
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 a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in BAI00 Family Interactive Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**FURTHER REVISION OF REVISED ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTION
IN RELATION TO
RENEWED SHIWUYU AGENCY AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Shenwan Hongyuan Capital (H.K.) Limited

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter from Shenwan Hongyuan Capital (H.K.) Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 17 to 27 of this circular.

A notice convening the Extraordinary General Meeting of BAI00 Family Interactive Limited to be held with a combination of (a) a physical meeting at 31st Floor, Goldchi Building, 120 Huangpu W Ave, Tianhe, Guangzhou, Guangdong, China, 510623; and (b) a virtual meeting online at 2 p.m. on Friday, 1 April 2022 is set out on pages 32 to 34 of this circular. A form of proxy for use at the Extraordinary General Meeting is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.baioo.com.hk).

Whether or not you are able to attend the Extraordinary General Meeting, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting should you so desire. If you attend and vote at the Extraordinary General Meeting, the form of proxy will be revoked.

14 March 2022

**PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY
GENERAL MEETING (“EGM”)**

In light of the Coronavirus Pandemic (“**COVID-19**”), and recent guidelines for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- compulsory body temperature check will be conducted and hand sanitiser shall be used for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius or is exhibiting flu-like symptoms will be denied entry into or be required to leave the venue;
- all Shareholders or proxies are required to wear surgical face masks throughout their attendance of the EGM;
- the Company will maintain a soft distance between seats;
- no refreshment or drinks will be served and no corporate gifts will be distributed; and
- every attendee is required to complete a health declaration and personal information form (which may be used for contact tracing, if required) and submit the same at the entrance of the EGM venue before admission into the EGM venue.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into or be required to leave the venue. The Company encourages the Shareholders to consider appointing the chairman of the EGM as his/her proxy to vote on the relevant resolutions at the EGM, instead of attending the EGM in person to reduce the risk of infection due to overcrowding.

Subject to the development of the pandemic, the Company may implement further procedures and precautionary measures at short notice and may issue further announcement as appropriate.

Shareholders should check the Company’s website for updates on the latest arrangement of the EGM.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
1. Introduction	5
2. Non-Exempt Continuing Connected Transaction in Relation to the Renewed Shiwuyu Agency Agreement	5
3. Extraordinary General Meeting and Proxy Arrangement	11
4. Responsibility Statement	13
5. Recommendation	14
Letter from the Independent Board Committee	15
Letter from the Independent Financial Adviser	17
Appendix — General Information	28
Notice of Extraordinary General Meeting	32

DEFINITIONS

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

“Annual Cap”	the maximum aggregate annual value projected in respect of the fees payable by Guangzhou Tianti to Tencent Computer pursuant to the Renewed Shiwuyu Agency Agreement
“Articles of Association” or “Articles”	the articles of association of the Company as amended, supplemented or modified from time to time
“associate(s)”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	day(s) on which commercial banks are open for business in the PRC (excluding Saturdays, Sundays and public holidays)
“Chairman”	the chairman of the Board
“close associate(s)”	has the same meaning as defined in the Listing Rules
“Company”	BAIOO Family Interactive Limited (百奧家庭互動有限公司), formerly known as Baitian Information Limited, Baitian Family Interactive Limited (百田家庭互動有限公司) and BYO Family Interactive Limited (百奧家庭互動有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 25 September 2009, with its Shares listed on the Main Board of the Stock Exchange since the Listing Date
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“core connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at with a combination of (a) a physical meeting at 31st Floor, Goldchi Building, 120 Huangpu W Ave, Tianhe, Guangzhou, Guangdong, China, 510623; and (b) a virtual meeting online at 2 p.m. on Friday, 1 April 2022, to consider and, if desirable, to approve the proposed resolutions as set out in the notice of such meeting which is set out on pages 32 to 34 of this circular, or any adjournment thereof
“Further Revised Shiwuyu Annual Cap”	the further revised Annual Cap at RMB140,000,000 proposed pursuant to the Renewed Shiwuyu Agency Agreement as set out in the announcement of the Company dated 17 February 2022
“Group”	the Company, its subsidiaries and the PRC operating entity (the financial results of which have been consolidated and accounted for as a subsidiary of the Company by virtue of the contractual arrangements)

DEFINITIONS

“Guangzhou Baitian”	Guangzhou Baitian Information Technology Ltd.* (廣州百田信息科技有限公司), a limited liability company incorporated in the PRC and the PRC operating entity of the Company, the financial results of which have been consolidated and account for as a subsidiary of the Company by virtue of a series of contractual arrangements
“Guangzhou Tianti”	Guangzhou Tianti Network Technology Co., Ltd.* (廣州天梯網絡科技有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Guangzhou Baitian
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the non-exempt continuing connected transaction relating to the Renewed Shiwuyu Agency Agreement
“Independent Financial Adviser”	Shenwan Hongyuan Capital (H.K.) Limited, a wholly owned subsidiary of Shenwan Hongyuan (H.K.) Limited (stock code: 218.hk) and a non-wholly owned subsidiary of Shenwan Hongyuan Group Co., Ltd. (stock codes: 000166.sz and 6806.hk), a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the non-exempt continuing connected transaction relating to the Renewed Shiwuyu Agency Agreement
“Independent Shareholders”	the Shareholders who are not required under the Listing Rules to abstain from voting to approve the non-exempt continuing connected transaction relating to the Renewed Shiwuyu Agency Agreement
“independent third party”	any entity or party which is not connected (as defined in the Listing Rules) to the Directors, substantial shareholders or chief executives of the Company or its subsidiaries, or any of their respective associates
“Initial Shiwuyu Annual Cap”	the initial Annual Cap at RMB76,000,000 proposed pursuant to the Renewed Shiwuyu Agency Agreement as stated in the section headed “RENEWED SHIWUYU AGENCY AGREEMENT” in the announcement of the Company dated 15 October 2021
“Latest Practicable Date”	9 March 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	shall have the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Listing Date”	10 April 2014, being the date of the listing of the Company’s Shares on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme adopted by the Company on 18 March 2014, which took effect on the Listing Date (as amended on 19 June 2015 and 17 December 2020)
“PRC” or “China”	the People’s Republic of China which, for the purposes of this announcement only, shall exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Pre-IPO RSU Scheme”	the restricted share unit plan approved and adopted by the Company on 30 September 2013
“Renewed Shiwuyu Agency Agreement”	a Tencent exclusive agency agreement in relation to the mobile game “Shiwuyu” (「食物語」) entered into by Tencent Computer and Guangzhou Tianti dated 15 October 2021, the details of which are set out in the announcement of the Company dated 15 October 2021
“Restricted Share Units” or “RSU(s)”	restricted share unit(s), being a contingent right to receive Shares which is granted pursuant to the Pre-IPO RSU Scheme and/or the Post-IPO RSU Scheme
“Revised Shiwuyu Annual Cap”	the revised Annual Cap at RMB55,000,000 proposed pursuant to the Renewed Shiwuyu Agency Agreement as set out in the announcement of the Company dated 26 November 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Share(s)”	ordinary share(s) of US\$0.0000005 each in the issued share capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shiwuyu Agency Agreement”	a Tencent exclusive agency agreement in relation to the mobile game “Shiwuyu” (「食物語」) entered into by Tencent Computer and Guangzhou Tianti dated 25 September 2018 and expire on 15 October 2021
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	shall have the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Takeovers Code”	The Code on Takeovers and Mergers approved by the Securities and Futures Commission of Hong Kong, as amended from time to time
“Tencent”	Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 700)
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited* (深圳市騰訊計算機系統有限公司), a limited liability company established in the PRC and a PRC operating entity of Tencent, the financial results of which have been consolidated and account for by Tencent as a controlled structured entity of Tencent by virtue of a series of contractual arrangements
“Tencent Group”	Tencent and its subsidiaries
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

References to time and dates in this circular are to Hong Kong time and dates.

In this circular, the English names of the PRC entities marked with “*” are translations of their Chinese names, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

LETTER FROM THE BOARD



Executive Directors:

Mr. DAI Jian (*Chairman and Chief Executive Officer*)
Mr. WU Lili
Mr. LI Chong

Independent Non-executive Directors:

Ms. LIU Qianli
Dr. WANG Qing
Mr. MA Xiaofeng

Registered Office:

Hutchins Drive
Cricket Square
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

Head Office:

34 Floor, Goldchi Building
120 Huangpu W Ave
Tianhe
Guangzhou
Guangdong
China 510623

Principal Place of Business in

Hong Kong:
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

14 March 2022

To the Shareholders

Dear Sir/Madam,

**FURTHER REVISION OF REVISED ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTION
IN RELATION TO
RENEWED SHIWUYU AGENCY AGREEMENT**

1. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information in respect of certain resolutions to be proposed at the Extraordinary General Meeting to be held on Friday, 1 April 2022.

2. NON-EXEMPT CONTINUING CONNECTED TRANSACTION IN RELATION TO THE RENEWED SHIWUYU AGENCY AGREEMENT

Reference is made to the announcements of the Company dated 15 October 2021, 26 November 2021 and 17 February 2022 in relation to, among other things, the non-exempt continuing connected transaction regarding the Renewed Shiwuyu Agency Agreement.

LETTER FROM THE BOARD

As the Board expects that the Revised Shiwuyu Annual Cap in respect of the Renewed Shiwuyu Agency Agreement may not be sufficient to meet the needs of the Group's business growth in the future, the Board proposes to further revise and increase the Revised Shiwuyu Annual Cap to the Further Revised Shiwuyu Annual Cap.

The purpose of this circular is to provide you with, among others, (i) further details of the Renewed Shiwuyu Agency Agreement and the transaction contemplated thereunder (including the Further Revised Shiwuyu Annual Cap); (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iii) recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM.

Renewed Shiwuyu Agency Agreement

The Shiwuyu Agency Agreement expired on 15 October 2021. On 15 October 2021, the Company had agreed to renew the continuing connected transaction under the Shiwuyu Agency Agreement. The Renewed Shiwuyu Agency Agreement is for a term of one year commencing from 16 October 2021 and ending on 15 October 2022.

Details of the Renewed Shiwuyu Agency Agreement are as follows:

Date

15 October 2021

Parties

- (1) Guangzhou Tianti; and
- (2) Tencent Computer

Term

One year commencing from 16 October 2021 and ending on 15 October 2022.

Subject Matter

Guangzhou Tianti grants Tencent Computer the exclusive right to distribute and operate the mobile game "Shiwuyu" (「食物語」) as an exclusive agent in China, and Guangzhou Tianti provides the content of the mobile game and technical support of the running software. Tencent Computer provides Guangzhou Tianti with the game operating system, the server, the interface with operators and users, system maintenance and certain customer services for the distribution and operation of the mobile game "Shiwuyu" (「食物語」).

Pricing Policy and Payment Terms

Depending on the operation system on which the game is hosted, Tencent Computer shall share with Guangzhou Tianti the revenue received from game players when they recharge their game accounts after deducting relevant costs (as applicable), i.e., the gross or net profit received by Tencent Computer on the operation system (including iOS, Android, HTML5 and Windows Phone systems) on which the game is hosted.

LETTER FROM THE BOARD

The amount payable to Tencent Computer by Guangzhou Tianti will be calculated as follows:

$$\text{Amount payable} = \text{revenue received after deducting costs (as applicable)}^{(1)} \times (60\% \text{ or } 70\%)^{(2)}$$

Notes:

- (1) Gross profit received by Tencent Computer will be used as the basis of calculation for hosting of the game on Andriod, HTML5 and Windows Phone systems operated by the mobile game platform of Tencent, whereas net profit received by Tencent Computer will be used as the basis of calculation for hosting of the game on other systems/platforms.
- (2) Percentage deducted is fixed based on the platform used to play the game. In particular: (i) 60% applies for hosting the game on iOS system; and (ii) 70% applies for hosting the game on Android, HTML5 and Windows Phone systems.

The total revenue received (after deducting costs (as applicable)) from game players, less the above amount payable, will be paid by Tencent Computer to the designated bank account of Guangzhou Tianti by bank transfer, and will be payable within thirty-three (33) Business Days from the date of Tencent Computer's receipt of qualified invoice issued by Guangzhou Tianti and settlement notice affixed with Guangzhou Tianti's official seal.

Revision of Revised Annual Cap and Basis of Determination

Historical Transaction Amounts

The annual amount paid by Guangzhou Tianti to Tencent Computer pursuant to the Shiwuyu Agency Agreement for the period from 16 October 2018 to 15 October 2021 is set out below:

	For the year ended 15 October		
	2019	2020	2021
	<i>(in RMB million)</i>		
Actual transaction amount	106.9	351.5	122.5

Proposed Annual Cap and revisions of Annual Cap

As set out in the announcement of the Company dated 15 October 2021, the proposed Annual Cap for the period from 16 October 2021 and ending on 15 October 2022 was initially set at the Initial Shiwuyu Annual Cap of RMB76,000,000, which had been determined principally with reference to: (i) the historical transaction amounts for relevant services provided by the other independent parties to the Group in the past; (ii) the amount paid under the Shiwuyu Agency Agreement; (iii) the distribution requirement of the Group in respect of the mobile game "Shiwuyu" (「食物語」); and (iv) the distribution coverage of the game platform.

In compliance with the Listing Rules, the Company has been monitoring the continuing connected transaction contemplated under the Renewed Shiwuyu Agency Agreement. On 26 November 2021, the annual cap for the Renewed Shiwuyu Agency Agreement was revised to the Revised Shiwuyu Annual Cap at RMB55,000,000 in light of the fewer new users on the mobile game "Shiwuyu" (「食物語」) on Tencent Computer's operating platforms compared to the Company's initial anticipation. The Revised Shiwuyu Annual Cap had been determined principally with reference to the anticipated number of new users on the mobile game "Shiwuyu" (「食物語」) during the term of the Renewed Shiwuyu Agency Agreement.

LETTER FROM THE BOARD

Based on the information currently available to the Board, the Board expects that the Revised Shiwuyu Annual Cap may not be sufficient to meet the needs of the Group's business growth in the future. Therefore, the Board proposes to further revise and increase the Revised Shiwuyu Annual Cap to the Further Revised Shiwuyu Annual Cap at RMB140,000,000, subject to the requisite approval of the Independent Shareholders being obtained, to ensure that it is fair and reasonable to reflect the expected users' demand for the mobile game "Shiwuyu" (「食物語」).

The increase in the Annual Cap to the Further Revised Shiwuyu Annual Cap is mainly attributable to:

- (i) the increasing popularity of the mobile game "Shiwuyu" (「食物語」) among the users in the PRC; and
- (ii) the more favourable conditions of mobile game market in the PRC. According to the latest China's Gaming Industry Report released by the Game Publishers Association Publications Committee of the China Audio-Video and Digital Publishing Association (中國音數協遊戲工委), the global gaming market maintained stable growth in terms of market size and number of users, and Chinese gaming enterprises have expanded their domestic and overseas markets presence by offering high-quality content, refined operation and localised marketing strategies. In particular, the market share for mobile games continued to expand, and games developed by China's gaming companies became increasingly competitive and gained additional market share in the global market, demonstrating the strong capabilities of China's gaming companies in research and development and content innovation, according to the same report.

As far as the Directors are aware, the Revised Shiwuyu Annual Cap under the Renewed Shiwuyu Agency Agreement has not been exceeded as at the Latest Practicable Date. Based on the actual circumstances relating to the Renewed Shiwuyu Agency Agreement and other currently available information, the Directors estimate that the transaction amount incurred under the Renewed Shiwuyu Agency Agreement from 15 October 2021 to the date of the Extraordinary General Meeting will not (and the Company will through its internal control system ensure that such amount will not) exceed the Revised Shiwuyu Annual Cap.

Basis for determining the Further Revised Annual Cap

The Further Revised Shiwuyu Annual Cap had been determined principally based on: (i) the actual aggregate amount payable to Tencent Computer under the Renewed Shiwuyu Agency Agreement at approximately RMB37.1 million for the period from 15 October 2021 to the Latest Practicable Date; and (ii) the anticipated growth in the number of new users and returning old users on the mobile game "Shiwuyu" (「食物語」) mainly attributable to the rolling out of new version of such game which is generally well received among the game players.

Information about the Parties

The Company is principally engaged in the business of developing and publishing mobile and PC games. Guangzhou Baitian is a consolidated affiliated entity of the Company and is principally engaged in developing mobile and PC games, as well as operating the virtual worlds of the Group. Guangzhou Tianti is a wholly-owned subsidiary of Guangzhou Baitian and is principally engaged in providing software and information technology services to facilitate Guangzhou Baitian's role and function in certain series of contractual arrangements.

Tencent Group principally provides value-added services and online advertising services to users mainly in the PRC. Tencent Computer is a consolidated affiliated entity of Tencent and is principally engaged in the business of provision of value-added services and internet advertisement services in the PRC.

LETTER FROM THE BOARD

Reasons for and Benefits of Entering into the Renewed Shiwuyu Agency Agreement and Revising the Revised Annual Cap

Tencent Group owns a large amount of top-rated game products and game platforms, and the Group has been dedicated to the development and operation of popular mobile and PC games. It is expected that the Tencent Group and the Group could leverage each other's competitive advantages in products and platforms to increase the number of game users and hence improve the popularity of mobile games developed by the Group. As a one-stop game publishing solution to game developers, our Group is able to leverage on the Renewed Shiwuyu Agency Agreement to (i) release, distribute and/or operate the mobile game "Shiwuyu" (「食物語」) through Tencent as an exclusive agent in China, and (ii) utilise Tencent's resources in relation to game operating system, the server, the interface with operators and users, system maintenance and certain customer services for the distribution and operation of the mobile game "Shiwuyu" (「食物語」).

Taking into account of the anticipated growing number of new users on the mobile game "Shiwuyu" (「食物語」) on Tencent Computer's operating platforms compared to the Company's anticipation, the Directors expect that the maximum transaction amount of the Renewed Shiwuyu Agency Agreement will exceed the Revised Shiwuyu Annual Cap and therefore propose to further revise and increase the Annual Cap for the Renewed Shiwuyu Agency Agreement.

Save for the revision of the Revised Shiwuyu Annual Cap to the Further Revised Shiwuyu Annual Cap, the Directors confirm that all other terms and conditions under the Renewed Shiwuyu Agency Agreement remain the same.

Directors' Confirmation

The terms of the Renewed Shiwuyu Agency Agreement had been arrived at after arm's length negotiations between the parties. The Directors (excluding all the independent non-executive Directors who will give their opinion separately based on the recommendations from the Independent Financial Adviser) have confirmed that the terms of the Renewed Shiwuyu Agency Agreement (including the Further Revised Annual Caps) and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Renewed Shiwuyu Agency Agreement and the transaction contemplated thereunder, and none of the Directors was required to abstain from voting on the board resolutions approving the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) and the transaction contemplated thereunder.

Listing Rules Implications

As at the Latest Practicable Date, Tencent and its associates in aggregate are interested in approximately 12% of the total issued share capital of the Company, and it (and its associates, including Tencent Computer) are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transaction under the Renewed Shiwuyu Agency Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) calculated with reference to the Further Revised Shiwuyu Annual Cap exceeds 5% but less than 25%, the transaction contemplated under for the Renewed Shiwuyu Agency Agreement constitutes (i) discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) non-exempt continuing connected transaction of the Company and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Independent Board Committee has any material interest in the Renewed Shiwuyu Agency Agreement and the proposed revision of the Annual Cap.

Tencent, which is interested in 326,063,280 Shares (representing approximately 12% of the total issued share capital of the Company) through its wholly-owned subsidiary, namely THL H Limited, and its respective associates are required to abstain from voting at the Extraordinary General Meeting in respect of the resolutions on the Renewed Shiwuyu Agency Agreement and the transaction contemplated thereunder (including the Further Revised Shiwuyu Annual Cap) as a result of having material interest therein. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save as disclosed in this announcement, no other Shareholder is required to abstain from voting at the Extraordinary General Meeting.

Internal Control Measures

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Listing Rules, the Company implements internal control arrangements to ensure that the transaction contemplated under the Renewed Shiwuyu Agency Agreement are conducted on normal commercial terms and no less favourable to the Group than the terms available from independent third parties, and that the transaction amounts do not exceed the Further Revised Shiwuyu Annual Cap. In particular:

- (i) the finance department of the Company will closely monitor the actual transaction amount under the Renewed Shiwuyu Agency Agreement on a monthly basis to ensure that the Further Revised Shiwuyu Annual Cap is not exceeded. In particular, if the actual transaction amount reaches approximately 50% or 80% of the Further Revised Shiwuyu Annual Cap at any time during the contract period, respectively, such utilisation rate will be reported and escalated to the senior management of the Company and seek advice from external counsel to take appropriate measures to comply with the relevant announcement and Shareholders' approval requirements in accordance with the Listing Rules;
- (ii) the internal control department of the Company will conduct internal control review and financial audit on a semi-annual basis, and conduct financial monitoring and decision-making analysis on a semi-annual basis so as to ensure compliance with the terms of the Renewed Shiwuyu Agency Agreement and pricing policies;
- (iii) the senior management of the Company is responsible for overall supervising and monitoring the adoption of internal control procedures by the above-mentioned departments, so as to ensure the implementation of pricing policies is in compliance with the Renewed Shiwuyu Agency Agreement and the actual transaction amounts are controlled within the Further Revised Shiwuyu Annual Cap;
- (iv) the Company arranges compliance trainings for the Directors, senior management and staff from the relevant departments of the Group from time to time, primarily focusing on the rules relating to continuing connected transactions under Chapter 14A of the Listing Rules; and
- (v) apart from the Renewed Shiwuyu Agency Agreement, the Group has entered into other agency agreements which the Group granted exclusive rights to other independent third-party distribution channels to distribute and operate Shiwuyu in overseas markets including Hong Kong, Macau, Taiwan and Japan. Through comparing their respective terms, the Group is in a position to monitor the terms, especially the pricing, of the connected transactions contemplated under the Renewed Shiwuyu Agency Agreement and ensure that such terms with Tencent Group will remain competitive against those that can be achieved from independent third parties.

LETTER FROM THE BOARD

The Company considers that the internal control procedures above could function as effective measures to regulate continuing connected transaction contemplated under the Renewed Shiwuyu Agency Agreement. The Company also provides accurate materials in relation to continuing connected transactions as always to facilitate the annual review conducted by the independent non-executive Directors and the independent auditors to check and confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Company, on normal commercial terms, in accordance with the Renewed Shiwuyu Agency Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policy set out in the Renewed Shiwuyu Agency Agreement.

Independent Board Committee and Independent Financial Adviser

The Company has established the Independent Board Committee, comprising Ms. Liu Qianli, Mr. Wang Qing and Mr. Ma Xiaofeng, all being the independent non-executive Directors who have no material interest in the transaction contemplated under the Renewed Shiwuyu Agency Agreement, to advise the Independent Shareholders on: (i) the fairness and reasonableness of the terms of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) and the transaction contemplated thereunder; and (ii) how to vote on the resolutions in relation to the Renewed Shiwuyu Agency Agreement at the Extraordinary General Meeting, after taking into account the recommendations of the Independent Financial Adviser. In this connection, Shenwan Hongyuan Capital (H.K.) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) and the transaction contemplated thereunder.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that (i) the Renewed Shiwuyu Agency Agreement and the transaction contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms (on arm's length basis or terms no less favourable to the Group than terms available from independent third parties) or better; and (ii) the terms of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the Extraordinary General Meeting. The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 15 to 16 of this circular. The letter from Shenwan Hongyuan Capital (H.K.) Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 27 of this circular.

3. EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Extraordinary General Meeting is set out on pages 32 to 34 of this circular for the purpose of considering and, if thought fit, passing the resolutions set out therein.

Pursuant to the Rule 13.39(4) of the Listing Rules and the Articles of Association, any vote of shareholders at a general meeting must be taken by poll except where the chairman of such meeting, in good faith, decides to allow a resolution relating purely to a procedural or administrative matter to be voted on by a show of hands pursuant to the Listing Rules. An announcement on the results of the poll will be published by the Company after the Extraordinary General Meeting in the manner prescribed under the Listing Rules.

LETTER FROM THE BOARD

A form of proxy for use at the Extraordinary General Meeting is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.baioo.com.hk). Whether or not you propose to attend the Extraordinary General Meeting, you are requested to complete and sign in accordance with the instructions printed thereon and return, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting if you so desire. If you attend and vote at the Extraordinary General Meeting, the authority of your proxy will be revoked.

For determining the entitlement to attend and vote at the Extraordinary General Meeting, the register of members of the Company will be closed from Tuesday, 29 March 2022 to Friday, 1 April 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Extraordinary General Meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 28 March 2022.

Hybrid EGM

The Company will conduct a hybrid EGM involving electronic means through a ZOOM live webcast, which allows Shareholders to speak and see and be able to listen to the proceedings in the EGM in live video broadcast or through audio recording after the EGM (upon an email request to isenquiries@hk.tricorglobal.com or telephone hotline at (852) 2980 1333 of Tricor Investor Services Limited) in a convenient and efficient way from anywhere with an Internet connection. Shareholders will be able to view the live video broadcast and participate in the EGM via their mobile phones, tablet, or computers. The live broadcast option can also broaden the reach of the EGM to Shareholders who do not wish to attend physically due to concerns on attending large scale events under the current COVID-19 pandemic situation, or for other overseas Shareholders who are unable to attend in person.

Although Shareholders are welcome to attend the EGM physically in person if they so wish, the Company strongly recommends Shareholders to attend the EGM via the online option. The Company will also implement the prevention and control measures at the EGM to safeguard the health and safety of the Shareholders, staff and other stakeholders attending the EGM. For more details, please refer to section headed "Precautionary Measures for the EGM" of this circular. If the venue of the EGM is closed in response to the COVID-19 pandemic outbreak, the EGM will continue to be held via the online platform.

Shareholders of the Company who wishes to join EGM online via the ZOOM live webcast must register by 2 p.m. on Wednesday, 30 March 2022 (being not less than forty-eight (48) hours before the EGM) to is-enquiries@hk.tricorglobal.com or telephone hotline (852) 2980 1333 of Tricor Investor Services Limited. Following authentication of his/her/its status as shareholders of the Company, authenticated shareholders of the Company will receive an email instruction on how to join the ZOOM live webcast to observe the proceedings of the EGM by Friday, 1 April 2022. Shareholders of the Company who registers for the ZOOM live webcast may submit questions related to the resolutions to be tabled for

LETTER FROM THE BOARD

approval at the EGM. To do so, all questions must be submitted by 2 p.m. on Wednesday, 30 March 2022 (being not less than forty-eight (48) hours before the EGM) by email to is-enquiries@hk.tricorglobal.com or telephone hotline (852) 2980 1333 of Tricor Investor Services Limited. Shareholders MUST NOT forward the URL to other persons who are not the Shareholders and who are not entitled to attend the EGM.

If such Shareholder of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it may appoint the chairman of the EGM as his/her/its proxy to vote on his/her/its behalf at the EGM. In appointing the chairman of the EGM as proxy, a Shareholder the Company (whether individual or corporate) must give specific instructions as to voting in the form of proxy, the duly completed and signed form of proxy must be deposited together with a 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 Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 2 p.m. on Wednesday, 30 March 2022 (being not less than forty-eight (48) hours before the EGM), failing which the appointment will be treated as invalid.

If you have any queries on the above, please contact the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, via their hotline at (852) 2980 1333 from 9 a.m. to 5 p.m. (Monday to Friday, excluding Hong Kong public holidays).

How to vote at the EGM

Shareholders who wish to attend the EGM and exercise their voting rights can be achieved in one of the following ways:

- (1) attend the EGM in person and vote at the EGM venue;
- (2) appoint chairman of the EGM or other persons as your proxy to vote on your behalf.

Your proxy's authority and instruction will be revoked if you attend and vote in person at the EGM.

4. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

LETTER FROM THE BOARD

5. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that (i) the Renewed Shiwuyu Agency Agreement and the transaction contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms (on arm's length basis or terms no less favourable to the Group than terms available from independent third parties) or better; and (ii) the terms of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the Extraordinary General Meeting.

Yours faithfully,

For and on behalf of the Board

BAIOO Family Interactive Limited

DAI Jian

Chairman, Chief Executive Officer and Executive Director



14 March 2022

To the Independent Shareholders

Dear Sir/Madam,

**FURTHER REVISION OF REVISED ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTION
IN RELATION TO
RENEWED SHIWUYU AGENCY AGREEMENT**

We refer to the circular of the Company dated 14 March 2022 (the “**Circular**”) to its Shareholders of which this letter forms part. Capitalised terms defined in the circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you on: (i) the fairness and reasonableness of the terms of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) and the transaction contemplated thereunder; and (ii) how to vote on the resolutions regarding the Renewed Shiwuyu Agency Agreement at the Extraordinary General Meeting, after taking into account the recommendations of the Independent Financial Adviser.

Shenwan Hongyuan Capital (H.K.) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote on the relevant resolution.

Your attention is drawn to:

- (a) the letter from the Board set out on pages 5 to 14 of this circular which contains its recommendation to the Independent Shareholders and the additional information set out in the Appendix to this circular; and
- (b) the letter from the Independent Financial Adviser set out on pages 17 to 27 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders, together with the principal factors and reasons taken into consideration in arriving at such advice.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice from the Independent Financial Adviser, we are of the view that: (i) the Renewed Shiwuyu Agency Agreement and the transaction contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms (on arm's length basis or terms no less favourable to the Group than terms available from independent third parties) or better; and (ii) the terms of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) are fair and reasonable and 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 resolutions in relation to the Renewed Shiwuyu Agency Agreement and the Further Revised Shiwuyu Annual Cap to be presented at the Extraordinary General Meeting.

Yours faithfully,
For and on behalf of the Independent Board Committee
Ms. Liu Qianli, Dr. Wang Qing and Mr. Ma Xiaofeng
Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Shenwan Hongyuan Capital (H.K.) Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) for the purpose of inclusion in this circular.



Shenwan Hongyuan Capital (H.K.) Limited
Level 17
28 Hennessy Road
Hong Kong

14 March 2022

To: The independent board committee and the independent shareholders of BAIOO Family Interactive Limited

Dear Sirs

REVISION OF REVISED ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTION IN RELATION TO RENEWED SHIWUYU AGENCY AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Renewed Shiwuyu Agency Agreement and the Further Revised Shiwuyu Annual Cap, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 14 March 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As at the Latest Practicable Date, Tencent is indirectly interested in approximately 12% of the total issued share capital of the Company, and it, and its associates, including Tencent Computer, are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transaction under the Renewed Shiwuyu Agency Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) calculated with reference to the Further Revised Shiwuyu Annual Cap exceeds 5%, the proposed further revision of annual cap for the Renewed Shiwuyu Agency Agreement is subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Tencent and its respective associates are required to abstain from voting at the Extraordinary General Meeting in respect of the resolution on the Renewed Shiwuyu Agency Agreement and the transaction contemplated thereunder (including the Further Revised Shiwuyu Annual Cap) as a result of having material interest therein.

The Independent Board Committee comprising Ms. Liu Qianli, Mr. Wang Qing and Mr. Ma Xiaofeng (all being the independent non-executive Directors and have no material interest in the transaction contemplated under the Renewed Shiwuyu Agency Agreement) had been established to advise the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Independent Shareholders on: (i) the fairness and reasonableness of the terms of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) and the transaction contemplated thereunder; and (ii) how to vote on the resolution in relation to the Renewed Shiwuyu Agency Agreement at the Extraordinary General Meeting.

We have been appointed, and approved by the Independent Board Committee, as the Independent Financial Adviser. As at the Latest Practicable Date, we are not connected with the Directors, chief executive or substantial shareholders of the Company or any of their respective associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. We were not aware of any relationships or interest between us and the Company nor any other parties within the past two years that could be reasonably be regarded as a hindrance to our independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap).

Save for the Company's grant of restricted share units to the Directors, on which we, Shenwan Hongyuan Capital (H.K.) Limited, opined in the circular of the Company dated 21 May 2021, there was no other engagement between we and the Company during the two years preceding the date hereof. Apart from normal professional fees payable to us by the Company in connection with the current appointment of us as independent financial adviser, no arrangement exists whereby we will receive any fees or benefits from the Company 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 Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap).

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable; (ii) whether the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) are in the interests of the Company and the Independent Shareholders as a whole; and (iii) how the Independent Shareholders should vote in favour of the relevant ordinary resolution to be proposed at the Extraordinary General Meeting.

BASIS OF OUR OPINION

Other than this appointment as the Independent Financial Advisor, we were not aware of any relationships or interests between Shenwan Hongyuan Capital (H.K.) Limited and the Company or any other parties that could be reasonably regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap).

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have interviewed with management of the Group and reviewed, *inter alia*, the relevant information contained in (i) the Renewed Shiwuyu Agency Agreement, (ii) the Company's announcements, (iii) the Company's annual reports for the year ended 31 December 2018, 2019 and 2020 and (iv) the Company's interim report for the six months ended 30 June 2021. We have also relied on the information and facts contained in the Circular and all information supplied to us by the Company, the information and representations expressed by the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

management of the Group and the research results performed by us. We have assumed that all information, facts and representations that have been provided by the Group's management, for which they are fully responsible, in all material aspects, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Group's management in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions and representations expressed by the Company and its advisers, which have been provided to us. Our opinion is based on the representation and confirmation of the Group's management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Renewed Shiwuyu Agency Agreement.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

Having completed the abovementioned work done, we consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, conducted any independent verification and in-depth investigation into the information and documents provided by the Company as well as the business and affairs of the Group or its subsidiaries or associates. 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. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is our responsibility to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent verification and in-depth investigation or into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap), we have taken into consideration the following principal factors and reasons:

1. Information on the parties

The Group

The Group principally engages in the development of mobile games focusing on niche game genres, including female-oriented games, pet collection games, raising simulation games and “nijigen” themed games. Core mobile games of the Group are Shiwuyu (「食物語」) (“**Shiwuyu**”), Aola Star Mobile

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(「奧拉星手遊」) (“**Aola Star Mobile**”) and Zaowufaze II (「造物法則二：先鋒英雄」), which were well received by gamers and won numerous industry awards. The Group actively expands into a number of overseas markets with its products launched in various locations outside mainland China, including Hong Kong, Macau, Taiwan, Japan, South Korea, Europe and the United States. In January 2021, Tencent Holdings Limited (stock code: 700) acquired a 12% stake in the Company through its wholly-owned subsidiaries and became a major shareholder of the Company.

Set out below is a summary of financial information of the Group for the three years ended 31 December 2018, 2019 and 2020 as extracted from the Company’s annual reports for the same period, respectively:

	For the year ended 31 December			For the six months ended 30 June	
	2020	2019	2018	2021	2020
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Revenue	1,128,967	680,598	284,489	519,887	658,017
Gross profit	429,347	362,146	171,677	240,221	250,586
Net Profit for the year/period	273,231	151,167	107,648	46,241	151,184

As set out in the table above, the Group’s revenue increased significantly from RMB284.5 million for the year ended 31 December 2018 (“**FY2018**”) to RMB1,129.0 million for the year ended 31 December 2020 (“**FY2020**”). In terms of profit, the Group’s net profit also surged from RMB107.6 million for FY2018 to RMB273.2 million for FY2020, representing a compound annual growth rate (“**CAGR**”) of approximately 59.3%. We note from the Company’s annual reports, and understand from the management of the Company that the growth in the Group’s revenue and profit in FY2019 and FY2020 was mainly due to the (i) launches of two new mobile games, namely Shiwuyu and Aola Star Mobile, in 2019 which altogether accounted for approximately 51.7% and 63.8% of total revenue for the year ended 31 December 2019 (“**FY2019**”) and 2020, respectively; and (ii) continuing update of in-game content and launching of new versions of the above games. The growth in revenue and profit are also contributed from the success of the Group’s internationalisation strategy. Although revenue generation from overseas business as a percentage of total revenue decreased from 5.6% for FY2018 to 4.0% for FY2019, it then increased significantly to 22.6% for FY2020 due to the successful launch of Shiwuyu in Hong Kong, Macau and Taiwan in 2020.

The Group’s revenue decreased from RMB658.0 million for the six months ended 30 June 2020 (“**1H2020**”) to RMB519.9 million for the six months ended 30 June 2021 (“**1H2021**”) mainly due to the higher popularity of three mobile games, which were just launched in 4th quarter of 2019, in 1H2020 compared to 1H2021 as we note from the Company’s interim report. The net profit for the period of the Group dropped from RMB151.2 million for 1H2020 to RMB46.2 million for 1H2021 primarily because of (i) the increase of selling and marketing expenses in 1H2021 for the promotion of a new mobile game, Legend of Aoqi Mobile (「奧奇傳說手遊」), which was launched in April 2021; and (ii) the increase of research and development expenses driven by the Group’s strategy to enhance its in-house game development capabilities through continuous investment in the Group’s research and development team.

Guangzhou Baitian is a consolidated affiliated entity of the Company and is principally engaged in developing mobile and PC games, as well as operating the virtual worlds of the Group. Guangzhou Tianti, which is one of the parties to the Renewed Shiwuyu Agency Agreement, is a wholly-owned subsidiary of Guangzhou Baitian and is principally engaged in providing software and information technology services to facilitate Guangzhou Baitian’s role and function in certain series of contractual arrangements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Tencent Group

Tencent Group, a leading provider of internet value added services in the PRC, offers a wide range of high-quality technological products and services and has a large user base. Tencent Computer, which is one of the parties to the Renewed Shiwuyu Agency Agreement, is principally engaged in the business of provision of value-added services and internet advertisement services in the PRC. According to Tencent's 2020 annual report, it strengthened its global leadership in mobile and PC games via self-developed franchises and intellectual property collaboration with partners and investee companies. Its online games related value-added service contributed over RMB156 billion revenue to the Tencent Group during FY2020, which represented over 32.3% of its total revenue for FY2020.

In January 2021, Tencent had become the substantial shareholder of the Company after the acquisition of 326,063,280 ordinary shares of the Company (representing approximately 12% of the Company's issued share capital at that time) through its wholly-owned subsidiary, namely THL H Limited.

2. Background to and reasons for the Renewed Shiwuyu Agency Agreement

The Group has developed a new mobile game named Shiwuyu (「食物語」), which is designed with women as its target market and featured traditional Chinese cuisine to promote Chinese local culture. As a one-stop game publishing solution to game developers, Tencent Group owns a large amount of game platforms which the Group could leverage to increase exposure of its newly developed game to gamers. The Group engaged Tencent Group for the distribution and operation of Shiwuyu by entering into the Shiwuyu Agency Agreement with Tencent Group on 25 September 2018. Under the Shiwuyu Agency Agreement, the Group granted Tencent Group the exclusive right to distribute and operate Shiwuyu as an exclusive agent in mainland China, and it provided the content of the mobile game Shiwuyu and technical support of the running software. Tencent Group provided the Group with the game operating system, the server, the interface with operators and users, system maintenance and certain customer services for the distribution and operation of the game Shiwuyu.

After the launch of Shiwuyu in mainland China in 2019 under the Shiwuyu Agency Agreement, according to the Company's 2019 and 2020 annual reports, the percentage of revenue contributed from Shiwuyu represented approximately 30.4% and 45.1% of the total revenue of the Group for FY2019 and FY2020, respectively. Shiwuyu became the top game title of the Group in FY2019 and FY2020 in terms of the percentage of revenue contribution. The game was well received and ranked first in the "Top Free Games" category of the Apple App Store on its launch date and was recommended under the section of "New Games We Love" and the "Today" of the Apple App Store for several times. In addition, the game also received many awards and recognitions such as being ranked ninth on Sina Games' "Value of Gaming Brand Chart" (遊戲品牌價值牌行榜), being named "The Best PRC Game of 2019" (2019 年最佳國產遊戲) by the Guangdong Entertainment and Game Industry Association (廣東省遊戲產業協會) and the "Gold Tea Award 2019 Best Original Game" (金茶獎 2019 年度最佳原創遊戲) at the CEO 2019 Annual Conference (2019 遊戲茶館 CEO 年會). After its success in mainland China, Shiwuyu was further launched in the overseas market including Hong Kong, Macau, Taiwan, Singapore, Malaysia, and Japan.

In view of the success of Shiwuyu under the cooperation between the Group and the Tencent Group, the Group renewed the Shiwuyu Agency Agreement at the end of the agreement term for a term of one year commencing from 16 October 2021 and ending on 15 October 2022 (i.e. the Renewed Shiwuyu Agency Agreement as particularised below).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Renewed Shiwuyu Agency Agreement

General

On 15 October 2021, Guangzhou Tianti, a wholly-owned subsidiary of Guangzhou Baitian, the financial results of which have been consolidated and account for as a subsidiary of the Company by virtue of a series of contractual arrangements, and Tencent Computer entered into the Renewed Shiwuyu Agency Agreement, pursuant to which Guangzhou Tianti grants Tencent Computer the exclusive right to distribute and operate the mobile game Shiwuyu as an exclusive agent in mainland China, and Guangzhou Tianti provides the content of the mobile game and technical support of the software. Tencent Computer provides Guangzhou Tianti with the game operating system, the server facilities, the interface with operators and users, system maintenance and certain customer services for the distribution and operation of the mobile game Shiwuyu.

Pricing Policy and Payment Terms

Tencent Computer shall share with Guangzhou Tianti the revenue received from game players when they recharge their game accounts at a predetermined ratio, which in turn, depends on the mobile operating system (including iOS, Android, HTML5 and Windows Phone systems) on which the game is hosted.

The amount payable to Tencent Computer by Guangzhou Tianti will be calculated as follows:

Amount payable = revenue received after deducting costs (as applicable)⁽¹⁾ x (60% or 70%)⁽²⁾

Notes:

- (1) Gross profit received by Tencent Computer will be used as the basis of calculation for hosting of the game on Android, HTML5 and Windows Phone systems operated by the mobile game platform of Tencent, whereas net profit received by Tencent Computer will be used as the basis of calculation for hosting of the game on other systems/platforms.
- (2) Percentage is determined based on the mobile operating system on which the game is hosted. In particular: (i) 60% applies for hosting the game on iOS system; and (ii) 70% applies for hosting the game on Android, HTML5 and Windows Phone systems.

The total revenue received (after deducting applicable costs) from game players, less the above amount payable, will be paid by Tencent Computer to the designated bank account of Guangzhou Tianti by bank transfer, and will be payable within thirty-three (33) Business Days from the date of Tencent Computer's receipt of qualified invoice issued by Guangzhou Tianti and settlement notice affixed with Guangzhou Tianti's official seal.

Our assessment of the terms of the Renewed Shiwuyu Agency Agreement

According to our discussion with the management and review of the Shiwuyu Agency Agreement and the Renewed Shiwuyu Agency Agreement, the terms of the two agreements are largely the same except for the duration of the agreement, which is reduced from three years in the Shiwuyu Agency Agreement to one year in the Renewed Shiwuyu Agency Agreement. It is the usual practice for mobile game developers to enter into agency agreement with the game publishers initially at a longer duration (e.g., three years) and to further determine whether to renew the agreement at its expiry on an annual basis after taking into account the expected product life cycle of the mobile game such as its popularity, average revenue per gamer, etc. In addition, it had been agreed by the parties that under the Shiwuyu Agency Agreement, the term of relevant transaction between Tencent Computer and Guangzhou Tianti could be renewed for an additional one year (i.e. up to 16 October 2022).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group had engaged Tencent Group for the distribution and operation of Shiwuyu since 2018, when Tencent Group was an independent third party of the Group until its acquisition of approximately 12% of the total issued shares of the Company in January 2021. The Shiwuyu Agency Agreement was entered into by both parties in the ordinary and usual course of business and on normal commercial terms on arm's length basis and the Renewed Shiwuyu Agency Agreement was renewed under the same terms save as disclosed above.

We have discussed with the management of the Group and understand that there is no other independent third-party distribution agent which the Group engaged for the distribution of its existing mobile games, including Shiwuyu, in mainland China. Therefore, we obtained other agency agreements which the Group granted exclusive rights to other independent third-party distribution channels to distribute and operate Shiwuyu in overseas markets including Hong Kong, Macau, Taiwan and Japan (the “**Comparable Transactions**”) and compared the terms with the Renewed Shiwuyu Agency Agreement. We note that the Group has also adopted the revenue sharing arrangement with the independent third-party distribution channels for the Comparable Transactions, in the similar manner as the Renewed Shiwuyu Agency Agreement, and that the terms of the Renewed Shiwuyu Agency Agreement, in particular the pricing terms and payment terms, are broadly similar to those terms under the Comparable Transactions. In regard to the pricing terms, we noted that the percentages of revenue shared to Tencent Computer under the Renewed Shiwuyu Agency Agreement are either 60% or 70% depending on the mobile operating system on which the game is hosted, which are generally lower than the percentages of revenue shared to the other independent third-party distribution channels under the Comparable Transactions that range from 79% to 80%. Therefore, we concur with the view of the management of the Company that the transaction contemplated under the Renewed Shiwuyu Agency Agreement are fair and reasonable and on normal commercial terms or better.

4. The Further Revised Shiwuyu Annual Cap

The Initial Shiwuyu Annual Cap and the Revised Shiwuyu Annual Cap

As the Shiwuyu Agency Agreement was entered into by the Group and the Tencent Group, in September 2018, before Tencent (and its associates, including Tencent Computer) became the connected persons of the Company, the transactions contemplated under the Shiwuyu Agency Agreement subsequently became a continuing connected transaction in January 2021 after Tencent's acquisition of approximately 12% of total issued shares of the Company and the Group are only required to comply with the annual review and disclosure requirements for the continuing connected transaction as required under the Listing Rules and no annual cap is required to be set for the transactions contemplated under the Shiwuyu Agency Agreement.

The Group and Tencent Group further entered into the Renewed Shiwuyu Agency Agreement at the expiry of the Shiwuyu Agency Agreement on 15 October 2021. Pursuant to Rule 14A.60(1)(b) of the Listing Rules, if the Group renews an agreement for a fixed period with fixed terms for continuing connected transactions, the Group are required to comply with all connected transaction requirements as required under the Listing Rules, including the setting of an annual cap. As set out in the announcement of the Company dated 15 October 2021, the proposed Annual Cap for the period from 16 October 2021 and ending on 15 October 2022 was initially set at the Initial Shiwuyu Annual Cap of RMB76,000,000, which had been determined principally with reference to (i) the historical transaction amounts for relevant services provided by the other independent parties to the Group in the past; (ii) the amount paid under the Shiwuyu Agency Agreement; (iii) the distribution requirement of the Group in respect of Shiwuyu; and (iv) the distribution coverage of the game platform.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The annual cap for the Renewed Shiwuyu Agency Agreement was revised to RMB55,000,000 (the Revised Shiwuyu Annual Cap) in light of the slower growth of the player base of Shiwuyu compared to the Company's initial estimation as set out in the announcement of the Company dated 26 November 2021.

Proposed further revision of the Revised Shiwuyu Annual Cap to the Further Revised Shiwuyu Annual Cap

After considered the increasing popularity of Shiwuyu among the gamers and the favourable conditions of mobile game market in the PRC observed in the past few months, the Board expects that the Revised Shiwuyu Annual Cap may not be sufficient to meet the needs of the Group's business growth in the future. Therefore, the Board proposes to further revise and increase the Revised Shiwuyu Annual Cap to the Further Revised Shiwuyu Annual Cap at RMB140,000,000, subject to the requisite approval of the Independent Shareholders being obtained.

Based on our discussions with the management of the Group, when determining the Further Revised Shiwuyu Annual Cap, the Company has taken into account various factors, including, among others, (i) the historical transaction amount with Tencent Group under the Shiwuyu Agency Agreement and Renewed Shiwuyu Agency Agreement and (ii) the current and expected popularity of Shiwuyu. To assess the fairness and reasonableness of the Further Revised Shiwuyu Annual Cap, we have obtained and reviewed the historical and forecasts of transaction amounts prepared by the management to derive the Initial Shiwuyu Annual Cap, the Revised Shiwuyu Annual Cap and the Further Revised Shiwuyu Annual Cap. Based on our review of the Company's calculations, we note that the forecasted transaction amounts are calculated principally based on the fee sharing percentage of the Tencent Group and the projected revenue to be generated from Shiwuyu, which in turn, is mainly estimated by (i) expected monthly growth in number of gamers; (ii) expected monthly gamer retention percentage; and (iii) expected average revenue per gamer. By calculating the sum of (a) expected monthly growth in number of gamers and (b) the product of number of active gamers in the preceding month and expected monthly gamer retention percentage, the Company can estimate the total number of monthly active gamers, which is then multiplied by the expected average revenue per gamer in arriving the projected monthly revenue to be generated from Shiwuyu. The proposed upward adjustment to the Revised Shiwuyu Annual Cap is mainly due to the improvement in the monthly gamer retention percentage, which translates into growth in total number of active gamers by approximately 32% during the period from November 2021 to January 2022, as a result of the recent successful updates of the gaming contents in Shiwuyu which significantly increased existing gamers' engagement and satisfaction as well as new gamers' participation. The management of the Group expects the growth will continue and the average number of active gamers will reach approximately 648,000 from February to September 2022, which represents a 41% increase compared to that of January 2022. The estimated average number of active gamers is considered to be reasonable compared to an average of 630,000 active gamers during the period from February 2021 to September 2021.

We noted that the annual cap for the Renewed Shiwuyu Agency Agreement was initially set at RMB76,000,000 (the Initial Shiwuyu Annual Cap) as set out in the announcement of the Company dated 15 October 2021 and then was revised to RMB55,000,000 (the Revised Shiwuyu Annual Cap) as set out in the announcement of the Company dated 26 November 2021 before the proposed further revision of the annual cap to the Further Revised Shiwuyu Annual Cap of RMB140,000,000. Based on our discussion with the management and review of historical performance of Shiwuyu, the management believed that Shiwuyu had reached declining stage of its product life cycle as the number of active gamers dropped by approximately 18% from September 2021 to October 2021 and further by approximately 12% in November 2021, and therefore the revision of the annual cap to the Revised Shiwuyu Annual Cap. However, as aforementioned, Shiwuyu recorded an unexpected spike in total number of active gamers by approximately 32% during the period from November 2021 to January 2022 mainly because of unexpected positive feedback in the recent updates of new gaming contents and the management expects that this will drive another growth in the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

popularity of Shiwuyu which an upward adjustment of the annual cap is needed to accommodate the expected growth in revenue and corresponding fee to be paid to the Tencent Group. According to the management of the Company, from 15 October 2021 to the Latest Practicable Date, approximately 67.5% of the Revised Shiwuyu Annual Cap has already been utilised based on the transaction amount with the Tencent Group.

We have also obtained the historical transaction amounts of the Group with the Tencent Group under the Shiwuyu Agency Agreement and noticed that during the period from 16 October 2019 to 15 October 2020, the transaction amount was approximately RMB351 million, which is approximately 150% higher than the Further Revised Shiwuyu Annual Cap as it was a newly launched game back then.

Generally speaking, in our opinion, it is in the interests of the Group and the Shareholders to determine the Further Revised Shiwuyu Annual Cap in a way that can accommodate the potential growth in popularity of Shiwuyu. Provided that the transactions contemplated under the Renewed Shiwuyu Agency Agreement are subject to annual review by the independent non-executive Directors and auditors of the Company (as summarised below) to safeguard the Group's interest, the Group would have desirable flexibility in the cooperation with Tencent Group if the Further Revised Shiwuyu Annual Cap is tailored to the potential future growth of Shiwuyu.

5. Internal Control Measures

As set out in the letter from the Board, the Company implements the following internal control measures in connection with the transactions contemplated under the Renewed Shiwuyu Agency Agreement:

- (i) the finance department of the Company will closely monitor the actual transaction amount under the Renewed Shiwuyu Agency Agreement on a monthly basis to ensure that the Further Revised Shiwuyu Annual Cap is not exceeded. In particular, if the actual transaction amount reaches approximately 50% or 80% of the Further Revised Shiwuyu Annual Cap at any time during the contract period, respectively, such utilisation rate will be reported and escalated to the senior management of the Company and seek advice from external counsel to take appropriate measures to comply with the relevant announcement and Shareholders' approval requirements in accordance with the Listing Rules;
- (ii) the internal control department of the Company will conduct internal control review and financial audit on a semi-annual basis, and conduct financial monitoring and decision-making analysis on a semi-annual basis so as to ensure compliance with the terms of the Renewed Shiwuyu Agency Agreement and pricing policies;
- (iii) the senior management of the Company is responsible for overall supervising and monitoring the adoption of internal control procedures by the above-mentioned departments, so as to ensure the implementation of pricing policies is in compliance with the Renewed Shiwuyu Agency Agreement and the actual transaction amounts are controlled within the Further Revised Shiwuyu Annual Cap;
- (iv) the Company arranges compliance trainings for the Directors, senior management and staff from the relevant departments of the Group from time to time, primarily focusing on the rules relating to continuing connected transactions under Chapter 14A of the Listing Rules; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) apart from the Renewed Shiwuyu Agency Agreement, the Group has entered into the Comparable Transactions, and through comparing their respective terms, the Group is in a position to monitor the terms, especially the pricing, of the transactions contemplated under the Renewed Shiwuyu Agency Agreement and ensure that such terms with Tencent Group will remain competitive against those that can be achieved from independent third parties.

We have reviewed the internal policies and procedures manual of the Company in relation to the above internal control measures and considered that the measures in place provide reasonable assurance that the conduct of the transactions contemplated under the Renewed Shiwuyu Agency Agreement would be monitored by the finance and internal control departments and be reported properly to relevant senior management to ensure that the transactions would be in compliance with the terms and conditions as stated in the Renewed Shiwuyu Agency Agreement.

In light of the above, we are of the view that appropriate measures are in place to ensure that the transactions contemplated under the Renewed Shiwuyu Agency Agreement are conducted on normal commercial terms or better and to safeguard the interests of the Independent Shareholders and of the Company as a whole, and comply with the Further Revised Shiwuyu Annual Cap and pricing policies under the Renewed Shiwuyu Agency Agreement.

6. Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the transactions contemplated under the Renewed Shiwuyu Agency Agreement must be restricted by the Further Revised Shiwuyu Annual Cap for the period concerned under the Renewed Shiwuyu Agency Agreement; (ii) the terms of the Renewed Shiwuyu Agency Agreement must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Renewed Shiwuyu Agency Agreement must be included in the Company's subsequent published annual reports and financial accounts.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the transactions contemplated under the Renewed Shiwuyu Agency Agreement (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions contemplated under the Renewed Shiwuyu Agency Agreement involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the Further Revised Shiwuyu Annual Cap.

In the event that the total transaction amount contemplated under the Renewed Shiwuyu Agency Agreement exceeds the Further Revised Shiwuyu Annual Cap, or that there is any material amendment to the terms of the Renewed Shiwuyu Agency Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Continuing Connected Transactions and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into consideration the factors and reasons as stated in section headed “Principal Factors and Reasons Considered” in this letter above, we are of the opinion that the terms of the terms of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the Extraordinary General Meeting to approve the terms of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) and the transactions contemplated thereunder, and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully
For and on behalf of
Shenwan Hongyuan Capital (H.K.) Limited
Donald Leung
Director
Corporate Finance

Note: Mr. Leung is a licensed person registered with the Securities and Futures Commission and a responsible officer of Shenwan Hongyuan Capital (H.K.) Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has more than 15 years of experience in corporate finance advisory industry.

1. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name	Position	Capacity/ Nature of interest	Number of underlying Shares ⁽⁷⁾	Approximate percentage of shareholding ⁽⁷⁾⁽⁹⁾
DAI Jian (戴堅) ⁽¹⁾	Chairman, Executive Director and Chief Executive Officer	Founder of a discretionary trust Interest of controlled corporation	687,944,180(L)	24.82%(L)
		Beneficial owner	10,000,000(L)	0.36%(L)
WU Lili (吳立立) ⁽²⁾	Executive Director	Founder of a discretionary trust Interest of controlled corporation	365,596,180(L)	13.19%(L)
		Beneficial owner	10,000,000(L)	0.36%(L)
LI Chong (李沖) ⁽³⁾	Executive Director	Founder of a discretionary trust Interest of controlled corporation	114,816,360(L)	4.14%(L)
		Beneficial owner	10,000,000(L)	0.36%(L)
LIU Qianli (劉千里) ⁽⁴⁾	Independent Non-executive Director	Beneficial owner	200,000(L)	0.01%(L)
WANG Qing (王慶) ⁽⁵⁾	Independent Non-executive Director	Beneficial owner	200,000(L)	0.01%(L)
MA Xiaofeng (馬肖風) ⁽⁶⁾	Independent Non-executive Director	Beneficial owner	200,000(L)	0.01%(L)

Notes:

- (1) Mr. Dai established DAE Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of DAE Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of DAE Holding Investments Limited, a trust holding company owns 100% of equity interest in Stmoritz Investment Limited. In addition, 10,000,000 RSUs were granted to Mr. Dai under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 Shares and subject to vesting. As at the Latest Practicable Date, all the RSUs granted to Mr. Dai were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (2) Mr. Wu established WHZ Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of WHZ Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of WHEZ Holding Ltd., a trust holding company owns 100% of equity interest in Bright Stream Holding Limited.
- (3) Mr. Li established The Zhen Family Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of The Zhen Family Trust is TMF (Cayman) Ltd., and independent third party and sole shareholder of Golden Water Management Limited, a trust holding company owns 100% of equity interest in LNZ Holding Limited. In addition, 10,000,000 RSUs were granted to Mr. Li under the Post-IPO RSU Scheme entitling him to receive 10,000,000 Shares and subject to vesting. These RSUs shall start to vest on 1 July 2022. For details, please refer to the Company's announcement dated 12 April 2021, the circular dated 21 May 2021 and the poll results announcement dated 25 June 2021.
- (4) Ms. Liu was interested in 200,000 RSUs granted to her under the Pre-IPO RSU Scheme entitling her to receive 200,000 Shares subject to vesting. As at the Latest Practicable Date, all the RSUs granted to Ms. LIU were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (5) Dr. Wang was interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at the Latest Practicable Date, all the RSUs granted to Dr. Wang were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (6) Mr. Ma was interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at the Latest Practicable Date, all the RSUs granted to Mr. Ma were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
- (7) The Letter "L" denotes the person's Long position in such Shares.
- (8) These percentages are calculated on the basis of 2,771,194,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

2. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date,

- (a) none of the Directors had any direct or indirect interest in any assets which have been, since the date of the latest published audited accounts of the Company, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) save as disclosed above, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO;
- (c) none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation;
- (d) none of the Directors had a material interest in any contract or arrangement subsisting which is significant in relation to the business of the Group; and
- (e) none of the Directors and their associates had any competing interest, in a business which competes or is likely to compete either directly or indirectly, with the business of the Group.

3. CONSENT OF EXPERT

The following is the qualification of the Independent Financial Adviser who has given opinion or advice contained in this circular:

Name	Qualifications
Shenwan Hongyuan Capital (H.K.) Limited	a licensed corporations to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

Shenwan Hongyuan Capital (H.K.) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear. The letter from Shenwan Hongyuan Capital (H.K.) Limited dated 14 March 2022 is given on pages 17 to 27 for incorporation herein.

As at the Latest Practicable Date, Shenwan Hongyuan Capital (H.K.) Limited did not have: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, the date to which the latest published audited financial statements of the Group were made up.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at (www.hkexnews.hk) and the website of the Company (www.baioo.com.hk) during the period from the date of this circular up to and including the date of the Extraordinary General Meeting:

- (a) the Renewed Shiwuyu Agency Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter of advice from Shenwan Hongyuan Capital (H.K.) Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (d) the written consent of Shenwan Hongyuan Capital (H.K.) Limited referred to in this appendix;
and
- (e) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of BAIOO Family Interactive Limited (the “**Company**”) will be held with a combination of (a) a physical meeting at 31st Floor, Goldchi Building, 120 Huangpu W Ave, Tianhe, Guangzhou, Guangdong, China, 510623; and (b) a virtual meeting online at 2 p.m. on Friday, 1 April 2022 for considering and, if thought fit, passing (with or without amendments) the following purposes:

1. To consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:
 - (a) To approve and confirm the Renewed Shiwuyu Agency Agreement and the transaction contemplated thereunder by the Group, and the revision of the Annul Cap to the Further Revised Shiwuyu Annual Cap; and
 - (b) To authorise any one or more of the Directors to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the terms of the Renewed Shiwuyu Agency Agreement (including the Further Revised Shiwuyu Annual Cap) and the transaction contemplated thereunder.

By Order of the Board
BAIOO Family Interactive Limited
DAI Jian

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 14 March 2022

Notes:

1. All resolutions at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint more than one proxy to attend and vote instead of him provided that each proxy is appointed to represent the respective number of shares held by the shareholder as specified in the relevant proxy form. A proxy need not be a shareholder of the Company.
3. In order to be valid, the completed form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 29 March 2022 to Friday, 1 April 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 28 March 2022.
5. The Company will conduct a hybrid EGM involving electronic means through a ZOOM live webcast, which allows Shareholders to speak and see and be able to listen to the proceedings in the EGM in live video broadcast or through audio recording after the EGM (upon an email request to isenquiries@hk.tricorglobal.com or telephone hotline at (852) 2980 1333 of Tricor Investor Services Limited) in a convenient and efficient way from anywhere with an Internet connection. Shareholders will be able to view the live video broadcast and participate in the EGM via their mobile phones, tablet, or computers. The live broadcast option can also broaden the reach of the EGM to Shareholders who do not wish to attend physically due to concerns on attending large scale events under the current COVID-19 pandemic situation, or for other overseas Shareholders who are unable to attend in person.
6. Although Shareholders are welcome to attend the EGM physically in person if they so wish, the Company strongly recommends Shareholders to attend the EGM via the online option. The Company will also implement the prevention and control measures at the EGM to safeguard the health and safety of the Shareholders, staff and other stakeholders attending the EGM. For more details, please refer to section headed "Precautionary Measures for the EGM" of this circular. If the venue of the EGM is closed in response to the COVID-19 pandemic outbreak, the EGM will continue to be held via the online platform.
7. Shareholders of the Company who wish to join EGM online via the ZOOM live webcast must register by 2 p.m. on Wednesday, 30 March 2022 (being not less than forty-eight (48) hours before the EGM) to is-enquiries@hk.tricorglobal.com or telephone hotline (852) 2980 1333 of Tricor Investor Services Limited. Following authentication of his/her/its status as shareholders of the Company, authenticated shareholders of the Company will receive an email instruction on how to join the ZOOM live webcast to observe the proceedings of the EGM by Friday, 1 April 2022. Shareholders of the Company who registers for the ZOOM live webcast may submit questions related to the resolutions to be tabled for approval at the EGM. To do so, all questions must be submitted by 2 p.m. on Wednesday, 30 March 2022 (being not less than forty-eight (48) hours before the EGM) by email to is-enquiries@hk.tricorglobal.com or telephone hotline (852) 2980 1333 of Tricor Investor Services Limited. Shareholders MUST NOT forward the URL to other persons who are not the Shareholders and who are not entitled to attend the EGM.

If such Shareholder of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it may appoint the chairman of the EGM as his/her/its proxy to vote on his/her/its behalf at the EGM. In appointing the chairman of the EGM as proxy, a Shareholder of the Company (whether individual or corporate) must give specific instructions as to voting in the form of proxy, the duly completed and signed form of proxy must be deposited together with a 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 Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 2 p.m. on Wednesday, 30 March 2022 (being not less than forty-eight (48) hours before the EGM), failing which the appointment will be treated as invalid.

If you have any queries on the above, please contact the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, via their hotline at (852) 2980 1333 from 9 a.m. to 5 p.m. (Monday to Friday, excluding Hong Kong public holidays).

NOTICE OF EXTRAORDINARY GENERAL MEETING

8. Shareholders who wish to attend the EGM and exercise their voting rights can be achieved in one of the following ways:

- (1) attend the EGM in person and vote at the EGM venue;
- (2) appoint chairman of the EGM or other persons as your proxy to vote on your behalf.

Your proxy's authority and instruction will be revoked if you attend and vote in person at the EGM.

9. In the event of inconsistency, the English text of this notice shall prevail over the Chinese text.