
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, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of Homeland Interactive Technology Ltd., you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

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.



Homeland Interactive Technology Ltd.

家鄉互動科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3798)

CONNECTED TRANSACTION INVOLVING PROPOSED ISSUE OF NEW SHARES FOR THE BENEFIT OF CONNECTED PERSONS UNDER THE SHARE AWARD SCHEME PURSUANT TO SPECIFIC MANDATE

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



A notice convening the EGM of the Company to be held at 2:30 p.m. on Wednesday, November 10, 2021, at 7A Floor, Huijin Building, 77 Tainan Road, Siming District, Xiamen, the PRC and a form of proxy are dispatched together with this circular. Whether or not you are able to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee is set out on pages 15 to 16 of this circular. A letter from Draco Capital Limited, the IFA, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 43 of this circular.

October 22, 2021

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	15
Letter from the IFA	17
Appendix — General Information	44
Notice of EGM	51

DEFINITIONS

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

“Announcement”	the announcement of the Company dated September 30, 2021 in relation to, among other things, the proposed allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees
“Announcement Date”	September 30, 2021, being the date of the Announcement
“Board”	the board of Directors
“Company”	Homeland Interactive Technology Ltd., a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 3798)
“Connected Grantee(s)”	has the meaning given to it under the section headed “Grant of Share Awards Pursuant to the Share Award Scheme” in the Letter from the Board included in this circular
“connected persons(s)”	has the meaning given to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Draco Capital” or “IFA”	Draco Capital Limited, a licensed corporation permitted to carry on Type 6 regulated activity under the SFO, being the IFA appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees
“EGM”	the extraordinary general meeting of the Company to be convened for considering and approving, among others, the allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees and the Specific Mandate

DEFINITIONS

“Futu Trustee”	Futu Trustee Limited, an independent trustee appointed by the Company for the purpose of the Share Award Scheme
“General Mandate”	the general mandate granted to the Directors to exercise the power of the Company to allot, issue and deal with a maximum of 251,200,000 Shares, representing not more than 20% of the total number of issued shares of the Company on June 29, 2021, which Shares have not been allotted and issued as at the Latest Practicable Date
“Group”	the Company and its subsidiaries, including operating entities controlled by the Company by virtue of contractual arrangements
“HK\$”	Hong Kong dollar(s), the official currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of the Board comprising Mr. Yu Ronald Patrick Lup Man, Mr. Zhang Yuguo, Mr. Hu Yangyang and Ms. Guo Ying, each being an independent non-executive Director, formed to advise the Independent Shareholders on whether the terms of the proposed allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees and the Specific Mandate are fair and reasonable
“Independent Shareholders”	the Shareholders who are not prohibited from voting under the Listing Rules to approve the allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees
“Latest Practicable Date”	October 19, 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Non-connected Grantee”	has the meaning given to it under the section headed “Grant of Share Awards Pursuant to the Share Award Scheme” in the Letter from the Board included in this circular
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Remaining Option Grantees”	has the meaning given to it under the section headed “Cancellation of Share Options” in the Letter from the Board included in this circular
“Share Awards Grant”	has the meaning given to it under the section headed “Grant of Share Awards Pursuant to the Share Award Scheme” in the Letter from the Board included in this circular
“Share(s)”	means ordinary share(s) of US\$0.000005 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Share Award”	a share award granted by the Board to eligible grantees pursuant to the terms of the Share Award Scheme
“Share Award Scheme”	the share award scheme adopted by the Company on June 6, 2019, as amended from time to time
“Share Option Scheme”	the post-IPO share option scheme adopted by the Company on June 5, 2019, as amended from time to time
“Specific Mandate”	the specific mandate to the Directors to exercise the power of the Company to issue and allot 6,000,000 new Shares underlying the Share Awards granted to the Connected Grantees, which mandate will be sought at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



Homeland Interactive Technology Ltd.

家鄉互動科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3798)

Executive Directors:

Mr. WU Chengze

Mr. JIANG Mingkuan

Mr. SU Bo

Mr. GUO Shunshun

Mr. MEN Geng

Registered Office:

PO Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

Independent Non-executive Directors:

Mr. YU Ronald Patrick Lup Man

Mr. ZHANG Yuguo

Mr. HU Yangyang

Ms. GUO Ying

Principal Place of Business

in Hong Kong:

31/F., Tower Two, Times Square

1 Matheson Street

Hong Kong

October 22, 2021

To the Shareholders

Dear Sirs or Madams,

**CONNECTED TRANSACTION INVOLVING
PROPOSED ISSUE OF NEW SHARES FOR THE BENEFIT OF
CONNECTED PERSONS
UNDER THE SHARE AWARD SCHEME PURSUANT TO
SPECIFIC MANDATE**

INTRODUCTION

Reference is made to the Announcement pursuant to which the Company announces, among other things, that the Board has resolved to grant an aggregate of 6,000,000 Share Awards to six grantees under the Share Award Scheme who are directors of subsidiaries of the Company and

LETTER FROM THE BOARD

therefore connected persons of the Company. The Company proposes to issue and allot 6,000,000 new Shares to settle these Share Awards. Although the grant of the Share Awards to the Connected Grantees forms part of their remuneration packages under their respective service contracts with the Group and therefore such grant is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.73(6) and Rule 14A.95 of the Listing Rules, such grant involves the issuance of new Shares for the benefit of the Connected Grantees which does not fall within any of the exemptions as set out under Rule 14A.92 of the Listing Rules. As such, the proposed allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements.

The purpose of this circular is to provide you with details of the grant of Share Awards to the Connected Grantees and the allotment and issue of the underlying Shares for such Share Awards, as well as the advice from Draco Capital to the Independent Board Committee and the Independent Shareholders in relation thereto.

CANCELLATION OF SHARE OPTIONS

Reference is made to the announcement of the Company dated November 14, 2019 in relation to the grant of share options (the "**Existing Share Options**") under the Share Option Scheme to 58 eligible employees (the "**Option Grantees**") to subscribe for a total of 62,360,000 Shares at the exercise price of HK\$2.09 per Share. As at the Announcement Date, out of these 62,360,000 Existing Share Options, 1,600,000 share options granted to two Option Grantees have lapsed due to the termination of their employment with the Company and 60,760,000 share options remain outstanding (the "**Outstanding Existing Options**"). None of the Existing Share Options has been exercised by the Option Grantees as at the Announcement Date. The total number of Shares which may be issued on the full exercise of the Outstanding Existing Options is 60,760,000 and it represents 4.84% of the existing issued share capital of the Company.

The Board has resolved to cancel the Outstanding Existing Options with effect from September 30, 2021 with respect to cancellation of options granted but not exercised. Under the rules of the Share Option Scheme, the Company has the power to cancel the options granted subject to the agreement of the relevant option-holders to the cancellation and the compensation arrangement. The Option Grantees other than the two grantees whose share options have lapsed (the "**Remaining Option Grantees**") initiated the request to cancel the Outstanding Existing Options. The Company considered such request and mutually agreed with each of the Remaining Option Grantees with respect to the arrangement and compensation for the cancellation of the Outstanding Existing Options as detailed in the section headed "Grant of Share Awards pursuant to the Share Award Scheme" in this letter. Accordingly, the cancellation of the Outstanding Existing Options and the compensation arrangement, which the Company is obliged to make under the rules of the Share Option Scheme, are in accordance with the terms of the Share Option Scheme.

LETTER FROM THE BOARD

GRANT OF SHARE AWARDS PURSUANT TO THE SHARE AWARD SCHEME

As compensation for the cancellation of the Outstanding Existing Options and in accordance with the mutual agreement with each of the individual Remaining Option Grantees, the Board has resolved to compensate the Remaining Option Grantees with the grant of Share Awards under the Share Award Scheme calculated based on the number of Outstanding Existing Options held by individual Remaining Option Grantees. Each Outstanding Existing Option held by individual Remaining Option Grantees can be compensated with 0.35, 0.50 or 0.8333 Share Awards depending on the department or product unit in which the Remaining Option Grantee serves, his seniority and his past contribution to the Group.

10 Remaining Option Grantees who serve the “Kele (科樂) Games” product line were assigned a conversion ratio of 0.35 as the “Kele (科樂) Games” product team adopted a different remuneration package to enhance the salaries of such Remaining Option Grantees. The other 46 Remaining Option Grantees who do not serve the “Kele (科樂) Games” product line were assigned a conversion ratio depending on their seniority (which ranges from P1 (being the lowest rank) to P11 (being the highest rank) and performance: (a) Remaining Option Grantees who ranked P6 and below were primarily assigned a conversion ratio of 0.35, except for those who made considerable contributions to their sub-units and were assigned a conversion ratio of 0.5 instead; (b) Remaining Option Grantees who ranked P7 to P9 were primarily assigned a conversion ratio of 0.5, except for those who underperformed in the past and were assigned a conversion ratio of 0.35 instead; and (c) One Remaining Option Grantee who ranked P10 and above was assigned a conversion ratio of 0.833.

Accordingly, 26,510,000 Outstanding Existing Options held by 26 Remaining Option Grantees were compensated by the grant of 9,278,500 Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to 0.35 Share Award, 33,050,000 Outstanding Existing Options held by 29 Remaining Option Grantees were compensated by the grant of 16,525,000 Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to 0.5 Share Award and 1,200,000 Outstanding Existing Options held by one Remaining Option Grantee were compensated by the grant of 1,000,000 Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to approximately 0.8333 Share Award. As a result, a total of 26,803,500 Share Awards representing the same number of underlying Shares were granted as compensation for the cancellation of the Outstanding Existing Options (the “**Compensation Grant**”).

LETTER FROM THE BOARD

Furthermore, the Board has resolved to grant a total of 600,000 Share Awards to two grantees pursuant to the Share Award Scheme (the “**New Grant**”, together with the Compensation Grant, the “**Share Awards Grant**”), to recognize their contributions to the growth of the Group and to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group.

Details of the Share Awards Grant are set out as follows:

Date of grant: September 30, 2021

Number of underlying Shares
in respect of Share Awards
granted: 27,403,500

Vesting Date for each grantee: (1) 40% of the total number of Share Awards shall be vested on April 30, 2022;

(2) 30% of the total number of Share Awards shall be vested on April 30, 2023; and

(3) 30% of the total number of Share Awards shall be vested on April 30, 2024.

LETTER FROM THE BOARD

Other vesting conditions:

- (1) In respect of the vesting on April 30, 2022, (a) the Company's consolidated revenue for the year ending December 31, 2021 shall increase by 10% or more as compared with the consolidated revenue for the year ended December 31, 2020; (b) the Company's operating profit for the year ending December 31, 2021 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending December 31, 2021;
- (2) In respect of the vesting on April 30, 2023, (a) the Company's consolidated revenue for the year ending December 31, 2022 shall increase by 15% or more as compared with the consolidated revenue for the year ended December 31, 2020; (b) the Company's operating profit for the year ending December 31, 2022 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending December 31, 2022; and
- (3) In respect of the vesting on April 30, 2024, (a) the Company's consolidated revenue for the year ending December 31, 2023 shall increase by 20% or more as compared with the consolidated revenue for the year ended December 31, 2020; (b) the Company's operating profit for the year ending December 31, 2023 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending December 31, 2023.

LETTER FROM THE BOARD

Out of the 27,403,500 Share Awards granted, 6,000,000 Share Awards were granted to six connected persons of the Group (the “**Connected Grantees**”), details of which are as follows:

Name of Connected Grantees	Position in the Group	Number of underlying Shares in respect of Share Awards granted and percentage of issued share capital as at the Latest Practicable Date	Number of Outstanding Existing Options cancelled
Zhiyong CAO (曹志勇)	Director of a subsidiary of the Company General Manager	1,050,000 (0.08%)	3,000,000
Yinghao TANG (湯英浩)	Director of a subsidiary of the Company Financial Director	1,000,000 (0.08%)	1,200,000
Guobao CHENG (成國寶)	Director of a subsidiary of the Company Operation Director	2,000,000 (0.16%)	4,000,000
Xuejian ZHANG (張雪健)	Director of a subsidiary of the Company Research & Development Sub-unit Leader	600,000 (0.05%)	1,200,000
Xingyu LU (盧星宇)	Director of a subsidiary of the Company Business Channel Manager	650,000 (0.05%)	1,300,000
Qiang WANG (王強)	Director of a subsidiary of the Company Game Testing Manager	700,000 (0.06%)	1,400,000

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, each of the other grantees of Share Awards (the “**Non-connected Grantees**”) is an employee of the Group and a third party independent of the Company and not a connected person. One of the Non-connected Grantees is a director of an insignificant subsidiary of the Company and is therefore not a connected person of the Company pursuant to Rule 14A.09 of the Listing Rules.

LETTER FROM THE BOARD

The amount payable upon acceptance of the grant of the Share Awards is US\$0.000005 per Share Award.

PROPOSED ISSUE OF NEW SHARES UNDER THE SHARE AWARD SCHEME PURSUANT TO GENERAL MANDATE AND CONNECTED TRANSACTION INVOLVING PROPOSED ISSUE OF NEW SHARES FOR THE BENEFIT OF CONNECTED PERSONS UNDER THE SHARE AWARD SCHEME PURSUANT TO SPECIFIC MANDATE

The Share Awards granted to the Non-connected Grantees shall be satisfied by the proposed allotment and issue of 21,403,500 new Shares under the Company's General Mandate to Futu Trustee, as trustee for the benefit of the Non-connected Grantees. The allotment and issue of such new Shares is conditional upon the grant of approval by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, such new Shares.

Pursuant to the General Mandate, the Directors are authorized to allot and issue up to 251,200,000 Shares, representing 20% of the total number of Shares in issue as at the date of the annual general meeting of the Company held on June 29, 2021. As at the Latest Practicable Date, no Share has been allotted and issued under the General Mandate.

The Share Awards granted to the Connected Grantees shall be satisfied by the proposed allotment and issue of 6,000,000 new Shares under the Specific Mandate to Futu Trustee, as trustee for the benefit of the Connected Grantees, subject to the approval of the Independent Shareholders. The allotment and issue of such new Shares is also conditional upon the grant of approval by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, such new Shares.

All new Shares will be issued at the par value of US\$0.000005 each.

The average closing price of the Shares for the five consecutive trading days immediately preceding the date of the grant as quoted on the Stock Exchange is HK\$2.074 per Share. Based on the closing price of HK\$2.15 per Share as quoted on the Stock Exchange as at the Announcement Date, the market value of 21,403,500 Shares underlying the Share Awards granted to the Non-connected Grantees, and 6,000,000 Shares underlying the Share Awards granted to the Connected Grantees are HK\$46,017,525 and HK\$12,900,000, respectively.

The underlying Shares of the Share Awards, being 21,403,500 Shares to be issued under the General Mandate and 6,000,000 Shares to be issued under the Specific Mandate, represent approximately 1.70% and 0.48% of the total issued share capital of the Company as at the Latest Practicable Date, and approximately 1.67% and 0.47% of the enlarged total issued share capital of

LETTER FROM THE BOARD

the Company, respectively (assuming there will be no other change to the total issued share capital from the Latest Practicable Date up to the proposed allotment and issue of the Shares underlying the Share Awards granted).

The new Shares to be allotted and issued by the Company for the purpose of the grant of the Share Awards will rank *pari passu* in all respects among themselves and with all the Shares in issue from time to time.

Application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in such new Shares.

REASONS FOR THE GRANT OF THE SHARE AWARDS AND THE ISSUE OF NEW SHARES UNDERLYING THE SHARE AWARDS

The Group is a leading localized mobile card and board game developer and operator in the PRC with a special focus on localized Mahjong and poker games.

The Share Award Scheme forms part of the employee incentives of the Group. The Board considers that the Share Awards Grant and the allotment and issue of new Shares for the Share Awards granted shall recognize the contributions of the Grantees to the growth of the Group and incentivize them to remain with the Group and motivate them to strive for the future development and expansion of the Group.

The Board (excluding the members of the Independent Board Committee whose views is set out in the letter from the Independent Board Committee on pages 15 to 16 of this circular) are of the view that the terms of the grant of Share Awards and the proposed allotment and issue of new Shares for the benefit of the Connected Grantees are fair and reasonable and in the interests of the Company and its shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the Announcement Date.

LISTING RULES IMPLICATIONS

The cancellation of the Outstanding Existing Options and the Share Awards Grant have been approved by the Board. Although the grant of the Share Awards to the Connected Grantees forms part of their remuneration packages under their respective service contracts with the Group and therefore such grant is exempt from the reporting, announcement and independent shareholders'

LETTER FROM THE BOARD

approval requirements pursuant to Rule 14A.73(6) and Rule 14A.95 of the Listing Rules, such grant involves the issuance of new Shares for the benefit of the Connected Grantees which does not fall within any of the exemptions as set out under Rule 14A.92 of the Listing Rules. As such, the proposed allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements.

The Company will put forward an ordinary resolution to approve the proposed allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees at the EGM for the Independent Shareholders' consideration and approval.

To the best of the knowledge, information and belief of the Board, apart from one of the Non-connected Grantees, who holds and controls the voting right in 21,118,000 Shares, representing 1.68% of the Company's issued share capital as at the Latest Practicable Date, no Shareholder is required to abstain from voting on the resolution to approve the proposed allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees at the EGM.

None of the Directors has a material interest in the proposed allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees, and therefore none of them has abstained from voting on the Board resolution(s) approving the same in accordance with the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the proposed allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees and the Specific Mandate.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Draco Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed allotment and issue of the new Shares underlying the grant of Share Awards to the Connected Grantees described herein. The advice and recommendations of the IFA is set out in the letter from the IFA on pages 17 to 43 of this Circular.

LETTER FROM THE BOARD

EGM

A notice convening the EGM of the Company to be held at 2:30 p.m. on Wednesday, November 10, 2021 at 7A Floor, Huijin Building, 77 Tainan Road, Siming District, Xiamen, the PRC and a form of proxy for the EGM are dispatched together with this circular. Whether or not you are able to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

RECOMMENDATION

The Directors consider that the grant of the Share Awards to the Connected Grantees and the allotment and issue of the new Shares underlying such Share Awards are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the grant of the specific mandate for the allotment and issue of the new Shares underlying such Share Awards.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16 of this circular, and the letter from the IFA set out on pages 17 to 43 of this circular, which contains its advice and recommendations to the Independent Board Committee and the Independent Shareholders in relation to the grant of the Share Awards to the Connected Grantees and the allotment and issue of new Shares underlying such Share Awards and the principal factors and reasons considered by it in arriving at its opinion.

GENERAL

Your attention is drawn to the general information set out in the appendix to this circular.

Yours faithfully,
Homeland Interactive Technology Ltd.
WU Chengze
Chairman



Homeland Interactive Technology Ltd.

家鄉互動科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3798)

October 22, 2021

To the Independent Shareholders

Dear Sirs or Madams,

**CONNECTED TRANSACTION INVOLVING
PROPOSED ISSUE OF NEW SHARES FOR THE BENEFIT OF
CONNECTED PERSONS
UNDER THE SHARE AWARD SCHEME PURSUANT TO
SPECIFIC MANDATE**

We refer to the circular of the Company dated October 22, 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires. Under the Listing Rules, the allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees (the “**Connected Transaction**”) constitutes a non-exempt connected transaction of the Company.

We have been appointed by the Board as members of the Independent Board Committee to consider the terms of the allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees and to advise the Independent Shareholders in connection with the same as to whether, in our opinion, such terms are fair and reasonable and whether the allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees are in the interests of the Company and the Shareholders as a whole. Draco Capital Limited has been appointed as the IFA to advise us and the Independent Shareholder in this regard.

We wish to draw your attention to the letter from the Board set out on pages 5 to 14 of the Circular and the letter from the IFA set out on pages 17 to 43 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account (i) the terms and conditions of the Connected Transaction, (ii) the discussion with the management of the Company about the background to and nature of the Connected Transaction, and (iii) the advice and recommendations of the IFA as set out from pages 17 to 43 of the Circular, we are of the opinion that the terms of the allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees are (i) fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and (ii) incidental to the Group's development of its ordinary and usual course of business though not in the ordinary course of business of the Group and on normal commercial terms.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the grant of the specific mandate for the allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees.

Yours faithfully,

For and on behalf of the

Independent Board Committee

**Mr. Yu Ronald
Patrick Lup Man**

**Mr. Zhang
Yuguo**

**Mr. Hu
Yangyang**

**Ms. Guo
Ying**

Independent non-executive Directors

LETTER FROM THE IFA

The following is the full text of the letter from Draco Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



4/F, Connaught Harbourfront House
35-36 Connaught Road West
Sheung Wan, Hong Kong

To the Independent Board Committee and the Independent Shareholders,

22 October 2021

Dear Sirs,

CONNECTED TRANSACTION INVOLVING PROPOSED ISSUE OF NEW SHARES FOR THE BENEFIT OF CONNECTED PERSONS UNDER THE SHARE AWARD SCHEME PURSUANT TO SPECIFIC MANDATE

I. INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed issue of new shares for the benefit of connected persons under the share award scheme, details of which are set out in the Letter from the Board contained in this circular of the Company dated 22 October 2021 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context indicates otherwise.

On 30 September 2021, the Company entered into the Trust Deed with Futu Trustee for its appointment as an independent trustee for the purpose of the Share Award Scheme pursuant to the rules of the Share Award Scheme and to grant not more than a total of 27,403,500 Shares to not more than 58 grantees under the Share Award Scheme, of which, (i) not more than 6,000,000 Shares will be awarded to six Connected Grantees; and (ii) not more than 21,403,500 Shares will be awarded to not more than 52 Non-connected Grantees, by way of issue and allotment of new Shares pursuant to the Specific Mandate. The new Shares will be allotted and issued at par value of US\$0.000005 each to Futu Trustee, as trustee for the benefit of the grantees. The amount payable upon acceptance of the grant of the Share Awards is US\$0.000005 per Share Award.

As at the Latest Practicable Date, the six Connected Grantees are connected persons of the Company under Chapter 14A of the Listing Rules as the Connected Grantees are directors of certain subsidiaries of the Company. As such, the issue and allotment of the Shares to those

LETTER FROM THE IFA

Connected Grantees constitutes connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements of the Company under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yu Ronald Patrick Lup Man, Mr. Zhang Yuguo, Mr. Hu Yangyang and Ms. Guo Ying, has been formed to advise the Independent Shareholders as to whether the Share Awards Grant is fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Independent Shareholders as a whole and how to vote in the relevant resolutions in the extraordinary general meeting. In our capacity as the Independent Financial Adviser, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation in this regard.

The extraordinary general meeting will be convened on 10 November 2021. Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolution at the extraordinary general meeting. To the best of the knowledge, information and belief of the Board, apart from one of the Non-connected Grantees, who holds 21,118,000 Shares, representing 1.68% of the Company's issued share capital as at the date of the Announcement, no Shareholder is required to abstain from voting on the resolution(s) to approve the proposed allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees at the extraordinary general meeting to be convened by the Company.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group that could reasonably be regarded as relevant to the independence of Draco Capital. Save for acting as an independent financial adviser in this appointment and the occasions as detailed in the Circular, we have not acted as a financial adviser or an independent financial adviser to the Company and its associates in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group and its associates. We are not aware of any relationship or interest between us and the Company or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to advise on the proposed issue of new Shares under Share Award Scheme for the benefit of connected persons pursuant to the Specific Mandate.

LETTER FROM THE IFA

II. BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and continue to be true, accurate and complete in all material respects as at the date of the Circular. We have also relied on our discussion with management of the Company regarding the Group and the respective terms of the Share Awards Grant, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group nor have we carried out any independent verification of the information supplied.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE CONNECTED TRANSACTION

In arriving at our opinion and recommendations on the Share Awards Grant, we have taken the following principal factors and reasons into consideration:

A. Principal business of the Group

The Group is a leading localized mobile card and board game developer and operator in China with a special focus on localized Mahjong and poker games. The Group also develops and operates casual games. During the Period, the main source of revenue for the Company derived from sales of virtual tokens and private game room cards.

LETTER FROM THE IFA

The following table summarises the audited financial information of the Group for the two years ended 31 December 2020 as extracted from the published annual report of the Company for the year ended 31 December 2020 dated 21 April 2021 (“**Annual Report 2020**”).

	For the year ended		Year-on-year Change
	31 December		
	2019	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	564,991	772,034	207,043
— Self-developed mobile games			
Virtual tokens	265,449	419,601	154,152
Private game room cards	196,086	209,573	13,487
— Third-party mobile games			
Virtual diamonds	41,639	21,687	(19,952)
Advertising revenue	61,817	121,173	59,356
Gross profit	442,283	592,088	149,805
Profit before income tax	246,674	460,572	213,898
Profit for the year	206,788	390,027	183,239
Profit for the year attributable to:			
— Owners of the Company	206,788	390,804	184,016
— Non-controlling interests	—	(777)	(777)

Self-developed mobile games — As illustrated in the table above, for year 2020, the Group’s revenue from self-developed mobile games was approximately RMB629.2 million, representing a year-on-year increase by approximately RMB167.6 million as compared with the previous financial year and accounting for approximately 81.5% of the Group’s total revenue. The increase was primarily driven by significant increase in the Group’s cumulative registered players and daily active users during 2020.

LETTER FROM THE IFA

Advertising revenue — For year 2020, the total advertising revenue was approximately RMB121.2 million while that of 2019 was approximately RMB61.8 million. The increase was driven by significant increase in the Group’s cumulative registered players and daily active users during 2020.

Profit for the year - The profit attributable to the owners of the Company increased by approximately RMB184.0 million (approximately 89.0%) from approximately RMB206.8 million in the previous financial year to approximately RMB390.8 million for year 2020 mainly because of increase in revenue.

The following table summarises the audited financial information of the Group for the six months ended 30 June 2020 and 30 June 2021 as extracted from the published interim report of the Company for the six months ended 30 June 2021 dated 24 September 2021 (“**Interim Report 2021**”).

	For the six months ended		
	30 June		
	2020	2021	Change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	387,174	557,427	170,253
— Self-developed mobile games			
Virtual tokens	209,155	399,605	190,450
Private game room cards	107,010	80,033	(26,977)
— Third-party mobile games			
Virtual diamonds	14,307	6,282	(8,025)
Advertising revenue	56,702	71,507	14,805
Gross profit	291,974	422,663	130,689
Profit before income tax	247,417	357,020	109,603
Profit for the period	201,719	310,089	108,370
Profit for the period			
attributable to:			
— Owners of the Company	201,719	310,699	108,980
— Non-controlling interests	—	(610)	(610)

LETTER FROM THE IFA

Self-developed mobile games — As illustrated in the table above, for the six months ended 30 June 2021, the Group's revenue from self-developed mobile games was approximately RMB479.6 million, representing an increase by approximately RMB163.5 million as compared with the corresponding period of the previous year and accounting for approximately 86.0% of the Group's total revenue. The increase was primarily driven by the significant increase in the Group's daily active users during the first half of 2021 resulting from the Company's effort in further developing the Group's game portfolio and increase in promotion activities to enhance player stickiness and stimulate in-game purchases.

Advertising revenue — For the six months ended 30 June 2021, the total advertising revenue was approximately RMB71.5 million while the corresponding period of previous year was approximately RMB56.7 million. The increase was driven by the significant increase in the Group's daily active users during the first half of 2021 resulting from the Company's effort in further developing the Group's game portfolio and increase in promotion activities to enhance player stickiness.

Profit for the period — The profit attributable to the owners of the Company increased by approximately RMB109.0 million (approximately 54.0%) from approximately RMB201.7 million in the corresponding period of previous year to approximately RMB310.7 million for the six months ended 30 June 2021 mainly because of increase in revenue.

B. Reasons for the adoption of the Share Award Scheme

As set out in the Letter from the Board, the Share Award Scheme forms part of the incentive schemes of the Group. The purpose of the Share Award Scheme is to recognize the contributions of the grantees to the growth of the Group and incentivize them to remain with the Group and motivate them to strive for the future development and expansion of the Group. The Board considers that the award of the Shares for the benefit of the grantees provides motives and incentives to the grantees and will allow the Group to retain its key personnel for the continual operation and development of the Group. The grant of the Shares to the grantees (including the Shares to the Connected Grantees) recognises their continual support to the Group and their effort in promoting the Group's long-term growth and development.

LETTER FROM THE IFA

C. Principal terms of the Share Award Scheme

Grantees Subject to provisions of the Share Award Scheme Rules, the Board may, from time to time at its absolute discretion:

- (i) select any individual who is an employee, officer, agent or consultant of the Company or any of its subsidiaries (the “**Subsidiaries**” and for the avoidance of doubt, including Jiaxiang Interactive and its subsidiaries) who is not a connected person (as defined or deemed to be the case under the Listing Rules) of the Company; and if the Administration Body so determines in its absolute discretion, any director (including executive and non-executive director) of the Company or any Subsidiary (“**Group A Participant**”) to be a Selected Participant and grant Share Awards to such Selected Participant which are to be satisfied by the new Shares to be subscribed by the Trustee under the Company’s available general mandate on the relevant grant date or under a specific mandate approved or to be approved by the Shareholders of the Company (the “**Pool A Share Awards**”); or
- (ii) select any individual being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any Subsidiary (“**Group B Participant**”) to be a Selected Participant and grant Share Awards to such Selected Participant which are to be satisfied by existing Shares received by the Trustee from any Shareholder of the Company or purchased by the Trustee (either on-market or off-market) (the “**Pool B Share Awards**”).

For the purpose of the Share Award Scheme, a Group A Participant can also be a Group B Participant if so selected by the Board. If an individual is at the same time a Group A Participant and a Group B Participant, the Board may, at its absolute discretion, grant to such individual Pool A Share Awards or Pool B Share Awards or a combination of both.

LETTER FROM THE IFA

Each grant of Share Awards to a connected person of the Company shall be subject to the prior approval of the independent committee comprising all the independent non-executive directors of the Company (other than any independent non-executive director who is a proposed grantee) and the Company shall comply with the relevant requirements under Chapter 14A of the Listing Rules for the issue and allotment of new Shares to connected persons of the Company pursuant to the Share Award Scheme.

Administration,
means of incentive
and source of grant
shares

After the Board has determined the number of Share Awards to be granted to a Selected Participant under the Share Award Scheme (the “**Grant Shares**”) and/or the Selected Participants, it shall notify the Trustee and (if the Selected Participants are identified) issue the grant letter to the Selected Participants. The Board may determine the number of grant shares without identifying the Selected Participants and the terms and conditions in respect of such grant shares at the time when the Board notifies the Trustee its determination of the number of grant shares. The identities of the selected participants and the terms and conditions of the grant may be determined as and when the Board thinks fit, upon which the Board shall then issue grant letters to the selected participants. Upon receipt of the grant letter, the selected participants are required to confirm their acceptance of the grant by the latest acceptance date as specified in the relevant grant letters.

The Company may from time to time cause to be paid to the Trustee such amounts of funds from the Company’s resources as the Board may in its absolute discretion determine, for the subscription of new Shares or the purchase of existing Shares (either on-market or off-market) and the payment of the transaction costs. In the case of subscription of new Shares, the Trustee shall subscribe for such number of new Shares as the administration body shall direct. In the case of purchase of existing Shares, the trustee shall, subject to market conditions and at such time as the trustee may at its absolute discretion determine, purchase existing Shares (either on-market or off-market).

LETTER FROM THE IFA

Limits

There is no limit on (i) the number of Shares that can be subscribed for and/or purchased pursuant to the Share Award Scheme or (ii) the amount paid to the Trustee for the purpose of making such a subscription and/or purchase, save that, (i) the maximum number of new Shares that can be allotted and issued for the purpose of the Share Award Scheme in any financial year is 3% of the total number of issued Shares at the relevant time; and (ii) the maximum number of new Shares that can be allotted and issued to a Selected Participant in any 12-month period is 1% of the total number of issued Shares at the relevant time.

LETTER FROM THE IFA

Grant price of the
Shares

According to the Letter from the Board, as compensation for the cancellation of the Outstanding Existing Options and in accordance with the mutual agreement with each of the individual Remaining Option Grantees, the Board has resolved to compensate the Remaining Option Grantees with the grant of Share Awards under the Share Award Scheme calculated based on the number of Outstanding Existing Options held by individual Remaining Option Grantees. Each Outstanding Existing Option held by individual Remaining Option Grantees can be compensated with 0.35, 0.50 or 0.8333 Share Awards depending on the department or product unit in which the Remaining Option Grantee serves, his seniority and his past contribution to the Group. Accordingly, 26,510,000 Outstanding Existing Options held by 26 Remaining Option Grantees were compensated by the grant of 9,278,500 Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to 0.35 Share Award, 33,050,000 Outstanding Existing Options held by 29 Remaining Option Grantees were compensated by the grant of 16,525,000 Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to 0.5 Share Award and 1,200,000 Outstanding Existing Options held by one Remaining Option Grantee were compensated by the grant of 1,000,000 Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to approximately 0.8333 Share Award. As a result, a total of 26,803,500 Share Awards representing the same number of underlying Shares were granted as compensation for the cancellation of the Outstanding Existing Options (the “**Compensation Grant**”).

The average closing price of the Shares for the five consecutive trading days immediately preceding the date of the grant as quoted on the Stock Exchange is HK\$2.074 per Share. Based on the closing price of HK\$2.15 per Share as quoted on the Stock Exchange as at the date of the Announcement on 30 September 2021, the market value of 21,403,500 Shares underlying the Share Awards granted to the Non-connected Grantees, and 6,000,000 Shares underlying the Share Awards granted to the Connected Grantees are HK\$46.0 million and HK\$12.9 million, respectively.

LETTER FROM THE IFA

Restrictions

In respect of the administration of the Share Award Scheme, the Company shall comply with all applicable disclosure regulations including, without limitation, those imposed by the Listing Rules and all applicable laws from time to time.

After the Listing, no payment shall be made to the trustee, no instructions to subscribe for and/or purchase Shares shall be given to the trustee pursuant to the Share Award Scheme and no grant shall be made to any selected participant in the following circumstances:

- (i) after a price sensitive event in relation to the securities of the Company has occurred or a price sensitive matter in relation to the securities of the Company has been the subject of a decision, until such price sensitive information has been published in accordance with the Listing Rules and the inside information provisions under Part XIVA of the SFO;
- (ii) on any day on which the Company's financial results are published and: (a) during the period of 60 days immediately preceding the publication date of the Company's annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (b) during the period of 30 days immediately preceding the publication date of the Company's quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless there are circumstances of the Company that fall within the exceptions under the Listing Rules; or
- (iii) in any circumstances which are prohibited under the Listing Rules or where the requisite approval from any applicable regulatory authorities has not been granted.

LETTER FROM THE IFA

Vesting of Awards

The Board may from time to time while the Share Award Scheme is in force determine any vesting criteria or conditions for any Share Awards to be vested or credited. Such vesting criteria may be based on the passage of time after the grant of Share Awards, the satisfaction of specified performance criteria relating generally to the Company or particularly to a selected participant or the satisfaction of any other conditions as the Board may in its discretion determine for any selected participant and as set out in the relevant grant letter or agreement for and with the relevant selected participant. The selected participants shall be entitled to receive all cash, non-cash income, dividend or distributions and/or sale proceeds of non-cash and non-scrip distributions declared in respect of a Share referable to a record date on or after the vesting of the share awards.

In the event that a selected participant ceases to be a Group A Participant or a Group B Participant by reason of (i) his death; (ii) his disability; (iii) if he is an employee, retirement, redundancy, severance or dismissal without cause; (iv) the Subsidiary by which such selected participant is employed or contracted with (as the case may be) ceases to be a subsidiary; and (v) an order for the winding up of the Company is made or a resolution is passed for the voluntary winding up of the Company, then notwithstanding that the selected participant has ceased to be a Group A Participant or a Group B Participant, any unvested share awards shall continue to vest according to the vesting conditions of the share awards.

If an offer by way of takeover, merger, scheme of arrangement, share repurchase or otherwise is made to all the holders of Shares resulting in a change in control of the Company, and such offer becomes or is declared unconditional prior to the vesting of share awards in the selected participant, then notwithstanding the vesting conditions (if any) have not been satisfied, such share awards shall immediately so vest.

LETTER FROM THE IFA

If at any time, a selected participant (i) ceases to be a Group A Participant or a Group B Participant by reason of such selected participant being terminated by the Company or any Subsidiary for cause, being summarily dismissed or tendering of his resignation; (ii) becomes bankrupt or has made any arrangement or composition with his creditors generally; (iii) has been convicted or found guilty of or liable for any criminal or civil offence or regulatory sanction involving his integrity or honesty; or (iv) has been charged, convicted or held liable for any offence under relevant securities laws, then any unvested Share Awards shall automatically lapse forthwith.

Please refer to paragraph headed “D. Assessment in relation to the principal terms of the Share Award Scheme — (i) Subscription Price” for our view on the Subscription Price.

Vesting Period and Other Vesting Conditions

- Vesting Period:
- (1) 40% of the total number of Share Awards shall be vested on 30 April 2022;
 - (2) 30% of the total number of Share Awards shall be vested on 30 April 2023; and
 - (3) 30% of the total number of Share Awards shall be vested on 30 April 2024.
- Other vesting conditions:
- (1) In respect of the vesting on 30 April 2022, (a) the Company’s consolidated revenue for the year ending 31 December 2021 shall increase by 10% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company’s operating profit for the year ending 31 December 2021 shall account for to not less than 75% of the Company’s total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2021;

LETTER FROM THE IFA

- (2) In respect of the vesting on 30 April 2023, (a) the Company's consolidated revenue for the year ending 31 December 2022 shall increase by 15% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2022 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2022; and
- (3) In respect of the vesting on 30 April 2024, (a) the Company's consolidated revenue for the year ending 31 December 2023 shall increase by 20% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2023 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2023.

Upon satisfaction of the Conditions for vesting of Shares, the employees will procure vesting individually for the Shares that have satisfied the Conditions for vesting. In such case, the management expenses arising from the Share Award Scheme will be borne by the employees; the relevant personal income tax will be borne by the respective grantees (if applicable).

Overview of the revenue and operating profit target

In respect of the vesting conditions relating to the revenue and operating profits targets, we have discussed with the management in respect of the basis of the revenue and operating profits targets. We are given to understand that the said revenue target (CAGR 6.3%) and operating profits target were three-year performance targets of the Group after considering (i) the Group's historical financial performance for the years ended 31 December 2019 and 31 December 2020; (ii) the Group's recent financial performance. The table below summarized the key financial figures of the Group for the years ended 31 December 2019 and 31 December 2020.

LETTER FROM THE IFA

	Year ended 31 December 2019 <i>RMB'000</i>	Year ended 31 December 2020 <i>RMB'000</i>
Revenue	564,991	772,034
Profit before taxation	246,674	460,572
Operating profits	246,674	460,572
Profit for the year attributable to:		
— Owners of the Company	206,788	390,804
— Non-controlling interests	—	(777)
Profit for the year	206,788	390,027

We noted that the revenue of the Group grew by approximately 36.6% from the year ended 31 December 2019 to the year ended 31 December 2020, which is higher than the average revenue growth target of 6.3% per year. We are given to understand that this was due to (i) the Group's assessment on its future growth in the three years ending 31 December 2023; and (ii) the Group's intention of setting a reasonable growth of revenue and operating profits target for the grantees to achieve. The economic benefits of the Scheme are dependent on the improvement in the performances of the Group and hence the grantees (including the Connected Grantees) can better benefit in general when the Group could achieve a better financial performance, we are of the view that the Scheme will further align the interests of the grantees (including the Connected Grantees) with the Independent Shareholders and help in achieving a better financial performance of the Group.

We noted that the operation profit of the Group accounted for 100% of the profits before taxation for the years ended 31 December 2019 and 2020 respectively, which is higher than the corresponding percentage proportion target of 75% per year. We are given to understand this was due to the Group's intention of setting a reasonable percentage proportion target to ensure majority of the profit is to be derived from the Group's principal business activities while the Group may look for other expansion opportunities in coming future.

Given the revenue and operating profit target is reasonable with reference to the revenue growth from the year ended 31 December 2019 to the year ended 31 December 2020, we are of the view that the revenue target of the Scheme can motivate the grantees to achieve a better financial performance of the Group for the three years ending 31 December 2023.

LETTER FROM THE IFA

Overview of the appraisal system

In respect of the vesting condition concerning the individual performance evaluation, we have reviewed the Group's appraisal mechanism.

In the Group's appraisal system, assessment of individual staff is conducted based on their respective work performance. The individuals are graded as (i) pass; (ii) fail based on this grading system of trait-based appraisals, the main criteria are as follows:

- Honesty and trust
- Working results and responsibility
- Communication and coordination skills
- Professional experience
- Knowledge

After reviewing the Group's appraisal system, we are of the view that such vesting condition can practically motivate grantees to contribute to the Group's financial success.

Having considered (i) the Company has incorporated vesting conditions that would ensure the Company achieve a certain growth rate before the grantees are entitled to the benefits of the Shares granted; (ii) the Shares will not vest if individual appraisal is not satisfactory and performance targets are not reached; (iii) the Connected Grantees are subject to the same terms and conditions under the Scheme as Non-connected Grantees; and (iv) the vesting period and vesting conditions of the Scheme are in line with, if not better than, the market practice for shares that are offered under similar restricted share award schemes (details of which are set out in the paragraph headed "D. Assessment in relation to the principal terms of the Share Award Scheme — (ii) vesting period and vesting condition"), we are of the view that the vesting period and vesting condition of the Share Award Scheme are fair and reasonable and in the interest of the Company and Shareholder as a whole.

As stated in the Letter from the Board, not more than a total of 27,403,500 Shares will be granted to not more than 58 grantees under the Scheme, of which, (i) not more than 6,000,000 Shares will be awarded to six Connected Grantees by way of issue and allotment of new Shares pursuant to the Specific Mandate; and (ii) not more than 21,403,500 Other Shares will be awarded to not more than 52 Non-connected Grantees by way of issue and allotment of new Shares pursuant to the Specific Mandate.

LETTER FROM THE IFA

As advised by the management of the Company, we understand that the Board has given due consideration to various factors, including the importance of work position and grade, contribution level, individual performance and years of services of each grantees (including the Connected Grantees) in determining the number of the Shares to be granted.

LETTER FROM THE IFA

Details of the grantees and their respective number of Shares to be granted are set out in the table below:

Name	Position	Number of Shares to be granted	Approximate percentage of granted Shares	Approximate percentage of shareholding in issued share capital of the Company as at the Latest Practicable Date	Approximate percentage of shareholding in issued share capital of the Company as enlarged by the allotment and issue of Shares
Connected Grantees					
Zhiyong CAO (曹志勇)	Director of a subsidiary of the Company General Manager	1,050,000	3.83%	0.084%	0.082%
Yinghao TANG (湯英浩)	Director of a subsidiary of the Company Financial Director	1,000,000	3.65%	0.080%	0.078%
Guobao CHENG (成國寶)	Director of a subsidiary of the Company Operation Director	2,000,000	7.30%	0.159%	0.156%
Xuejian ZHANG (張雪健)	Director of a subsidiary of the Company Research & Development Sub-unit Leader	600,000	2.19%	0.048%	0.047%
Xingyu LU (盧星宇)	Director of a subsidiary of the Company Business Channel Manager	650,000	2.37%	0.052%	0.051%
Qiang WANG (王強)	Director of a subsidiary of the Company Game Testing Manager	700,000	2.55%	0.056%	0.055%
Subtotal		6,000,000	21.9%	0.48%	0.47%
Non-Connected Grantees		21,403,500	78.1%	1.70%	1.67%
		<u>27,403,500</u>	<u>100%</u>	<u>2.18%</u>	<u>2.14%</u>

LETTER FROM THE IFA

Among the Connected grantees, there are directors of the Company's subsidiaries. With respect to the allocation of the Shares to the Connected Grantees under the Scheme, we formulated our view after considering the Connected Grantees' qualifications, experience and contributions to the Group and possible remuneration alternatives that may be available to the Group as follows:

Directors of the Company's subsidiaries

We have reviewed professional background information of the Directors and directors of the Company's subsidiaries who are Connected Grantees. Details of their work position, contribution level and years of services are set out as follows:

- (i) Mr. Cao Zhiyong* (曹志勇) graduated with a bachelor's degree in communication engineering in 2014, and obtained the PMP certificate of project management professional certification in 2015.

After joining Yuke in March 2017, Mr. Cao Zhiyong* (曹志勇) is responsible for the project management of online Mahjong products, and then independently responsible for the project management of all products of the Kele* (科樂) brand. In December 2020, he served as the Director and General Manager of Jilin Yuke Network Technology Co., Ltd.* (吉林省宇柯網路科技有限公司), responsible for the company's overall management. Mr. Cao also serves as General Manager of the subsidiary.

- (ii) Mr. Tang Yinghao* (湯英浩) graduated from the Australian National University in 2010 with a master's degree in government law and business law. In 2019, he joined the Company and served as Financial Controller, Financial Director and other positions, responsible for group financial auditing, risk management and other relevant work.

In April 2021, he served as the Director of Homeland Entertainment & Technology Limited, responsible for the company's overall management. Mr. Tang also serves as Financial Director of the subsidiary.

- (iii) Mr Cheng Guobao* (成國寶) graduated from college in 2001, joined the Group in 2017 and served successively as the Director of Marketing Department, Director of Product Promotion Department and Deputy Director of Distribution Center, responsible for the operation of the Group's products and external publicity.

LETTER FROM THE IFA

In June 2017, he served as the Director of Jiayang Interactive (Xiamen) Network Technology Company Limited (家鄉互動(廈門)網路科技有限公司), responsible for the Company's overall management. Mr. Cheng also serves as Operation Director of the subsidiary.

- (iv) Mr. Zhang Xuejian* (張雪健) graduated from Changchun University of Science and Technology* (長春理工大學) in 2012, majoring in computer application. He joined the company in 2016 as a program development position, responsible for the program development of chess and card products.

In June 2017, he served as the Director of Jiayang Interactive (Xiamen) Network Technology Company Limited (家鄉互動(廈門)網路科技有限公司), responsible for the company's overall management. Mr. Zhang also serves as Research and Development Sub-unit leader of the subsidiary.

- (v) Mr. Lu Xingyu* (盧星宇) graduated from Changchun University of Technology* (長春工業大學) in 2014 with a bachelor's degree in automation. In 2018, he joined the company as a Business Channel Manager, responsible for channel partnership and business expansion.

In June 2017, he served as the Director of Jiayang Interactive (Xiamen) Network Technology Company Limited (家鄉互動(廈門)網路科技有限公司), responsible for the company's overall management. Mr. Lu also serves as Business Channel Manager of the subsidiary.

- (vi) Mr. Wang Qiang* (王強) graduated from Changchun Agricultural School* (長春市農業學校) in 2013. He joined the Company in 2016 as a Game Testing Manager, responsible for the Company's self-developed product testing work.

In June 2017, he served as the Director of Jiayang Interactive (Xiamen) Network Technology Company Limited (家鄉互動(廈門)網路科技有限公司), responsible for the company's overall management. Mr. Wang also serves as Game Testing Manager of the subsidiary.

In respect of each of the aforementioned directors of certain subsidiaries, the Company considers they are capable of adding value to the Company's business by leveraging their professional expertise, experience and business network, and therefore retention of whom is crucial to the future development of the Group.

LETTER FROM THE IFA

Furthermore, according to the Letter from the Board under the section “Grant of Share Awards Pursuant To The Share Award Scheme”, each Outstanding Existing Option held by individual Remaining Option Grantees can be compensated with 0.35, 0.50 or 0.8333 Share Awards depending on the department or product unit in which the Remaining Option Grantee serves, his seniority and his past contribution to the Group. We have reviewed and noted that the conversion policy is consistently applied to both Connected Grantees and Non-connected Grantees.

In light of the above, we are of the view that the number of Shares proposed to be granted to the Connected Grantees is fair and reasonable as the Board has taken into consideration of (i) the Connected Grantees’ importance of work position, contribution level and years of services; and (ii) the individual performance of each of the Connected Grantees in determining the number of the Shares to be granted to each of the Connected Grantees; and (iii) conversion policy of the Outstanding Existing Option is consistently applied to both Connected Grantees and Non-connected Grantees.

Possible remuneration alternatives

Apart from the reasons for the adoption of the Share Award Scheme, we have also discussed with the Company regarding the benefits of the Share Award Scheme as an incentive scheme. According to the Company, they have considered several methods of providing incentives to the grantees (including the Connected Grantees), including lump sum cash bonuses, remuneration increment, as well as the Share Award Scheme.

After careful consideration of the various alternatives, the Directors consider the Share Award Scheme to be an appropriate incentive measure given that, as opposed to the other alternatives, the Scheme will enable the Company to prevent cash outflow of the Group while allowing added incentives to the grantees (including the Connected Grantees) to make contribution to the Group. In addition, the economic benefits of the Scheme are dependent on the improvement in the performances of the Group and hence the grantees (including the Connected Grantees) can only benefit when all the Shareholders are also in a position to benefit, the Directors are of the view that the Scheme will further align the interests of the grantees (including the Connected Grantees) with the Company together with the Independent Shareholders.

In view of the foregoing reasons for and possible benefits of the award of the Shares to the Connected Grantees, we are of the opinion that the award of the Shares to the Connected Grantees is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE IFA

D. Assessment in relation to the principal terms of the Share Award Scheme

In formulating our view on the subscription price of the Shares, we have considered the market norm by studying the subscription prices of award shares granted to connected persons under share award schemes of the companies listed on the Main Board of the Stock Exchange, who adopted share award schemes and granted award shares from June 2021 up to the end of September 2021.

To the best of our knowledge and as far as we are aware of, we identified six listed companies in the Main Board of the Stock Exchange (the “Comparable Listed Companies”) which met the said criteria and they are exhaustive. We consider the Comparable Listed Companies to be fair and representative as they reflect the general recent trend of the restricted share award schemes in the open market. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparable Listed Companies and we have not conducted any in-depth investigation into such respect.

Stock code	Name	Date of the grant announcement	Awardee(s)	Lock-up/Vesting Period	Performance related vesting condition	% of the subscription price to the average stock price
1696	Sisram Medical Ltd	9-Sep-21	Officeholders and senior staff and Participants who are Israeli employees and 4 connected person	Not specified	Not specified	0%
2096	Simcere Pharmaceutical Group Limited	27-Aug-21	12 awardees, including 12 connected person	Over approximately three years and up to August 27, 2024	Not specified	0%
1945	Zero2IPO Holdings Inc.	6-Aug-21	32 awardees, including 3 connected person	No vesting period	No vesting condition	0%
1455	Fourace Industries Group Holdings Limited	28-Jun-21	26 awardees, including 2 connected person	Lock-up period is three years after the date of issue	Not specified	0%
6123	YTO Express (International) Holdings Limited	10-Jun-21	20 awardees, including 5 connected person	Over approximately four years and up to the 30th day of the date of publication of the annual results announcement of the company for the year ending 31 December 2024 pursuant to the Listing Rules	Based on the Selected Participant’s personal level performance target	Approximately 50%

LETTER FROM THE IFA

Stock code	Name	Date of the grant announcement	Awardee(s)	Lock-up/Vesting Period	Performance related vesting condition	% of the subscription price to the average stock price
564	Zhengzhou Coal Mining Machinery Group Company Limited	4-Jun-21	20 awardees, including 8 connected person who are directors and senior management	12 months between the date of grant and the unlocking date	On each balance sheet date during the Lock-up Period, the company will amend the number of the restricted shares that are expected to be qualified for unlocking based on the latest available follow-up information such as the changes in the number of people qualified for unlocking and the fulfilment of performance indicators	0%

(i) Subscription Price

As set out in the Letter from the Board, as compensation for the cancellation of the Outstanding Existing Options and in accordance with the mutual agreement with each of the individual Remaining Option Grantees, the Board has resolved to compensate the Remaining Option Grantees with the grant of Share Awards under the Share Award Scheme. Furthermore, the Board has resolved to grant a total of 600,000 Share Awards to two grantees pursuant to the Share Award Scheme. The amount payable upon acceptance of the grant of the Share Awards is US\$0.000005 per Share Award.

Based on the percentage of the subscription price to the average stock price pursuant to the share award scheme of the Comparable Listed Companies as set out in the table above, we are of the view that the US\$0.000005 subscription price of the Shares is closely in line with, if not better than, the majority of the market practice of nil subscription prices for shares that are offered under similar share award schemes.

In addition, we noted that the Shares granted to the Connected Grantees are at the same US\$0.000005 subscription price as Non-connected Grantees, which indicated the Connected Grantees are fairly treated as Non-connected Grantees in this regard.

Having considered the above factors and that the US\$0.000005 subscription price is minimal and closely in line with the majority of market practice with nil subscription price, we concur with the Board's view that the terms of the Share Awards Grant and the Subscription Price of the Shares to the Connected Grantees are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

LETTER FROM THE IFA

(ii) Vesting period and vesting condition

Vesting mechanism of a share award scheme is designed to effectively align the interests of the grantees with the Independent Shareholders to foster the development of the Group as the realisable value of the Shares are dependent on the future price performance of the Shares, which also benefits the Group and Independent Shareholders as a whole.

In this regard, we noted that the vesting periods of the share award schemes of the Comparable Listed Companies range from one year and up to four years. As set out in the Letter from the Board, the vesting of Shares (including the Shares) shall be released in three tranches ranging from approximately one year to three years from the grant date of the Shares. We noted that the vesting period for all tranches of the Shares (including the Shares) falls within the range of the share award schemes of the Comparable Listed Companies. In addition, we noted that the Comparable Listed Companies had an average vesting period of 2.75 years (excluding any Comparable Listed Companies with vesting period/date that is not specified). Thus, the average vesting period of the Shares is comparable to the average vesting period of the Comparable Listed Companies.

Further, we also noted that the Scheme has vesting conditions relating to (i) revenue and operating profits of the Company; and (ii) individual performance evaluation results. The Directors considered that the vesting conditions of the Scheme can provide ample motivations and incentives for the grantees contributing to the Group's overall development and business success. We concur with the Directors' view that the existence of such mechanism provides motivations and incentives for the grantees.

Having considered (i) vesting period of the Scheme falls within the range of the shares award schemes of the Comparable Listed Companies; (ii) the average vesting period of the Scheme is comparable to that of the share award schemes of the Comparable Listed Companies and (iii) vesting conditions of the Scheme is compatible with, if not better than, the market practice for shares that are offered under similar share award schemes, we are of the view that the vesting period and vesting conditions of the Scheme to the Group is reasonable so far as the Independent Shareholders are concerned.

E. Financial impacts of the issue of Shares under the Scheme

(i) Assets

Upon completion of the grant of the Shares to the grantees, there will be no impact on cash level of the Group. As such, the issue of new Shares under the Scheme is expected to have a immaterial impact on the assets of the Group.

LETTER FROM THE IFA

(ii) Liabilities

There should be no material effect on the liabilities of the Group under the grant of Shares.

(iii) Earnings

The Company estimated that the relevant costs or expenses of the grant of the Shares would be amounted to HK\$57.3 million (equivalent to RMB47.5 million, based on the exchange rate of HK\$1=RMB0.83 as at the date of the Announcement), which is calculated based on the closing price of the Shares as at 29 September 2021 (i.e. HK\$2.09 per Share). Such estimated costs of the grant of Shares would be recognized as administrative expenses on the consolidated financial statements of the Company and will in turn lead to a decrease in the earnings of the Company.

Assuming vesting conditions of all of the Shares granted are released over the vesting periods without any lapse and cancellation, the estimated expenses to be charged on the Company's consolidated financial statements in the respective financial years will be as follows:

Financial year	Estimated expenses	
	<i>(HK\$'000)</i>	<i>Equivalent to approximately RMB'000</i>
Year ended 31 December 2022	22,909	19,014
Year ended 31 December 2023	17,182	14,261
Year ended 31 December 2024	17,182	14,261
Total	<u>57,273</u>	<u>47,536</u>

Given such expenses represent only (i) approximately 1.8% of the target revenue of approximately RMB2,663.5 million for the three years ending 31 December 2023; and (ii) approximately 1.5% to 2.2% of the revenue target in each of the three years ending 31 December 2023, we are of the view that the issue of the Shares is in the interest of the Company and the Independent Shareholders as a whole in light of the above financial impact.

LETTER FROM THE IFA

F. Potential dilution effect of the issue and allotment of the Shares to the existing shareholders

As at the Latest Practicable Date, the Company has 1,256,000,000 ordinary Shares in issue. Assuming there will be no change in the share capital of the Company, the issue and allotment of 27,403,500 Shares to the grantees only represents an increase of 2.18% in the number of the Company's ordinary Shares. Accordingly, the shareholding of the existing Independent Shareholders in the Company will be slightly diluted.

In order to form our view on the dilution effect of the issue and allotment of the Shares to the existing shareholders, we have considered the market norm by studying the dilution effect of the Comparable Listed Companies. The table below sets out the dilution effect of the Comparable Listed Companies:

Stock code	Name	Date of the grant announcement	Number of award shares granted	Dilution effect of the granted shares
1696	Sisram Medical Ltd	9-Sep-21	4,014,035	0.86%
2096	Simcere Pharmaceutical Group Limited	27-Aug-21	8,712,000	0.33%
1945	Zero2IPO Holdings Inc.	6-Aug-21	8,994,800	2.94%
1455	Fourace Industries Group Holdings Limited	28-Jun-21	28,562,500	2.29%
6123	YTO Express (International) Holdings Limited	10-Jun-21	18,969,300	4.60%
564	Zhengzhou Coal Mining Machinery Group Company Limited	4-Jun-21	42,300,000	2.44%

Note: The dilution effect of granted shares represents the percentage of shares to the awardees granted to the total issued shares as at the date of the grant.

As depicted in the table above, the maximum limit of shares to be awarded under the respective share award schemes of the Comparable Listed Companies range from 0.33% to 4.6%, with an average of 2.24%. As compared, the Scheme only has a dilution effect of 2.18% which is lower than the average dilution effect of the Comparable Listed Companies. In view of such, we are of the view that the Share Awards Grant has a limited dilution effect and is in line with, if not better than, the market norm.

LETTER FROM THE IFA

Given that the dilution effect on the shareholdings of the Independent Shareholders is far from substantial and having considered the reasons as detailed in the section headed “B. Reasons for the adoption of the Scheme” above, we are of the view that the shareholding dilution to the Independent Shareholders is acceptable so far as the Independent Shareholders are concerned.

IV. RECOMMENDATION

Having considered the above principal factors and reasons, we concur with the Directors’ view that, while the allotment and issue of the Shares is not in the ordinary and usual course of business of the Group, the Share Awards Grant is fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to, and also recommend the Independent Shareholders to, vote in favour of the relevant resolutions in relation to the Share Awards Grant at the extraordinary general meeting.

Yours faithfully,

For and on behalf of

Draco Capital Limited

Kevin Choi

Ivan Chan

Managing Director

Director

Mr. Kevin Choi and Mr. Ivan Chan are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Draco Capital Limited. Mr. Kevin Choi and Mr. Ivan Chan have over 10 and 5 years of experience in corporate finance industry, respectively.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in Appendix 10 to the Listing Rules were as follows:

(i) Interests of Directors and Chief Executive of the Company

Name of Director/ Chief Executive	Nature of interest	Number of underlying Shares	Approximate percentage of shareholding interest
Mr. Wu Chengze ("Mr. Wu") ⁽²⁾	Interest in controlled corporation	433,842,000	34.54%
Mr. Jiang Mingkuan ("Mr. Jiang") ⁽³⁾	Interest in controlled corporation	125,146,000	9.96%
Mr. Su Bo ("Mr. Su") ⁽⁴⁾	Interest in controlled corporation	144,614,000	11.51%
Mr. Guo Shunshun ("Mr. Guo") ⁽⁵⁾	Interest in controlled corporation	69,018,000	5.50%
Mr. Men Geng ("Mr. Men") ⁽⁶⁾	Interest in controlled corporation	17,662,000	1.41%

Note:

- (1) All interests stated are long positions.
- (2) Mr. Wu holds the entire share capital of Wu Chengze Network Limited, which in turn directly holds 433,842,000 Shares. Accordingly, Mr. Wu is deemed to be interested in the 433,842,000 Shares held by Wu Chengze Network Limited.
- (3) Mr. Jiang holds the entire share capital of Jiang Ming Kuan Network Limited, which in turn directly holds 125,146,000 Shares. Accordingly, Mr. Jiang is deemed to be interested in the 125,146,000 Shares held by Jiang Ming Kuan Network Limited.
- (4) Mr. Su holds the entire share capital of Su Bo Network Limited, which in turn directly holds 144,614,000 Shares. Accordingly, Mr. Su is deemed to be interested in the 144,614,000 Shares held by Su Bo Network Limited.
- (5) Mr. Guo holds the entire share capital of Guo Shun Shun Network Limited, which in turn directly holds 69,018,000 Shares. Accordingly, Mr. Guo is deemed to be interested in the 69,018,000 Shares held by Guo Shun Shun Network Limited.
- (6) Mr. Men holds the entire share capital of Men Geng Network Limited, which in turn directly holds 17,662,000 Shares. Accordingly, Mr. Men is deemed to be interested in the 17,662,000 Shares held by Men Geng Network Limited.

(ii) Interest in the Company's subsidiary, Jiexiang Interactive (Xiamen) Network Technology Company Limited

Name of Director/ Chief Executive	Nature of interest	Registered capital	Percentage of interest
Mr. Wu ⁽¹⁾	Interest in controlled corporation	RMB10,000,000 registered capital	100%
Mr. Jiang ⁽¹⁾	Other	RMB10,000,000 registered capital	100%
Mr. Su ⁽¹⁾	Other	RMB10,000,000 registered capital	100%

Note:

- (1) Jilin Yutai Network Technology Company Limited holds the entire registered capital of RMB10,000,000 in Jiexiang Interactive (Xiamen) Network Technology Company Limited. Jilin Yutai Network Technology Company Limited is held as to 92% by Mr. Wu and 8% by Mr. Guo. Accordingly, Mr. Wu is deemed to be interested in the RMB10,000,000 registered capital in Jiexiang Interactive (Xiamen) Network Technology Company Limited. Of the 92% interests held by Mr. Wu in Jilin Yutai Network Technology Company Limited, 55.2% (being 60% of 92%) was held by Mr. Wu as beneficial owner, 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Jiang and 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Su.

(iii) Interests in Other Members of the Group

So far as the Directors are aware, as at the Latest Practicable Date, the following persons (excluding the Company) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of subsidiary	Name of shareholder	Registered capital	Percentage of interest
Jiaxiang Interactive (Xiamen) Network Technology Company Limited	Jilin Yutai Network Technology Company Limited ⁽¹⁾	RMB10,000,000	100%

Note:

- (1) Jilin Yutai Network Technology Company Limited holds the entire registered capital of RMB10,000,000 in Jiaxiang Interactive (Xiamen) Network Technology Company Limited. Jilin Yutai Network Technology Company Limited is held as to 92% by Mr. Wu and 8% by Mr. Guo. Accordingly, Mr. Wu is deemed to be interested in the RMB10,000,000 registered capital in Jiaxiang Interactive (Xiamen) Network Technology Company Limited. Of the 92% interests held by Mr. Wu in Jilin Yutai Network Technology Company Limited, 55.2% (being 60% of 92%) was held by Mr. Wu as beneficial owner, 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Jiang and 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Su.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and their respective associates had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO), or recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code in Appendix 10 to the Listing Rules.

3. DIRECTORS' INTERESTS

- (a) None of the Directors has any direct or indirect interest in any assets which have been, since December 31, 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

- (b) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.
- (c) None of the Directors or chief executive of the Company and their respective associates (as defined in the Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder of the Company.

4. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Long positions in the Shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interest	Number of underlying Shares	Approximate percentage of shareholding interest
Co-challengers Growth Limited ⁽²⁾	Beneficial owner	72,312,000	5.76%
Mr. Li Bo ⁽²⁾	Interest in controlled corporation	72,312,000	5.76%
Beijing Chuangxin Yizhou Investment Management Limited (北京創新壹舟投資管理有限公司) (“Yizhou Investment Management”) ⁽²⁾	Interest in controlled corporation	72,312,000	5.76%

Name	Nature of interest	Number of underlying Shares	Approximate percentage of shareholding interest
Xiamen Yizhou Xingchen Investment Management Limited (廈門壹舟星辰投資管理有限公司) (“Xingchen Investment Management”) ⁽²⁾	Interest in controlled corporation	72,312,000	5.76%
Xiamen Challenger Venture Capital Partnership (Limited Partnership) (廈門挑戰者創業投資合夥企業(有限合夥)) (“Xiamen Challenger”) ⁽²⁾	Interest in controlled corporation	72,312,000	5.76%

Note:

- (1) All interests stated are long positions.
- (2) Co-challengers Growth Limited is wholly-owned by Xiamen Challenger, a limited partnership, and is ultimately controlled by Mr. Li Bo, who has approximately 99.9% interest in Yizhou Investment Management, which has approximately 90% interest in Xingchen Investment Management, the sole general partner of Xiamen Challenger. Accordingly, each of Xiamen Challenger, Mr. Li Bo, Yizhou Investment Management and Xingchen Investment Management is deemed to be interested in the Shares held by Co-challengers Growth Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of SFO.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was not any material adverse change in the financial or trading position of the Group since December 31, 2020, the to which the latest published audited financial statements of the Group were made up.

7. MATERIAL LITIGATION

No member of the Group was engaged in any litigation or claims of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as at the Latest Practicable Date.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Draco Capital Limited	A licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Draco Capital had no shareholding interest 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 of any member of the Group.

As at the Latest Practicable Date, Draco Capital was not interested, directly or indirectly, in any assets which had since December 31, 2020 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Draco Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

9. DOCUMENTS ON DISPLAY

The following documents will be on display on the website of the Stock Exchange (<https://www.hkexnews.hk>) and on the website of the Company (<https://www.jiaxianghudong.com>) from the date of this circular and up to and including November 5, 2021:

- (a) a copy of the Share Award Scheme;
- (b) the letter from the IFA to the Independent Board Committee and the Independent Shareholders in respect of the issue of new Shares underlying the Share Awards granted to the Connected Grantees; and
- (c) the letter of consent referred to the paragraph headed “Qualification and Consent of Expert” in this appendix.

NOTICE OF EGM



Homeland Interactive Technology Ltd.

家鄉互動科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3798)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Homeland Interactive Technology Ltd. (the “**Company**”) will be held at 2:30 p.m. on Wednesday, November 10, 2021 at 7A Floor, Huijin Building, 77 Tainan Road, Siming District, Xiamen, the PRC for the following purpose:

1. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:

“THAT:

- (a) the grant of specific mandate to the directors of the Company (the “**Directors**”) regarding the allotment and issue of an aggregate of 6,000,000 new shares (the “**New Shares**”) to Futu Trustee Limited as trustee for the benefit of six selected grantees who are connected persons of the Company (the “**Connected Grantees**”) for the purpose of settling the Share Awards granted under the share award scheme adopted by the Company on June 6, 2019 (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (b) any one or more of the Directors be and is/are hereby authorized 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 allotment and issue of new Shares underlying the Share Awards granted to the Connected Grantees and the transactions contemplated thereunder.”

By order of the Board
Homeland Interactive Technology Ltd.
WU Chengze
Chairman

October 22, 2021

Registered Office:
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

*Principal Place of Business
in Hong Kong:*
31/F., Tower Two, Times Square
1 Matheson Street
Hong Kong

Notes:

1. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, shall be deposited at the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person if he is subsequently able to be present.
3. A form of proxy must be signed by you or your attorney duly authorized in writing or, in the case of a corporation, must be either executed under seal or under the hand of an officer, attorney or other person duly authorized to sign the same.
4. In the case of joint holders of any shares, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto. However, if more than one of such joint holders is present at the meeting, either personally or by proxy, the joint holder whose name stands first in the Register of Shareholders, will alone be entitled to vote in respect of such shares.
5. On a poll, every shareholder present at the meeting shall be entitled to one vote for every fully paid-up share of which he is the holder. The result of such poll shall be deemed to be the resolution of the meeting at which the poll was so required or demanded.

NOTICE OF EGM

6. To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from November 5, 2021 to November 10, 2021 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to be entitled to attend and vote at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on November 4, 2021.
7. Taking into account the COVID-19 epidemic, the Company recommends Shareholders to **vote by filling in and submitting the proxy form**, i.e. indicate your voting intention and designate the chairman of the EGM as your proxy to vote on your behalf, instead of attending the EGM in person.

The Company will also implement the following precautionary measures at the EGM against the epidemic to protect the attendees from the risk of infection:

- (i) **compulsory body temperature check** will be conducted for every attendee at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue;
- (ii) every attendee is required to **wear surgical facial mask throughout the meeting**; and
- (iii) **no refreshment** will be served.