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(Incorporated in the Cayman Islands with limited liabilities)

(Stock code: 2100)

ANNOUNCEMENT — RENEWAL OF CONTINUING CONNECTED TRANSACTION

BACKGROUND INFORMATION

Reference is made to the announcements of the Company dated 15 October 2021, 26 November 2021, 17 February 2022 and 1 April 2022 and the circular of the Company dated 14 March 2022 in relation to the continuing connected transaction under the Renewed Shiwuyu Agency Agreement.

2022 SHIWUYU AGENCY AGREEMENT

The Board is pleased to announce that, on 2 September 2022, the Company had agreed to renew the continuing connected transaction under the Renewed Shiwuyu Agency Agreement which will expire on 15 October 2022. The 2022 Shiwuyu Agency Agreement is for a term of one year commencing from 16 October 2022 and ending on 15 October 2023.

LISTING RULE IMPLICATIONS

As at the date of this announcement, 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 2022 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 Annual Cap exceeds 5% but less than 25%, the transaction contemplated under the 2022 Shiwuyu Agency Agreement constitutes (i) a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a 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.

GENERAL INFORMATION

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, approve, among other matters, the 2022 Shiwuyu Agency Agreement. A circular containing, among others, (i) further details of the 2022 Shiwuyu Agency Agreement and the transaction contemplated thereunder (including the 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, will be dispatched by the Company to the Shareholders in due course. The Company expects to dispatch the circular on or before 23 September 2022.

BACKGROUND INFORMATION

Reference is made to the announcements of the Company dated 15 October 2021, 26 November 2021, 17 February 2022 and 1 April 2022 and the circular of the Company dated 14 March 2022 in relation to the continuing connected transaction contemplated under the Renewed Shiwuyu Agency Agreement.

2022 SHIWUYU AGENCY AGREEMENT

The Board is pleased to announce that, on 2 September 2022, the Company had agreed to renew the continuing connected transaction under the Renewed Shiwuyu Agency Agreement, which will expire on 15 October 2022.

Details of the 2022 Shiwuyu Agency Agreement are as follows:

Date:	2 September 2022
Parties:	(1) Guangzhou Tianti; and (2) Tencent Computer
Term:	One year commencing from 16 October 2022 and ending on 15 October 2023.

Subject Matter: Guangzhou Tianti will grant Tencent Computer the exclusive right to distribute and operate the mobile game “Shiwuyu” (「食物語」) as an exclusive agent in China, while it provides the content of the mobile game and technical support for the software. Tencent Computer will provide Guangzhou Tianti 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 operating 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 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 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.

The aggregate service fees paid by Guangzhou Tianti pursuant to the Renewed Shiwuyu Agency Agreement was approximately RMB78,500,000 for the period of 16 October 2021 to the date of this announcement.

The proposed Annual Cap for the period from 16 October 2022 and ending on 15 October 2023 is RMB80,000,000. The Annual Cap 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 Renewed Shiwuyu Agency Agreement;
- (iii) the distribution requirement of the Group in respect of “Shiwuyu” (「食物語」); and
- (iv) the distribution coverage of the game platform.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Annual Cap was arrived at after arm’s length negotiations between the parties.

The parties (or through their respective affiliated companies) may enter into subsequent agreements to further specify the rights and obligations between them under the 2022 Shiwuyu Agency Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2022 SHIWUYU AGENCY AGREEMENT

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 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, the Group is able to leverage on the 2022 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」).

The Directors (other than the independent non-executive Directors who will express their opinion in a separate letter to be included in the circular to the Shareholders based on the recommendations from the Independent Financial Adviser) are of the view that the 2022 Shiwuyu Agency Agreement and the transaction thereunder has been entered into in the ordinary and usual course of business of the Group, are 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, are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable.

As at the date of this announcement, none of the Directors has any material interest in the 2022 Shiwuyu Agency Agreement and the transaction contemplated thereunder, and none of the Directors had abstained from voting on the board resolutions approving the 2022 Shiwuyu Agency Agreement and the transaction contemplated thereunder at the Board meeting.

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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 2022 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 Annual Cap exceeds 5% but less than 25%, the transaction contemplated under the 2022 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.

The Company has established the Independent Board Committee, including all of the independent non-executive Directors who have no material interest in the 2022 Shiwuyu Agency Agreement, to advise the Independent Shareholders on: (i) the fairness and reasonableness of the terms of the 2022 Shiwuyu Agency Agreement (including the Annual Cap) and the transaction contemplated thereunder; and (ii) how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the 2022 Shiwuyu Agency Agreement (including the Annual Cap) and the transaction contemplated thereunder.

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 2022 Shiwuyu Agency Agreement.

GENERAL INFORMATION

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, approve, among other matters, the 2022 Shiwuyu Agency Agreement.

As of the date of this announcement, 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 EGM in respect of the resolutions on the 2022 Shiwuyu Agency Agreement and the transaction contemplated thereunder (including the 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 EGM.

A circular containing, among others, (i) further details of the 2022 Shiwuyu Agency Agreement and the transaction contemplated thereunder (including the 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, will be dispatched by the Company to the Shareholders in due course. The Company expects to dispatch the circular on or before 23 September 2022.

DEFINITIONS

“2022 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 2 September 2022, the details of which are set out in this announcement;
“Annual Cap”	the maximum aggregate annual value projected in respect of the fees payable by Guangzhou Tianti to Tencent Computer pursuant to the 2022 Shiwuyu Agency Agreement;
“associate(s)”	shall have the meaning ascribed to it under the Listing Rules;
“Board” or “Board of Directors”	the board of directors of the Company;
“Business Day”	day(s) on which commercial banks are open for business in the PRC (excluding Saturdays, Sundays and public holidays);

“Company”	BAIOO Family Interactive Limited (百奧家庭互動有限公司), an exempted company incorporated on 25 September 2009 in the Cayman Islands with limited liability, and listed on the Main Board of the Stock Exchange (Stock Code: 2100);
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among others, the 2022 Shiwuyu Agency Agreement;
“Group”	the Company, its subsidiaries and its PRC operating companies, the financial results of which have been consolidated and accounted for by the Company as controlled structured entities of the Company by virtue of a series of contractual arrangements;
“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;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors, which has been established for the purpose of advising the Independent Shareholders in respect of the 2022 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 appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the non-exempt continuing connected transaction relating to 2022 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 2022 Shiwuyu Agency Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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;
“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 for a term of one year commencing from 16 October 2021 and ending on 15 October 2022;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of US\$0.0000005 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	shall have the meaning ascribed to it under the Listing Rules;

“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; and
“%”	per cent.

By order of the Board
BAIOO Family Interactive Limited
DAI JIAN
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 2 September 2022

As at the date of this announcement, the executive directors of the Company are Mr. DAI Jian, Mr. WU Lili and Mr. LI Chong; the independent non-executive directors of the Company are Ms. LIU Qianli, Dr. WANG Qing and Mr. MA Xiaofeng.

In this announcement, 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. In case of any inconsistency between the English and Chinese versions, the English text of this announcement shall prevail over the Chinese text.