



红日资本有限公司
RED SUN CAPITAL LIMITED

18 December 2025

To: *The Independent Board Committee of
Tian Ge Interactive Holdings Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
ASTRUM CAPITAL MANAGEMENT LIMITED
FOR AND ON BEHALF OF
TRUESENSE TRADING LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
TIAN GE INTERACTIVE HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR TO BE ACQUIRED BY
TRUESENSE TRADING LIMITED,
MS. HONG YAN, MR. FU ZHENGJUN AND
BLUEBERRY WORLDWIDE HOLDINGS LIMITED)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 18 December 2025, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

As at the Latest Practicable Date, the Company has 1,109,390,162 Shares in issue. Save for the Shares, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Immediately prior to the Acquisition, (a) the Offeror (which is wholly-owned by Ms. Hong) had no interest in the Shares; and (b) Mr. Fu, an executive Director and the chairman of the Company and the spouse of Ms. Hong, (i) is the founder of a discretionary trust (the discretionary beneficiaries of which are Mr. Fu and his family members), the trustee of such discretionary trust was interested in 100% shareholding interest in Blueberry Worldwide and Blueberry Worldwide was directly interested in 330,695,000 Shares (representing approximately 29.81% of the total number of the issued share capital of the Company) and Mr. Fu is therefore deemed to be interested in 330,695,000 Shares; and (ii) was directly interested in 200,000 Shares (representing approximately 0.02% of the total number of the issued share capital of the Company).

The Company was informed by the Offeror that on 28 October 2025, the Offeror acquired the Acquisition Shares (i.e. 20,000,000 Shares which represent approximately 1.80% of the total number of the issued share capital of the Company as at the Latest Practicable Date) on the secondary market. The total consideration for the Acquisition Shares is HK\$13,597,870. The highest price and average price per Acquisition Share are approximately HK\$0.68 and HK\$0.6799 respectively.

Immediately after the Acquisition, the Offeror and the parties acting in concert with it (together with Mr. Fu's direct and deemed interests in the Shares but excluding Sina's interests in the Shares) is interested in a total of 350,895,000 Shares (representing approximately 31.63% of the total number of the issued share capital of the Company). Pursuant to Rule 26.1 of the Takeovers Code, after the Acquisition, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or to be acquired by the Offeror, Ms. Hong, Mr. Fu and Blueberry Worldwide).

As at the Latest Practicable Date, Sina was interested in 300,000,000 Shares (representing approximately 27.04% of the total number of the issued share capital of the Company). Given that both Mr. Fu and Sina are interested in 20% or more of the voting rights in the Company, Mr. Fu and Sina are presumed to be acting in concert in respect of the Company pursuant to class (1) to the definition of acting in concert under the Takeovers Code. As at the Latest Practicable Date, the Offeror and parties acting in concert with it (including Mr. Fu, Blueberry Worldwide and Sina) interested in approximately 684,895,000 Shares, which represents approximately 61.74% of the total number of issued share capital of the Company.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the non-executive Directors, namely Ms. Cao Fei, Mr. Tse Ming Lun, Alan, Mr. Wang Mingchun and Mr. Lam Yick Man, has been established to advise the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Red Sun Capital Limited has been appointed by the Board with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, the Offeror and its concert parties and their respective shareholders, directors or chief executives, or any of their respective associates. Accordingly, we are qualified to give independent advice to the Independent Board Committee regarding the Offer.

In the last two years, save for this appointment, we have not acted as an independent financial adviser to the independent board committee of the Company and/or the Independent Shareholders. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser and the engagement as stated above as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. In addition, having considered that (i) remuneration for our independent financial adviser engagement in relation to the Offer is fixed and at market level, and is not conditional upon the outcome of the Offer; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company and the Offeror, their respective controlling shareholders and any parties acting in concert with any of them, we consider that we are independent from the Group pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Group, the Directors and/or management of the Company (the “Management”). We have assumed that all information, representations and opinions contained or referred to in the Composite Document or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all the opinions and representations made by the Directors in the Composite Document have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that no material facts have been omitted from the information provided and referred to in the Composite Document. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Company will notify the Shareholders of any material changes to information contained or referred to in the Composite Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed as soon as practicable when there is any material changes to the information contained or referred to herein as well as changes to our opinion, advice and/or recommendation, the information and representations provided and made to us and the information contained in this letter, if any, after the Latest Practicable Date as soon as possible.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group and, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

This letter is issued to the Independent Board Committee solely for their consideration in respect of the Offer, and except for its inclusion in the Composite Document, 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. In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL TERMS OF THE OFFER

Astrum Capital will, for and on behalf of the Offeror, make the Offer to acquire all the Offer Shares (other than those already owned or to be acquired by the Offeror, Ms. Hong, Mr. Fu and Blueberry Worldwide) in compliance with the Takeovers Code and on the terms set out in the Composite Document on the following basis:

For each Offer Share

HK\$0.68 in cash

The Offer Price of HK\$0.68 per Offer Share is equal to the highest price per Acquisition Share paid by the Offeror under the Acquisition. The Offer is unconditional in all respects.

As at the Latest Practicable Date, the Company had 1,109,390,162 Shares in issue. Save for the Shares, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Financial information of the Group and outlook

1.1 Historical financial information of the Group

The Group is principally engaged in the operating of online interactive entertainment services and other services in the Middle East, the PRC and other global regions.

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2023 and 2024 as extracted from the annual report of the Group for the year ended 31 December 2024 (the “2024 Annual Report”) and the six months ended 30 June 2024 and 2025 as extracted from the interim report of the Group for the six months ended 30 June 2025 (the “2025 Interim Report”), respectively:

Summary of the consolidated statement of comprehensive income of the Group

	For the six months ended 30 June		For the year ended 31 December	
	2025	2024	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	32,425	5,333	10,160	67,621
– Live social video platforms	24,325	3,228	5,516	63,409
– Game marketing and operation/ Game operation	4,451	63	125	2,985
– Software research and development	1,242	1,918	3,691	1,227
– Others	2,407	124	828	–
Cost of sales	(21,489)	(1,187)	(2,057)	(8,773)
Gross profit	10,936	4,146	8,103	58,848
Operating profit/(loss)	(36,446)	41,861	17,850	(137,910)
Profit/(loss) for the period/year	(26,647)	43,987	19,916	(135,052)
(Loss)/Profit for the period/year attributable to owners of the Company	(22,432)	44,079	19,996	(134,670)

Financial performance for the six months ended 30 June 2024 (“6M2024”) and the six months ended 30 June 2025 (“6M2025”)

Based on the 2025 Interim Report, revenue of the Group increased by approximately 511.3% from approximately RMB5.3 million for 6M2024 to approximately RMB32.4 million for 6M2025. The revenue for 6M2025 mainly comprised approximately RMB24.3 million from live social video platforms and approximately RMB4.5 million from game marketing and operation. The increase in revenue was mainly resulted from the integration of the “Sila Chat” platform and the healthy growth of the game marketing and operation during 6M2025.

The gross profit of the Group increased from approximately RMB4.1 million for 6M2024 to approximately RMB10.9 million for 6M2025, representing an increase of approximately 165.9% which resulted from the increase in revenue in 6M2025. The decrease in gross profit margin from approximately 77.7% in 6M2024 to 33.7% in 6M2025 was mainly attributable to the optimisation and integration of the “Sila Chat” platform which brought in revenue but also led to a proportional increase in costs. The Group recorded loss attributable to owners of the Company for 6M2025 of approximately RMB22.4 million versus profit attributable to owners of the Company of approximately RMB44.1 million for 6M2024 which was resulted from the decrease in change of other gains (which comprised of (1) fair value gain of RMB21.7 million on venture capital and private equity funds; (2) fair value gain of RMB16.7 million on other financial instruments, primarily from investment fund; and (3) fair value loss of RMB34.0 million on derivatives held for trading) from approximately RMB73.9 million for 6M2024 to RMB4.0 million for 6M2025.

Financial performance for the year ended 31 December 2023 (“FY2023”) and the year ended 31 December 2024 (“FY2024”)

We noted from the 2024 Annual Report that the Group recorded revenue of approximately RMB10.2 million for FY2024, representing a decrease of approximately RMB57.4 million or 84.9% as compared to approximately RMB67.6 million for FY2023. The decrease in revenue was primarily due to the suspension of the domestic live streaming business at the end of 2023 resulted from a structural adjustment of the proportion of the Group’s domestic and overseas business due to challenging PRC market sentiment.

The gross profit of the Group decreased from approximately RMB58.8 million for FY2023 to approximately RMB8.1 million for FY2024, representing a decrease of approximately 86.2% which was mainly resulted from the decrease in the revenue, in particular the live social video platforms segment which recorded a decline of approximately 91.3%.

Nonetheless, the Group recorded a change in profit attributable to owners of the Company to approximately RMB20.0 million for FY2024 from loss attributable to owners of the Company approximately RMB134.7 million for FY2023, mainly attributable to the change of other gains (net) (arising from the fair value gain from the Group's investment portfolio including unlisted equity investments and other financial instruments) amounting to approximately RMB85.1 million in FY2024 from other losses (net) (arising from the fair value losses on various investment attributed to venture capital and private equity funds) amounting approximately RMB62.1 million in FY2023.

Summary of the consolidated statement of financial position of the Group extracted from the 2024 Annual Report and the 2025 Interim Report

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)	2023 RMB'000 (audited)
Non-current assets	1,599,998	1,472,470	1,506,127
Current assets	976,346	1,147,277	1,053,956
Total assets	2,576,344	2,619,747	2,560,083
Non-current liabilities	27,432	28,781	22,161
Current liabilities	369,866	356,469	284,938
Total liabilities	397,298	385,250	307,099
Net assets	2,179,046	2,234,497	2,252,984
Non-controlling interests	(1,696)	49	(382)
Equity attributable to owners of the Company	2,180,742	2,234,448	2,253,366

Financial position as at 30 June 2025 and 31 December 2024

Total assets of the Group amounted to approximately RMB2,576.0 million as at 30 June 2025, which is broadly in line with the total assets of approximately RMB2,619.7 million as at 31 December 2024. The total assets of the Group as at 30 June 2025 mainly comprised (i) financial assets at fair value through profit or loss ("FVTPL") of approximately RMB1,811.9 million; (ii) cash and cash equivalents of approximately RMB428.3 million; and (iii) investment properties of approximately RMB105.4 million. As disclosed in the 2025 Interim Report, the Group recorded total financial assets of approximately RMB1,878.9 million as at 30 June 2025, which comprised (i) non-current assets including equity investment, investments in venture capital and private equity funds and other financial instruments, with an aggregate amount of approximately RMB1,362.2 million; and (ii) current assets including structured notes, investments in wealth management products, other financial instruments, and equity securities with an aggregate amount of approximately RMB516.7 million.

Total liabilities of the Group recorded at approximately RMB397.3 million as at 30 June 2025, which mainly consisted of (i) borrowings of approximately RMB237.3 million; (ii) current income tax liabilities of approximately RMB71.3 million; (iii) other payables and accruals of approximately RMB33.6 million; and (iv) deferred income tax liabilities of approximately RMB24.5 million.

Total equity attributable to owners of the Company amounted to approximately RMB2,180.7 million as at 30 June 2025, which is lower than the total equity attributable to owners of the Company of approximately RMB2,234.4 million as at 31 December 2024. The decrease in the total equity attributable to owners of the Company was attributable to the loss for the period of approximately RMB22.4 million and the dividends recognised as distribution of approximately RMB20.3 million.

Financial position as at 31 December 2024 and 31 December 2023

Total assets of the Group amounted to approximately RMB2,619.7 million as at 31 December 2024, which is broadly in line with the total assets of approximately RMB2,560.1 million as at 31 December 2023. The total assets of the Group as at 31 December 2024 mainly comprised (i) financial assets at FVTPL of approximately RMB1,757.2 million; (ii) cash and cash equivalents of approximately RMB467.0 million; and (iii) investment properties of approximately RMB86.5 million. As disclosed in the 2024 Annual Report, the Group's financial assets amounted to approximately RMB1,820.0 million as at 31 December 2024, which comprised (i) non-current assets including equity investment, investments in venture capital and private equity funds and other financial instruments of approximately RMB1,276.0 million; and (ii) current assets including structured notes, wealth management products, other financial instruments or equity securities of approximately RMB544.0 million.

Total liabilities of the Group recorded at approximately RMB385.3 million as at 31 December 2024, which mainly consisted of (i) borrowings of approximately RMB198.1 million; (ii) current income tax liabilities of approximately RMB76.4 million; (iii) other payables and accruals of approximately RMB34.3 million; and (iv) deferred income tax liabilities of approximately RMB25.5 million.

Total equity attributable to owners of the Company amounted to approximately RMB2,234.4 million as at 31 December 2024, which is lower than the total equity attributable to owners of the Company of approximately RMB2,253.4 million as at 31 December 2023. The decrease in the total equity attributable to owners of the Company was attributable to repurchase of ordinary Shares of approximately RMB54.5 million and the dividends recognised as distribution of approximately RMB22.1 million and partially offset by the profit for the year of approximately RMB20.0 million and other comprehensive income of approximately RMB33.2 million.

Qualified opinion of independent auditor's report of the Company

As set out in the 2024 Annual Report and the annual report for the year ended 31 December 2023 (the “**2023 Annual Report**”), the auditor(s) of the Company (the “**Auditor(s)**”) issued a qualified opinion (“**Qualified Opinion**”) for the consolidated financial statements for FY2024. Regarding the Qualified Opinion in summary, the Auditors disclosed that due to failure to provide evidence about the appropriateness for the selection of comparable companies in relation to the Group's investments to support the reasonableness of the calculation adopted in the assessment of the fair value of the securities, the Auditors were unable to obtain sufficient audit evidence and to determine whether any adjustments may be necessary to the fair value of the Group's investment included in financial assets at FVTPL as at 31 December 2023 and the amount of fair value loss included in other gains/(losses), net for the year ended 31 December 2023. As such, the Auditor is unable to determine any adjustments were necessary to the opening balance of the Group's investment as at 1 January 2024. There were no other satisfactory audit procedures that the Auditor could perform to determine whether any adjustments to the fair value change included in other gains/(losses), net recognised in the consolidated statement of comprehensive income/loss for the year ended 31 December 2024 were necessary.

Save for the aforesaid, the Auditors expressed that the consolidated financial statements for the FY2023 and FY2024 give a true and fair view of the consolidated financial position of the Group as at the respective period, and of its consolidated financial performance and its consolidated cash flows for the relevant period. As set out in the Letter from the Board, the Board considers that the Qualified Opinion issued by the Auditors would not have any material implication on the Offer and Company.

In light of the foregoing, and given the Auditors disclosed that the FY2023 and FY2024 give a true and fair view of the financial performance of the Group, we concur with the view of the Board that the Qualified Opinion would not have any material implication on the Offer and the Company and we consider that the 2023 Annual Report and 2024 Annual Report provide a fair and representative illustration of the Group's financial situation and performance and would not materially affect our opinion in relation to the Offer.

1.2 Historical dividend of the Group

As at the Latest Practicable Date, (a) no dividends or distributions have been declared but unpaid; and (b) there is no intention for the Company to make, declare or pay any dividends or distributions prior to and including the date of closing of the Offer. If, after the Latest Practicable Date, any dividend or other distribution is declared, made or paid in respect of the Offer Shares, the Offeror must reduce the Offer consideration by an amount equal to that dividend (or other distribution) so that the overall value receivable by the Shareholders remains the same pursuant to Note 11 to Rule 23.1 of the Takeovers Code.

The Company declared interim dividend of HK\$0.01 per Share in August 2025. The Company declared HK\$0.03 per Share dividend for the year ended 31 December 2024 and HK\$0.02 per Share dividend for the year ended 31 December 2023.

1.3 Outlook and prospects of the Group

As stated in the interim report of the Group for 6M2025, looking ahead, the Group will deepen its focus on online interactive entertainment enriching platform ecosystems, strengthening competitive advantages, and diversifying application scenarios to meet personalized demands of global users. The Group will adhere to the “multiple-point incubation and selective development” strategy, concentrating resources on high-potential products. Through continuous product optimisation, rapid iteration, global-localised operations, and refined go-to-market tactics, the Group aims to solidify and expand our user base and market share.

Simultaneously, the Group will actively embrace AI-driven transformation. At the micro level, the Group encourages employees to adopt advanced AI tools across product development, operations, promotion, and customer service. At the macro-strategic level, the Group will leverage AI to drive product innovation and elevate overall business efficiency and decision-making.

Based on “The 55th Statistical Report on China’s Internet Development” published by the China Internet Network Information Center (CNNIC) in January 2025¹, which is an administrative organisation authorised by the Ministry of Industry and Information Technology of China and serves as the national network information centre of China, the rise of the online livestreaming industry, coupled with the increasing application of AI technologies, has been extensively leveraged across different aspects including driving the cultural and tourism industry and contributing to the broader economic development. By December 2024, the number of internet applications and users continued to expand, with the number of live streaming users recorded at 833 million, representing an increase of 17.37 million as compared to December 2023. Various applications including, but not limited to, online video and live broadcasting, have recorded a steady growth rate in user size and utilisation of 0.3% and 2.1%, respectively from December 2023 to December 2024.

Despite the measured growth seen in the PRC internet industry, competition in social-centric fields like online interactive entertainment remains intense and dynamic. Success in these areas often derives from replicating and scaling proven models while continuously unlocking new growth vectors. Against this backdrop, the Group, guided by sustainable development, will proactively adapt to market shifts, explore cross-sector opportunities beyond its core business, and relentlessly pursue long-term Shareholder value.

In view of the gross profit of the Group being only approximately RMB8.1 million for FY2024 and approximately RMB10.9 million for 6M2025 respectively and the profit for the year attributable to the owners of the Company was approximately RMB20.0 million for FY2024 and the loss for the period attributable to the owners of the Company was approximately RMB22.4 million for 6M2025, we noted that the Group’s profit level were highly depend on the other gains/ (losses) on financial assets at FVTPL, including among others, financial instruments, investments in venture capital and private equity funds, equity investment, listed equity securities, investment in wealth management products or structured notes, and not primarily driven by the its core operating activities in recent periods. As such, the Group’s performance may be influenced by market assessment in the fair value of such financial assets and remains subject to market conditions beyond the Company’s control.

¹ <https://www.cnnic.com.cn/IDR/ReportDownloads/202505/P020250514564119130448.pdf>

Considering the intense market competition in the social centric fields such as the online interactive segment and the difficulty in forecasting the performance of financial assets as it may depend on external factors such as market sentiment and conditions making its earning profit less predictable, we are of the opinion that the business performance of the Group will remain subject to fluctuations and uncertainty.

2. Information on the Offeror and the intention of the Offeror in relation to the Group

2.1 Information on the Offeror, Ms. Hong, Mr. Fu and Blueberry Worldwide

The Offeror is incorporated in the British Virgin Islands with limited liability, and is an investment holding company ultimately wholly and beneficially owned by Ms. Hong. The sole director of the Offeror is Ms. Hong.

Ms. Hong, aged 47, is the spouse of Mr. Fu. She has been a director of Week8 Holdings (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company, since March 2018 and has been assisting Mr. Fu for the overall business management of the Group.

Mr. Fu, aged 47, is the spouse of Ms. Hong. Mr. Fu is the chairman of the Company and has been a Director since 28 July 2008. Mr. Fu was re-designated as an executive Director on 11 March 2014. Mr. Fu is the founder of the Group and has served as the chief executive officer of all the Company's wholly-owned foreign enterprises and the PRC operating entities since their respective incorporation until 26 June 2020. Mr. Fu is responsible for the overall strategic planning of the Group, and is instrumental to its growth and business expansion. Mr. Fu has approximately 20 years of experience in the Internet industry. Prior to founding the Group, Mr. Fu was the chief technology officer of Tiantu Information Technology (Shanghai) Co., Ltd. (天圖信息技術(上海)有限公司), a company mainly engaged in the development of Internet advertising technology, from August 2000 to September 2004, where he was responsible for products research and development. From August 1999 to August 2000, Mr. Fu served as an engineer at Zhejiang Data Communications Administration Bureau (浙江省數據通訊局) (formerly known as Zhejiang Communications Administration Bureau (浙江省通訊管理局)), where he was responsible for project management and implementation. Mr. Fu received a bachelor's degree in computer science application from Zhejiang University of Technology (浙江工業大學) in Hangzhou in July 1999.

Blueberry Worldwide is a company incorporated in the British Virgin Islands with limited liability. UBS Trustees (B.V.I.) Limited, the trustee of Mr. Fu's Trust (as defined below), holds the entire issued share capital of Three-Body Holdings Ltd through its nominee, UBS Nominee Limited. Three-Body Holdings Ltd holds the entire issued share capital of Blueberry Worldwide. Blueberry Worldwide in turn holds 330,695,000 Shares. Mr. Fu's trust ("Mr. Fu's Trust") is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and his family members.

2.2 Intention of the Offeror in relation to the Group

After the Acquisition, the Offeror and Mr. Fu have become the controlling Shareholders (as defined under the Listing Rules). The Offeror will conduct a review of the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror also intends to continue the existing principal business of the Group immediately after the Acquisition and has no intention to downsize, cease, or dispose of any of the existing business of the Group.

In view of Ms. Hong and Mr. Fu already working in the Group with key roles, we consider that there would not be a material change in the Group's business shortly after the Offer.

3. The Offer Price

3.1 The Offer Price comparison

The Offer Price of HK\$0.68 per Offer Share represents:

- (i) equivalent to the closing price as quoted on the Stock Exchange on 15 December 2025, being the Latest Practicable Date, i.e. HK\$0.68 per Share;
- (ii) equivalent to the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 2.10% over the average of the closing prices as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.67 per Share;
- (iv) a discount of approximately 69.03% to the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$2.20 per Share (based on (a) the Group's audited consolidated net assets attributable to the owners of the Company of approximately RMB2,234,448,000 (equivalent to approximately HK\$2,435,548,320) as at 31 December 2024; and (b) the total number of the issued Shares as at the Latest Practicable Date) as at 31 December 2024, being the date to which the latest published audited annual financial results of the Group were made up; and

- (v) a discount of approximately 68.26% to the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$2.14 per Share (based on (a) the Group's unaudited consolidated net assets attributable to the owners of the Company of approximately RMB2,180,742,000 (equivalent to approximately HK\$2,377,008,780) as at 30 June 2025; and (b) the total number of the issued Shares as at the Latest Practicable Date) as at 30 June 2025, being the date to which the latest published unaudited interim financial results of the Group were made up.

3.2 Historical Share price performance

We have reviewed and analysed the closing prices of Shares for approximately 12 months immediately prior to the Last Trading Day commencing on 19 November 2024 and up to and including the Latest Practicable Date (the "Review Period"), which is a commonly adopted timeframe for similar share price analysis in the market and is considered to be adequately lengthy to illustrate the recent trend of the closing prices of the Shares for our analysis on the offer price under the Offer and its trading volume for the purpose of assessing the fairness and reasonableness of the offer price under the Offer below:



Source: www.hkex.com.hk

The Offer Price of HK\$0.68 represents (a) a premium of approximately 9.0% to the average closing Share price of approximately HK\$0.624 per Share for the Review Period; (b) equivalent to the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Last Trading Day; and (c) equivalent to the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

During the Review Period, the Share price remained relatively stable ranging between HK\$0.50 and HK\$0.78 per Share. As illustrated in the above graph, a notable movement was noted where the Share price increased from HK\$0.58 on 3 June 2025 to HK\$0.78 on 6 June 2025. Based on our discussion with the Management, we understand that, save for share repurchase conducted on 4 June 2025 and 6 June 2025, the Directors were not aware of any matters related to the Group which could have caused a material impact on the Share price during the aforesaid period. After recording the highest share closing price on 6 June 2025, the share closing price decreased gradually to HK\$0.68 as at the Last Trading Day and HK\$0.68 on the Latest Practicable Date.

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

3.3 Historical liquidity of the Shares

The table below sets out the trading volume of Shares during the Review Period:

Month/period	Number of trading days in the month/period	Average daily trading volume per trading day in the month/period	Percentage of average daily trading volume to total number of Shares in issue (Note 1) Approximate %	Percentage of average daily trading volume to total number of Shares held by public Shareholders (Note 2) Approximate %
2024				
November (from 19 November 2024)	9	2,956,667	0.26	0.83
December	20	928,750	0.08	0.26
2025				
January	19	4,759,842	0.42	1.34
February	20	1,929,050	0.17	0.54
March	21	9,566,143	0.85	2.69
April	19	3,812,842	0.34	1.07
May	20	1,131,100	0.10	0.32
June	21	3,314,857	0.30	0.93
July	22	1,418,182	0.13	0.40
August	21	1,388,238	0.13	0.39
September	22	2,144,273	0.19	0.60
October (Note 3)	18	3,137,503	0.28	0.88
November (Note 3)	7	4,139,200	0.37	1.16
December	11	4,764,455	0.43	1.34

Source: www.hkex.com.hk

Notes:

1. Calculated based on the total number of the Shares in issue at the end of month/period.
2. Calculated based on the total number of the Shares held by public shareholders as set out in the Letter from the Board as at the Latest Practicable Date.
3. During the Review Period, the trading in the Shares had been halted on 30 October 2025 and trading was resumed on 20 November 2025.

As set out in the table above, the percentage of average daily number of Shares traded relative to the total number of Shares in issue ranged from approximately 0.08% to 0.85%, with an average of approximately 0.29%. It is noted that in 8 out of the 12 months, the trading percentage falls below the average of 0.29%. In addition, the percentage of average daily trading volume to the total number of Shares held by public shareholders ranged from approximately 0.26% to 2.69%, with an average of approximately 0.91%, and it is noted that 8 out of the 12 months recorded a percentage of below of the aforesaid average of 0.91%.

As shown in the above table, March 2025 recorded a relatively high trading volume as compared to other months, representing 2.69% of average daily trading volume to the total number of Shares held by public Shareholders as at the Latest Practicable Date. Based on our review, we noted that the observed increase in trading volume was primarily attributable to the high trading activity recorded between 4 March 2025 and 7 March 2025, which ranged from 20,506,000 Shares up to 52,049,000 Shares. As advised by Management, they are not aware of any material events that could potentially be related to the aforesaid movement in trading volume in the said period.

As such, we consider that the trading liquidity of the Shares have been thin in the open market during the Review Period, which may impose limitation on potential investor participation. In this context, Shareholders shall be aware that, depending on their shareholding size, when attempting to realise their investment or dispose their Shares in the open market could potentially exert downward pressure on the price of the Shares causing the sale proceeds from the disposal in the open market to be lower than Offer Price.

3.4 Market comparable analysis

With a view to assess the fairness and reasonableness of the Offer Price, we have also conducted market comparable analysis by comparing the price-to-earnings ratio (the “**P/E Ratio**”), the price-to-book ratio (the “**P/B Ratio**”) of the Company as implied by the Offer Price, and the dividend yield (the “**Dividend Yield**”) based on the closing price of the Share on the Last Trading Day against that of other listed companies on the Main Board of the Stock Exchange that engages in similar business to those of the Group.

Based on the unaudited net asset value attributable to owners of the Company of approximately RMB2,180.7 million (equivalent to approximately HK\$2,377.0 million) as at 30 June 2025, the total implied value of the Company based on the Offer Price under the Offer, being approximately HK\$754.4 million, and the implied P/B ratio (the “**Implied P/B Ratio**”) of the Company would be approximately 0.32 times.

We noted that the Company could be in a net loss position for the year ended 31 December 2024 after excluding the fair value gain on financial assets measured at fair value through profit and loss, which is not one of the core operating activities of the Group. As such, we have disclosed in the below table the P/E Ratio of the Company calculated based on (i) the latest profit attributable to owners of the Company; and (ii) the net loss position of the Company after deducting the fair value gain on financial assets, respectively.

While the P/E Ratio is generally regarded as a meaningful metric when a company records positive earnings to reflect the profitability and earning profile, we consider the inclusion of the P/E Ratio analysis, taking into account alternative scenarios, to be relevant as it does not necessarily indicate as a standalone measure of profitability but serve as an additional reference for Shareholders for indicative purpose.

For the purpose of our analysis, we have identified comparable companies based on the following criteria: (a) the shares of which are listed on the Main Board of the Stock Exchange; (b) the listed company(ies) that principally engaged in media or content entertainment related business or media content production, which are of a similar nature as the Company is also principally engaged in online interactive entertainment services; and (c) the trading of shares of the subject companies were not suspended on the Last Trading Day and Latest Practicable Date (the “Criteria”). Companies that fall into the aforesaid Criteria but recorded net liabilities as at the latest financial year/period have been excluded for the purpose of this analysis.

Shareholders should note that, market capitalisation is not a selection criteria when conducting the market comparable analysis as we noted that the principal business of the Company is relatively niche and only a limited number of listed companies operate in the same nature. The market capitalisation of the comparable companies is presented in the below table for illustration purpose only.

Based on the Criteria, we have identified an exhaustive list of four comparable companies (the “Comparable Companies”). The table below sets out the P/E Ratio, the P/B Ratio and the Dividend Yield of the Company for comparison purposes.

Company (Stock Code)	Principal activities	Market capitalisation (Note 5) (HK\$'million)	P/E Ratio (Note 1) (times)	P/B Ratio (Note 2) (times)	Dividend Yield (Note 3) (%)
China Ruiyi Holdings Limited (136)	Content production, online streaming services, online gaming services and manufacturing and sales of accessories	36,573.4	N/A (Note 4)	1.68	N/A
Be Friends Holdings Ltd (1450)	Provision of full-service video application services, including live broadcasting, video content production and broadcasting institutions and other organisation etc	1,578.5	20.42	2.99	N/A
Inkeverse Group Limited (3700)	Principally engaged in value-added service and entertainment content service	1,898.7	9.84	0.38	N/A
Medialink Group Limited (2230)	Media content distribution investment in media content production	468.1	8.95	0.76	5.83
			Maximum	20.42	2.99
			Minimum	8.95	0.38
			Average	13.07	1.45
The Company (based on the Offer Price)		754.4	35.26 (Note 6) N/A (Note 7)	0.32	4.41

Notes:

1. The P/E Ratio is calculated by dividing the market capitalisation as at the Last Trading Day by the profit attributable to owners of the respective company according to their latest financial information.
2. The P/B Ratio is calculated by dividing their market capitalisation as at the Last Trading Day by the net asset value attributable to owners of the respective company according to their latest financial information.
3. The Dividend Yield is calculated based on the latest distributed dividend per share divided by the closing price of the share on the Last Trading Day.
4. The subject company recorded a loss attributable to owners of the company as at the latest financial year.
5. The market capitalisation is calculated by the closing price of the subject company as at the Last Trading Day multiplied by the respective number of issued shares as at 31 October 2025.
6. The P/E Ratio of the Company is calculated by the market capitalisation as at the Last Trading Day divided by the profit attributable to owners of the Company for the year ended 31 December 2024 of approximately RMB19,996,000 (equivalent to approximately HK\$21,395,000).
7. As we noted that the Company would be in a net loss position for the year ended 31 December 2024 after deducting the fair value gain on financial assets, the P/E Ratio of the Company is also denoted as N/A for illustrative purpose.

It is noted from the above table that the Comparable Companies recorded P/E Ratio between approximately 8.95 times to 20.42 times and P/B Ratio between approximately 0.38 times to 2.99 times, respectively. Among the four Comparable Companies, only Medialink Group Limited declared a dividend during the latest financial year, with a recorded Dividend Yield of approximately 5.83%.

Based on the Offer Price, it is noted that the Company's P/E Ratio, calculated based on the profit attributable to owners of the Company for the year ended 31 December 2024, is higher than all of the Comparable Companies while the Implied P/B Ratio is lower than all of the Comparable Companies and do not fall within the respective range of the Comparable Companies. Despite the P/E Ratio of the Company being higher than all of the Comparable Companies, the Offer Price may not be attractive from the perspective of the P/B Ratio analysis. As P/E Ratio and P/B Ratio are commonly applied valuation benchmark in the market, providing an illustration of the Company's earning profit and asset base relative to peers, the P/E Ratio and P/B Ratio analysis are presented herein as additional information for the Shareholders and for illustration purpose only.

In addition, given that the P/E Ratio of the Company being N/A in light of its net loss position after deducting the fair value gain from financial assets, which underscores the Company's lack of recurring profitability from core operations and the limited applicability of the P/E Ratio as a standalone valuation metric.

Taking into account (i) the outcome of the P/B Ratio analysis may not appear favourable; and (ii) the Company's inability to demonstrate recurring profitability from its principal business activities, the Offer presents an opportunity for the Shareholders to realise their investment. In addition to the aforesaid, Shareholders should note that, in assessing whether the Offer Price is fair and reasonable as a whole, Shareholders shall place more weight on other factors and analysis set out in this letter including the Group's share price performance and thin trading liquidity as well as the Group's operation and business outlook (as analysed above), all of which provide a broader and more balanced context for evaluation.

3.5 *Summary of our analysis*

Having considered that,

- (a) the Offer Price is equivalent to the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) the Offer Price is equivalent to the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) the Offer Price represents a premium of approximately 2.10% over the average of the closing prices as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.67 per Share;
- (d) the Offer Price represents a premium of approximately 9.0% over the average of the closing price per Shares for the Review Period; and
- (e) the Offer Price may not be attractive from the prospective of the results from the P/B Ratio analysis with the Company's P/E Ratio being N/A after taken into the account the net loss position upon excluding the fair value gain from financial assets, other factors including trading liquidity, share price performance and the Company's business outlook have been evaluated and considered,

we consider the Offer to be fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons for the Offer, including:

- (a) the Offer Price is equivalent to the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) the Offer Price is equivalent to the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (c) the Offer Price represents a premium of approximately 9.0% over the average closing price per Shares for the Review Period;
- (d) our analysis and work performed in relation to the Offer Price, in particular the historical share price performance, trading liquidity and the market comparable analysis, as set out in this letter;

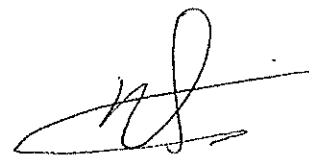
- (e) save for the trading volume in March 2025, the highest percentage of average daily trading volume of all other months/periods during the Review Period was (i) approximately 0.43% to total number of Shares in issue; and (ii) approximately 1.34% to total number of Shares held by public Shareholders;
- (f) the Offer Price may not be attractive from the prospective of the results from the P/B Ratio analysis with the Company's P/E Ratio being N/A after taken into the account the net loss position upon excluding the fair value gain from financial assets, other factors including trading liquidity, share price performance and the Company's business outlook have been evaluated and considered;
- (g) the thin trading liquidity of the Company could impose limitation for the Shareholders to dispose their Shares in the open market and could exert downward pressure on the Share price when such occurs, therefore the Offer provides an opportunity for the Shareholders, in particular those with significant shareholding interest to realise their investment at a fixed price;
- (h) the business prospect of the Company as discussed in the section headed "Outlook and prospects of the Group" and that the performance of the Company may continue to be subject to intense market competition despite the stable growth and ongoing development of the internet industry in the PRC; and
- (i) our analysis on the historical financial performance and position of the Group as set out under paragraph headed "1. Financial information of the Group and outlook",

based on the above principal factors and reasons, we consider that the Offer is fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

Nonetheless, Shareholders are reminded to monitor the trading price and liquidity of the Shares during the Offer Period and, having regard to their own circumstances, consider selling their Shares in the open market instead of tendering their Shares under the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer.

As each individual Independent Shareholder would have different investment objectives and/or circumstances, we recommend any Independent Shareholders who may require advice in relation to any aspect of the Offer and/or the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they should carefully read the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompanying Form of Acceptance.

Yours faithfully
For and on behalf of
Red Sun Capital Limited

A handwritten signature in black ink, appearing to be 'RS' with a long horizontal stroke extending to the right.

Robert Siu
Managing Director

Mr. Robert Siu is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in the corporate finance industry.

* For identification purpose only