(3) Administrative expenses

Administrative expenses include service fees, employee compensation, and others. The amount of management fee, which is a fixed expense, incurred by the Company is relatively small, and there is no obvious change in relation to revenue. In the future, with the development of the business, administrative expenses will increase, but the extent of change is not comparable to the change in revenue. The management estimates the amount of management fee in accordance with the Company's own development needs.

(4) Forecast of amortisation of intangible assets

Forecast on amortisation of intangible assets is determined by gaining an insight into the depreciation and amortisation policy adopted by the enterprise and on the basis of an amortisation expense calculation sheet provided by the enterprise's finance staff.

(5) Capital expenditure

Capital expenditure is the annual capital expenditure required to ensure that the production and operation of the enterprise can develop normally, mainly including the normal renewal expenditure of assets and new investment expenditures. The renewal and reconstruction funds required to be invested each year to maintain production capacity are determined in accordance with the economic lifespan of the equipment. According to the actual situation of the company, its capital expenditures are mainly necessary expenditures for the BI system. Updates and restoration will be considered based on the economic life of the system.

(6) Income tax projection

Future annual income taxes are projected at a rate of 16.5%.

(7) Forecast of additional working capital

Increase in working capital is the additional investment in working capital required to maintain normal operations, i.e., the additional capital required to maintain the enterprise's ability to continue as a going concern. Increase in working capital is defined in this report as:

Increase in working capital = working capital in current period - working capital in prior period

Where:

Working capital = minimum cash holdings + inventories + receivables - payables
Receivables = total operating revenue/receivables turnover ratio
Inventory = total operating costs/inventory turnover ratio
Payables = total operating costs/payables turnover ratio

With reference to the inventory turnover ratio, receivables turnover ratio and payables turnover ratio in the historical years and with the minimum cash holdings being set at 1 month, items such as the minimum cash holdings, inventory, receivables and payables, as well as the increase in the working capital for each of the years in the future operating period can be obtained in accordance with the above definitions.

6. *Determination of discount rate*

The discount rate, also known as the expected rate of return on investment, is an important parameter in determining the appraised value under the income approach. In this valuation, the expected rate of return on investment was estimated through analyzing and calculating based on the selected comparable companies. For this purpose, firstly, comparable companies are first selected among listed companies, and then the systematic risk coefficient β (Levered Beta) of the comparable companies is estimated; secondly, the expected return on investment of the Target Company is estimated on the basis of the capital structure of the comparable companies, the β of the comparable companies, and the capital structure of the company being appraised, which is used as the discount rate.

(1) Selection of comparable companies

The criteria for selection of the comparable companies in this valuation are set out below:

- The comparable company must be listed for at least three years;
- The comparable company shall issue H shares on the Stock Exchange traded in Hong Kong dollar;
- The industry in which the comparable company operates or its principal business being gaming industry.

Based on the above four criteria, we have selected three listed companies as comparable companies, namely CMGE, NetDragon and iDreamSky.

(2) Determination of weighted average cost of capital (WACC)

WACC (Weighted Average Cost of Capital) represents the expected total return on investment. It is the weighted average of the expected return on equity and return on debt.

In calculating the total return on investment, the first step involves calculating, as of the valuation date, the return on equity funds and the return on debt funds using publicly available market data. The second step is to calculate the weighted average of return on equity and return on debt.

1) Determination of return on equity

To determine the return on equity, we use the Capital Asset Pricing Model ("**CAPM**"). CAPM is the methodology that is commonly used to estimate the return requirements of investors and, in turn, to derive the return on equity of a company. It can be expressed in the following equation:

$$Re = Rf + \beta \times MRP + Rs$$

Where:

Re — return on equity
Rf — risk-free rate of return
β — risk coefficient
MRP — excess return on market risk
Rs — excess return on firm specific risk

To analyse the CAPM, we have implemented the following steps:

Step 1: Determine the risk-free rate of return

Treasury bonds are assets without default risk, because the risk of not being able to repay the debt when it matures is minimal and negligible.

The risk-free rate of return, Rf, reflects the underlying value of funds when there is no default risk on the principal and the expected income is guaranteed. The yield of Hong Kong 10 Years Government Bond of 3.74% as at the base date is selected as the risk-free rate of return.

Step 2: Determine the return on equity risk

Market Risk premium (MRP) represents the Market Risk Premium, which refers to the difference in return between equity assets and risk-free assets, and usually refers to the portion of the average return of typical index constituents in the securities market that in excess of the average risk-free rate of return (usually referred to as the long-term treasury bond yield) (Rm-Rf1). In this valuation, the valuer obtained the excess return of the Hong Kong market of 6.97% by referring to the professional data available on the Damodaran website, and 6.97% is used as the market risk premium in this valuation.

Step 3: Determine the comparable company's risk coefficient β (levered beta).

β is considered to be a measure of a company's relative risk. Investing in a company in the stock market with a β of 1.1 means that its stock risk is 10% higher than the average risk of the general stock market. In the contrast, a company with a β of 0.9 means that its stock risk is 10% lower than the stock market average. Because investors expect that high risk should be accompanied by high return, β is very helpful for investors to measure the relative risk of investing in a particular stock.

In this valuation, we select the β value calculated by the β calculator which is published by Tonghuashun iFinD (Hang Seng Index is selected as the index). The β of the comparable companies including capital structure factor is shown in the table below:

Table of β of Comparable Listed Companies

No.	Name of the comparable company	Stock code	Interest-bearing debt (D)	Equity fair market value (E)	Capital structure of the comparable company (D/E)	β including capital structure factor (Levered β)	β excluding capital structure factor (Unlevered β)	Income tax rate (T)
1	CMGE（中手遊）	0302.HK	39,022.40	444,133.99	8.79%	1.1864	1.1053	16.50%
2	NetDragon（網龍）	0777.HK	242,700.00	721,552.83	33.64%	0.8415	0.6570	16.50%
3	iDreamSky（創夢天地）	1119.HK	156,878.80	449,924.24	34.87%	1.1420	0.8845	16.50%
	Average of comparable companies				25.76%		0.8823	

The average value of β (unlevered β) excluding the capital structure factor for comparable listed companies is calculated to be 0.8823.

Step 4: Determine the target capital structure ratio

As there is no significant difference from the comparable companies in terms of financing ability and financing costs in future, the average capital structure of these listed companies is adopted as the target capital structure of the Target Company. As shown in the table above, the average capital structure (D/E) of the comparable companies is 25.76%.

Step 5: Estimate the levered beta of the equity holders under the aforesaid determined capital structure ratio

We calculate levered beta of the equity holders by substituting the determined capital structure ratio of the equity holders into the following formula:

Levered Beta = Unlevered Beta×1+(1-T)D/E
Where: D: Value of the debts;
E: Equity value;
T: Applicable income tax rate (taken as 16.5%);

The levered beta of the Company including capital structure factor is equal to:

β (16.5%)=0.8823×1+(1–16.5%)×25.76%=1.0721

Step 6: Estimate Rs, the return on firm specific risk

Determination of risk specific return ratio: The capital asset pricing model is used to estimate the portfolio return of a portfolio, and it is generally accepted that the risk of investing in an individual company is higher than the risk of investing in a portfolio, and therefore the excess return generated by the risks specific to that company should be taken into account when considering the return on an investment in an individual company or stock.

The determination of the enterprise specific risk adjustment coefficient should focus on the following factors: the size of the enterprise, its historical operations, financial risk of the enterprise, the distribution of its operating business, products and regions, its internal management and control mechanisms, the experience and seniority of its managers and its reliance on major customers and suppliers. Taken together, the specific risk Rs is 2.4%.

Step 7: Calculate the current return on equity

By substituting the appropriate data into the CAPM formula, we can calculate the expected return on equity for equity holders.

2) Determination of return on debt

After inquiry, the bank loan interest rate in Hong Kong as at the base date is 5.75%, so the annual expected return on debt applied is 5.75%.

3) Determination of the weighted average return on total capital

The expected return on equity and return on debt can be used to calculate the weighted average return on total capital using a weighted average approach. Weights are assigned to the proportion of the actual equity and debt structure of the appraised subject. The weighted average return on total capital is calculated by the following formula:

$$WACC = Re \cdot \frac{E}{E + D} + \cdot \frac{D}{E + d} \cdot R_d \cdot (1 - T)$$

Where:
WACC = Weighted average return on total capital;
E = Business value;
Re = Expected return on equity;
D = Value of interest-bearing debts;
Rd = Expected return on debts;
T = Income tax rate (taken as 16.5%)

(3) Determination of the discount rate

Based on the above calculations, the weighted average return on total capital is 11.81%, and accordingly we adopt 11.81% as the discount rate for the Target Company.

7. *Estimate the net cash flows for future years*

Net cash flows are considered on the basis of average inflows and outflows for each year of the forecast period. The net cash flow for each year of the revenue period is discounted to their present value as at 30 June 2023 at the discount rate. The results of the forecast data for each year in the future are as follows:

Calculation Table for CashBox Net Cash Flow

Unit: USD10,000

Item	July-December 2023	2024	2025	2026	2027	2028	Terminal value
Revenue	1,039.14	2,948.53	4,422.79	5,749.63	6,779.71	7,391.77	7,391.77
Cost of revenue	962.14	2,653.67	3,630.42	4,719.54	5,555.60	6,051.83	6,051.83
Operating gross profit	77.00	294.85	792.37	1,030.08	1,224.12	1,339.94	1,339.94
Administrative expenses	7.04	15.93	17.53	19.28	21.21	23.33	23.33
Finance cost							
Operating profit	69.97	278.92	774.84	1,010.80	1,202.91	1,316.61	1,316.61
Non-operating income							
Non-operating expenses							
Total profit	69.97	278.92	774.84	1,010.80	1,202.91	1,316.61	1,316.61
Add: Interest expenses							
Income tax	11.54	46.02	127.85	166.78	198.48	217.24	217.24
Net profit	58.42	232.90	646.99	844.02	1,004.43	1,099.37	1,099.37
Add: Depreciation/ amortization	1.81	3.62	3.62	3.52	3.49	3.55	3.64
Gross cash flow	60.23	236.52	650.61	847.54	1,007.92	1,102.91	1,103.01
Less: capital expenditure	1.56	3.13	3.13	3.13	3.13	3.13	3.13
Increase (decrease) in working capital	45.64	88.15	172.59	111.72	88.74	52.90	
Net cash flow	13.02	145.24	474.89	732.69	916.05	1,046.88	1,099.88
Discount year (s)	0.25	0.75	1.00	1.00	1.00	1.00	
Discount rate	11.81%	11.81%	11.81%	11.81%	11.81%	11.81%	11.81%
Discount coefficient	0.9725	0.8944	0.8000	0.7155	0.6399	0.5724	6.6943
Present value of net cash flows	12.66	129.90	379.89	524.23	586.21	599.19	7,362.88
Total present value of cash flows	9,594.96						

8. Determination of the value of non-operating assets and liabilities

Non-operating assets (liabilities) refer to those not directly related to the revenue of the enterprise and do not generate benefits, which are not involved in the forecast and the value of which are determined after valuation by the cost approach or otherwise. As verified by the valuer's analysis, other payables of USD536,500 are treated as non-operating liabilities in this valuation.

9. Valuation results under the income approach

Value of entire shareholders' equity = value of operating assets + value of excess assets + net non-operating assets and liabilities - interest-bearing liabilities = 9,594.96 +0-53.65-0 = 9,541.00 (rounded)

Under the going concern assumption, CashBox has a market value of USD95,410,000 as valued using the income approach.

(iii) Valuation Process under Market Approach

Market approach is a valuation method to determine the value of appraised subject by comparing it with comparable listed companies or comparable transaction cases. Two commonly used methods in the market approach are the listed company comparison method and the transaction case comparison method. The transaction case comparison method is adopted for this valuation.

The transaction case comparison method is a specific method for determining the value of the appraised subject based on a comparative analysis with the Target Company by obtaining and analyzing information on sales, acquisitions, and mergers of comparable companies, and calculating the appropriate value ratios. When applying the transaction case comparison method, the impact of the differences between the appraised subject and the transaction cases on the value should be taken into account.

1. Market approach valuation model

Value of entire shareholders' equity = value ratio x corresponding parameters of the Target Company + value of excess assets + value of non-operating assets

2. Value ratio

The so-called value ratio is the ratio of the overall or equity value of the enterprise divided by a parameter of the enterprise that is closely related to the value of its assets, i.e.:

Value ratio = asset value/indicator closely related to asset value

The value ratio generally includes profit ratio, asset ratio, revenue ratio and other specific ratios. Earnings-based value ratio is a value ratio established between asset value and earnings indicators, which can be further divided into full investment value ratio and equity value ratio, such as EV/EBIT, EV/EBITDA and price-to-earnings ratio, etc. The income-based value ratio is a value ratio established between the asset value and sales income, including the full investment value ratio and the equity investment value ratio, such as the price-to-sales ratio. Asset-based value ratio is a value ratio established between asset value and asset indicators, including full investment value ratio and equity investment value ratio, such as total asset value ratio, fixed asset value ratio and price-to-book ratio.

The Target Company is principally engaged in game development and publishing business, and is still in the stage of rapid growth. Since its establishment to the reference date, the Company has invested a large amount of capital in the early stage of business development and has a relatively low gross profit, which is in the stage of profit not yet stable. Therefore, the profit-based value ratio is not applicable. In addition, the industry is an obvious asset-light industry. Therefore, the value ratio of income base and asset base is also not applicable in this valuation.

According to the appraisers, the game industry has its distinctiveness and uniqueness. There are several core data indicators in the game industry, such as total number of users, number of daily active users, number of monthly active users and retention rate, etc. For the investment and financing events in the industry, the statistical indicators of user activity are mostly used as the main parameter for valuation. The number of monthly active users is more stable and reliable than that of daily active users, and this indicator can be obtained through relevant third-party channels. Therefore, other specific indicators of P/MAU are finally selected to calculate the equity value, where P is the value of the equity interest and MAU is the monthly active users.

Monthly Active User (MAU) is a statistical indicator used to reflect the operation of a website, an internet application or an online game. The number of monthly active users usually counts the number of users who logged in or used (excluding repeated logins) a certain product within a month (statistical month). In this valuation, MAU, one of the core indicators of the game industry, is selected as an indicator closely related to asset value for equity value calculation, which can effectively reflect the market value of the Target Company.

3. Selection of comparables

The appraisers have initially obtained the following breakdown of merger and acquisition cases by searching for acquisitions of companies listed on overseas stock exchanges around the world through internet information and Bloomberg information database with the following criteria for the appraisers' selection of transaction cases:

(1) Such merger and acquisition cases have been completed within 3 years from the reference date;

(2) The subject companies are engaged in the gaming industry.

(3) The appraisers can obtain the transaction consideration from public sources, that is, information that has been publicly disclosed;

Breakdown of mergers and acquisitions

Project	Name	Transaction date	Transaction consideration	Proportion of shares	Remarks
Case 1	Acquisition of Zynga by Take-Two	2022/5/24	USD12.7 billion	100.00%	Acquisition of a listed company by a listed company
Case 2	Acquisition of Next Games by Netflix	2022/8/23	EUR61.53 million	100.00%	Acquisition of a listed company by a listed company
Case 3	Acquisition of peak by Zynga	2020/7/1	USD1.85 billion	100.00%	Acquisition of a private company by a listed company
Case 4	Acquisition of Alictus by SciPlay	2022/3/2	USD100 million	80.00%	Acquisition of a private company by a listed company
Case 5	Acquisition of Reworks by Playtika	2021/8/31	USD400 million	100.00%	Acquisition of a private company by a listed company
Case 6	Acquisition of Brainium by PLAYSTUDIOS	2022/12/31	USD70 million	100.00%	Acquisition of a private company by a listed company
Case 7	Acquisition of Six waves by Stillfront	2022/1/19	USD300.6 million	100.00%	Acquisition of a private company by a listed company

Project	Name	Transaction date	Transaction consideration	Proportion of shares	Remarks
Case 8	Acquisition of Zen Match by Moon Active	2022/12/22	USD150 million	100.00%	The acquisition price involves the equity of two companies, one of which is not a gaming company
Case 9	Acquisition of "Food Match 3D" and "Tile Match: Home Design Puzzle" by Matchingham Games	2022/11/1	USD11 million	/	Acquisition of two game products
Case 10	Acquisition of Easybrain Ltd by Embracer Group	2021/2/3	USD640 million	100%	Acquisition of a private company by a listed company

The above ten cases are all merger and acquisition cases of companies listed on overseas stock exchanges, and the appraisers have searched for all the samples meeting the selectable criteria as exhaustively as possible for further screening from the preliminary breakdown of mergers and acquisitions:

(1) The main business selected is casual/puzzle game development;

(2) The selected transaction cases are equity acquisitions and are holding transactions;

(3) The selected transaction cases can obtain the core indicator data MAU of the game industry through public sources;

(4) The transaction status and basic information of the selected transaction cases can be accessed completely.

Exclusion of cases that do not meet the above criteria:

(1) The transaction purpose of this project is an acquisition of the equity of a non-listed company by a listed company. Case 1 and Case 2 are mergers and acquisitions events in which a listed company acquired a listed company, representing a difference in the nature of the acquired company in this case, therefore no reference is made to these cases;

(2) The main game product of Reworks, the acquiree in Case 5, is a game that integrates home design and mobile game, which is different from the game product of CashBox, therefore no reference is made to this case;

(3) Six waves, the acquiree in Case 7, is a global mobile game publisher. Games such as "亂世王者" and "Infinite Borders" are published by Six waves, which is not the same as the content of CashBox's casual game business, therefore no reference is made to this case;

(4) The transaction consideration in Case 8 includes the equity consideration of two acquirees, one of which is a non-game company, and the respective acquisition consideration of the two acquirees is not disclosed in the known information, therefore no reference is made to this case;

(5) Case 9 is an asset acquisition but not an equity acquisition, therefore no reference is made to this case.

The final comparable transaction cases selected after the above screening were the acquisition of peak by Zynga, the acquisition of Alictus by SciPlay, the acquisition of Brainium by Playstudios, and the acquisition of Easybrain Ltd by Embracer Group.

Although the final selected comparable companies are significantly different from CashBox Group Technology in terms of the number of monthly active users (MAU), the appraisers believe that the chosen value ratio P/MAU is relative and not absolute. The appraisers analysed the following important aspects:

Industry type: All cases are companies in the same industry, implying that they are similar in terms of business model, market environment and regulatory policies.

Operating history: The operating history of the acquired companies in the comparable cases is more than 10 years, implying that they have gone through similar economic cycles and stages of industry development. Such historical data is more informative for predicting the future financial performance and value of CashBox Group Technology.

Geographic location: Since the business is located overseas, the selected cases provide more appropriate references for CashBox Group Technology in terms of cost structure, risk profile and growth potential regarding international operations and expansion into overseas markets.

Scale or market shares: Despite the difference in MAU, large companies may represent relatively mature or successful companies in the industry, and their merger and acquisition valuation, market acceptance, growth strategies and other information may be useful in estimating the value of CashBox Group Technology.

Control status and transaction terms: In enterprise value assessment, the transaction case comparison method requires attention to whether factors such as control status and transaction terms are similar to the target being assessed.

Therefore, even if there is a large gap in MAUs, it can still be considered as a reasonably comparable transaction case if there is strong comparability in the above key aspects. However, as the acquired companies in the comparable transaction case method are private companies and financial information is not available in public sources, it is not possible to perform analysis in terms of revenues, profits and other financial data, therefore the appraisers can only conduct the valuation analysis based on the available information to the maximum extent possible.

4. *Calculation process*

(1) Comparable transactions

1. *Brief description of comparable companies:*

Item		**Case 3**	**Case 4**	**Case 6**	**Case 10**
Transaction status	Case name	Acquisition of peak by Zynga	Acquisition of Alictus by SciPlay	Acquisition of Brainium by Playstudios	Acquisition of Easybrain Ltd by Embracer Group
	Transaction date	2020/7/1	2022/3/2	2022/12/31	2021/2/3
	Transaction amount	USD1.85 billion	USD100 million	USD70 million	USD640 million
	Subject equity	100.00%	80.00%	100.00%	100.00%
	Nature of acquisition	Bona Fide	Bona Fide	Bona Fide	Bona Fide
	Type of transaction	Cash and shares	Cash	Cash	Cash
	Nature of the enterprise	Private company	Private company	Private company	Private company
	Industry classification	Puzzle game developer	Casual game developer	Casual game developer	Puzzle game developer

Item		Case 3	Case 4	Case 6	Case 10
Basic information of the enterprise	Description of major operations	Peak is a leading mobile gaming company founded in 2010 and headquartered in Istanbul, Turkey. With a team that values relentless progress, Peak currently has two chart-topping mobile games — Toon Blast and Toy Blast, which have been continuously ranked in the top 10 and top 20 iPhone games in the US for the past two years, respectively.	Founded in 2013 and headquartered in Ankara, Turkey, Alictus is a proven and profitable developer of top-tier ultra-casual games with a sophisticated in-app advertising business model. Alictus has a highly disciplined and efficient game development process that combines a data-driven approach with best-in-class creative capabilities to drive high success rates for new games. A lot of Alictus' games have been ranked first in free games on the iOS US App Store, including Candy Challenge 3Dm, Rob Master 3Dm, Deep Clean Inc.m, Oh God!m, Money Buster! and Collect Cubesm.	Founded in 2008, Brainium is a passionate team of creative game designers and engineers in Portland, and has a reputation for elegant and inspiring game development as well as for bringing apps with industry-leading user retention, engagement and profitability to market.	Easybrain is a leading developer of mobile games, specializing in puzzle and logic games. Until today, Easybrain is still led by Oleg Grushevich, Peter Skoromnyi and Matvey Timoshenko, all of whom are active in operational management positions, and have an experienced executive team. Easybrain is headquartered in Limassol, Cyprus, with an office in Minsk, Belarus. Easybrain has a total of 230 employees with diverse backgrounds and skills.

Note: The above data is sourced from Bloomberg database

Save for the above information, from the business nature analysis, the acquired companies in the transaction cases are all under the development of casual games. The monetization logic of such game products is mainly advertising monetization and top-up monetization, which is consistent with CASHBOX. The scope of game user coverage is not limited to local users, and users in many countries can download game programmes through mobile apps for entertainment. However, as the acquired companies in the transaction cases are private companies instead of public companies, the financial information is not available from public sources for analysis. This estimation is based on publicly available information.

2. Determination of ratio multipliers

Considering that the industry to which the Target Company belongs is the game industry, and its principal business is the development of casual small games, the special value indicator P/MAU is determined and selected based on the characteristics of the enterprises and its industry and the information collected from the transaction cases. According to the data of the selected transaction cases, the relevant ratio parameters and basic information of the cases obtained are shown in the table below:

No.	Case name	Transaction date	M&A method	M&A purpose	Payment method	Type of the target	Change of control	Transaction price of entire shareholders' equity	Subject equity to be acquired (%)
1	Acquisition of peak by Zynga	2020/7/1	Acquisition by way of agreement	Horizontal integration	Cash and shares	shareholdings	Yes	USD1.85 billion	100.00%
2	Acquisition of Alictus by SciPlay	2022/3/2	Acquisition by way of agreement	Horizontal integration	Cash	shareholdings	Yes	USD125 million	80.00%
3	Acquisition of Brainium by Playstudios	2022/12/31	Acquisition by way of agreement	Horizontal integration	Cash	shareholdings	Yes	USD70 million	100.00%
4	Acquisition of Easybrain Ltd by Embracer Group	2021/2/3	Acquisition by way of agreement	Horizontal integration	Cash	shareholdings	Yes	USD640 million	100.00%

No.	Case name	MAU (Monthly Active User)	Ratio multiplier before correction P/MAU
1	Acquisition of peak by Zynga	72 million	25.69
2	Acquisition of Alictus by SciPlay	5.5 million	22.73
3	Acquisition of Brainium by Playstudios	3 million	23.33
4	Acquisition of Easybrain Ltd by Embracer Group	31 million	20.65

Note 1: The ratio multiplier before correction shall be the value ratio with non-recurrent expenditure

Note 2: Monthly active users in comparable transaction cases are mainly from data.ai, a third-party data analysis platform. The data.ai is an AI-enabled aggregation data company that can integrate consumer data, market estimates and other relevant data.

Note 3: The definition of DAU in data.ai is by analyzing the number of users who have had at least one session that day, changing the granularity and multiplying by 30 to obtain the number of monthly active users, i.e. MAU.

The formula for calculating the above ratio multiplier is as follows:

P/MAU = market value of equity interests/number of MAU

3. Adjustments to ratio multipliers

Since there are differences between the enterprise being valued and the comparable companies of the transactions, adjustment factors and adjustment coefficients need to be determined based on the collected transaction profile and the basic conditions. In relation to the transaction profile, corrections are mainly made for the controlling interest situation, nature of acquisition, type of transaction, transaction region and transaction index.

This transaction is to be made for a controlling interest transaction, and the transactions are all controlling mergers and acquisitions, therefore no adjustment in respect of the control rights is required. Market condition adjustment is made based on industry indices, with specific reference to the BBG WORD GAME INDEX for modification. According to the correction of country risk in different trading regions, the appraisers used the professional data from the website of Damodaran (http://www.damodaran.com) to obtain the country risk value of different trading regions through scoring method. Based on the country risk value of Hong Kong of 100, the scoring increased by 0.5 for each 1% decrease in the country risk value of other stock exchanges. The comparison factor correction coefficient table and the adjusted value ratio are as follows:

Item	Appraised entity	Case 3	Case 4	Case 6	Case 10
Case	CASHBOX	Acquisition of peak by Zynga	Acquisition of Alictus by SciPlay	Acquisition of Brainium by Playstudios	Acquisition of Easybrain Ltd by Embracer Group
Industry Index	320.64	308.60	369.39	298.32	395.51
Control	100.00	100.00	100.00	100.00	100.00
Nature of acquisition	100.00	100.00	100.00	100.00	100.00
Type of transaction	100.00	100.00	100.00	100.00	100.00
Trading area	100.00	100.52	100.52	100.52	100.52

Item	Appraised entity	Case 3	Case 4	Case 6	Case 10
Case	CASHBOX	Acquisition of peak by Zynga	Acquisition of Alictus by SciPlay	Acquisition of Brainium by Playstudios	Acquisition of Easybrain Ltd by Embracer Group
Industry Index	1.00	1.04	0.87	1.07	0.81
Control	1.00	1.00	1.00	1.00	1.00
Nature of acquisition	1.00	1.00	1.00	1.00	1.00
Type of transaction	1.00	1.00	1.00	1.00	1.00
Trading area	1.00	0.99	0.99	0.99	0.99

No.	Case name	Ratio multiplier after correction P/MAU
1	Zynga's acquisition of peak	26.56
2	SciPlay's acquisition of Alictus	19.63
3	Playstudios' s acquisition of Brainium	24.95
4	Embracer Group's acquisition of Easybrain Ltd	16.65
	Average	21.95

4. Results of estimation

According to estimation based on the above ratios, the results are as follows:

The MAU data source of the Target Company is Appsflyer. Appsflyer is a global marketing data analytics platform. Up to now, the Target Company has signed relevant agreements with such platform. Through such platform, the game data of the Target Company can be obtained in real time. The appraisers finally confirm the MAU data of the Target Company through valuation by enquiries, on-site inquiries, written explanations and other valuation procedures.

The definition of MAU in Appsflyer: monthly active users represent the number of monthly active users, i.e., the number of unique users who interacted with the App during a 30-day window. The brands typically monitor MAU by using unique identifiers including user IDs, usernames, or emails.

MAU calculation logic:

(1) Determine criteria for active users — such as logging in, completing a specific action, or performing a certain number of actions.

(2) Determine the frequency of interactions to be measured (for calculating MAU, the frequency is monthly).

(3) Use the selected analytics tool to collect data and sum the number of unique users that meet the active user criteria for the selected dates. The target of calculating MAU is to measure only unique users.

By measuring MAU, the marketing personnel can better evaluate the efficiency factors of the marketing strategies as well as the customer experience, and therefore MAU has become a metric that reflects the overall health of the App.

No.	Calculation result	P/MAU
1	Ratio multiplier	21.95
2	Corresponding parameter MAU of the Target Company (in ten thousand)	500
3	Value of entire shareholders' equity of the Target Company (in USD10,000)	10,973.00

We have selected P/MAU as the ratio multiplier in this valuation under market approach. The market value of equity was estimated using the following formula.

Market value of the equity interest of the Target Company = the Target Company's MAU×P/MAU

According to the above formula, we obtained the market value of equity using the ratio multiplier. Considering that the Target Company is currently mainly engaged in the development of casual games, and given the characteristics of the game industry, we take the valuation calculated using the above P/MAU ratio multiplier as the conclusion of market approach valuation, i.e., the valuation under market approach is USD109.73 million.

After valuation, as of 30 June 2023 (i.e. the valuation date), the value of the entire shareholders' equity of the Target Company under market approach valuation and the going concern assumption is USD109.73 million.

IX. VALUATION CONCLUSIONS

(i) Valuation conclusions

Based on the principles of independence, objectivity and fairness, the valuers valuated the market value of the entire shareholders' equity of CASHBOX GROUP TECHNOLOGY (HONG KONG) LIMITED involved in the proposed equity acquisition by Gome Finance Technology Co., Ltd. as at 30 June 2023 by adopting the income approach and the market approach, respectively. Based on the above valuation work, the valuation conclusions are as follows:

1. Valuation results under income approach

On the basis of going concern as of 30 June 2023, the valuation base date, the value of entire shareholders' equity of CASHBOX GROUP TECHNOLOGY (HONG KONG) LIMITED under income approach is USD95.41 million.

2. Valuation results under market approach

The value of entire shareholders' equity under market approach is USD109.73 million as at 30 June 2023, the valuation date.

3. Determination of valuation conclusion

The market value of the equity interest in CASHBOX as at the valuation reference date using the income approach was USD95,410,000, and the market value of the equity interest in CASHBOX as at the valuation reference date using the market approach was USD109,730,000, representing a difference of USD14,320,000 or 13.05%.

The income approach measures the value of an enterprise from the perspective of its operating income, and usually focuses on cash flow and profits only, without fully considering other factors such as market demand, competitive environment and economic cycle which may have a significant impact on the value. In addition, the valuation results under income approach rely on a large amount of reliable data and assumptions such as scale, cost, price and other parameters subject to significant uncertainties for future forecasts, which makes the prediction model likely to have large deviations. Given the industry and operation characteristics of the Target Company, the income approach valuation is usually unable to fully and objectively reflect the equity value of a game company.

The transaction case comparison method used in the market approach is to determine the equity value of the Target Company by comparing transaction cases with the same or similar purpose as this transaction and making analysis and judgment of the characteristics of each transaction case. Under transaction case comparison method, the transaction information can be obtained from publicly available sources, and various characteristic coefficients can be calculated and corrected, which could properly reflect the value of the Target Company. Moreover, as the Target Company has development potential, and its future income cannot be accurately determined, the application of the market approach has outstanding advantages against the income approach.

In view of the above, and considering the purpose of this valuation engagement, the valuation adopting the market approach can objectively and reasonably reflect the value of the appraised subject, the valuation results under the market approach is therefore adopted as the final valuation conclusion. Subject to the fulfillment of the valuation assumptions, as at the valuation date, the market value of the equity interest of CASHBOX GROUP TECHNOLOGY (HONG KONG) LIMITED is USD109.73 million (UNITED STATES DOLLARS ONE HUNDRED AND NINE MILLION SEVEN HUNDRED AND THIRTY THOUSAND).

X. NOTES ON SPECIAL ISSUES

When using this valuation report, the users should pay attention to the following special matters that may have an impact on the conclusions of the asset valuation, and give due consideration in making their own decisions based on this report.

(i) The valuation results reflect the current price of the valuation object within the valuation purpose determined in accordance with the principles of the open market. This valuation has taken no account of the impact on appraisal value from mortgage, guarantee and pledge possible to be undertaken in the future and additional amount possible to be paid by special counterparty, nor the impact on assets' price from changes to the national macroeconomic policies and occurrence of natural forces and other force majeure. In the event of changes in the aforementioned conditions and the continuing operation principle adopted in the course of the valuation, the valuation conclusion will generally become invalid.

(ii) The valuation is conducted by the valuation institution based on the principles of independence, objectivity and imparity. The valuation institution and the staff participating in this valuation have no interests in the entrusting parties or other related parties. The appraiser has complied with the professional ethical standards and performed their duties with their best effort in the course of valuation.

(iii) The preparation of this report is based on behavior documents, business licenses, proof documents of ownership, financial statements, accounting certificates provided by the entrusting parties and the Target Company in relation to the valuation. The appraiser has made necessary independent verification for this project. The entrusting parties and the Target Company shall be responsible for the authenticity, legality and integrity of the materials provided.

(iv) The purpose of the valuation performed by the appraiser is to estimate the value of the valuation object and to express a professional opinion, and it is beyond the scope of the appraiser's practice to confirm or express an opinion on the legal ownership of the valuation object. In the course of the valuation, the appraiser has paid necessary attention to the status of the legal title of the valuation object and the assets involved, checked the information on the legal title of the valuation object and the assets involved, and disclosed truthfully the issues identified, but the appraiser does not provide any form of assurance as to the legal title of the valuation object.

(v) Neither the impact of factors, such as equity control rights and minority equity on the valuation value, nor the impact of the lack of liquidity of equity on the equity value, has been taken into account in this report.

(vi) The valuation institution and the appraiser shall not be liable for defective matters in the enterprise that may affect the valuation if the enterprise has not specifically stated the same at the time of commissioning and the appraiser is generally unable to be informed in the performance of the valuation procedures.

(vii) The analyses, opinions and conclusions contained in the report are valid only within the assumptions and limitations set forth in the report and represent the unbiased professional analyses, opinions and conclusions of the appraiser.

(viii) Matters subsequent to the valuation reference date

The appraiser has performed the necessary due diligence and has found no significant matters that may have an impact on the valuation conclusions during the period from the valuation reference date to the date of the valuation report. Any changes in the amount of assets and the valuation criteria after the valuation reference date and within the validity period of the valuation conclusions shall be handled in accordance with the following principles:

1. In the event of changes in the quantity of assets, the amount of the assets shall be adjusted based on the original valuation method.

2. In the event of changes in the asset price criterion that lead to an obvious impact on the value, the entrusting parties shall promptly engage a qualified valuation institution to re-determine the appraised value.

3. For changes in the quantity and price criteria of assets after the valuation reference date, the entrusting parties shall give full consideration to the actual valuation of assets and make corresponding adjustments.

(ix) The profit forecast of the Target Company obtained by the appraiser is the basis of the income approach in this report. The appraiser has conducted necessary investigations, analyses and judgements in respect of the profit forecast of the Target Company. After discussions with the management of the Target Company and its substantial shareholders and further amendments and refinements by the Target Company, the appraiser has adopted the relevant data of the profit forecast of the Target Company. The utilization of the Target Company's profit forecast by the valuation institution and the appraiser is not a guarantee of the Target Company's future profitability.

(x) The valuation conclusions have taken no account of the impact of relevant taxes that may exist in the transaction of assets.

(xi) This report contains certain annexes, which form an integral part of this report and have the same legal effect as the main body of the report.

For and on behalf of
Beijing North Asia Asset Assessment Firm (Special General Partnership)

1st asset appraiser: Wu Dan
2nd asset appraiser: Hou Xinfeng

Both Wu Dan and Hou Xinfeng are asset appraisers accredited by the China Appraisal Society.

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, including obtaining all the professional advice from various Board-appointed independent professional bodies such as the Independent Financial Adviser and the Valuer, 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. SHARE CAPITAL

Authorised and issued share capital of the Company as at the Latest Practicable Date:

	HK$
Authorised:	
6,000,000,000 Shares	600,000,000
Issued and fully paid:	
2,701,123,120 Shares	270,112,312

Authorised and issued share capital of the Company following the Capital Reorganisation and upon issue of the Consideration Shares:

		HK$
Authorised:		
60,000,000,000 Shares		600,000,000
Issued and fully paid:		
2,701,123,120 Shares	Shares in issue as at the Latest Practicable Date	27,011,231.2
2,500,000,000 Shares	Consideration Shares to be issued at completion	25,000,000.0
5,201,123,120 Shares	Total issued Shares	52,011,231.2

3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and

8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in Shares

Name	Capacity	Number of Shares	Shareholding *(%)*
Mega Bright *(Note 1)*	Beneficial owner	2,185,286,341	80.90
Swiree *(Note 2)*	Beneficial owner	1,653,073,872	61.20
Ms. Du *(Note 2)*	Interest in a controlled corporation	1,653,073,872	61.20
	Spouse interest	2,185,286,341	80.90
Mr. Wong *(Note 2)*	Interest in a controlled corporation	2,185,286,341	80.90
	Spouse interest	1,653,073,872	61.20
Richlane Ventures Limited *(Note 4)*	Beneficial owner	295,512,312	10.94
Mr. Ko *(Note 4)*	Beneficial owner	5,000,000	0.19
	Interest in a controlled corporation	295,512,312	10.94
	Interest in a controlled corporation	38,978,000	1.44

Notes:

1. The 2,185,286,341 Shares represent the Consideration Shares I which will be issued to Mega Bright at completion of the GOME FIIL Agreement.

2. As Ms. Du wholly and beneficially owned Swiree, she was deemed to be interested in the 1,653,073,872 Shares held by Swiree by virtue of the SFO. Being the spouse of Mr. Wong, Ms. Du was also deemed to be interested in the 2,185,286,341 Shares in which Mega Bright was interested by virtue of the SFO.

3. As Mr. Wong wholly and beneficially owned Mega Bright, he was deemed to be interested in the 2,185,286,341 Shares in which Mega Bright was interested by virtue of the SFO. Being the spouse of Ms. Du, Mr. Wong was also deemed to be interested in the 1,653,073,872 Shares held by Swiree by virtue of the SFO.

4. Mr. Ko held 5,000,000 Shares directly. He also held 334,490,312 Shares indirectly, among which he held 295,512,312 Shares through Richlane Ventures Limited and 38,978,000 Shares through Sonic Gain Limited, both of which were wholly-owned by him.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, no other parties (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at the Latest Practicable Date, so far as was known to the Directors, save that Mr. Zhou Yafei, an executive Director, is a director of Mega Bright, no Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business that competed or was likely to compete with the business of the Enlarged Group.

6. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with the Company which cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

7. INTEREST OF DIRECTORS IN THE ENLARGED GROUP'S ASSETS

Since 31 December 2023, the date to which the latest published audited accounts of the Group have been made up, save that Mr. Zhou Yafei is a director of Mega Bright, none of the Directors has, 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 Enlarged Group.

8. INTERESTS OF DIRECTORS IN CONTRACTS

Save that Mr. Zhou Yafei is a director of Mega Bright and therefore has a material interest in the GOME FIIL Agreement, the Directors confirm that there is no contract or arrangement subsisting as at the Latest Practicable Date in which a Director was materially interested which was significant in relation to the business of the Group.

9. MATERIAL CONTRACTS

The following contracts are contracts that are or may be material, not being contracts entered into during the ordinary course of business, and have been entered into by the Enlarged Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date:

(1) the Agreements; and

(2) the cooperation agreement dated 30 September 2023 entered into among GOME FITL, Mr. Li, MARSX Technologies, CashBox and Mingrun Business in respect of (i) the sale and purchase of 47.7% interest in CashBox by Mr. Li and MARSX Technologies to GOME FITL for a consideration of HK$363,923,431; and (ii) the sale and purchase of 3.3% interest in CashBox by Mr. Li and MARSX Technologies to Mingrun Business for a consideration of HK$25,177,093.

10. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other company in the Enlarged Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against either the Company or any other company in the Enlarged Group.

11. EXPERTS, QUALIFICATIONS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
Baker Tilly Hong Kong Limited	Certified Public Accountants
China Sunrise Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Beijing North Asia Asset Assessment Firm (Special General Partnership)	independent valuer

As at the Latest Practicable Date, each of the experts above was not interested beneficially in the shares in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, each of the experts above did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Group or are proposed to be acquired or disposed of by or leased to the Group since 31 December 2023, being the date up to which the latest published audited consolidated accounts of the Company were made up.

As at the Latest Practicable Date, each of the experts above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and reference to its name and statements in the form and context in which it appears.

12. MISCELLANEOUS

(a) The head office and principal place of business of the Company in Hong Kong are at Suite 2912, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The company secretary of the Company is Mr. Wong Kai Hing, a member of the Hong Kong Institute of Certified Public Accountants.

(c) The English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gomejr.com) for the period of 14 days commencing from the date of this circular:

(a) the Agreements;

(b) the letter of consent from each of Baker Tilly Hong Kong Limited, China Sunrise Capital and Beijing North Asia Asset Assessment Firm (Special General Partnership) as referred to in paragraph headed "Experts, qualifications and consents" in this appendix;

(c) the letter from the Independent Board Committee, the text of which is set out from pages 45 to 46 of this circular;

(d) the letter from China Sunrise Capital, the text of which is set out from pages 47 to 106 of this circular;

(e) the accountants' report of GOME FIIL, the text of which is set out in Appendix IIA to this circular;

(f) the accountants' report of CashBox, the text of which is set out in Appendix IIB to this circular;

(g) the letter on the unaudited pro forma financial information of the Enlarged Group issued by Baker Tilly Hong Kong Limited, the text of which is set out in Appendix IV to this circular; and

(h) the Valuation Report, a summary of which is set out in Appendix V to this circular.

國美金融科技有限公司
Gome Finance Technology Co., Ltd.

(Incorporated in Bermuda with limited liability)

(Stock Code: 628)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Gome Finance Technology Co., Ltd. (the "**Company**") will be held at REF Financial Press Limited, Units 5906–5912, 59/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Tuesday, 28 May 2024 at 2:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions of the Company:

Unless otherwise defined, capitalised terms used therein shall have the same meanings as those defined in the circular of the Company dated 8 May 2024 (the "**Circular**").

SPECIAL RESOLUTION

1. "**THAT** subject to and conditional upon compliance with the relevant legal procedures and requirements under the Companies Act and the Bye-laws to effect the Capital Reorganisation, and the Stock Exchange granting approval for the listing of, and permission to deal in, the New Shares in issue upon the Capital Reorganisation becoming effective, with effect from the second business day immediately following the date of passing this special resolution or upon the day on which the aforesaid conditions are fulfilled (whichever is later) (the "**Effective Date**"):

   (a) the par value of each of the issued ordinary shares of HK$0.10 each in the share capital of the Company (the "**Shares**") be reduced from HK$0.10 to HK$0.01 per issued Share by cancelling the paid-up share capital to the extent of HK$0.09 per issued Share (the "**Capital Reduction**") such that immediately following the Capital Reduction, the issued share capital of the Company be reduced from an amount of HK$270,112,312 to HK$27,011,231.20 by HK$243,101,080.80;

   (b) the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company (the "**Contributed Surplus Account**");

   (c) the Contributed Surplus Account be applied towards offsetting the accumulated losses (the "**Accumulated Losses**") of the Company as at the Effective Date, thereby reducing the accumulated losses of the Company. The balance of the credit (if any) of the Contributed Surplus Account after offsetting the Accumulated Losses be applied by the Company in any manner as permitted by all applicable laws and the Bye-laws;

(d) immediately following the Capital Reduction becoming effective, each of the authorised but unissued Shares with par value of HK$0.10 each be sub-divided into 10 ordinary shares (the "**Share Sub-Division**") with par value of HK$0.01 each in the share capital of the Company (the "**New Shares**") so that immediately following the Share Sub-Division, the authorised share capital of the Company shall become HK$600,000,000 divided into 60,000,000,000 New Shares;

(e) each of the New Shares arising from the Capital Reduction and Share Sub-division shall rank *pari passu* in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the Bye-laws; and

(f) any one of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Capital Reorganisation."

ORDINARY RESOLUTION

2. "**THAT**:

(a) the sale and purchase agreement dated 16 October 2023 (the "**GOME FIIL Agreement**") entered into between the Company as purchaser and Mega Bright Capital Resources Limited ("**Mega Bright**") as vendor (a copy of which marked "A" has been produced to the SGM and initialed by the chairman of the SGM for the purpose of identification) in relation to, among other matters, the proposed acquisition of the entire issued share capital of GOME Faith International Investment Limited, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) the sale and purchase agreement dated 16 October 2023 (the "**CashBox Agreement**") entered into between the Company as purchaser and Hongkong Mingrun Business Co., Limited ("**Mingrun Business**") as vendor (a copy of which marked "B" has been produced to the SGM and initialed by the chairman of the SGM for the purpose of identification) in relation to, among other matters, the proposed acquisition of 330 shares in CashBox Group Technology (Hong Kong) Limited, representing 3.3% of the issued shares thereof, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(c) subject to and conditional upon the fulfilment or waiver of the conditions precedent set out in the GOME FIIL Agreement and the CashBox Agreement (collectively, the "**Agreements**"), the directors of the Company (the "**Directors**") be and are hereby granted a specific mandate to exercise the powers to allot and issue a total of 2,500,000,000 new ordinary shares of the Company (the "**Consideration Shares**") at the issue price of HK$0.08 each to Mega Bright and Mingrun Business at completion in accordance with the terms and conditions of the Agreements; and

(d) subject to and conditional upon the fulfilment or waiver of the conditions precedent set out in the Agreements, any one or more Directors be and is/are hereby authorised, for and on behalf of the Company, to execute all such documents, instruments and agreements, and take such action, do all such acts or things, as he/she/they may, in his/her/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implement of or giving effect or completion of any matters relating to the Agreements and the transactions contemplated thereunder, the issue and allotment of the Consideration Shares, and all matters incidental thereto."

By order of the Board
Gome Finance Technology Co., Ltd.
Zhou Yafei
Executive Director

Hong Kong, 8 May 2024

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suite 2912, 29th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the SGM convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the SGM. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy must be deposited together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the office of the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be).

3. Completion and return of a form of proxy will not preclude a Shareholder from attending in person and voting at the SGM or any adjournment thereof (as the case may be) should he so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 23 May 2024 to Tuesday, 28 May 2024, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 22 May 2024.

5. Where there are joint registered holders of any Share, any one of such joint holders may vote, 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 are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the name stands on the register of members of the Company in respect of the relevant joint holding.

6. Save for resolutions approving the procedural and administrative matters, any voting of the SGM should be taken by poll.

7. If Typhoon Signal No.8 or above is hoisted or a Black Rainstorm Warning Signal is in force in Hong Kong or an announcement on ''extreme conditions'' caused by super typhoons is made by the Hong Kong Government any time after 11 a.m. on the date of the SGM, then the meeting will be adjourned according to the bye-laws of the Company. The Company will post an announcement on the websites of the Company at (www.gomejr.com) and HKExnews website (www.hkexnews.hk) to notify shareholders of the date, time and place of the adjourned meeting. The SGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force in Hong Kong. Shareholders should decide on their own whether they would attend the SGM under bad weather condition bearing in mind their own situations.

As at the date of this notice, the executive Directors are Mr. Zhou Yafei and Mr. Song Chenxi; the non-executive Director is Ms. Wei Ting; and the independent non-executive Directors are Mr. Lee Puay Khng, Mr. Mak Yau Kee Adrian, Professor Japhet Sebastian Law and Mr. Huang Song.