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

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

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**DECLARATION OF A SPECIAL DIVIDEND,
PROPOSED RE-ELECTION OF RETIRING DIRECTORS,
PROPOSED RENEWAL OF GENERAL MANDATES TO
REPURCHASE SHARES AND TO ISSUE SHARES,
RE-APPOINTMENT OF RETIRING AUDITOR,
PROPOSED RENEWAL OF RSU MANDATE TO ISSUE SHARES
UNDER THE POST-IPO RSU SCHEME,
NON-EXEMPT CONNECTED TRANSACTION IN RELATION TO
PROPOSED GRANT OF RESTRICTED SHARE UNITS
TO CONNECTED PERSONS
AND
NOTICE OF ANNUAL GENERAL MEETING**

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



Shenwan Hongyuan Capital (H.K.) Limited

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 17 of this circular. A letter from Shenwan Hongyuan Capital (H.K.) Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 18 to 38 of this circular.

A notice convening the Annual General Meeting of BAIOO Family Interactive Limited to be held with a combination of (a) a physical meeting at 31st Floor, Goldchi Building, 120 Huangpu W Ave, Tianhe, Guangzhou, Guangdong, China, 510623; and (b) a virtual meeting online at 2:30 p.m. on Monday, 6 June 2022 is set out on pages 53 to 58 of this circular. A form of proxy for use at the Annual General Meeting is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.baioo.com.hk).

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

27 April 2022

**PRECAUTIONARY MEASURES FOR THE ANNUAL
GENERAL MEETING (“AGM”)**

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

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

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

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

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

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DEFINITIONS

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

“2021 Annual General Meeting”	the annual general meeting of the Company held on 25 June 2021
“2021 RSU Mandate”	the specific and unconditional mandate granted to the Directors to exercise all powers of the Company to grant RSUs pursuant to the Post-IPO RSU Scheme in respect of underlying Shares not exceeding 2.0% of the Shares in issue, as at the date of the 2021 Annual General Meeting
“Altratek Guangdong”	Guangdong Altratek Communication Technology Corporation* (廣東阿爾創通信技術股份有限公司 (formerly known as Guangzhou Altratek Telecommunication Company Limited* (廣東市阿爾創通信技術有限公司)), our connected person and incorporated on 14 December 2004 and existing under the laws of the PRC
“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be held with a combination of (a) a physical meeting at 31st Floor, Goldchi Building, 120 Huangpu W Ave, Tianhe, Guangzhou, Guangdong, China, 510623; and (b) a virtual meeting online at 2:30 p.m. on Monday, 6 June 2022, to consider and, if desirable, to approve the proposed resolutions as set out in the notice of such meeting which is set out on pages 53 to 58 of this circular, or any adjournment thereof
“Applicable Period”	the period from the date of passing the resolution granting the RSU Mandate, to the earliest of (a) the conclusion of the Company’s next annual general meeting, (b) the end of the period within which the Company is required by any applicable law or the Articles to hold the next annual general meeting, and (c) the date on which the RSU Mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting
“Articles of Association” or “Articles”	the articles of association of the Company as amended, supplemented or modified from time to time
“associate”	has the same meaning as defined in the Listing Rules
“Board”	the board of Directors
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China, except where the context requires otherwise, excluding Hong Kong, Macau and Taiwan
“close associate(s)”	has the same meaning as defined in the Listing Rules

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“Company”	BAIOO Family Interactive Limited (百奧家庭互動有限公司), formerly known as Baitian Information Limited, Baitian Family Interactive Limited (百田家庭互動有限公司) and BYO Family Interactive Limited (百奧家庭互動有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 25 September 2009, with its Shares listed on the Main Board of the Stock Exchange since the Listing Date
“connected person(s)”	has the same meaning as defined in the Listing Rules
“core connected person(s)”	has the same meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“Eligible Person(s)”	means person(s) eligible to receive RSU(s) under the Post-IPO RSU Scheme, who could be existing and former employees, directors or officers of the Company, the PRC operational entity or other companies in the Group, or any other person selected by the Board or the remuneration committee of the Company at its sole discretion from time to time
“Group”	the Company, its subsidiaries and the PRC operating entity (the financial results of which have been consolidated and accounted for as a subsidiary of the Company by virtue of the contractual arrangements)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the non-exempt connected transaction relating to the Proposed RSU Grants
“Independent Financial Adviser”	Shenwan Hongyuan Capital (H.K.) Limited, a wholly owned subsidiary of Shenwan Hongyuan (H.K.) Limited (stock code: 218.hk) and a non-wholly owned subsidiary of Shenwan Hongyuan Group Co., Ltd. (stock codes: 000166.sz and 6806.hk), a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the non-exempt connected transaction relating to the Proposed RSU Grants
“Independent Shareholders”	the Shareholders who are not required under the Listing Rules to abstain from voting to approve the non-exempt connected transaction relating to the Proposed RSU Grants

DEFINITIONS

“independent third party”	any entity or party which is not connected (as defined in the Listing Rules) to the Directors, substantial shareholders or chief executives of the Company or its subsidiaries, or any of their respective associates
“Issuance Mandate”	a general mandate proposed to be granted to the Directors to exercise all powers of the Company to allot, issue and deal with any Shares or securities convertible to Shares and to make an offer or agreement or grant an option (including but not limited to warrants, options, bonds, notes, securities and debentures conferring any rights to subscribe for or otherwise receive Shares) which would or might require the exercise of such power, during the period as set out in the proposed ordinary resolution No. 6 as set out in the notice of the Annual General Meeting not exceeding 20% of the total number of issued shares of the Company as at the date of passing of proposed ordinary resolution No. 6 as set out in the notice of the Annual General Meeting
“Latest Practicable Date”	19 April 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	has the same meaning as defined in the Listing Rules
“Listing Date”	10 April 2014, being the date of the listing of the Company’s Shares on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Chong, an executive Director of the Company
“Mr. Wang”	Mr. Wang Xiaodong, the Executive Vice President of the Company
“Nomination Committee”	the nomination committee of the Company
“Option(s)”	an option or right to purchase Shares under the Pre-IPO Share Option Scheme
“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme adopted by the Company on 18 March 2014, which took effect on the Listing Date (as amended on 19 June 2015 and 17 December 2020)
“Pre-IPO RSU Scheme”	the restricted share unit plan approved and adopted by the Company on 30 September 2013
“Pre-IPO Share Option Scheme”	the share option plan approved and adopted by the Company on 18 June 2010, details of which are set out in the prospectus of the Company dated 28 March 2014
“Proposed RSU Grants”	the proposed grant of 5,000,000 RSUs and 10,000,000 RSUs to Mr. Li and Mr. Wang respectively pursuant to the Post-IPO RSU Scheme
“Remuneration Committee”	the remuneration committee of the Company

DEFINITIONS

“Restricted Share Units” or “RSU(s)”	restricted share unit(s), being a contingent right to receive Shares which is granted pursuant to the Pre-IPO RSU Scheme and/or the Post-IPO RSU Scheme
“RSU Mandate”	a specific and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to grant RSUs pursuant to the Post-IPO RSU Scheme in respect of underlying Shares not exceeding 2.0% of the Shares in issue, as at the date of passing the proposed ordinary resolution No. 8 as set out in the notice of the Annual General Meeting
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Share(s)”	ordinary share(s) of US\$0.0000005 each in the issued share capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Share Repurchase Mandate”	a general mandate proposed to be granted to the Directors to exercise the power of the Company to repurchase Shares on the Stock Exchange of not exceeding 10% of the total number of issued shares of the Company as at the date of passing of the proposed ordinary resolution No. 5 as set out in the notice of the Annual General Meeting
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the same meaning as defined in the Listing Rules
“substantial shareholder”	has the same meaning as defined in the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers approved by the Securities and Futures Commission of Hong Kong, as amended from time to time
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

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

LETTER FROM THE BOARD



(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2100)

Executive Directors:

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

Independent Non-executive Directors:

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

Registered Office:

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

Head Office:

34 Floor, Goldchi Building
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Tianhe
Guangzhou
Guangdong
China 510623

Principal Place of Business in

Hong Kong:

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

27 April 2022

To the Shareholders

Dear Sir/Madam,

**DECLARATION OF A SPECIAL DIVIDEND,
PROPOSED RE-ELECTION OF RETIRING DIRECTORS,
PROPOSED RENEWAL OF GENERAL MANDATES TO
REPURCHASE SHARES AND TO ISSUE SHARES,
RE-APPOINTMENT OF RETIRING AUDITOR,
PROPOSED RENEWAL OF RSU MANDATE TO ISSUE SHARES
UNDER THE POST-IPO RSU SCHEME,
NON-EXEMPT CONNECTED TRANSACTION IN RELATION TO
PROPOSED GRANT OF RESTRICTED SHARE UNITS
TO CONNECTED PERSONS
AND
NOTICE OF ANNUAL GENERAL MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information in respect of certain resolutions to be proposed at the Annual General Meeting to be held on Monday, 6 June 2022.

2. DECLARATION OF A SPECIAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of a special dividend of HK\$0.02 per Share in respect of the year ended 31 December 2021. Conditional upon passing of the proposed ordinary resolution No. 2 as set out in the notice of Annual General Meeting by the Shareholders at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 6 July 2022 to Friday, 8 July 2022 (both dates inclusive) during which period no transfer of Shares will be registered and the special dividend is expected to be paid on Thursday, 28 July 2022. Shareholders registered under the Hong Kong branch register of members as of Friday, 8 July 2022 will be entitled to the special dividend. The special dividend will be paid in Hong Kong dollars. In order to determine the identity of the Shareholders who are entitled to the special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 5 July 2022.

3. PROPOSED RE-ELECTION OF RETIRING DIRECTORS

In accordance with article 84(1) of the Articles of Association, Mr. Li Chong and Mr. Wu Lili shall retire by rotation at the Annual General Meeting. All of the above retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

Details of the retiring Directors are set out in Appendix II to this circular.

4. PROPOSED RENEWAL OF GENERAL MANDATE TO REPURCHASE SHARES

At the 2021 Annual General Meeting, a general mandate was granted to the Directors to exercise all powers of the Company to repurchase Shares. Such mandate will lapse at the conclusion of the Annual General Meeting.

In order to give the Company the flexibility to repurchase Shares where appropriate, an ordinary resolution will be proposed at the Annual General Meeting to approve the renewal of the Share Repurchase Mandate to the Directors to repurchase Shares on the Stock Exchange of not exceeding 10% of the total number of issued shares of the Company as at the date of passing the proposed ordinary resolution No. 5 as set out in the notice of the Annual General Meeting. If the Company conducts a share consolidation or subdivision after the Share Repurchase Mandate has been granted at the Annual General Meeting, the maximum number of Shares that may be repurchased under the Share Repurchase Mandate as a percentage of the total number of issued Shares as the date immediately before and after such consolidation or subdivision shall be the same.

As at the Latest Practicable Date, the issued share capital of the Company of 2,771,194,000 Shares have been fully paid. Subject to the passing of the proposed ordinary resolution No. 5 approving the Share Repurchase Mandate and assuming that no further Shares will be issued or repurchased following the Latest Practicable Date and prior to the date of the Annual General Meeting, the maximum number of Shares which may be purchased pursuant to the Share Repurchase Mandate will be 277,119,400 Shares. The Directors wish to state that they have no immediate plan to repurchase any Shares pursuant to the Repurchase Mandate.

LETTER FROM THE BOARD

An explanatory statement required by the Listing Rules to provide the Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the renewal of the Share Repurchase Mandate is set out in Appendix III to this circular.

5. PROPOSED RENEWAL OF GENERAL MANDATE TO ISSUE SHARES

At the 2021 Annual General Meeting, a general mandate was granted to the Directors to exercise all powers of the Company to allot, issue and deal with Shares or securities convertible to Shares and to make an offer or agreement or grant an option (including but not limited to warrants, options, bonds, notes, securities and debentures conferring any rights to subscribe for or otherwise receive Shares) which would or might require the exercise of such power. Such mandate will lapse at the conclusion of the Annual General Meeting.

In order to give the Company the flexibility to issue Shares where appropriate, an ordinary resolution will be proposed at the Annual General Meeting to approve the renewal of the Issuance Mandate to the Directors to allot, issue or deal with additional Shares or securities convertible to Shares and to make an offer or agreement or grant an option (including but not limited to warrants, options, bonds, notes, securities and debentures conferring any rights to subscribe for or otherwise receive Shares) which would or might require the exercise of such power, during the period as set out in ordinary resolution No. 6 as set out in the notice of the Annual General Meeting of not exceeding 20% of the total number of issued shares of the Company as at the date of passing of the relevant resolution. If the Company conducts a share consolidation or subdivision after the Issuance Mandate has been granted at the Annual General Meeting, the maximum number of Shares that may be issued under the Issuance Mandate as a percentage of the total number of issued Shares as the date immediately before and after such consolidation or subdivision shall be the same.

As at the Latest Practicable Date, the issued share capital of the Company of 2,771,194,000 Shares have been fully paid. Subject to the passing of the proposed ordinary resolution approving the Issuance Mandate and assuming that no further Shares will be issued or repurchased following the Latest Practicable Date and prior to the date of the Annual General Meeting, the Directors will be authorized to issue a maximum of 554,238,800 Shares under the Issuance Mandate. An ordinary resolution to extend the Issuance Mandate by adding the number of Shares repurchased by the Company pursuant to the Share Repurchase Mandate will also be proposed at the Annual General Meeting.

The Directors wish to state that they have no immediate plan to issue any new Shares pursuant to the Issuance Mandate.

6. PROPOSED RE-APPOINTMENT OF RETIRING AUDITOR

The Board proposes to re-appoint PricewaterhouseCoopers as the auditor of the Company effective until the conclusion of the next annual general meeting of the Company subject to the approval of the Shareholders at the Annual General Meeting. The Board also proposes and recommends to the Shareholders to authorise the Board at the Annual General Meeting to fix the remuneration of PricewaterhouseCoopers as the auditor of the Company.

7. PROPOSED RENEWAL OF RSU MANDATE TO ISSUE SHARES UNDER THE POST-IPO RSU SCHEME

Reference is made to the circular of the Company dated 21 May 2021 in relation to, among other things, a specific mandate to the Directors to grant RSUs in respect of underlying Shares not exceeding 2.0% of the Shares in issue (the “**Scheme Mandate Limit**”) as at the date of passing such mandate. At the 2021 Annual General Meeting, the 2021 RSU Mandate was granted. The 2021 RSU Mandate will lapse at the conclusion of the Annual General Meeting.

LETTER FROM THE BOARD

Pursuant to Clause 4.2 of the Post-IPO RSU Scheme, the Directors propose to refresh the Scheme Mandate Limit by an ordinary resolution at the Annual General Meeting which gives the Directors a specific mandate (the “**RSU Mandate**”) to exercise all the powers of the Company to grant RSUs in respect of underlying Shares not exceeding 2.0% of the Shares in issue as at the date of passing such mandate, and to allot, issue and deal with the Shares underlying the RSUs granted pursuant to the Post-IPO RSU Scheme, and the RSU Mandate will be valid from the date of passing the resolution granting the RSU Mandate, to the earliest of (a) the conclusion of the Company’s next annual general meeting, (b) the end of the period within which the Company is required by any applicable law or the Articles to hold the next annual general meeting, and (c) the date on which the RSU Mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting. Subject to the passing of the relevant resolution to approve the RSU Mandate and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the Annual General Meeting, the Directors would be authorized to exercise the powers of the Company to grant RSUs in respect of a maximum number of 55,423,880 underlying Shares. If the Company conducts a share consolidation or subdivision after the RSU Mandate has been granted at the Annual General Meeting, the maximum number of Shares that may be issued pursuant to the RSU Mandate as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same.

Shareholders who have a conflict of interest under the Post-IPO RSU Scheme would be required to abstain from voting on the ordinary resolution No. 8 as set out in the notice of Annual General Meeting in relation to the RSU Mandate. As at the Latest Practicable Date, Mr. Li and Mr. Wang have been proposed or identified by the Board to be granted 5,000,000 RSUs and 10,000,000 RSUs respectively under the RSU Mandate, subject to the passing of the proposed ordinary resolutions No. 9a and 9b by the Independent Shareholders. Accordingly, as a result of proposed ordinary resolutions No. 9a and 9b, Mr. Li and Mr. Wang (and their respective associates) would be required to abstain from voting on the proposed ordinary resolution No. 8 and would be required to abstain from voting on the proposed ordinary resolutions No. 9a and 9b respectively as set out in the notice of Annual General Meeting in relation to the RSU Mandate.

Further information in connection with the RSU Mandate is set out in Appendix IV to this circular.

8. NON-EXEMPT CONNECTED TRANSACTION IN RELATION TO PROPOSED GRANT OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS

Reference is made to the announcement of the Company dated 30 March 2022, in which the Company announced that the Board resolved to conditionally grant 5,000,000 RSUs and 10,000,000 RSUs to Mr. Li and Mr. Wang respectively under the Post-IPO RSU Scheme, subject to the Independent Shareholders’ approval at the Annual General Meeting.

As at the Latest Practicable Date, the 5,000,000 RSUs and 10,000,000 RSUs have not been granted to Mr. Li and Mr. Wang and no notice of grant with respect to such RSUs has been issued to Mr. Li and Mr. Wang. The relevant RSUs will only be granted, and the relevant notice of grant will only be issued to them after the Independent Shareholders’ approval has been obtained in accordance with the requirements of Chapter 14A of the Listing Rules. The number of RSUs to be granted to Mr. Li and Mr. Wang is primarily determined after taking into consideration various key factors such as (i) the business contributions made by Mr. Li and Mr. Wang since the Listing of the Company. In particular, Mr. Li was appointed as the Chief Operating Officer from September 2009 to August 2021 and executive Director since September 2009. He had contributed to the Group’s success through his 20 years of experience in the information technology industry and his involvement in the management of the Group’s products, including the development of some of the Group’s most popular games, Shiwuyu and Aola Star Mobile which contributed to a significant portion of the growth in the Group’s revenue since 2020. Mr. Li’s expertise in project management and production of digital contents, especially in mobile gaming, is pivotal to the Group’s sustained business growth as such new contents had ensured the

LETTER FROM THE BOARD

popularity of the Group's core products. Mr. Wang, the Executive Vice President and then executive Director within 12 months from the expected date of the Proposed RSU Grants, is in charge of the overall management of the human resources, user services, public affairs and business cooperation of the Group. The Company believes that recruiting and retaining talents for the production of quality gaming contents is the key to sustaining and enhancing the Group's core competitiveness. Mr. Wang played an important role in making key management decisions and coordination for the Group's human resource; and (ii) the historical numbers of RSUs granted by the Company to its senior management (other than the Directors of the Company) and employees. In particular, historical grants of up to 30,000,000 RSUs to the Group's previous Chief Executive Officer and the range of 13,000,000 to 24,000,000 RSUs granted to senior management members, including the roles, seniority, performance and experience of the senior management members.

Each of the RSUs to be granted to Mr. Li and Mr. Wang represents the right to receive a Share on the date it vests. The Proposed RSU Grants to Mr. Li and Mr. Wang will be made for no consideration and have been approved by the remuneration committee of the Board and the Board.

Each of these RSUs to be granted to Mr. Li and Mr. Wang represents the right to receive a Share on the date it vests. The Proposed RSU Grants to Mr. Li and Mr. Wang are subject to the following vesting conditions:

- 20% of the RSUs granted shall vest on 1 July 2023;
- 20% of the RSUs granted shall vest on 1 July 2024;
- 30% of the RSUs granted shall vest on quarterly basis from 1 July 2024 to 1 July 2025; and
- 30% of the RSUs granted shall vest on quarterly basis from 1 July 2025 to 1 July 2026.

Mr. Li's Interests in the Securities of the Company

Subject to the Independent Shareholders' approval of the Proposed RSU Grants at the Annual General Meeting, and assuming that no further Shares will be issued or repurchased by the Company prior to the date of the Annual General Meeting, the number of Shares that may be issued to Mr. Li in accordance with and subject to the terms of the Proposed RSU Grants would be 5,000,000 Shares, representing approximately 0.180% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 0.179% of the total enlarged issued share capital of the Company (assuming that no further Shares will be issued or repurchased by the Company on the date all the RSUs in the Proposed RSU Grants vest).

Mr. Wang's Interests in the Securities of the Company

Subject to the Independent Shareholders' approval of the Proposed RSU Grants at the Annual General Meeting, and assuming that no further Shares will be issued or repurchased by the Company prior to the date of the Annual General Meeting, the number of Shares that may be issued to Mr. Wang in accordance with and subject to the terms of the Proposed RSU Grants would be 10,000,000 Shares, representing approximately 0.360% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 0.359% of the enlarged total issued share capital of the Company (assuming that no further Shares will be issued or repurchased by the Company on the date all the RSUs in the Proposed RSU Grants vest).

LETTER FROM THE BOARD

Impact of the Shareholding Structure of the Company

The shareholding structure of the Company before and after the issuance of new Shares under the Proposed RSU Grants as at the Latest Practicable Date is set forth below:

Name	Before the issuance of new Shares under the Proposed RSU Grants as at the Latest Practicable Date ⁽¹⁴⁾		After the issuance of new Shares under the Proposed RSU Grants as at the Latest Practicable Date	
	Number of Shares	Approximate %	Number of Shares	Approximate %
TMF (Cayman) Ltd. ⁽¹⁾	1,193,824,720	43.08	1,193,824,720	42.85
DAE Holding Investments Limited ⁽²⁾	687,944,180	24.82	687,944,180	24.69
Stmoritz Investment Limited ⁽²⁾	687,944,180	24.82	687,944,180	24.69
Mr. Dai Jian ⁽²⁾⁽⁶⁾	697,944,180	25.19	697,944,180	25.05
Bright Stream Holding Limited ⁽³⁾	365,596,180	13.19	365,596,180	13.12
WHEZ Holding Ltd. ⁽³⁾	365,596,180	13.19	365,596,180	13.12
Mr. Wu Lili ⁽³⁾	365,596,180	13.19	365,596,180	13.12
LNZ Holding Limited ⁽⁴⁾	114,816,360	4.14	114,816,360	4.12
Golden Water Management Limited ⁽⁴⁾	114,816,360	4.14	114,816,360	4.12
Mr. Li Chong ⁽⁷⁾	124,816,360	4.50	129,816,360	4.66
The Core Trust Company Limited ⁽⁵⁾	158,862,926	5.73	158,862,926	5.70
Mr. Wang Xiaodong ⁽⁸⁾	15,000,000	0.54	25,000,000	0.90
Mr. Liu Qianli ⁽⁹⁾	200,000	0.01	200,000	0.01
Dr. Wang Qing ⁽¹⁰⁾	200,000	0.01	200,000	0.01
Mr. Ma Xiaofeng ⁽¹¹⁾	200,000	0.01	200,000	0.01
Tencent Holdings Limited ⁽¹²⁾	326,063,280	11.77	326,063,280	11.70
Sub-total⁽¹³⁾	1,733,350,926	62.55	1,748,350,926	62.75
Public Shareholders	1,037,843,074	37.45	1,037,843,074	37.25
Total	2,771,194,000	100.00	2,786,194,000	100.00

Notes:

1. TMF (Cayman) Ltd. is the trustee of DAE Trust, WHZ Trust, The Zhen Family Trust and WSW Family Trust.
2. The entire share capital of Stmoritz Investment Limited is wholly-owned by DAE Holding Investments Limited and ultimately owned by TMF (Cayman) Ltd. as the trustee of the DAE Trust, which is a discretionary trust set up by Mr. Dai Jian on 27 December 2013 for the benefit of himself and his family members, and Mr. Dai is a settlor and protector. Mr. Dai (as founder of the DAE Trust), DAE Holding Investments Limited and TMF (Cayman) Ltd. are taken to be interested in 687,944,180 Shares held by Stmoritz Investment Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or Post-IPO RSU Scheme) pursuant to Part XV of the SFO.
3. The entire share capital of Bright Stream Holding Limited is wholly-owned by WHEZ Holding Ltd. and ultimately owned by TMF (Cayman) Ltd. as the trustee of the WHZ Trust, which is a discretionary trust set up by Mr. Wu Lili on 27 December 2013 for the benefit of himself and his family members, and Mr. Wu is a settlor and protector. Mr. Wu (as founder of the WHZ Trust), WHEZ Holding Ltd. and TMF (Cayman) Ltd. are taken to be interested in 365,596,180 Shares held by Bright Stream Holding Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or Post-IPO RSU Scheme) pursuant to Part XV of the SFO.

LETTER FROM THE BOARD

4. The entire share capital of LNZ Holding Limited is owned by Golden Water Management Limited, which is wholly owned by TMF (Cayman) Ltd. as the trustee of The Zhen Family Trust, which is a discretionary trust set up by Mr. Li on 27 December 2013 for the benefit of himself and his family members, and Mr. Li is a settlor and protector. Mr. Li (as founder of The Zhen Family Trust), Golden Water Management Limited and TMF (Cayman) Ltd. are taken to be interested in 114,816,360 Shares held by LNZ Holding Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme and/or the Post-IPO RSU Scheme) pursuant to Part XV of the SFO.
5. The Core Trust Company Limited is the trustee to administer the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme.
6. 10,000,000 RSUs were granted to Mr. Dai under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 Shares and subject to vesting. As at the Latest Practicable Date, all the RSUs granted to Mr. Dai were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
7. Mr. Li Chong was interested in 10,000,000 RSUs granted to him under the Post-IPO RSU Scheme entitling him to receive 10,000,000 Shares subject to vesting. For details of the vesting schedules for the RSUs granted to the subject RSU grantees under the Post-IPO RSU Scheme, please refer to the announcement of the Company dated 12 April 2021.
8. Mr. Wang Xiaodong was interested in 15,000,000 RSUs granted to him under the Post-IPO RSU Scheme entitling him to receive 15,000,000 Shares subject to vesting. For details of the vesting schedules for the RSUs granted to the subject RSU grantees under the Post-IPO RSU Scheme, please refer to the announcement of the Company dated 12 April 2021.
9. Ms. Liu Qianli was interested in 200,000 RSUs granted to her under the Pre-IPO RSU Scheme entitling her to receive 200,000 Shares subject to vesting. As at the Latest Practicable Date, all the RSUs granted to Ms. Liu were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
10. Dr. Wang Qing was interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at the Latest Practicable Date, all the RSUs granted to Dr. Wang were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
11. Mr. Ma Xiaofeng was interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at the Latest Practicable Date, all the RSUs granted to Mr. MA were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.
12. The entire share capital of THL H Limited is owned by Tencent Holdings Limited, which is a company listed on the Main Board of the Stock Exchange (stock code: 700). Tencent Holdings Limited is taken to be interested in 326,063,280 Shares held by THL H Limited pursuant to Part XV of the SFO.
13. As at the Latest Practicable Date, assuming all the new Shares underlying the Proposed RSU grants had been allotted and issued to Mr. Li Chong (as to 129,816,360 Shares) and Mr. Wang Xiaodong, (as to 25,000,000 Shares), the total number of Shares held by non-public shareholders (which includes core connected persons and their respective associates) will increase from 1,733,350,926 to 1,748,350,926 and the total issued Shares will be increased from 2,771,194,000 to 2,786,194,000. Accordingly, the shareholding of non-public shareholders will increase from 62.55% to 62.75%.
14. These percentages are calculated on the basis of 2,771,194,000 Shares in issue as of Latest Practicable Date.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company plans to grant up to an additional 15,300,000 RSUs to employees (other than connected persons or their respective associates) in May 2022 under the Post-IPO RSU Scheme. Such grants will be made in accordance with the terms of the Post-IPO RSU Scheme and applicable rules and regulations.

Market Value

Based on the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the market value of the underlying Shares in relation to the RSUs under the Proposed RSU Grants amounts to approximately HK\$7,275,000.

Information about the Company

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

Reasons for and Benefits of the Proposed RSU Grants to Connected Persons

The Post-IPO RSU Scheme aims to incentivize employees, directors or officers of the Group for their contribution to the Company, to align their interest with that of the Company, and to retain them for continual operation and development of the Company. The Proposed RSU Grants are part of the Company's remuneration system, the purpose of which is to closely align the interests and benefits of and risk sharing among the Shareholders, the Company and the employees in order to maximise the motivation of the Directors.

Mr. Li, the executive Director, is responsible for the formulation of the Group's medium and long-term strategy and the search for and acquisition of top-tier talents for the Group. Mr. Wang, the Executive Vice President of the Company, is in charge of the overall management of the human resources, user services, public affairs and business cooperation of the Group. The Proposed RSU Grants aim to provide sufficient incentives to attract, retain and motivate Mr. Li and Mr. Wang to participate in the continuing operation and long-term development of the Company and to recognise Mr. Li and Mr. Wang's contributions to the growth of the Company.

Having considered the contributions made by Mr. Li and Mr. Wang in the past year, the Remuneration Committee and the Board (excluding independent non-executive Directors) are of the view that the Proposed RSU Grants will further show the Group's appreciation for the hard work and contribution of Mr. Li and Mr. Wang and properly remunerate them for their exceptional contribution in the past year. The Group hopes that the Proposed RSU Grants will also go towards motivating Mr. Li and Mr. Wang to continue working hard for the Group and contribute to the Group's future development. Although certain RSUs have been granted to Mr. Li and Mr. Wang in 2021, the Remuneration Committee and the Board considered that it does not prevent the Company from granting further RSUs on similar terms to Mr. Li and Mr. Wang as long as they exceed their individual performance expectations. Such rewards can be provided in the form of bonuses, cash or RSU Grants. The Remuneration Committee and Board had determined that the Proposed RSU Grants and its terms (including vesting periods) are suitable as the Group hopes to (i)

LETTER FROM THE BOARD

retain Mr. Li and Mr. Wang, (ii) incentive them continue contributing to the betterment of the Group, and (iii) align Mr. Li and Mr. Wang's interests with those of the Shareholders. Therefore, the Remuneration Committee and the Board considered the Proposed RSU Grants can achieve the intended purposes of the Post-IPO RSU Scheme. In addition, in the process of determining eligible grantees and the respective number of RSUs to be granted, the Company will consider its long-term plan, the potential number of eligible grantees who are likely to meet their respective individual performance targets and consider how to maximise the Post-IPO RSU Scheme to ensure that all eligible grantees can be motivated. Therefore, the Company will not usually utilize the 2.0% limit on one or two individuals, but will take into account the possible number of eligible grantees and map out how best to remunerate these eligible grantees through the grant of RSUs at the relevant time. As such, Mr. Li and Mr. Wang were only granted RSUs in aggregate of 0.92% of total number of the issued share capital of the Company in 2021 and 0.54% of total number of the issued share capital of the Company in 2022.

Furthermore, the dilutive effect of Proposed RSU Grants to the interests of the existing public Shareholders is insignificant and there will be no substantial cash outflow by the Company under the Proposed RSU Grants. The Directors (excluding the independent non-executive Directors, excluding Mr. Li in respect of the portion of the Proposed RSU Grants relating to himself, and subject to advice from the Independent Financial Adviser) consider that the terms of the Proposed RSU Grants are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Background of Mr. Li

Details of the professional expertise, experience and contributions to the Group of Mr. Li is set out below:

Mr. Li Chong is a co-founder of the Group and was appointed as our Chief Operating Officer from September 2009 to August 2021 and executive Director since September 2009. He is responsible for the formulation of the Group's medium and long-term strategy and the search for and acquisition of top-tier talents for the Group. Mr. Li has more than 21 years of experience in the information technology industry. From March 2013 to present, he has served as the chairman of the supervisory board of Altratek Guangdong. From January 2008 to July 2009, he was one of the new project leaders of Altratek Guangdong, where he was responsible for the design and operation of the company's products. In particular, he was a key participant in the feasibility study and development of Aobi Island. Prior to that, he was the President of Guangzhou Aochuang Information Technology Co., Ltd.* (廣州市奧創信息技術有限公司) from October 2000 to December 2008, where he was responsible for the overall operation and management of the company.

Background of Mr. Wang

Details of the professional expertise, experience and contributions to the Group of Mr. Wang is set out below:

Mr. Wang is a co-founder of the Group was appointed Executive Vice President in September 2009. Mr. Wang was also appointed as our executive Director between September 2009 and March 2010 and between December 2013 to January 2022. He is in charge of the overall management of the human resources, user services, public affairs and business cooperation of the Group. Mr. Wang has more than 23 years of experience in the information technology industry, as well as extensive experience in the education industry. Prior to joining the Group, he was one of the new project leaders of Altratek Guangdong from September 2007 to July 2009, where he was a key participant in the feasibility study and development of Aobi Island. He was specifically responsible for managing human resources, administration and the cooperation with primary schools and other education agencies for the product. He was the Director of Human Resources and Vice President of Guangzhou Elite Enterprise Management Corporation* (廣州市伊萊哲企業有限公司) from August 2001 to December 2008, where he was in charge of the company's operations in northern China, as well as the management and development of the company's human resources department.

LETTER FROM THE BOARD

RSU Mandate to Issue New Shares

The new Shares to be issued under the Proposed RSU Grants will be issued under the RSU Mandate to be granted to the connected persons by the Shareholders at the Annual General Meeting.

All Shares to be issued under the Proposed RSU Grants to Mr. Li and Mr. Wang upon vesting and settlement of the RSUs will rank *pari passu* in all respects among themselves and with all the ordinary Shares in issue from time to time.

Listing Rules Implications

As Mr. Li is an executive Director of the Company and Mr. Wang was an executive Director of the Company in the past 12 months, and therefore are connected persons of the Company under Rule 14A.07 of the Listing Rules, the Proposed RSU Grants to them and any transactions contemplated thereunder (including the allotment and issue of any new Shares thereunder) constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and the Independent Shareholders' approval requirements.

Pursuant to Chapter 14A of the Listing Rules, Mr. Li, Mr. Wang and their respective associates are required to abstain from voting on their respective resolutions at the Annual General Meeting to approve the Proposed RSU Grants. As at the Latest Practicable Date, Mr. Li and his associates are interested in 124,816,360 Shares, representing in aggregate approximately 4.50% of the total issued share capital of the Company. As at the Latest Practicable Date, Mr. Wang and his associates are interested in 15,000,000 Shares, representing in aggregate approximately 0.54% of the total issued share capital of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief, and there are no Shareholders having any material interest in the Proposed RSU Grants. Accordingly, no Shareholders other than Mr. Li and Mr. Wang and their respective associates are required to abstain from voting at the Annual General Meeting on the relevant resolution approving the Proposed RSU Grants. Mr. Li and Mr. Wang are considered to be interested in the Proposed RSU Grants and therefore they have abstained from voting on the relevant Board resolutions.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, comprising Ms. Liu Qianli, Dr. Wang Qing and Mr. Ma Xiaofeng, all being the independent non-executive Directors, had been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Proposed RSU Grants. Shenwan Hongyuan Capital (H.K.) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Proposed RSU Grants to Mr. Li and Mr. Wang are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Annual General Meeting. The letter from the Independent Board Committee to the Independent Shareholders is set out on page 17 of this circular. The letter from Shenwan Hongyuan Capital (H.K.) Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 38 of this circular.

LETTER FROM THE BOARD

9. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Annual General Meeting is set out on pages 53 to 58 of this circular for the purpose of considering and, if thought fit, passing the resolutions set out therein.

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

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

Hybrid AGM

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

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

Shareholders of the Company who wishes to join AGM online via the ZOOM live webcast must register by 2:30 p.m. on Saturday, 4 June 2022 (being not less than forty-eight (48) hours before the AGM) to is-enquiries@hk.tricorglobal.com or telephone hotline (852) 2980 1333 of Tricor Investor Services Limited. Following authentication of his/her/its status as shareholders of the Company, authenticated shareholders of the Company will receive an email instruction on how to join the ZOOM live webcast to observe the proceedings of the AGM by Monday, 6 June 2022. Shareholders of the Company who registers for the ZOOM live webcast may submit questions related to the resolutions to be tabled for approval at the AGM. To do so, all questions must be submitted by 2:30 p.m. on Saturday, 4 June 2022 (being not less than forty-eight (48) hours before the AGM) by email to is-enquiries@hk.tricorglobal.com or telephone hotline (852) 2980 1333 of Tricor Investor Services Limited. Shareholders MUST NOT forward the URL to other persons who are not the Shareholders and who are not entitled to attend the AGM.

LETTER FROM THE BOARD

If such Shareholder of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it may appoint the chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the chairman of the AGM as proxy, a Shareholder the Company (whether individual or corporate) must give specific instructions as to voting in the form of proxy, the duly completed and signed form of proxy must be deposited together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority at the office of the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 2:30 p.m. on Saturday, 4 June 2022 (being not less than forty-eight (48) hours before the AGM), failing which the appointment will be treated as invalid.

If you have any queries on the above, please contact the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, via their hotline at (852) 2980 1333 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).

How to vote at the AGM

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

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

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

10. RESPONSIBILITY STATEMENT

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

11. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the declaration of a special dividend, the proposed re-election of the retiring Directors, the renewal of the Share Repurchase Mandate and the Issuance Mandate, the re-appointment of the retiring auditor, the renewal of the RSU Mandate to issue Shares pursuant to the Post-IPO RSU Scheme and the non-exempt connected transaction in relation to proposed grant of restricted share units to Mr. Li and Mr. Wang are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
For and on behalf of the Board
BAIOO Family Interactive Limited
DAI Jian

Chairman, Chief Executive Officer and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



27 April 2022

To the Independent Shareholders

Dear Sir/Madam,

NON-EXEMPT CONNECTED TRANSACTION IN RELATION TO PROPOSED GRANT OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS

We refer to the circular of the Company dated 27 April 2022 (the “**Circular**”) to its Shareholders of which this letter forms part. Capitalized terms defined in the circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you in relation to the proposed grant of 5,000,000 RSUs to Mr. Li and 10,000,000 RSUs to Mr. Wang; whether such Proposed RSU Grants are fair and reasonable and in the interests of the Company and the Shareholder as a whole; and how to vote on the resolution regarding the Proposed RSU Grants, taking into account the recommendations from the Independent Financial Adviser.

Shenwan Hongyuan Capital (H.K.) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Proposed RSU Grants to Mr. Li and Mr. Wang are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote on the relevant resolution.

Your attention is drawn to:

- (a) the letter from the Board set out on pages 5 to 16 of this circular which contains its recommendation to the Independent Shareholders and the additional information set out in the Appendix to this circular; and
- (b) the letter from the Independent Financial Adviser set out on pages 18 to 38 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders, together with the principal factors and reasons taken into consideration in arriving at such advice.

Having considered the advice from the Independent Financial Adviser, we are of the view that the terms of the Proposed RSU Grants to Mr. Li and Mr. Wang are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Proposed RSU Grants to Mr. Li and Mr. Wang to be presented at the Annual General Meeting.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Shenwan Hongyuan Capital (H.K.) Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed RSU Grants for the purpose of inclusion in this circular.



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

27 April 2022

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

Dear Sirs

NON-EXEMPT CONNECTED TRANSACTION PROPOSED GRANT OF RESTRICTED SHARE UNITS TO CONNECTED PERSONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed RSU Grants, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 27 April 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 30 March 2022, the Board resolved to conditionally grant a total of 15,000,000 RSUs, of which 5,000,000 RSUs to Mr. Li and 10,000,000 RSUs to Mr. Wang under the Post-IPO RSU Scheme. The Proposed RSU Grants to Mr. Li and Mr. Wang have been approved by the Remuneration Committee and the Board. Mr. Li is an executive Director of the Company and Mr. Wang was an executive Director of the Company in the past 12 months, and therefore are connected persons of the Company under Rule 14A.07 of the Listing Rules, and the Proposed RSU Grants constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and the Independent Shareholders’ approval requirements.

The Independent Board Committee comprising Ms. Liu Qianli, Dr. Wang Qing and Mr. Ma Xiaofeng (all being the independent non-executive Directors) had been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Proposed RSU Grants and in the interests of the Company and the Shareholders as a whole; and how to vote on the resolution regarding the Proposed RSU Grants.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Save for (i) the Company's grant of restricted share units to the Directors, on which we opined in the circular of the Company dated 21 May 2021; and (ii) the Company's further revision of annual cap for its continuing connected transaction, on which we opined in the circular of the Company dated 14 March 2022, there was no other engagement between us and the Company during the two years preceding the date hereof. Apart from normal professional fees payable to us by the Company in connection with the current appointment of us as independent financial adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Proposed RSU Grants.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the Proposed RSU Grants are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable; (ii) whether the Proposed RSU Grants are in the interests of the Company and the Independent Shareholders as a whole; and (iii) how the Independent Shareholders should vote in favour of the resolution to approve the Proposed RSU Grants and the transactions contemplated thereunder at the Annual General Meeting.

BASIS OF OUR OPINION

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

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have interviewed with Mr. Li and Mr. Wang and reviewed, *inter alia*, their employment contracts, the rule of the Post-IPO RSU Scheme, the Group's business introduction materials, the Company's announcements, the Company's annual reports for the year ended 31 December 2019, and 2020 and the Company's annual results announcement for the year ended 31 December 2021. We have also relied on the information and facts contained in the Circular and all information supplied to us by the Company, the information and representations expressed by the management of the Group and the research results performed by us. We have assumed that all information, facts and representations that have been provided by the Group's management, for which they are fully responsible, in all material aspects, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Group's management in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions and representations expressed by the Company and its advisers, which have been provided to us. Our opinion is based on the representation and confirmation of the Group's management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Proposed RSU Grants.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed RSU Grants, we have taken into consideration the following principal factors and reasons:

1. Background of the Group and the Post-IPO RSU Scheme

Background of the Group

The Group principally engaged in development of mobile games focusing on niche game genres, including female-oriented games, pet collection games, raising simulation games and “nijigen” themed games, which target players aged from 15 to 25. Core mobile games of the Group are Shiwuyu (「食物語」) (“**Shiwuyu**”), Aola Star Mobile (「奧拉星手遊」) (“**Aola Star Mobile**”) and Zaowufaze II (「造物法則二：先鋒英雄」), which were well received by users and won numerous industry awards. The Group actively expands into a number of overseas markets with its products launched in various locations outside mainland China, including Hong Kong, Macau, Taiwan, Japan, South Korea, Europe and the United States. In January 2021, Tencent Holdings Limited (stock code: 700) acquired a 12% stake in the Company through its wholly-owned subsidiaries and became a major shareholder of the Company.

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Financial information

Set out below is a summary of financial information of the Group for the three years ended 31 December 2019, 2020 and 2021 as extracted from the Company's annual reports for the year ended 31 December 2019 and 2020 and the Company's annual results announcement for the year ended 31 December 2021, respectively:

	For the year ended 31 December		
	2021	2020	2019
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	883,908	1,128,967	680,598
Gross profit	400,559	429,347	362,146
Profit for the year	26,906	273,231	151,167

As set out in the table above, the Group's revenue increased significantly from RMB680.6 million for the year ended 31 December 2019 ("FY2019") to RMB1,129.0 million for the year ended 31 December 2020 ("FY2020"). In terms of profit, the Group's net profit also surged from RMB151.2 million for FY2019 to RMB273.2 million for FY2020, representing a growth of 80.7%. We note from the Company's annual reports, and understand from the management of the Company that the growth in the Group's revenue and profit was mainly due to the (i) launches of two new mobile games, Shiwuyu and Aola Star Mobile, in 2019 which together accounted for approximately 51.7% and 63.8% of total revenue for FY2019 and FY2020, respectively; and (ii) continuing update of in-game content and launching of new versions of the above games. The growth in revenue and profit are also contributed from the success of the Group's internationalisation strategy, which is evident by the increase in revenue generation from overseas business as a percentage of total revenue from 4.0% for FY2019 to 22.6% for FY2020 due to the successful launch of Shiwuyu in Hong Kong, Macau and Taiwan in 2020.

The Group's revenue decreased from RMB1,129.0 million for FY2020 to RMB883.9 million for the year ended 31 December 2021 ("FY2021") mainly due to the higher popularity of three mobile games, which were just launched in fourth quarter of 2019, in FY2020 compared to FY2021 as we note from the Company's annual results announcement for FY2021. The profit for the year of the Group dropped from RMB273.2 million for FY2020 to RMB26.9 million for FY2021 primarily because of (i) the increase of selling and marketing expenses in FY2021 for the promotion of a new mobile game, Legend of Aoqi Mobile (「奧奇傳說手遊」), which was launched in April 2021; and (ii) the increase of research and development expenses driven by the Group's strategy to enhance its in-house game development capabilities through continuous investment in the Group's research and development team.

Background of the Post-IPO RSU Scheme

The Company's shares were listed on the Main Board of the Stock Exchange on 10 April 2014. The Post-IPO RSU Scheme was approved by the Shareholders on 18 March 2014 and took effect on 10 April 2014. The Post-IPO RSU Scheme is the only share-based incentive scheme after the listing of the Shares. The purposes of the Post-IPO RSU Scheme are (i) to recognise the contributions by grantees and to give incentives thereto in order to retain them for the continual operation and development of the Group; (ii) to align their interest with that of the Group; and (iii) to attract suitable personnel for further development of the Group. Pursuant to Post-IPO RSU Scheme, the total number of Shares underlying the RSUs that may be granted under the Post-IPO RSU Scheme initially had a scheme mandate limit of 2% of the total number

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of Shares in issue, which is subject to annual refreshment by Shareholders' approval. On 19 June 2015, a resolution in relation to amendment of the Post-IPO RSU Scheme was absolutely passed at an annual general meeting to increase the scheme mandate limit from 2% to 4% of the total number of Shares in issue with the annual limit of 2% of the total issued share capital. On 17 December 2020, a resolution in relation to amendment of the Post-IPO RSU Scheme was passed at an extraordinary general meeting to (i) expand scope of Eligible Persons by including former employees and directors of the Company and (ii) restrict the maximum number of Shares which may be awarded to any Eligible Persons under the Post-IPO RSU Scheme to not more than 2% of the total issued share capital.

2. Reasons for and benefits of the Proposed RSU Grants

As set out in the "Letter from the Board" contained in the Circular, the Board considers that the Post-IPO RSU Scheme aims to incentivise employees, directors or officers of the Group for their contribution to the Group, to align their interest with that of the Group, and to retain them for continual operation and development of the Group. The Proposed RSU Grants are part of the Company's remuneration system, the purpose of which is to closely align the interests and benefits of and risk sharing among the Shareholders, the Group and the employees in order to maximise the motivation of the Directors and senior management.

The Board (excluding the independent non-executive Directors) considers that Mr. Li and Mr. Wang have contributed to the Group's success in recent years. As set out in the section headed "1. Background of the Group and the Post-IPO RSU Scheme" of this letter above, the Group recorded significant improvement in its financial performance from 2019 to 2020. Revenue of the Group increased from RMB680.6 million for FY2019 to RMB1,129.0 million for FY2020, representing an increase of approximately 65.9%; and at the same time the Group's net profit also grew from RMB151.2 million for FY2019 to RMB273.2 million for FY2020, representing a growth of 80.7%. Although revenue and profit for the year of the Group for FY2021 dropped by 21.7% and 90.1%, respectively, the Group's strategy in enhancing its in-house game development capabilities by increasing expenses in research and development in FY2021 paid off. The Group's upcoming game, Aobi Island: Dreamland (「奧比島：夢想國度」) had already won multiple most anticipated game awards before its planned launch in 2022.

We have discussed with the management of the Company and understood that Mr. Li, who was appointed as the Group's Chief Operating Officer and executive Director since 2009, contributed to the above success by utilising his 20 years of experience in the information technology industry and his involvement in the management of production cycle of products of the Group, including the development of Shiwuyu and Aola Star Mobile which contributed to significant portion of growth in revenue in 2020. Mr. Li's expertise in project management of production of digital contents, especially in mobile gaming, is essential to the Group in sustaining the business growth by maintaining the popularity of its well-received core products and developing the next successful title.

Mr. Wang, the Executive Vice President and then executive Director within 12 months from the expected date of the Proposed RSU Grants, is in charge of the overall management of the human resources, user services, public affairs and business cooperation of the Group. As advised by the Company, recruiting and retaining talents for the production of quality gaming contents is the key to sustain and enhance the Group's core competitiveness, and Mr. Wang played an important role in the whole process acting as the key management for the Group's human resources. We also note from the Company's annual report for the year ended 31 December 2020 that the Company recruited 178 game developers, who focus on updating game versions of existing games and developing new games with innovative game content and designs, and research and development personnel related to game operations and innovation accounted for 77.8% of the Group's total number of staff as of end of the year. Research and development expenses represented 9.4% and 19.6% of the revenue for FY2020 and FY2021, respectively, which demonstrates the Group's

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commitment to strengthening its innovation and research and development capabilities, and the importance of retaining and expanding the development team of the Group with suitable talents. As demand for talents in the gaming industry is surging due to increasingly fierce competition, Mr. Wang's experience in the Group's human resources management is crucial to the future development of the Group. Having considered the past contributions made by Mr. Li and Mr. Wang, the Board (excluding the independent non-executive Directors) is of the view that the Proposed RSU Grants will help to retain Mr. Li and Mr. Wang, being co-founders and senior management of the Group with extensive experience in the Group's business, and it believes that Mr. Li and Mr. Wang will continue to contribute to the Group's future development.

The Company granted certain RSUs to Mr. Li and Mr. Wang in 2021. For details of the grant of RSUs to Mr. Li and Mr. Wang in 2021, please refer to the announcement of the Company dated 12 April 2021 and circular of the Company dated 21 May 2021. We have discussed with the management of the Company and understood that they considered that as long as Mr. Li and Mr. Wang exceed their individual performance expectations, rewards can be provided to Mr. Li and Mr. Wang in the form of bonuses, cash or RSU Grants. The management believe that the Proposed RSU Grants, which have terms and vesting periods similar to the grant of RSUs in 2021, are effective means to (i) retain Mr. Li and Mr. Wang; (ii) incentive them to continue contributing to the betterment of the Group, and (iii) align Mr. Li and Mr. Wang's interests with those of the Shareholders.

In view of the above, in particular, (i) the past contribution from the Mr. Li and Mr. Wang; (ii) the importance of retaining them for continuing operation and development of the Group; (iii) the expected benefits of enhancing the value of the Company through aligning the interests of Mr. Li, Mr. Wang and the Shareholders; and (iv) no cash outflow is expected through the granting of the RSUs under the Proposed RSU Grants, the Board (excluding the independent non-executive Directors) considers, and we concur, that it is in the interests of the Company and the Shareholders as a whole to grant the RSUs under the Proposed RSU Grants to Mr. Li and Mr. Wang.

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3. Principal terms of the Proposed RSU Grants

On 30 March 2022, the Board resolved to conditionally grant 5,000,000 RSUs and 10,000,000 RSUs to Mr. Li and Mr. Wang respectively under the Post-IPO RSU Scheme in order to align their interest with that of the Company, and provide sufficient incentives to attract, retain and motivate both Mr. Li and Mr. Wang to participate in the continuing operation and long-term development of the Group and to recognise Mr. Li and Mr. Wang's past contributions to the growth of the Group. As set out in the "Letter from the Board", the number of RSUs to be granted to Mr. Li and Mr. Wang is primarily determined after taking into consideration various key factors such as (i) the business contributions made by Mr. Li and Mr. Wang since the Listing of the Company. In particular, Mr. Li, was appointed as the Chief Operating Officer from September 2009 to August 2021 and executive Director since September 2009. He had contributed to the Group's success through his 20 years of experience in the information technology industry and his involvement in the management of the Group's products, including the development of some of the Group's most popular games, Shiwuyu and Aola Star Mobile which contributed to a significant portion of the growth in the Group's revenue since 2020. Mr. Li's expertise in project management and production of digital contents, especially in mobile gaming, is pivotal to the Group's sustained business growth as such new contents had ensured the popularity of the Group's core products. Mr. Wang, the Executive Vice President and then executive Director within 12 months from the expected date of the Proposed RSU Grants, is in charge of the overall management of the human resources, user services, public affairs and business cooperation of the Group. The Company believes that recruiting and retaining talents for the production of quality gaming contents is the key to sustaining and enhancing the Group's core competitiveness. Mr. Wang played an important role in making key management decisions and coordination for the Group's human resource; and (ii) the historical numbers of RSUs granted by the Company to its senior management (other than the Directors of the Company) and employees. In particular, historical grants of up to 30,000,000 RSUs to the Group's previous Chief Executive Officer and the range of 13,000,000 to 24,000,000 RSUs granted to senior management members, including the roles, seniority, performance and experience of the senior management members.

Each of these RSUs to be granted to Mr. Li and Mr. Wang represents the right to receive a Share on the date it vests. The Proposed RSU Grants to Mr. Li and Mr. Wang are subject to the following vesting conditions:

- 20% of the RSUs granted shall vest on 1 July 2023;
- 20% of the RSUs granted shall vest on 1 July 2024;
- 30% of the RSUs granted shall vest on quarterly basis from 1 July 2024 to 1 July 2025; and
- 30% of the RSUs granted shall vest on quarterly basis from 1 July 2025 to 1 July 2026.

Details of the Proposed RSU Grants are set out in the "Letter from the Board" contained in the Circular.

4. Background of Mr. Li and Mr. Wang

We have obtained and reviewed the professional background information and contribution of Mr. Li and Mr. Wang. Details of their professional expertise, experience and contributions to the Group are set out below:

Mr. Li Chong

Mr. Li is one of the co-founders of the Group and was appointed as the Chief Operating Officer from September 2009 to August 2021 and executive Director since September 2009. He is responsible for the formulation of the Group's medium and long-term strategy and the search for and acquisition of top-tier talents for the Group. Mr. Li has more than 20 years of experience in the information technology industry. From March 2013 to present, he has served as the chairman of the supervisory board of Altratek Guangdong. From January 2008 to July 2009, he was one of the new project leaders of Altratek Guangdong, where he was responsible for the design and operation of the company's products. In particular, he was a key participant in the feasibility study and development of Aobi Island(「奧比島」), one the key products of the Group during its earlier stage.

Prior to joining the Group, he was the President of Guangzhou Aochuang Information Technology Co., Ltd.* (廣州市奧創信息技術有限公司) from October 2000 to December 2008, where he was responsible for the overall operation and management of the company.

Mr. Wang Xiaodong

Mr. Wang is one of the co-founders of the Group and was appointed as the Executive Vice President in September 2009. Mr. Wang was also appointed as the executive Director between September 2009 and March 2010 and between December 2013 to January 2022. He is in charge of the overall management of the human resources, user services, public affairs and business cooperation of the Group. Mr. Wang has more than 22 years of experience in the information technology industry, as well as extensive experience in the education industry.

Prior to joining the Group, he was one of the new project leaders of Altratek Guangdong from September 2007 to July 2009, where he was a key participant in the feasibility study and development of Aobi Island. He was specifically responsible for managing human resources, administration and the cooperation with primary schools and other education agencies for the product. He was also the Director of Human Resources and Vice President of Guangzhou Elite from August 2001 to December 2008, where he was in charge of the company's operations in northern China, as well as the management and development of the company's human resources department.

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5. Potential dilution of the shareholding interests of the existing public Shareholders

The number of RSUs to be granted to Mr. Li and Mr. Wang was determined by the Company, Mr. Li and Mr. Wang upon arm's length negotiation. Assuming Mr. Li and Mr. Wang becomes fully entitled to all RSUs after the vesting period, the number of Shares to be issued during the four-year period would be limited to 15,000,000 Shares, or approximately 0.541% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 0.538% of the total enlarged issued share capital of the Company assuming all Shares underlying the Proposed RSU Grants have been issued and no further Shares have been issued or repurchase by the Company. Since the potential dilution effect of the Proposed RSU Grants to the existing public Shareholders' interests is insignificant and there will be no substantial cash outflow by the Company under the Proposed RSU Grants, we consider that the Proposed RSU Grants are acceptable to the Independent Shareholders taking into the reasons and benefits of the Proposed RSU Grants as discussed in the section headed "2. Reasons for and benefits of the Proposed RSU Grants" of this letter above.

6. Effective cost of the Proposed RSU Grants

Issuance of new Shares under the Proposed RSU Grants will have no effect on the cash flow of the Group other than the compensation expenses recognised over the vesting period of the RSUs. The RSUs granted will generally vest over a four-year period with 20% for each of the first two years and 30% for each of the last two years. Based on the 5-day average closing market price per Share of approximately HK\$0.504 before and up to the date of the announcement of the Proposed RSU Grants (i.e. 30 March 2022), the market value of the RSUs under the Proposed RSU Grants is approximately HK\$7.6 million (equivalent to approximately RMB6.1 million).

Based on the Group's audited financial statements contained in Company's annual results announcement for the year ended 31 December 2021, the Group had (i) revenue for the year ended 31 December 2021 of RMB883.9 million; (ii) adjusted net profits (which consists of profit plus share-based compensation) for the year ended 31 December 2021 of approximately RMB79.2 million; (iii) total assets as at 31 December 2021 of approximately RMB1,994.3 million; and (iv) total equity as at 31 December 2021 of RMB1,682.6 million.

The market value of the RSUs under the Proposed RSU Grants to be vested for each of the first two years of approximately RMB1.2 million and each of last two years of approximately RMB1.8 million represents (i) approximately 0.1% and 0.2% of the Group's revenue for the year ended 31 December 2021, respectively; (ii) approximately 1.5% and 2.3% of the Group's adjusted net profits for the year ended 31 December 2021, respectively; (iii) approximately 0.1% and 0.1% of the Group's total assets as at 31 December 2021, respectively; and (iv) approximately 0.1% and 0.1% of the Group's total equity as at 31 December 2021, respectively. As such, the market value of the RSUs under the Proposed RSU Grants is immaterial as compared to the Group's financial condition for the most recent financial year. We consider that the Proposed RSU Grants at no consideration is acceptable in view of the past contribution and the potential economic benefits to be brought by Mr. Li and Mr. Wang to the Group.

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7. Assessment of the Proposed RSU Grants

In order to assess the fairness and reasonableness on the terms of the Proposed RSU Grants, we have identified grants (the “**Comparable Grants**”) of restricted share units and/or awarded shares in relation to shares listed on the Main Board of the Stock Exchange to the existing executive director(s) and/or senior management which constituted connected transactions as announced by companies listed on the Main Board of the Stock Exchange during the period from 1 January 2022 (approximately 3 months prior to the date of the announcement of the Proposed RSU Grants (i.e. 30 March 2022)) up to the date of the announcement of the Proposed RSU Grants (the “**Review Period**”). A total of 20 samples of Comparable Grants are identified during the Review Period. We consider the Review Period to be a reasonable period to identify sufficient and appropriate samples of recent Comparable Grants for the purpose of our analysis as terms and conditions of the grants of restricted share units and/or awarded shares are usually determined by taking into account of the past contributions made by the grantee(s), which are mainly assessed through the business performance of recent financial years. By setting the Review Period after the year end date of the most recent financial year of all the companies announcing the Comparable Grants (i.e. 31 December 2021), we consider the Comparable Grants have sufficiently captured their respective grantee(s) latest past performance assessment and more importantly, appropriately reflected the general trend over the executive directors rewarding and retention programs implemented by listed companies in Hong Kong under the latest prevailing capital market conditions and sentiments. We have excluded grants of share options under share option schemes as share option schemes may have different terms and rules as compared to restricted share unit schemes. The Comparable Grants set out below represent an exhaustive list of grants on a best efforts basis satisfying the above selection criteria. Shareholders should note that the business nature, financial performance and operation scale of the companies involved in the Comparable Grants may be different from that of the Company, and the background to the grants may be specific to the respective company and industry, and the analysis below, in our view, demonstrates the recent market practice in relation to similar type of transactions. We consider the Comparable Grants an appropriate basis in assessing the fairness and reasonableness of the terms of the Proposed RSU Grants.

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Date of announcement	Company	Role of each individual grantee	Vesting period for the particular grantee	Approximate market value of the restricted share units or award shares granted to each individual grantee based on 5-day average closing price before and up to the date of announcement	Approximate percentage of restricted share units or award shares granted to each individual grantee to total issued shares
				<i>HK\$</i> <i>(Note)</i>	<i>%</i> <i>(Note)</i>
1. 3 January 2022	Transcenta Holding Limited (Stock code: 6628)	Executive director	Between 1 January 2023 (approximately 1 year from date of grant) to 1 January 2026 (approximately 4 years from date of grant)	9,126,000	0.225
2. 10 January 2022	Genscript Biotech Corporation (Stock code: 1548)	Chief executive officer	The last batch will be vested on 10 January 2027 (5 years from date of grant)	5,093,547	0.008
3. 20 January 2022	Brii Biosciences Limited (Stock code: 2137)	Executive director	(i) 227,750 restricted share units will vest 25% on 17 September 2022 (approximately 8 months from date of grant), 25% on 17 September 2023 (approximately 1 year and 8 months from date of grant), 25% on 17 September 2024 (approximately 2 years and 8 months from date of grant), 25% on 17 September 2025 (approximately 3 years and 8 months from date of grant); (ii) 683,250 restricted share units will vest upon the achievements by the group of certain milestones determined by the board of directors	20,488,390	0.130

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Date of announcement	Company	Role of each individual grantee	Vesting period for the particular grantee	Approximate market value of the restricted share units or award shares granted to each individual grantee based on 5-day average closing price before and up to the date of announcement <i>HK\$</i> <i>(Note)</i>	Approximate percentage of restricted share units or award shares granted to each individual grantee to total issued shares <i>%</i> <i>(Note)</i>
		Executive director	(i) 151,750 restricted share units will vest 25% on 17 September 2022 (approximately 8 months from date of grant), 25% on 17 September 2023 (approximately 1 year and 8 months from date of grant), 25% on 17 September 2024 (approximately 2 years and 8 months from date of grant), 25% on 17 September 2025 (approximately 3 years and 8 months from date of grant); (ii) 455,250 restricted share units will vest upon the achievements by the group of certain milestones determined by the board of directors	13,651,430	0.080
4.	21 January 2022	Analogue Holdings Limited (Stock code: 1977)	Executive director	25,060,000	1.000
5.	24 January 2022	Yeahka Limited (Stock code: 9923)	Executive director	2,985,600	0.027
			Executive director	1,990,400	0.018
6.	27 January 2022	Yankuang Energy Group Company Limited (Stock code: 1171)	Executive director and general manager	3,661,600	0.004

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Date of announcement	Company	Role of each individual grantee	Vesting period for the particular grantee	Approximate market value of the restricted share units or award shares granted to each individual grantee based on 5-day average closing price before and up to the date of announcement	Approximate percentage of restricted share units or award shares granted to each individual grantee to total issued shares	
				HK\$ (Note)	% (Note)	
		Executive director and chairman of the labour union	33% in 24 months to 36 months from 24 February 2022, 33% in 48 months, 34% in 60 months	2,929,280	0.003	
		Executive director and chief financial officer	33% in 24 months to 36 months from 24 February 2022, 33% in 48 months, 34% in 60 months	2,929,280	0.003	
		Executive director	33% in 24 months to 36 months from 24 February 2022, 33% in 48 months, 34% in 60 months	2,929,280	0.003	
7.	28 January 2022	Poly Property Services Co., Ltd. (Stock code: 6049)	Executive director and general manager	33% in 24 months to 36 months from the date of grant, 33% in 48 months, 34% in 60 months	8,052,422	0.025
8.	6 February 2022	Angang Steel Company Limited (Stock code: 347)	Executive director, joint company secretary, vice general manager, chief accountant and secretary to the board of directors of the company	33% in 24 months to 36 months from 28 January 2022, 33% in 48 months, 34% in 60 months	790,603	0.002
		General manager	33% in 24 months to 36 months from 28 January 2022, 33% in 48 months, 34% in 60 months	930,843	0.003	

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Date of announcement	Company	Role of each individual grantee	Vesting period for the particular grantee	Approximate market value of the restricted share units or award shares granted to each individual grantee based on 5-day average closing price before and up to the date of announcement	Approximate percentage of restricted share units or award shares granted to each individual grantee to total issued shares
				HK\$ (Note)	% (Note)
9. 2 March 2022	Budweiser Brewing Company APAC Limited (Stock code: 1876)	Executive director	Between 1 March 2025 and 1 March 2027	44,716,819	0.014
10. 7 March 2022	Imax China Holding, Inc. (Stock Code: 1970)	Executive director and chief executive officer	33.33% on 7 March 2023 (1 year from date of grant), 33.33% on 7 March 2024 (2 years from date of grant), 33.34% on 7 March 2025 (3 years from date of grant)	2,930,833	0.079
		Executive director and chief marketing officer	33.33% on 7 March 2023 (1 year from date of grant), 33.33% on 7 March 2024 (2 years from date of grant), 33.34% on 7 March 2025 (3 years from date of grant)	2,051,587	0.055
11. 8 March 2022	SITC International Holdings Company Limited (Stock code: 1308)	Executive director	8 March 2025 (3 years from date of grant)	22,512,000	0.026
		Executive director	8 March 2025 (3 years from date of grant)	13,507,200	0.016
		Executive director	8 March 2025 (3 years from date of grant)	22,512,000	0.026
		Executive director	8 March 2025 (3 years from date of grant)	9,648,000	0.011
12. 18 March 2022	Medialink Group Limited (Stock code: 2230)	Executive director	100% on the date of grant	2,698,562	0.950

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Date of announcement	Company	Role of each individual grantee	Vesting period for the particular grantee	Approximate market value of the restricted share units or award shares granted to each individual grantee based on 5-day average closing price before and up to the date of announcement	Approximate percentage of restricted share units or award shares granted to each individual grantee to total issued shares
				HK\$ (Note)	% (Note)
13. 18 March 2022	Razer Inc. (Stock code: 1337)	Executive director	25% on 1 April 2022 (approximately 2 weeks from date of grant), 25% on 1 January 2023 (approximately 9 months from date of grant), 25% on 1 January 2024 (approximately 1 year and 9 months from date of grant), 25% on 1 January 2025 (approximately 2 years and 9 months from date of grant)	884,774	0.004
		Executive director	25% on 1 April 2022 (approximately 2 weeks from date of grant), 25% on 1 January 2023 (approximately 9 months from date of grant), 25% on 1 January 2024 (approximately 1 year and 9 months from date of grant), 25% on 1 January 2025 (approximately 2 years and 9 months from date of grant)	368,656	0.002
14. 23 March 2022	Genscript Biotech Corporation (Stock code: 1548)	Chief executive officer	The last batch will be vested on 22 March 2027	15,170,813	0.028
15. 23 March 2022	Wuxi Biologics (Cayman) Inc. (Stock code: 2269)	Executive director	Not disclosed	127,453,323	0.052
		Executive director	Not disclosed	43,334,582	0.018

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Date of announcement	Company	Role of each individual grantee	Vesting period for the particular grantee	Approximate market value of the restricted share units or award shares granted to each individual grantee based on 5-day average closing price before and up to the date of announcement	Approximate percentage of restricted share units or award shares granted to each individual grantee to total issued shares
				HK\$ (Note)	%
16. 24 March 2022	AAC Technologies Holdings Inc. (Stock code: 2018)	Executive director	33.33% on 24 March 2023 (1 year from date of grant), 33.33% on 24 March 2024 (2 years from date of grant), 33.34% on 24 March 2025 (3 years from date of grant)	1,866,453	0.008
		Executive vice president and chief innovation officer	33.33% on 24 March 2023 (1 year from date of grant), 33.33% on 24 March 2024 (2 years from date of grant), 33.34% on 24 March 2025 (3 years from date of grant)	9,332,284	0.041
		Chief financial officer	33.33% on 24 March 2023 (1 year from date of grant), 33.33% on 24 March 2024 (2 years from date of grant), 33.34% on 24 March 2025 (3 years from date of grant)	7,932,430	0.035
		Chairman of Asia Pacific region (ex-PRC)	33.33% on 24 March 2023 (1 year from date of grant), 33.33% on 24 March 2024 (2 years from date of grant), 33.34% on 24 March 2025 (3 years from date of grant)	1,866,453	0.008
		Chairman of European and American regions	33.33% on 24 March 2023 (1 year from date of grant), 33.33% on 24 March 2024 (2 years from date of grant), 33.34% on 24 March 2025 (3 years from date of grant)	945,034	0.004

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company	Role of each individual grantee	Vesting period for the particular grantee	Approximate market value of the restricted share units or award shares granted to each individual grantee based on 5-day average closing price before and up to the date of announcement	Approximate percentage of restricted share units or award shares granted to each individual grantee to total issued shares
				HK\$ (Note)	%
		Group legal director and company secretary	33.33% on 24 March 2023 (1 year from date of grant), 33.33% on 24 March 2024 (2 years from date of grant), 33.34% on 24 March 2025 (3 years from date of grant)	419,954	0.002
17. 24 March 2022	CARsgen Therapeutics Holdings Limited (Stock code: 2171)	Executive vice president	25% in 4 equal years	3,412,647	0.041
18. 24 March 2022	Fosun International Limited (Stock code: 656)	Executive director	33% on 24 March 2023 (1 year from date of grant), 33% on 24 March 2024 (2 years from date of grant), 33.4% on 24 March 2025 (3 years from date of grant)	6,237,576	0.009
		Executive director	33% on 24 March 2023 (1 year from date of grant), 33% on 24 March 2024 (2 years from date of grant), 33.4% on 24 March 2025 (3 years from date of grant)	5,950,208	0.008
		Executive director	33% on 24 March 2023 (1 year from date of grant), 33% on 24 March 2024 (2 years from date of grant), 33.4% on 24 March 2025 (3 years from date of grant)	26,251,912	0.037
		Executive director	33% on 24 March 2023 (1 year from date of grant), 33% on 24 March 2024 (2 years from date of grant), 33.4% on 24 March 2025 (3 years from date of grant)	22,854,208	0.033

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company	Role of each individual grantee	Vesting period for the particular grantee	Approximate market value of the restricted share units or award shares granted to each individual grantee based on 5-day average closing price before and up to the date of announcement	Approximate percentage of restricted share units or award shares granted to each individual grantee to total issued shares
				HK\$ (Note)	% (Note)
		Executive director	33% on 24 March 2023 (1 year from date of grant), 33% on 24 March 2024 (2 years from date of grant), 33.4% on 24 March 2025 (3 years from date of grant)	12,238,496	0.017
		Executive director	33% on 24 March 2023 (1 year from date of grant), 33% on 24 March 2024 (2 years from date of grant), 33.4% on 24 March 2025 (3 years from date of grant)	8,857,696	0.013
		Executive director	33% on 24 March 2023 (1 year from date of grant), 33% on 24 March 2024 (2 years from date of grant), 33.4% on 24 March 2025 (3 years from date of grant)	6,761,600	0.010
19. 25 March 2022	Angelalign Technology Inc. (Stock code: 6699)	Executive director and chief executive officer	30% on 30 September 2022 (approximately 6 months from date of grant), 30% on 30 September 2023 (approximately 1 year and 6 months from date of grant), 20% on 30 September 2024 (approximately 2 years and 6 months from date of grant), 20% on 30 September 2025 (approximately 3 years and 6 months from date of grant)	3,661,678	0.015

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company	Role of each individual grantee	Vesting period for the particular grantee	Approximate market value of the restricted share units or award shares granted to each individual grantee based on 5-day average closing price before and up to the date of announcement	Approximate percentage of restricted share units or award shares granted to each individual grantee to total issued shares
				HK\$ (Note)	% (Note)
20. 28 March 2022	S-Enjoy Service Group Co., Limited (Stock code: 1755)	Executive director	30% on 1 April 2023 (approximately 1 year from date of grant), 30% on 1 April 2024 (approximately 2 years from date of grant), 40% on 1 April 2025 (approximately 3 years from date of grant)	5,149,000	0.057
		Executive director	30% on 1 April 2023 (approximately 1 year from date of grant), 30% on 1 April 2024 (approximately 2 years from date of grant), 40% on 1 April 2025 (approximately 3 years from date of grant)	3,089,400	0.034
		Executive director	30% on 1 April 2023 (approximately 1 year from date of grant), 30% on 1 April 2024 (approximately 2 years from date of grant), 40% on 1 April 2025 (approximately 3 years from date of grant)	1,029,800	0.011
			Average	11,916,992	0.071
			Median	5,149,000	0.017
			Maximum	127,453,323	1.000
			Minimum	368,656	0.002

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company	Role of each individual grantee	Vesting period for the particular grantee	Approximate market value of the restricted share units or award shares granted to each individual grantee based on 5-day average closing price before and up to the date of announcement	Approximate percentage of restricted share units or award shares granted to each individual grantee to total issued shares
				HK\$ (Note)	% (Note)
30 March 2022	The Company	Executive director and chief operating officer (Mr. Li)	20% on 1 July 2023 (approximately 1 year and 3 months from date of grant), 20% on 1 July 2024 (approximately 2 years and 3 months from date of grant), 30% on quarterly basis from 1 July 2024 to 1 July 2025 (approximately 3 years and 3 months from date of grant), 30% on quarterly basis from 1 July 2025 to 1 July 2026 (approximately 4 years and 3 months from date of grant)	2,520,000	0.180
		Executive vice president (Mr. Wang)	20% on 1 July 2023 (approximately 1 year and 3 months from date of grant), 20% on 1 July 2024 (approximately 2 years and 3 months from date of grant), 30% on quarterly basis from 1 July 2024 to 1 July 2025 (approximately 3 years and 3 months from date of grant), 30% on quarterly basis from 1 July 2025 to 1 July 2026 (approximately 4 years and 3 months from date of grant)	5,040,000	0.361

Source: Announcements of the relevant companies involved in the Comparable Grants on the website of the Stock Exchange

Note: As extracted from the relevant announcements for the Comparable Grants or as calculated based on the number of restricted share units/award shares granted, the average closing share price of the five days before and up to the date of the announcement and the number of total issued shares as at the date of the announcement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the information in the table above, we note that the Proposed RSU Grants are generally in line with the market practice, in particular (1) the market values of RSUs to be granted to Mr. Li and Mr. Wang (based on the 5-day average closing market price per Share of approximately HK\$0.504 before and up to the date of the announcement of the Proposed RSU Grants) under the Proposed RSU Grants are lower than the average and median and fall within the range of the Comparable Grants; (2) although the percentages of the RSUs to be granted to Mr. Li and Mr. Wang to the total issued shares of the Company (which are 0.180% and 0.361%, respectively) are higher than the average and median of the Comparable Grants, both still fall well within the range of the Comparable Grants (i.e. 0.002%–1.000%) and the potential dilution effect is insignificant as set out in section headed “5. Potential dilution of the shareholding interests of the existing public Shareholders” in the letter; and (3) although none of the vesting condition/schedule of the Comparable Grants is identical to the one of the Proposed RSU Grants, the vesting period of the Comparable Grants generally ranged from two years and five months to five years from the date of grants (except for one of the Comparable Grants which vest immediately at the date of grant). The vesting period of the Proposed RSU Grants (i.e. approximately 4 years and 3 months from the date of grant) lies within the range of the Comparable Grants and this, in our view, is commensurate with the objective to incentivise future performance. Accordingly, we consider the amount of RSUs to be allotted under the Proposed RSU Grants and the vesting schedule for the Proposed RSU Grants fair and reasonable so far as the Independent Shareholders are concerned.

ANALYSIS AND RECOMMENDATION ON THE PROPOSED RSU GRANTS

Having reviewed the Comparable Grants as set out in section headed “7. Assessment of the Proposed RSU Grants” in the letter, we considered that the alignment of interests of executive Directors and senior management by way of grant of RSUs or award shares is not uncommon and is in line with the general market practice. Restricted share scheme, as compared with traditional share option scheme, would provide grantees with certainty of monetary benefit upon the end of vesting period regardless of the share price performance which may be affected by short-term market sentiment. In the meantime, the restricted share scheme can service the purpose of aligning the interests and benefits of and risks sharing among the shareholders, the listed companies and the employees in order to maximise the motivation of the Directors and senior management to make contribution to their companies. Having considered that the financial impact and dilution effect from the Proposed RSU Grants are insignificant to the Group and the Proposed RSU Grants are generally in line with the market practice, we are of view that the Proposed RSU Grants are justifiable to reward for the past contribution and to capture the potential economic benefits to be brought by Mr. Li and Mr. Wang to the Group.

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

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

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

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

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

Name	Position	Capacity/ Nature of interest	Number of underlying Shares ⁽⁸⁾	Approximate percentage of shareholding
DAI Jian (戴堅) ⁽¹⁾	Chairman, Executive Director and Chief Executive Officer	Founder of a discretionary trust Interest of controlled corporation	687,944,180(L)	24.82%
		Beneficial owner	10,000,000(L)	0.36%
WU Lili (吳立立) ⁽²⁾	Executive Director	Founder of a discretionary trust Interest of controlled corporation	365,596,180(L)	13.19%
		Beneficial owner	10,000,000(L)	0.36%
LI Chong (李沖) ⁽³⁾⁽⁴⁾	Executive Director	Founder of a discretionary trust Interest of controlled corporation	114,816,360(L)	4.14%
		Beneficial owner	10,000,000(L)	0.36%
LIU Qianli (劉千里) ⁽⁵⁾	Independent Non-executive Director	Beneficial owner	200,000(L)	0.01%
WANG Qing (王慶) ⁽⁶⁾	Independent Non-executive Director	Beneficial owner	200,000(L)	0.01%
MA Xiaofeng (馬肖風) ⁽⁷⁾	Independent Non-executive Director	Beneficial owner	200,000(L)	0.01%

Notes:

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

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

2. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date,

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

3. CONSENT OF EXPERT

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

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

Shenwan Hongyuan Capital (H.K.) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear. The letter from Shenwan Hongyuan Capital (H.K.) Limited dated 27 April 2022 is given on pages 18 to 38 for incorporation herein.

As at the Latest Practicable Date, Shenwan Hongyuan Capital (H.K.) Limited did not have: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, the date to which the latest published audited financial statements of the Group were made up.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. DOCUMENTS AVAILABLE FOR INSPECTION

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

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

APPENDIX II DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT THE ANNUAL GENERAL MEETING

The following are the particulars (as required by the Listing Rules) of the Directors proposed to be re-elected at the Annual General Meeting in accordance with the Articles of Association.

(1) **Mr. LI Chong (李冲)**, aged 53, is a co-founder of our Group and was appointed as our Chief Operating Officer from September 2009 to August 2021 and executive Director since September 2009. He is responsible for the formulation of the Group's medium and long-term strategy and the search for and acquisition of top-tier talents for the Group.

Mr. LI has more than 21 years of experience in the information technology industry. From March 2013 to present, he has served as the chairman of the supervisory board of Altratek Guangdong. From January 2008 to July 2009, he was one of the new project leaders of Altratek Guangdong, where he was responsible for the design and operation of the company's products. In particular, he was a key participant in the feasibility study and development of Aobi Island. Prior to that, he was the president of Guangzhou Aochuang Information Technology Co., Ltd.* (廣州市奧創信息技術有限公司) from October 2000 to December 2008, where he was responsible for the overall operation and management of the company.

Mr. LI received his master's degree in business management from Jinan University (暨南大學) in June 2000. He also received his master's degree in communications and electric systems and bachelor's degree in telecommunications engineering from Beijing University of Posts and Telecommunications (北京郵電大學) in April 1992 and July 1989, respectively.

Mr. LI has renewed a service agreement ("**Mr. LI's Service Agreement**") with the Company pursuant to which he agreed to act as an executive Director for another term of three years commencing from 1 January 2017 (subject to re-election as and when required under the Articles of Association) and renewed for successive period of three years until terminated in accordance with Mr. LI's Service Agreement. The annual basic salary of Mr. LI has been adjusted to RMB960,000 since April 2022 which is determined by the Board based on his qualification, position and seniority. Under Mr. LI's Service Agreement, his remuneration may include share options and RSUs and he is also entitled to a discretionary management bonus of such amount as the Board may determine in light of the Company's business performance and his individual performance after confirmation with the Remuneration Committee and the Nomination Committee.

As at the Latest Practicable Date, Mr. LI has (i) personal interests in 114,816,360 Shares, through a controlled corporation, LNZ Holding Limited, and (ii) 10,000,000 RSUs granted pursuant to the Post-IPO RSU Scheme of the Company, representing approximately 4.50% of the issued share capital of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. LI (i) does not hold any other position with any members of the Group, (ii) is not related to any Director, senior management, substantial shareholder or controlling shareholder of the Company or other members of the Group, (iii) is not interested in other Shares within the meaning of Part XV of the SFO and, (iv) did not hold any directorships in other listed public companies in the last three years.

Save as disclosed above, Mr. LI has confirmed that there is no other information which is discloseable nor has he been involved in any of the matters required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and the Company is not aware of any other matters concerning Mr. LI's standing for re-election as Director that need to be brought to the attention of the Shareholders.

APPENDIX II DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT THE ANNUAL GENERAL MEETING

(2) **Mr. WU Lili** (吳立立), aged 54, is a co-founder of the Group and was appointed as the executive Director in September 2009. Mr. WU was appointed as the Chief Executive Officer in March 2010 and relinquished such position in March 2015. He is responsible for overseeing the Company's growth strategies, mergers and acquisitions and other business opportunities.

Mr. WU has more than 21 years of experience in the information technology industry. From March 2013 to present, he has served as the director of Altratek Guangdong. From September 2007 to June 2009, he was the deputy director of marketing of Altratek Guangdong, where he was responsible for resources integration and capital operation, as well as strategic planning and new project development, including the overall management of the company's new Internet business and the integration of the telecom value added services. Prior to that, he was the vice chairman of marketing of Guangzhou Elite from November 1999 to August 2007, where he managed the company's various production lines and marketing agencies in the PRC, and was responsible for the implementation of the company's marketing strategies.

Mr. WU received his MBA degree from the China Europe International Business School (中歐國際工商學院) in September 2004. He also received his master's degree in computer application and bachelor's degree in computer communications from Beijing University of Posts and Telecommunications (北京郵電大學), formerly known as (北京郵電學院) in April 1992 and July 1989, respectively.

Mr. WU has renewed a service agreement ("**Mr. WU's Service Agreement**") with the Company pursuant to which he agreed to act as an executive Director for another term of three years commencing from 1 January 2017 (subject to re-election as and when required under the Articles of Association) and renewed for successive period of three years until terminated in accordance with Mr. WU's Service Agreement. The annual basic salary of Mr. WU has been adjusted to RMB960,000 since April 2022. The annual basic salary is determined by the Board based on his qualification, position and seniority. Under Mr. WU's Service Agreement, his remuneration may include share options and RSUs and he is also entitled to a discretionary management bonus of such amount as the Board may determine in light of the Company's business performance and his individual performance after confirmation with the Remuneration Committee and Nomination Committee.

As at the Latest Practicable Date, Mr. WU has personal interests in 365,596,180 Shares, through a controlled corporation, Bright Stream Holding Limited, representing approximately 13.19% of the issued share capital of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. WU (i) does not hold any other position with any members of the Group, (ii) is not related to any Director, senior management, substantial shareholder or controlling shareholder of the Company or other members of the Group, (iii) is not interested in other Shares within the meaning of Part XV of the SFO and, (iv) did not hold any directorships in other listed public companies in the last three years.

Save as disclosed above, Mr. WU has confirmed that there is no other information which is discloseable nor has he been involved in any of the matters required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and the Company is not aware of any other matters concerning Mr. WU's standing for re-election as Director that need to be brought to the attention of the holders.

The following is an explanatory statement provides all Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the proposed ordinary resolution No. 5 as set out in the notice of Annual General Meeting in relation to the Share Repurchase Mandate. This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) and other relevant provisions of the Listing Rules which is set out as follows:

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company of 2,771,194,000 Shares have been fully paid. As at the same date, there is no outstanding Options granted under the Pre-IPO Share Option Scheme as the Pre-IPO Share Option Scheme was expired on 18 June 2020. There are outstanding RSUs granted under the Post-IPO RSU Scheme of 130,420,000 Shares and there is no outstanding RSU granted under the Pre-IPO RSU Scheme.

Subject to the passing of the proposed ordinary resolution No. 5 as set out in the notice of Annual General Meeting approving the renewal of the Share Repurchase Mandate and assuming that no further Shares will be issued or repurchased following the Latest Practicable Date and prior to the date of the Annual General Meeting, the maximum number of Shares which may be purchased pursuant to the Share Repurchase Mandate as at the date of passing the proposed ordinary resolution No. 5 as set out in the notice of the Annual General Meeting will be 277,119,400 Shares, representing 10% of the number of Shares in issue as at the date of the Annual General Meeting (assuming the number of issued Shares remains unchanged following the Latest Practicable Date and prior to the date of the Annual General Meeting).

Subject to the passing of the proposed ordinary resolution No. 5 as set out in the notice of Annual General meeting, the Directors will be authorized to exercise the Share Repurchase Mandate during the period from the passing of the proposed ordinary resolution No. 5 as set out in the notice of Annual General Meeting until whichever is the earliest of the conclusion of the next annual general meeting of the Company; the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or the revocation or variation of the Share Repurchase Mandate by ordinary resolution of the Shareholders in general meeting. The Directors wish to state that they have no immediate plan to repurchase any Shares pursuant to the Share Repurchase Mandate.

2. REASONS FOR SHARE REPURCHASE

The Directors believe that the granting of the Share Repurchase Mandate is in the best interests of the Company and the Shareholders as a whole.

Repurchase of Shares may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

3. FUNDING OF SHARE REPURCHASE

The Company is empowered by its Articles of Association to repurchase Shares. In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Articles of Association, the laws of the Cayman Islands and/or any other applicable laws, as the case may be.

4. IMPACT OF SHARE REPURCHASE

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position as at 31 December 2021, being the date to which the last audited accounts of the Company were made up) in the event that the Share Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. MARKET PRICES OF SHARES

The highest and lowest prices at which the Shares were traded on the Stock Exchange in each of the previous twelve months immediately prior to the Latest Practicable Date quoted on the website of the Stock Exchange were as follows:

Month	Highest HK\$	Lowest HK\$
2021		
April	2.370	1.960
May	2.070	1.590
June	1.802	1.541
July	1.650	1.030
August	1.260	0.790
September	0.930	0.680
October	0.750	0.620
November	0.850	0.540
December	0.740	0.560
2022		
January	0.610	0.530
February	0.690	0.550
March	0.600	0.400
April (<i>up to the Latest Practicable Date</i>)	0.520	0.460

6. TAKEOVERS CODE IMPLICATIONS

If as a result of a repurchase of Shares pursuant to the Share Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of the Company and thereby become obliged to make a mandatory offer in accordance with Rule 26 and Rule 32 of the Takeovers Code.

To the best knowledge of the Directors and according to the register of substantial shareholders' interests in Share kept under section 336 of Part XV of the SFO, as at the Latest Practicable Date, Stmoritz Investment Limited, Bright Stream Holding Limited and LNZ Holding Limited were interested in, respectively, 687,944,180 Shares (representing approximately 24.82% of the total issued share capital of the Company), 365,596,180 Shares (representing approximately 13.19% of the total issued share capital of the Company), 114,816,360 Shares (representing approximately 4.14% of the total issued share capital of the Company). In the event that the Directors exercise the proposed Share Repurchase Mandate in full, the shareholding of Stmoritz Investment Limited, Bright Stream Holding Limited and LNZ Holding Limited in the Company would be increased to approximately 27.58%, 14.66% and 4.60%, respectively. The Directors are not aware of any consequences which may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code or which will result in the aggregate number of Shares held by the public shareholders falling below the minimum requirement of public float by the Stock Exchange.

7. INTENTION OF DIRECTORS AND CORE CONNECTED PERSONS TO SELL SHARES

To the best of their knowledge and having made all reasonable enquiries, none of the Directors nor any of their respective close associates have any present intention to sell any Shares to the Company in the event that the granting of the Share Repurchase Mandate is approved by the Shareholders.

The Company has not been notified by any core connected persons of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company in the event that the granting of the Share Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases of Shares pursuant to the Share Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws of the Cayman Islands.

8. SHARE REPURCHASE MADE BY THE COMPANY

During the 6 months prior to the Latest Practicable Date, the Company had not repurchased any Shares (whether on the Stock Exchange or otherwise).

The following is to provide Shareholders with information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolution No. 8 as set out in the notice of Annual General Meeting in respect of the approval of the RSU Mandate.

The Post-IPO RSU Scheme

Reference is made to the circular of the Company dated 21 May 2021 in relation to, among other things, a specific mandate to the Directors to grant RSUs in respect of underlying Shares not exceeding 2.0% of the Shares in issue (the “**2021 RSU Mandate**”). At the 2021 Annual General Meeting, the 2021 RSU Mandate was granted. The 2021 RSU Mandate will lapse at the conclusion of the Annual General Meeting (the “**2021 RSU Mandate Applicable Period**”).

The Post-IPO RSU Scheme is the only share-based incentive scheme that the Company has in place to incentivize its employees after the Listing. Given that the Company engages in developing and publishing mobile and PC games while such industry is becoming increasingly competitive in attracting talents and the base of the Company’s own talent pools continues to grow, there is a pressing need for the Company to grant RSUs to incentivize its employees and to align their interest with that of the Company. The Post-IPO RSU Scheme may also assist the Company in retaining the management of potential targets in case of any mergers and acquisitions situations.

The 2021 RSU Mandate

The maximum aggregate number of the Shares underlying all the RSUs which the Company may grant pursuant to the Post-IPO RSU Scheme during the Applicable Period pursuant to the 2021 RSU Mandate is 54,343,880 Shares, representing approximately 2.0% of the Shares in issue as at the date of passing the 2021 RSU Mandate.

Utilization, Lapse and Cancellation

The utilization of the 2021 RSU Mandate during the period from date of approving the 2021 RSU Mandate and up to the Latest Practicable Date (the “**2021 RSU Mandate Applicable Period**”) is summarized as follows:

Grantees	Number of RSUs Granted	Grant Date	Vesting Period
Mr. Li Chong and Mr. Wang Xiaodong	25,000,000	12 April 2021	Note 1
30 officers and employees of the Group	<u>14,000,000</u>	3 September 2021	Note 2
Total	<u><u>39,000,000</u></u>	—	—

Notes:

- The Proposed RSU Grants to Mr. Li Chong and Mr. Wang Xiaodong are subject to the following vesting conditions:
 - 20% of the RSUs granted shall vest on 1 July 2022;
 - 20% of the RSUs granted shall vest on 1 July 2023;

- 30% of the RSUs granted shall vest on quarterly basis from 1 July 2023 to July 2024; and
- 30% of the RSUs granted shall vest on quarterly basis from 1 July 2024 to July 2025.

For details of the vesting schedules for the RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme, please refer to the announcement of the Company dated 12 April 2021 and circular of the Company dated 21 May 2021.

2. The RSUs granted to the subjected RSU grantee under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follows:
 - 20% of the RSUs on 1 July 2022;
 - 20% of the RSUs on 1 July 2023; and
 - 60% of the RSUs on a quarterly basis from 1 July 2023 to 1 July 2025.

For details of the vesting schedules for the RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme, please refer to the announcement of the Company dated 3 September 2021.

As at the Latest Practicable Date, a total of 39,000,000 RSUs were granted pursuant to the 2021 RSU Mandate, representing 1.43% of the Shares in issue as at the date of the 2021 Annual General Meeting and approximately 71.77% of the maximum number of Shares that underlie the RSUs of which the Board was authorized to grant under the 2021 RSU Mandate.

As at the Latest Practicable Date, 25,000,000 shares had been issued and allotted pursuant to the 2021 RSU Mandate.

As at the Latest Practicable Date, no RSUs granted during the 2021 RSU Mandate Applicable Period had lapsed or vested or had otherwise been canceled.

For the year ended 31 December 2021, there was no RSU issued and allotted to Baiduo Investment Holding Limited, a company incorporated in the British Virgin Islands and an independent third party, as the nominee to administer the Post-IPO RSU Scheme pursuant to the Post-IPO RSU Scheme and the 2021 RSU Mandate. During the period from 1 January 2022 and up to the Latest Practicable Date, no further Shares have been issued and allotted pursuant to the 2021 RSU Mandate.

Unused 2021 RSU Mandate

The number of Shares that underlies the RSUs that may still be granted pursuant to the 2021 RSU Mandate between the Latest Practicable Date and the conclusion of the Annual General Meeting is 15,343,880 Shares, representing approximately 0.55% of the Shares in issue as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company plans to grant up to an additional 15,300,000 RSUs to employees (other than connected persons or their respective associates) in May 2022 under the Post-IPO RSU Scheme. Such grants will be made in accordance with the terms of the Post-IPO RSU Scheme and applicable rules and regulations.

The RSU Mandate to be sought at the Annual General Meeting***Reason for renewal of the RSU Mandate***

The purpose of the Post-IPO RSU Scheme is to enable the Company to grant RSUs to Eligible Persons (as defined under the Post-IPO RSU Scheme) as incentives and/or rewards for their contribution to the Group, to better reward the personnel who have contributed to the development and success of the Group, to incentivize them to remain with the Group, to motivate them to strive for the future development and expansion of the Group, and to attract skilled and experienced personnel for the further development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. In particular, it is noted that online/mobile game industry and e-commerce industry are expanding rapidly and participants are facing fierce competition, and experience of the senior management team in managing the businesses within such industries is a critical factor in implementing sound long-term strategies of the Group. As such, the renewal of the RSU Mandate will benefit the Group's future success by way of retention of capable talents and continuity of the experienced senior management team.

The RSU Mandate

As set out in the notice of Annual General Meeting, a resolution will be proposed at the Annual General Meeting to give the Directors a specific mandate to exercise all powers of the Company to grant RSUs in respect of a maximum number of the underlying Shares not exceeding 2.0% of the Shares in issue, as at the date of passing such mandate, and to allot, issue and deal with the Shares underlying the RSUs granted pursuant to the Post-IPO RSU Scheme during the Applicable Period as and when such RSUs vest.

Subject to the passing of the proposed ordinary resolution No. 8 to approve the RSU Mandate and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the Annual General Meeting, the Directors would be authorized to exercise the powers of the Company to grant RSUs in respect of a maximum number of 55,423,880 underlying Shares.

For the avoidance of doubt, any Shares issued pursuant to the RSU Mandate will not be counted towards the Shares to be issued (if any) pursuant to the Issuance Mandate proposed under the proposed ordinary resolution No. 6 as set out in the notice of Annual General Meeting.

As at the Latest Practicable Date, Mr. Li and Mr. Wang have been proposed or identified by the Board to be granted 5,000,000 RSUs and 10,000,000 RSUs respectively under the RSU Mandate, subject to the passing of the proposed ordinary resolution No. 9 by the Independent Shareholders. Subject to the passing of the proposed ordinary resolution No. 9, the number of Shares underlying the RSUs that may still be granted under the RSU Mandate would be 40,423,880.

Accordingly, Mr. Li and Mr. Wang would be required to abstain from voting on the proposed ordinary resolutions No. 8 and No. 9 as set out in the notice of Annual General Meeting in relation to the RSU Mandate.

Cost of Granting RSUs

The cost attributable to the grant of any RSUs under the Post-IPO RSU Scheme will be accounted for by reference to the market value of the Shares at the time of grant, adjusted to take into account the terms and conditions upon which Shares were granted.

The Directors consider that it is not appropriate or helpful to the Shareholders to state the value of all RSUs that can be granted under the Post-IPO RSU Scheme or the RSU Mandate being sought as if they had been granted on the Latest Practicable Date. The Directors believe that any statement regarding the value of all RSUs as at the Latest Practicable Date will not be meaningful to the Shareholders, since the RSUs to be granted shall not be assignable, and no holder of the RSUs shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any RSUs.

In addition, the calculation of the value of the RSUs is based on a number of variables such as vesting period and other relevant variables. The Directors believe that any calculation of the value of the RSUs as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

The Company will give due consideration to any financial impact arising from the grant of the RSUs under the Post-IPO RSU Scheme before exercising the RSU Mandate.

Dilution Effect

The table below is for illustration only and sets out the shareholding structure of the Company:

- (i) as at the Latest Practicable Date;
- (ii) immediately after the allotment and issue of all new Shares underlying all the RSUs that the Board may be authorized to grant under the 2.0% limit under the RSU Mandate upon vesting of such RSUs in full, and assuming no other Shares will be issued between the Latest Practicable Date and the date until all such new Shares are issued (the “**Annual Granted Scenario**”).

Names	As at the Latest Practicable Date		Annual Grant Scenario	
	Number of Shares	%	Number of Shares	%
Participants that may be granted with RSUs pursuant to the RSU Mandate	—	0.00%	55,423,880	1.96%
Mr. DAI Jian (“ Mr. DAI ”) ¹	697,944,180	25.19%	697,944,180	24.69%
Mr. WU Lili (“ Mr. WU ”) ²	365,596,180	13.19%	365,596,180	12.93%
Mr. LI Chong (“ Mr. LI ”) ³	124,816,360	4.50%	124,816,360	4.42%
Outstanding RSUs granted under the Post-IPO RSU ⁴	130,420,000	4.71%	130,420,000	4.61%
Other Shareholders	1,452,417,280	52.41%	1,452,417,280	51.38%
Total	<u>2,771,194,000</u>	<u>100.00%</u>	<u>2,826,617,880</u>	<u>100.00%</u>

Notes:

1. As at the Latest Practicable Date, Mr. DAI has (i) personal interests in 687,944,180 Shares through a controlled corporation, Stmoritz Investment Limited, and (ii) personal interests in 10,000,000 Shares, in aggregate representing approximately 25.19 % of the issued share capital of the Company within the meaning of Part XV of the SFO.
2. As at the Latest Practicable Date, Mr. WU has personal interests in 365,596,180 Shares, through a controlled corporation, Bright Stream Holding Limited, representing approximately 13.19% of the issued share capital of the Company within the meaning of Part XV of the SFO.
3. As at the Latest Practicable Date, Mr. LI has (i) personal interests in 114,816,360 Shares, through a controlled corporation, LNZ Holding Limited, and (ii) 10,000,000 RSUs granted pursuant to the Post-IPO RSU Scheme of the Company, in aggregate representing approximately 4.50% of the issued share capital of the Company within the meaning of Part XV of the SFO.
4. As at the Latest Practicable Date, there were outstanding RSUs granted under the Post-IPO RSU Scheme of 130,420,000 Shares, representing approximately 4.71% of the issued share capital of the Company which were held by Baiduo Investment Holding Limited, a company incorporated in the British Virgin Islands and an independent third party, as the nominee to administer the Post-IPO RSU Scheme.

Listing Approval

An application will be made by the Company as soon as practicable to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be allotted and issued to satisfy the RSUs which may be granted under the Post-IPO RSU Scheme pursuant to the RSU Mandate.

NOTICE OF ANNUAL GENERAL MEETING



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting (the “AGM”) of BAI00 Family Interactive Limited (the “Company”) will be held with a combination of (a) a physical meeting at 31st Floor, Goldchi Building, 120 Huangpu W Ave, Tianhe, Guangzhou, Guangdong, China, 510623; and (b) a virtual meeting online at 2:30 p.m. on Monday, 6 June 2022 for considering and, if thought fit, passing (with or without amendments) the following purposes:

1. To consider and adopt the audited consolidated financial statements of the Company for the year ended 31 December 2021 and the reports of the directors of the Company (the “Directors”) and the independent auditor of the Company (the “Auditor”) thereon.
2. To declare a special dividend of HK\$0.02 per ordinary share of the Company (the “Share(s)”) for the year ended 31 December 2021.
3. To consider and approve, each as a separate resolution, if thought fit, the following resolutions:
 - (a) to re-elect Mr. Li Chong as an executive Director;
 - (b) to re-elect Mr. Wu Lili as an executive Director; and
 - (c) to authorize the board of Directors (the “Board”) to fix the remuneration of Directors.
4. To re-appoint PricewaterhouseCoopers as the Auditor and to authorize the Board to fix its remuneration.
5. To consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:

“THAT:

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this resolution) of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the aggregate number of shares of the Company to be purchased pursuant to the approval in paragraph (a) of this resolution above shall not exceed 10% of the total number of the issued shares of the Company as at the date of this resolution and the said approval shall be limited accordingly; and
 - (c) for the purposes of this resolution:
 - “**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
 - (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”
6. To consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:
- “**THAT:**
- (a) subject to paragraph (c) of this resolution, a general mandate be and is hereby generally and unconditionally given to the Directors during the Relevant Period (as defined below) to allot, issue and deal with additional Shares, to grant rights to subscribe for, or convert any securities into, Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) and to make or grant offers, agreements and options which might require the exercise of such powers;
 - (b) the mandate in paragraph (a) of this resolution shall authorize the Directors to make or grant offers, agreements and options during the Relevant Period which would or might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the mandate in paragraph (a) of this resolution, otherwise than pursuant to:
 - (i) a Rights Issue (as defined below);
 - (ii) the exercise of options under a share option scheme of the Company or a restricted share units scheme of the Company, including without limitation to (i) the share option plan approved and adopted by the Company on 18 June 2010, (ii) the restricted share unit plan approved and adopted by the Company on 30 September 2013 and (iii) the post-IPO restricted share unit scheme adopted by the Company on 18 March 2014, which took effect on 10 April 2014 and was amended on 19 June 2015 and 17 December 2020 (the “**Post-IPO RSU Scheme**”);

NOTICE OF ANNUAL GENERAL MEETING

- (iii) the exercise of rights of the subscription or conversion under the terms of any warrants to be issued by the Company or any securities which are convertible into Shares; and
- (iv) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company,

shall not exceed 20% of the total number of issued Shares on the date of passing of this resolution, subject to adjustments according to any subsequent consolidation or subdivision of Shares; and

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“Right Issue” means an offer of Shares or an issue of options, warrants or other securities giving the right to subscribe for Shares, open for a period fixed by the Directors to holders of Shares or any class thereof on the register of members on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction or the requirements of any recognized regulatory body or any stock exchange).”

- 7. To consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:

“THAT conditional upon the passing of the resolutions set out in items 5 and 6 of the notice convening the AGM (the **“Notice”**), the general mandate referred to in the resolution set out in item 6 of the Notice be and is hereby extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate of the number of Shares repurchased by the Company pursuant to the mandate referred to in resolution set out in item 5 of the Notice, provided that such amount shall not exceed 10% of the total number of issued Shares as at the date of passing of this resolution.”

NOTICE OF ANNUAL GENERAL MEETING

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

“**THAT** the exercise by the Directors of all powers of the Company to grant restricted share units (the “**RSUs**”) pursuant to the post-IPO RSU Scheme, in respect of underlying Shares not exceeding 2.0% of the Shares in issue as at the date of passing this resolution, during the period from the date of passing this resolution until the earlier of (a) the conclusion of the Company’s next annual general meeting, (b) the end of the period within which the Company is required by any applicable law or the Articles to hold the next annual general meeting and (c) the date on which this resolution is varied or revoked by an ordinary resolution of the Company’s shareholders in general meeting (the “**Applicable Period**”), and to allot, issue and deal with Shares underlying the RSUs to be granted pursuant to the Post-IPO RSU Scheme during the Applicable Period as and when such RSUs vest, be and is hereby generally and unconditionally approved.”

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

- (a) To approve and confirm the proposed grant of 5,000,000 RSUs to Mr. Li Chong, in accordance with the terms of the post-IPO restricted share unit scheme adopted by the Company on 18 March 2014, which took effect on 10 April 2014 and was amended on 19 June 2015 and 17 December 2020, subject to all applicable laws, rules, regulations and the applicable award document(s);
- (b) To approve and confirm the proposed grant of 10,000,000 RSUs to Mr. Wang Xiaodong, in accordance with the terms of the post-IPO restricted share unit scheme adopted by the Company on 18 March 2014, which took effect on 10 April 2014 and was amended on 19 June 2015 and 17 December 2020, subject to all applicable laws, rules, regulations and the applicable award document(s); and
- (c) To authorize any one or more of the Directors to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the grant of RSUs and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Shares of the Company pursuant to the post-IPO restricted share unit scheme.

By Order of the Board
BAIOO Family Interactive Limited
DAI Jian

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 April 2022

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. All resolutions at the AGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the AGM is entitled to appoint more than one proxy to attend and vote instead of him provided that each proxy is appointed to represent the respective number of shares held by the shareholder as specified in the relevant proxy form. A proxy need not be a shareholder of the Company.
3. In order to be valid, the completed form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the AGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 31 May 2022 to Monday, 6 June 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 30 May 2022.
5. For determining the entitlement to the proposed special dividend (subject to approval by the shareholders at the AGM), the register of members of the Company will be closed from Wednesday, 6 July 2022 to Friday, 8 July 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed special dividend, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 5 July 2022.
6. The Company will conduct a hybrid AGM involving electronic means through a ZOOM live webcast, which allows Shareholders to speak, ask questions and see and be able to listen to the proceedings in the AGM in live video broadcast or through audio recording after the AGM (upon an email request to is-enquiries@hk.tricorglobal.com or telephone hotline at (852) 2980 1333 of Tricor Investor Services Limited) in a convenient and efficient way from anywhere with an Internet connection. Shareholders will be able to view the live video broadcast and participate in the AGM via their mobile phones, tablet, or computers. The live broadcast option can also broaden the reach of the AGM to Shareholders who do not wish to attend physically due to concerns on attending large scale events under the current COVID-19 pandemic situation, or for other overseas Shareholders who are unable to attend in person.
7. Although Shareholders are welcome to attend the AGM physically in person if they so wish, the Company strongly recommends Shareholders to attend the AGM via the online option. The Company will also implement the prevention and control measures at the AGM to safeguard the health and safety of the Shareholders, staff and other stakeholders attending the AGM. For more details, please refer to section headed “Precautionary Measures for the AGM” of this circular. If the venue of the AGM is closed in response to the COVID-19 pandemic outbreak, the AGM will continue to be held via the online platform.

NOTICE OF ANNUAL GENERAL MEETING

8. Shareholders of the Company who wish to join AGM online via the ZOOM live webcast must register by 2:30 p.m. on Saturday, 4 June 2022 (being not less than forty-eight (48) hours before the AGM) to is-enquiries@hk.tricorglobal.com or telephone hotline (852) 2980 1333 of Tricor Investor Services Limited. Following authentication of his/her/its status as shareholders of the Company, authenticated shareholders of the Company will receive an email instruction on how to join the ZOOM live webcast to observe the proceedings of the AGM by Monday, 6 June 2022. Shareholders of the Company who registers for the ZOOM live webcast may submit questions related to the resolutions to be tabled for approval at the AGM. To do so, all questions must be submitted by 2:30 p.m. on Saturday, 4 June 2022 (being not less than forty-eight (48) hours before the AGM) by email to is-enquiries@hk.tricorglobal.com or telephone hotline (852) 2980 1333 of Tricor Investor Services Limited. Shareholders MUST NOT forward the URL to other persons who are not the Shareholders and who are not entitled to attend the AGM.

If such Shareholder of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it may appoint the chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the chairman of the AGM as proxy, a Shareholder of the Company (whether individual or corporate) must give specific instructions as to voting in the form of proxy, the duly completed and signed form of proxy must be deposited together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority at the office of the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 2:30 p.m. on Saturday, 4 June 2022 (being not less than forty-eight (48) hours before the AGM), failing which the appointment will be treated as invalid.

If you have any queries on the above, please contact the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, via their hotline at (852) 2980 1333 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).

9. Shareholders who wish to attend the AGM and exercise their voting rights can be achieved in one of the following ways:
- (1) attend the AGM in person and vote at the AGM venue;
 - (2) appoint chairman of the AGM or other persons as your proxy to vote on your behalf.

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

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