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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 799)**

**(1) PROPOSED ISSUE OF PERFORMANCE-BASED AWARDED SHARES UNDER  
THE PERFORMANCE-BASED SHARE AWARD SCHEME PURSUANT TO  
SPECIFIC MANDATE**

**(2) CONNECTED TRANSACTION RELATING TO PROPOSED GRANT OF  
PERFORMANCE-BASED AWARDED SHARES TO CONNECTED PERSONS  
AND**

**(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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A notice convening the EGM of the Company to be held at 24/F, Admiralty Centre Tower I, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 20 July 2021 at 10:30 a.m. is set out on pages 85 to 87 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

**PRECAUTIONARY MEASURES FOR THE EGM**

In order to prevent and control the spread of the COVID-19 pandemic and to safeguard the health and safety of the Shareholders, the following precautionary measures will be implemented at the EGM:

- (1) Compulsory body temperature checks
- (2) Compulsory wearing of surgical face mask
- (3) The number of attendees will be limited to ensure appropriate social distancing
- (4) No refreshments or drinks will be served, and no gifts will be distributed

Any person who does not comply with the above-mentioned measures or is subject to the compulsory quarantine prescribed by the Hong Kong Government will be denied entry into the EGM venue. Shareholders are reminded to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy to attend and vote on the relevant resolution at the EGM instead of attending the EGM in person.

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## PRECAUTIONARY MEASURES FOR THE EGM

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To safeguard the health and safety of Shareholders who may be attending the EGM in person and taking into account the recent requirements for prevention and control of the spread of the COVID-19 pandemic, the Company will implement the following precautionary measures at the EGM:

- (1) Compulsory temperature checks will be carried out on every attending Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person with a fever or otherwise unwell may be denied entry into the EGM venue or be requested to leave the EGM venue.
- (2) All attendees are required to wear a surgical face mask throughout the EGM and to maintain a safe distance with other attendees. Please note that no masks will be provided at the EGM venue and attendees should prepare their own masks.
- (3) In compliance with the Hong Kong Government's regulations prevailing at the time of the EGM, the number of attendees inside the EGM venue will be limited to ensure appropriate social distancing.
- (4) All attending Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details. Any person who has recently traveled outside Hong Kong and is subject to any quarantine requirements ("**Recent Traveler**"), or has had close contact with any person under compulsory quarantine or with any Recent Traveler will be denied entry into the EGM venue or be requested to leave the EGM venue.
- (5) No refreshments or drinks will be served, and no gifts will be distributed.

To the extent permitted by law, the Company reserves the right to deny any attendee who does not comply with the above-mentioned measures entry into the EGM venue or require any person to leave the EGM venue. The Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. In the interest of the health and safety of the Shareholders, **Shareholders are reminded to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy to attend and vote on the relevant resolution at the EGM instead of attending the EGM in person, by completing and returning the form of proxy attached to this circular by the time specified.**

The Company is continuously monitoring the impact of the COVID-19 pandemic, and, if necessary, the Company may revise the date, time and venue of the EGM. The Company will publish announcement(s) to inform the Shareholders of any further updates as and when appropriate.

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## DEFINITIONS

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

“Adoption Date”	21 May 2021, the date on which the Scheme was adopted by the Company
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Associate”	has the meaning ascribed to it under the Listing Rules
“Award”	an award of the Performance-based Awarded Shares granted by the Board to a Selected Grantee
“Basic Target Price”	has the meaning as defined under the section headed “Letter from the Board – 2. Grant of Performance-based Awarded Shares under the Scheme – Vesting schedule and conditions – Conditions”
“Board”	the board of directors of the Company
“CAGR”	compound annual growth rate
“Company”	IGG Inc, an exempted company incorporated in the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange
“Concert Party Group”	Mr. Zongjian Cai, Duke Online Holdings Limited, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen and Mr. Zhixiang Chen, who agreed that they would act in concert with each other with respect to material matters relating to the Company’s operation pursuant to an act in concert agreement dated 16 September 2013, as amended by an amendment dated 18 October 2016
“Connected Grantees”	Mr. Zongjian Cai, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen, Mr. Feng Chen, Ms. Meijia Chen, Mr. Hanling Fang, Mr. Shuo Wang and Mr. Chengfeng Luo, the grantees who are connected persons of the Company and have been granted the Award by the Board on the Date of Award

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## DEFINITIONS

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“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Date of Award”	21 May 2021, the date on which the Board resolved to award the Performance-based Awarded Shares to the Grantees under the Scheme
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 24/F, Admiralty Centre Tower I, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 20 July 2021 at 10:30 a.m. for the purpose of considering and, if thought fit, approving the Specific Mandate and the grant of the Performance-based Awarded Shares to the Grantees
“Eligible Person(s)”	any Employee or director (including, without limitation, any executive, non-executive or independent non-executive directors) of any member of the Group
“Employee”	employee (whether full time or part time) of the Company or any Subsidiary
“Excluded Grantee”	any Eligible Person who is resident in a place where the settlement of the Reference Amount and the award of the Performance-based Awarded Shares and/or the award of the Returned Shares and/or the vesting and transfer of Shares pursuant to the terms of the Scheme is not permitted under the laws and regulations of such place or where in the view of the Board (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such Eligible Person
“Expected Growth Rate”	has the meaning as defined under the section headed “Letter from the Board – 2. Grant of Performance-based Awarded Shares under the Scheme – Vesting schedule and conditions – Conditions”
“Grantees”	the Connected Grantees and the Non-connected Grantees

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## DEFINITIONS

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“Group”	the Company, its Subsidiaries and its consolidated affiliated entities from time to time
“Growth Performance Condition”	has the meaning as defined under the section headed “Letter from the Board – 2. Grant of Performance-based Awarded Shares under the Scheme – Vesting schedule and conditions – Conditions”
“HK\$” or “HKD”	Hong Kong dollar, 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 board committee of the Board, comprising all the independent non-executive Directors of the Company, namely Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu, formed for the purpose of advising the Independent Shareholders of the grant of the Performance-based Awarded Shares to the Connected Grantees
“Independent Financial Adviser” or “Innovax”	Innovax Capital Limited, a corporation licensed under the SFO permitted to engage in type 1 and type 6 regulated activities (as defined under the SFO), being the independent financial adviser appointed to advise the Independent Board Committee and Independent Shareholders in relation to the grant of the Performance-based Awarded Shares to the Connected Grantees
“Independent Shareholders”	the Shareholders who are not required to abstain from voting on the resolution(s) in respect of the grant of the Specific Mandate and the grant of the Performance-based Awarded Shares to the Connected Grantees at the EGM under the Listing Rules
“Initial Benchmark Price”	has the meaning as defined under the section headed “Letter from the Board – 2. Grant of Performance-based Awarded Shares under the Scheme – Vesting schedule and conditions – Actual number of Performance-based Awarded Shares to be vested”

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## DEFINITIONS

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“Latest Practicable Date”	21 June 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Measurement Period”	has the meaning as defined under the section headed “Letter from the Board – 2. Grant of Performance-based Awarded Shares under the Scheme – Vesting schedule and conditions – Actual number of Performance-based Awarded Shares to be vested”
“Measurement Price”	has the meaning as defined under the section headed “Letter from the Board – 2. Grant of Performance-based Awarded Shares under the Scheme – Vesting schedule and conditions – Actual number of Performance-based Awarded Shares to be vested”
“Non-connected Grantees”	the three grantees who are not connected persons of the Company and have been granted the Award by the Board on the Date of Award
“Notice of EGM”	the notice convening the EGM set out on pages 85 to 87 of this circular
“Partial Lapse”	has the meaning as defined under the section headed “Appendix I – Summary of the Scheme – Operation of the Scheme – Lapse of Performance-based Awarded Shares”
“Performance-based Awarded Shares”	in respect of a Selected Grantee, such number of Shares awarded by the Board
“Pre-IPO Share Option Scheme”	pre-IPO share option scheme adopted by the Company on 12 November 2008 and amended on 16 September 2013 by a resolution of all Shareholders
“Reference Amount”	the amount of funds which the Company shall pay for the Trustee to arrange for the subscription and/or purchase of Performance-based Awarded Shares prior to the date that such Performance-based Awarded Shares vest in accordance with the Scheme

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## DEFINITIONS

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“Reference Price”	has the meaning as defined under the section headed “Letter from the Board – 2. Grant of Performance-based Awarded Shares under the Scheme – Vesting schedule and conditions – Actual number of Performance-based Awarded Shares to be vested”
“Related Income”	all income derived from a Share (net of all expenses or charges incurred in relation to the receipt or payment of such income) held upon the Trust in the form of Shares (including but not limited to, any bonus Shares or scrip Shares received in respect of the Share). For the avoidance of doubt, excluding any nil paid right, bonus warrant, or Residual Cash
“Residual Cash”	being cash remaining in the trust fund (including interest income derived from deposits maintained with licensed banks in Hong Kong which have not been applied in the acquisition and/or subscription of Shares)
“Returned Shares”	such Performance-based Awarded Shares and Related Income which are not vested and/or forfeited in accordance with the terms of the Scheme (whether as a result of a Total Lapse or a Partial Lapse or otherwise), or was forfeited in accordance with the terms of the Scheme, or such Performance-based Awarded Shares being deemed to be Returned Shares
“Scheme”	the performance-based share award scheme adopted by the Company on the Adoption Date, in its present form or as amended from time to time in accordance with the provisions thereof
“Selected Grantee(s)”	Eligible Person(s) selected by the Board pursuant to the terms of the Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Award Scheme”	the share award scheme adopted by the Company on 24 December 2013, the principal terms of which are summarised in the announcement of the Company dated 24 December 2013



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## DEFINITIONS

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“Share Option Scheme”	the share option scheme adopted by the Company on 16 September 2013 by a resolution of all Shareholders
“Shares”	shares of US\$0.0000025 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	a specific mandate to be sought at the EGM to issue and allot up to 71,635,355 Performance-based Awarded Shares to the Grantees pursuant to the Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere
“Total Lapse”	has the meaning as defined under the section headed “Appendix I – Summary of the Scheme – Operation of the Scheme – Lapse of Performance-based Awarded Shares”
“Trust”	the trust to be constituted by the Trust Deed
“Trust Deed”	a trust deed in relation to the Scheme to be entered into between the Company and the Trustee (as restated, supplemented and amended from time to time)
“Trustee”	a professional trustee which the Company may appoint to assist with the administration of the Scheme and the vesting of the Awards granted
“US\$”	United States dollars, the lawful currency of the United States of America

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## DEFINITIONS

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“Vesting Date” has the meaning as defined under the section headed “Appendix I – Summary of the Scheme – Operation of the Scheme – Vesting of Performance-based Awarded Shares”

“%” per cent

*For the purpose of this circular, unless otherwise specified, conversion of US\$ into HKD is based on the approximate exchange rate of US\$1 to HKD7.76. No representation is made that any amount in US\$ and HKD could be converted at such rate.*

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## LETTER FROM THE BOARD

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*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 799)**

*Executive Directors:*

Mr. Zongjian Cai (*Chairman and  
chief executive officer*)  
Mr. Yuan Xu  
Mr. Hong Zhang  
Ms. Jessie Shen  
Mr. Feng Chen

*Non-executive Director:*

Mr. Yuan Chi

*Independent non-executive Directors:*

Dr. Horn Kee Leong  
Mr. Dajian Yu  
Ms. Zhao Lu

*Registered office:*

P.O. Box 31119, Grand Pavilion  
Hibiscus Way  
802 West Bay Road, Grand Cayman  
KY1-1205, Cayman Islands

*Headquarters and Principal Place of  
Business in Singapore:*

80 Pasir Panjang Road  
#18-84 Mapletree Business City  
Singapore 117372

*Principal Place of Business  
in Hong Kong:*

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

28 June 2021

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSED ISSUE OF PERFORMANCE-BASED AWARDED SHARES UNDER  
THE PERFORMANCE-BASED SHARE AWARD SCHEME PURSUANT TO  
SPECIFIC MANDATE**
- (2) CONNECTED TRANSACTION RELATING TO PROPOSED GRANT OF  
PERFORMANCE-BASED AWARDED SHARES TO CONNECTED PERSONS  
AND**
- (3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

### **1. INTRODUCTION**

Reference is made to the announcement of the Company dated 21 May 2021 pursuant to which the Company announced that the Board had (i) approved the adoption of the Scheme; and (ii) resolved to conditionally grant up to 71,635,355 Performance-based Awarded Shares to be vested subject to, among others, the satisfaction of the Growth Performance Condition in

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## LETTER FROM THE BOARD

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five tranches in relation to five financial years ending 31 December 2021, 2022, 2023, 2024 and 2025 (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme) to 12 Grantees at nil consideration under the Scheme, among which (a) up to 69,486,293 Performance-based Awarded Shares were granted to nine Connected Grantees; and (b) up to 2,149,062 Performance-based Awarded Shares were granted to three Non-connected Grantees. The grant of the Performance-based Awarded Shares to the Grantees shall be satisfied by the issue and allotment of new Shares to the Grantees under the Specific Mandate to be sought at the EGM. A summary of the principal terms and conditions of the Scheme is set out in Appendix I to this circular.

The purpose of this circular is to provide you with, among other things, (i) details of the grant of the Performance-based Awarded Shares to the Grantees and the Specific Mandate; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the grant of the Performance-based Awarded Shares to the Connected Grantees; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the grant of the Performance-based Awarded Shares to the Connected Grantees; and (iv) a notice convening the EGM.

## **2. GRANT OF PERFORMANCE-BASED AWARDED SHARES UNDER THE SCHEME**

### **Details of Award**

On 21 May 2021, the Board resolved to conditionally grant up to a total of 71,635,355 Performance-based Awarded Shares, representing approximately 6% of the total issued share capital of the Company as at the Date of Award and being the maximum number of Performance-based Awarded Shares that are available for grant under the Scheme as at the Adoption Date, to 12 Grantees for nil consideration, among which (a) up to 69,486,293 Performance-based Awarded Shares were granted to nine Connected Grantees; and (b) up to 2,149,062 Performance-based Awarded Shares were granted to three Non-connected Grantees. The grant of the Performance-based Awarded Shares to the Grantees shall be satisfied by the issue and allotment of new Shares to the Grantees under the Specific Mandate to be sought at the EGM.

The Directors, namely Mr. Zongjian Cai, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen, each being a Connected Grantee, have abstained from approving the relevant board resolution on the grant of the relevant Performance-based Awarded Shares to himself/herself. To avoid any future conflict of interest, each of Mr. Zongjian Cai, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen will (i) abstain from voting on any resolutions in relation to any matters relating to the Scheme in the future with respect to his/her interests (if any); and (ii) not take part in the management and administration of the Scheme. In addition, the Grantees and any other Eligible Persons selected by the Board under the rules of the Scheme in the future, will not be involved in the administration of the Scheme.

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## LETTER FROM THE BOARD

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Details of the grant of the Performance-based Awarded Shares to the Grantees are set out below:

Name of Grantees	Position held within the Group	Number of Performance-based Awarded Shares	Approximate percentage to the total issued share capital of the Company on the Date of Award (%)
<i>Connected Grantees</i>			
Mr. Zongjian Cai	Founder of the Group, Executive Director, chairman and chief executive officer of the Group	38,444,306	3.22
Mr. Yuan Xu	Executive Director and chief operating officer of the Group	7,163,535	0.60
Mr. Hong Zhang	Executive Director, chief technology officer of the Group	6,447,181	0.54
Ms. Jessie Shen	Executive Director, chief financial officer and a joint company secretary of the Group	5,253,259	0.44
Mr. Feng Chen	Executive Director and senior vice president of the Group	2,865,414	0.24
Ms. Meijia Chen	Director of subsidiaries of the Company and senior vice president of the Group	7,163,536	0.60
Mr. Hanling Fang	Director of subsidiaries of the Company and vice president of the Group	716,354	0.06
Mr. Shuo Wang	Director of subsidiaries of the Company and vice president of the Group	716,354	0.06

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**LETTER FROM THE BOARD**

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Name of Grantees	Position held within the Group	Number of Performance-based Awarded Shares	Approximate percentage to the total issued share capital of the Company on the Date of Award (%)
Mr. Chengfeng Luo	Director of subsidiaries of the Company and senior director of research and development	716,354	0.06
Subtotal		<u>69,486,293</u>	<u>5.82</u>
<i>Non-connected Grantees</i>			
Key personnel 1	Senior director of human resources and administration	716,354	0.06
Key personnel 2	Director of information technology	716,354	0.06
Key personnel 3	CTO chief of staff	<u>716,354</u>	<u>0.06</u>
Subtotal		<b>2,149,062</b>	<b>0.18</b>
<b>Total</b>		<b><u>71,635,355</u></b>	<b><u>6.00</u></b>

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Non-connected Grantees are third parties independent of the Company and connected persons of the Company.

The grant of the Performance-based Awarded Shares to the Grantees shall be satisfied by the issue and allotment of new Shares to the Grantees subject to the terms and conditions of the rules of the Scheme and the satisfaction of the vesting conditions. The aggregate of 71,635,355 Performance-based Awarded Shares granted represent approximately 6.00% of the total number of Shares in issue as at the Latest Practicable Date and approximately 5.66% of the total number of Shares in issue as enlarged by the issue and allotment of the new Shares, among which 69,486,293 Performance-based Awarded Shares to be issued and allotted to the Connected Grantees represent approximately 5.82% of the total number of Shares in issue as at the Latest Practicable Date and approximately 5.49% of the total number of Shares in issue as enlarged by the issue and allotment of the new Shares.

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## LETTER FROM THE BOARD

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Based on the closing price of HK\$10.68 per Share as quoted on the Stock Exchange as at the Latest Practicable Date, the market value of the maximum number of 69,486,293 and 2,149,062 Performance-based Awarded Shares granted to the Connected Grantees and Non-connected Grantees was approximately HK\$742.11 million (equivalent to approximately US\$95.63 million) and HK\$22.95 million (equivalent to approximately US\$2.96 million), respectively.

The Performance-based Awarded Shares, when issued, shall rank *pari passu* among themselves and with the Shares in issue on the date of allotment.

Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the aggregate of 71,635,355 Performance-based Awarded Shares.

### **Vesting schedule and conditions**

Subject to the terms and conditions of the Scheme and the satisfaction of the vesting conditions, the aggregate of up to 71,635,355 Performance-based Awarded Shares (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme) will be vested in five tranches, each to be vested to the Grantees as soon as reasonably practicable after the end of each of the relevant Measurement Period and upon determination by the Board as to whether the vesting conditions have been satisfied for each such tranche and the actual number of Performance-based Awarded Shares to be vested under each such tranche. Such decision of the Board in relation to vesting shall be approved by all Directors (excluding Directors who are the Grantees).

### ***Conditions***

The issue and allotment of the Performance-based Awarded Shares to the Grantees shall be subject to the following vesting conditions:

- (i) if applicable, the approval by the Shareholders of the adoption of the Scheme at the EGM, to the extent required by the relevant law of California;
- (ii) the approval by the Independent Shareholders at the EGM in respect of the issue and allotment of the Performance-based Awarded Shares to the Grantees under the Specific Mandate;
- (iii) the granting of the listing approval by the Stock Exchange in respect of the Performance-based Awarded Shares granted to the Grantees;
- (iv) the relevant Grantee is and remains as an Eligible Person and the Performance-based Awarded Shares have not lapsed pursuant to the terms of the Scheme; and

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## LETTER FROM THE BOARD

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- (v) for each tranche of the Performance-based Awarded Shares, the achievement of a compound annual growth rate of not less than 10% (“**Expected Growth Rate**”) on the Initial Benchmark Price based on the Measurement Price for each relevant Measurement Period (“**Growth Performance Condition**”).

For condition (i) above, the Group has sought advice from the U.S. counsel as the Eligible Persons also include the Group’s employees resident in California, and it is confirmed that the adoption of the Scheme is not subject to approval by the Shareholders pursuant to the relevant law of California. As such, condition (i) has been satisfied.

In determining whether the Expected Growth Rate is achieved for the purpose of vesting condition (v) above for each tranche of the Performance-based Awarded Shares, the Company will refer to the basic target price for the relevant financial year (“**Basic Target Price**”) to which each Measurement Period relates, which shall be calculated as follows:

$$\text{Basic Target Price} = \text{Initial Benchmark Price} * (1 + \text{Expected Growth Rate at 10\%})^n$$

Where the value of n for each relevant financial year are as follows:

<b>Relevant financial year</b>	<b>Value of n</b>
Ending 31 December 2021	n = “a”, which represents the number of days elapsed since the date on which the Initial Benchmark Price is determined (i.e. either the Date of Award (i.e. 21 May 2021) or the date on which the Award of the Performance-based Awarded Shares is approved by the Independent Shareholders at the EGM) up to the date on which the annual results for the financial year ending 31 December 2021 are published (both dates inclusive), divided by 365
Ending 31 December 2022	n = 1 + a
Ending 31 December 2023	n = 2 + a
Ending 31 December 2024	n = 3 + a
Ending 31 December 2025	n = 4 + a

The Growth Performance Condition will be satisfied in relation to each tranche of the Performance-based Awarded Shares where the Measurement Price for each relevant financial year to which such tranche relates is higher than the Basic Target Price for each such relevant financial year. In the event that the Measurement Price reaches approximately 25% over the Basic Target Price during each of relevant Measurement Periods, the Performance-based Awarded Shares will be vested in full for the relevant tranche.



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## LETTER FROM THE BOARD

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The minimum Expected Growth Rate of not less than 10%, which was determined with reference to the Company's historical Share prices and the macroeconomic environment, represents a minimum pre-requisite growth on the Share price for the relevant tranche of Performance-based Awarded Shares to be vested. Based on the past business performance, future developments of the Group and industry prospect, the Company targets to reach a double rate of growth on its Share price from the Initial Benchmark Price on a progressive and sustainable basis over the span of five years under the Scheme. As such, it was formulated in such a way that the Performance-based Awarded Shares will be vested in full for the relevant tranche in the event that the Measurement Price reaches approximately 25% over the Basic Target price during the relevant Measurement Period.

### *Actual number of Performance-based Awarded Shares to be vested*

An aggregate of up to 14,327,071 Performance-based Awarded Shares (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme) may be vested to the Grantees under each tranche. The actual number of Performance-based Awarded Shares to be vested to each Grantee under each tranche shall be calculated as follows:

$$\begin{array}{l} \text{Actual number of} \\ \text{Performance-based} \\ \text{Awarded Shares to be} \\ \text{vested} \end{array} = \frac{(\text{Measurement Price} - \text{Basic Target Price}) * X\% * \text{Total Issued Shares}}{\text{Reference Price}}$$

Where,

- (i) "Total Issued Shares" refers to the total number of issued Shares in the capital of the Company as at the end of the relevant Measurement Period.
- (ii) "Reference Price" refers to the average closing price of the Shares during the relevant Measurement Period as quoted on the Stock Exchange.
- (iii) "X%" refers to the percentage of the number of Performance-based Awarded Shares granted to such Grantee to the total issued share capital of the Company on the Date of Award.

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## LETTER FROM THE BOARD

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For the purpose hereof:

“**Initial Benchmark Price**” refers to the higher of (i) the average closing price of the Shares during the trading days within the thirty calendar days immediately preceding the Date of Award as quoted on the Stock Exchange, or (ii) the average closing price of the Shares during the trading days within the thirty calendar days immediately preceding the date on which the grant of the Performance-based Awarded Shares is approved by the Independent Shareholders at the EGM as quoted on the Stock Exchange (in both cases subject to adjustment in the event of sub-division, consolidation or bonus issue of Shares).

“**Measurement Period**” refers to, in relation to each tranche of the Performance-based Awarded Shares, the trading days within the thirty calendar days immediately after the date on which the annual results for the relevant financial year are published by the Company on the Stock Exchange. The relevant financial year for each tranche is as follows:

First tranche:	Financial year ending 31 December 2021
Second tranche:	Financial year ending 31 December 2022
Third tranche:	Financial year ending 31 December 2023
Fourth tranche:	Financial year ending 31 December 2024
Fifth tranche:	Financial year ending 31 December 2025

“**Measurement Price**” refers to, in relation to each tranche of the Performance-based Awarded Shares, the average closing price of the Shares during the relevant Measurement Period as quoted on the Stock Exchange, plus the amount of dividends and other distributions per Share paid or in respect of which an ex-dividend event occurred during the relevant financial year.

### *Suspension of repurchase*

In order to avoid any conflict of interest, the Company will not make any repurchase of its Shares at any time during the Measurement Period, other than in exceptional circumstances where the Board (excluding the Grantees) considers appropriate and necessary to repurchase its Shares in the interests of the Company and Shareholders as a whole.

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## LETTER FROM THE BOARD

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### *Maximum and minimum number of Performance-based Awarded Shares to be vested in each tranche*

For illustration purpose, the minimum and maximum number of Performance-based Awarded Shares to be vested in each tranche upon satisfaction of the Growth Performance Condition are set out as follows:

Assuming:

- (i) the Initial Benchmark Price is HK\$12.12 per Share, being the average closing price of the Shares during the trading days within the thirty calendar days immediately preceding 21 May 2021 (i.e. the Date of Award) as quoted on the Stock Exchange;
- (ii) there is no changes to the number of Shares in issue other than as a result of the allotment and issue of the Performance-based Awarded Shares;
- (iii) there is no dividends and other distributions per Share paid or in respect of which an ex-dividend event occurred during each of the relevant financial year; and
- (iv) the annual results for the financial year ending 31 December 2021 will be published on 4 March 2022 (“**Date of FY2021 Annual Results Announcement**”),

(items (i) to (iv) are hereinafter referred to as the “**Assumptions**”).

Then:

“a” = 0.79 (288/365 = 0.79, the number of days elapsed between 21 May 2021 (i.e. the Date of Award) to 4 March 2022 (i.e. the Date of FY2021 Annual Results Announcement) is 288)

*Basic Target Price for each financial year (in HKD):*

Ending 31 December 2021:	$12.12 * (1+10\%)^{0.79} = 13.07$
Ending 31 December 2022:	$12.12 * (1+10\%)^{1.79} = 14.37$
Ending 31 December 2023:	$12.12 * (1+10\%)^{2.79} = 15.81$
Ending 31 December 2024:	$12.12 * (1+10\%)^{3.79} = 17.39$
Ending 31 December 2025:	$12.12 * (1+10\%)^{4.79} = 19.13$

*Minimum Measurement Price for the Performance-based Awarded Shares to be vested in full for each financial year (in HKD):*

Ending 31 December 2021:	$13.07 * (1+25\%) = 16.34$
Ending 31 December 2022:	$14.37 * (1+25\%) = 17.96$
Ending 31 December 2023:	$15.81 * (1+25\%) = 19.76$
Ending 31 December 2024:	$17.39 * (1+25\%) = 21.74$
Ending 31 December 2025:	$19.13 * (1+25\%) = 23.91$

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## LETTER FROM THE BOARD

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The range of number of Performance-based Awarded Shares to be vested in each tranche upon satisfaction of the Growth Performance Condition:

Financial Year ending 31 December	Basic Target Price	Range of Measurement Price for the Performance- based Awarded Shares to be vested <i>(Note)</i>	Range of growth rate on the Measurement Price compared to the Initial Benchmark Price (i.e. HKD12.12) for the Performance-based Awarded Shares to be vested	Range of total number of Performance-based Awarded Shares to be vested
2021	HKD13.07	HKD13.08 ~ 16.34+	8% ~ 35%+	54,770 ~ 14,327,071 Shares
2022	HKD14.37	HKD14.38 ~ 17.96+	19% ~ 48%+	49,819 ~ 14,327,071 Shares
2023	HKD15.81	HKD15.82 ~ 19.76+	31% ~ 63%+	45,284 ~ 14,327,071 Shares
2024	HKD17.39	HKD17.40 ~ 21.74+	44% ~ 79%+	41,172 ~ 14,327,071 Shares
2025	HKD19.13	HKD19.14 ~ 23.91+	58% ~ 97%+	37,429 ~ 14,327,071 Shares

*Note:*

If the Measurement Price during each of the Measurement Period is below the range of Measurement Price for the Performance-based Awarded Shares to be vested as illustrated in the table above, then no Performance-based Awarded Shares will be vested.

If the Measurement Price during each of the Measurement Period is above the range of Measurement Price for the Performance-based Awarded Shares to be vested as illustrated in the table above, an aggregate of 14,327,071 Performance-based Awarded Shares will be vested, being the maximum number of Performance-based Awarded Shares may be vested under each tranche.

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## LETTER FROM THE BOARD

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*Number of Performance-based Awarded Shares to be vested to the Grantees under each tranche of Performance-based Awarded Shares:*

Based on the parameters of the Assumptions, for illustration purpose, the total number of Performance-based Awarded Shares to be vested to each Grantee upon satisfaction of the Growth Performance Condition for the first Measurement Period are as follows:–

<b>Name of Grantees</b>	<b>Maximum number of Performance-based Awarded Shares to be vested under the first tranche (Note 1)</b>
 <i><b>Connected Grantees</b></i>	
Mr. Zongjian Cai (Note 2)	7,688,861
Mr. Yuan Xu	1,432,707
Mr. Hong Zhang	1,289,436
Ms. Jessie Shen	1,050,651
Mr. Feng Chen	573,083
Ms. Meijia Chen	1,432,707
Mr. Hanling Fang	143,271
Mr. Shuo Wang	143,271
Mr. Chengfeng Luo	143,271
	13,897,258
 <i><b>Non-connected Grantees</b></i>	
Key personnel 1	143,271
Key personnel 2	143,271
Key personnel 3	143,271
	429,813
Subtotal	429,813
Total	14,327,071

*Notes:*

- (1) The maximum number of Performance-based Awarded Shares that may be vested to each Grantee under each tranche is calculated based on the total number of Performance-based Awarded Shares granted to each Grantee as set out against his/her name under “Letter from the Board – 2. Grant of Performance-based Awarded Shares under the Scheme – Details of the Scheme”. The maximum number of Performance-based Awarded Shares that may be vested to each Grantee under each tranche may not be identical due to rounding.

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## LETTER FROM THE BOARD

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(2) Taking Mr. Zongjian Cai as an example and assuming there is no dividends and other distributions per Share paid or in respect of which an ex-dividend event occurred during the year, the number of Performance-based Awarded Shares to be vested to him basing on different Share prices are illustrated as below:

(a) if the Measurement Price for the financial year ending 2021 is HKD16.34, the number of Performance-based Awarded Shares to be vested to Mr. Zongjian Cai will be:

$$(HKD16.34 - HKD13.07) / HKD16.34 * 3.22\% * 1,193,987,599 = 7,693,986$$

As 7,693,986 is higher than the maximum number of Performance-based Awarded Shares to be vested to Mr. Zongjian Cai in such year, 7,688,861 Performance-based Awarded Shares will be vested to Mr. Zongjian Cai for the year.

(b) if the Measurement Price for the financial year ending 2021 is HKD13.72 (being 5% higher than the Basic Target Price for the financial year ending 31 December 2021), the number of Performance-based Awarded Shares to be vested to Mr. Zongjian Cai will be:

$$(HKD13.72 - HKD13.07) / HKD13.72 * 3.22\% * 1,193,987,599 = 1,821,440$$

(c) if the Measurement Price for the financial year ending 2021 is HKD13.07 (being the same as the Basic Target Price for the financial year ending 2021), the number of Performance-based Awarded Shares to be vested to Mr. Zongjian Cai will be:

$$(HKD13.07 - HKD13.07) / HKD13.07 * 3.22\% * 1,193,987,599 = 0$$

As calculated above, no Performance-based Awarded Shares will be vested for the year.

For the avoidance of doubt, in the event that the number of Performance-based Awarded Shares to be vested is less than the maximum number of Performance-based Awarded Shares under a tranche, the unvested Performance-based Awarded Shares under such tranche shall lapse and will not be added to another tranche.

### ***Other Information***

The Board proposed to grant the Performance-based Awarded Shares to the Grantees directly upon vesting, rather than via a Trustee. However, the Board may appoint a Trustee (which should be a third party independent of the Company) in the future to assist the Company with the administration of the Scheme and vesting of the Awards granted. Under the Scheme, to the extent permitted by the applicable laws and by the Listing Rules, the Company may (i) allot and issue Shares to the Trustee to be held by the Trustee pending the vesting of Awards granted and which will be used to satisfy the Awards upon vesting; and/or (ii) direct and procure the Trustee to make on-market purchases of the Shares to satisfy the Awards upon vesting. The terms on which a Trustee would be appointed would be governed by a Trust Deed to be entered into between the Company and the Trustee. The Trustee shall not exercise any voting rights attached in respect of any Shares held by it under the Trust (if any) (including but not limited to the Performance-based Awarded Shares and any bonus Shares and scrip Shares derived therefrom).

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## LETTER FROM THE BOARD

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### Further Details of the Award of the Performance-Based Awarded Shares

Further information in relation to the grant of 71,635,355 Performance-based Awarded Shares to the Grantees, is set out below:

**Securities to be issued:** Up to 71,635,355 new Shares (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme).

**Consideration of the Performance-based Awarded Shares granted:**

Nil

**Funds to be raised:** No funds will be raised by the Company as a result of the issue and allotment of the Performance-based Awarded Shares.

**Market price of the Shares:** The closing price of the Shares as at 21 May 2021 as quoted on the Stock Exchange is HK\$11.02 per Share.

The average closing price of the Shares for the five consecutive trading days immediately preceding 21 May 2021 as quoted on the Stock Exchange is approximately HK\$11.04 per Share.

The average closing price of the Shares during the trading days within the thirty calendar days immediately preceding 21 May 2021 as quoted on the Stock Exchange is approximately HK\$12.12 per Share.

The closing price of the Shares as at the Latest Practicable Date as quoted on the Stock Exchange is HK\$10.68 per Share.

**Vesting:** Subject to the terms and conditions of the rules of the Scheme and the satisfaction of the vesting conditions, up to 71,635,355 Performance-based Awarded Shares (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares) will be vested in five tranches, each to be vested to the Grantees as soon as reasonably practicable after the end of each of the relevant Measurement Period and upon determination by the Board as to whether the vesting conditions have been satisfied for each such tranche and the actual number of Performance-based Awarded Shares to be vested under each such tranche. Such decision of the Board in relation to vesting shall be approved by all the Directors (excluding Directors who are the Grantees).

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## LETTER FROM THE BOARD

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**Fund raising activities in the past 12 months:** The Company has not engaged in any fund raising exercises in the 12 months immediately preceding the Latest Practicable Date.

### **Financial impact**

Based on the closing price of HK\$11.36 per Share as quoted on the Stock Exchange as at the valuation reference date (i.e. 11 June 2021), and other parameters in the valuation model, the total expense to be recognised in the financial statements on the Performance-based Awarded Shares granted under the Scheme is estimated to be US\$20.48 million, which would be amortised over the relevant financial years during the period between the date on which the approval of the Specific Mandate and the grant of the Performance-based Awarded Shares to the Grantees is sought at the EGM and Vesting Date. The estimated financial statements impact as disclosed above was based on the calculation performed by an external valuer engaged by the Company with reference to the closing price of the Shares on the valuation reference date, which is subject to remeasurement on the date on which the approval of the Specific Mandate and the grant of the Performance-based Awarded Shares to the Grantees is sought at the EGM and is subject to audit by the Company's auditor during the annual audit.

### **3. REASONS FOR THE GRANT OF THE PERFORMANCE-BASED AWARDED SHARES**

#### **Existing equity incentive schemes of the Company and the adoption of the Scheme**

##### *Existing equity incentive schemes*

The Company adopted the Share Option Scheme on 16 September 2013 for the purpose of giving the eligible persons, including but not limited to, any employees holding an executive, managerial, supervisory or similar position in any member of the Group, suppliers and customers of any member of the Group, an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Pursuant to the rules of the Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the listing date, being 18 October 2013 (the “**Listing Date**”). No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.



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## LETTER FROM THE BOARD

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The Company adopted the Share Award Scheme on 24 December 2013 for granting Share awards to recognise the contribution of selected grantees, including but not limited to any employees or director of any member of the Group as a whole, and to give incentives to them in order to retain them for the continuing operation and development of the Group as well as to attract suitable personnel for future development of the Group. Under the Share Award Scheme, the Board may, at its absolute discretion, determine such number of Shares to be granted subject to any performance, operating and financial targets and other criteria. The Board had in the past granted such number of Shares under the Share Award Scheme to the selected grantees based on their performance and financial achievement of the Group, for the purpose of rewarding them for past contributions and to retain talents who are beneficial to the long-term growth and development of the Group. Pursuant to the rules of the Share Award Scheme, the maximum number of Shares which may be granted to an individual grantee shall not exceed 1% of the issued share capital of the Company as at the adoption date of the Share Award Scheme and total number of Shares granted or to be granted thereunder shall not in aggregate exceed 10% of the issued share capital of the Company as at the adoption date of the Share Award Scheme.

As at the Latest Practicable Date, (i) the Shares falling to be issued upon exercise of the unexercised share options granted under the Pre-IPO Share Option Scheme represented approximately 0.39% of the current issued share capital of the Company; (ii) the Shares falling to be issued upon exercise of the unexercised share options granted and the unutilized scheme mandate limit under the Share Option Scheme represented approximately 0.37% and 9.36% of the issued share capital of the Company as at the Listing Date, respectively; and (iii) the number of unvested awarded shares and the remaining Shares available for grant under the Share Award Scheme represent approximately 0.70% and 7.81% of the issued share capital of the Company as at the adoption date of the Share Award Scheme, respectively. All the historical grant of awarded shares under the Share Award Scheme were satisfied by the acquisition of Shares by trustees from the open market with Company's internal resources, and as a result of which, no dilution effect had been caused to the interests of Shareholders in the past under the Share Award Scheme.

In consideration of the available limit under the Share Award Scheme, the adoption of the Scheme and the Performance-based Awarded Shares granted to the Grantees, the Board considers that the existing equity incentive schemes collectively offer a comprehensive and competitive remuneration package providing equitable incentives to the employees of the Group and hence has no present plan to grant any further options under the Share Option Scheme in the near future, particularly given the higher dilution impact arising from the grant of share options on the shareholding interests of the Shareholders than to provide the comparable incentives as the grant of awarded shares under the Share Award Scheme and the Scheme. In the event that the Board decides to grant further awards of Shares under the Share Award Scheme during the remaining term of the Share Award Scheme before its early termination, renewal or expiry in 2023, it is intended that such grant, in aggregate with (i) the unexercised share options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme; (ii) the unvested awarded shares granted under the Share Award Scheme; and (iii) the Performance-based Awarded Shares granted to the Grantees under the Scheme, will not

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## LETTER FROM THE BOARD

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exceed 10% of the issued Shares on the date of relevant grant. To mitigate the potential dilution impact on the Shareholders, the further grant of awarded shares under the Share Award Scheme before its early termination, renewal or expiry in 2023 shall be satisfied by existing Shares to be purchased from the open market by utilizing the Company's resources pursuant to the rules of the Share Award Scheme. As such, while the Board would consider to grant awarded shares under the Share Award Scheme as and when appropriate, such grant of awarded shares would not have any dilution impact on the shareholdings of the Shareholders. The Company will consider the merit for the extension of the term of the Share Award Scheme and the cancellation of the Share Option Scheme prior to their expiry in December 2023 and September 2023, respectively.

### *The Scheme*

The Scheme is a separate incentive scheme that operates in parallel with the Share Award Scheme and the Share Option Scheme. The Scheme, which does not impose any specified limit for the grant to an individual grantee, will provide more flexibility for the Company to award the Eligible Persons, particularly the Directors, senior management and key personnel of certain divisions of the Group. For instance, the vesting conditions of the Performance-based Awarded Shares granted to the Grantees include the Growth Performance Condition, which would provide incentives to the Grantees to achieve the targeted growth of the Group in the upcoming five years. Therefore, the Board is of the view that the adoption of the Scheme will complement the Share Award Scheme and is beneficial to the Company and the Shareholders as a whole.

The Board considers that the grant of the Performance-based Awarded Shares to the Grantees provides reward to the Grantees for the past business performance of the Group and also gives incentives to the Grantees in order to retain them for the continuing operation and future development of the Group, and further aligns the interests of the Grantees to the Shareholders' through direct ownership of Shares.

### **Grant of the Performance-based Awarded Shares to the Grantees**

#### *Roles and contribution of the Grantees*

In assessing the fairness and reasonableness of the grant of the Performance-based Awarded Shares and the number of Performance-based Awarded Shares to be granted to each of the Grantees, the Board has taken into consideration various factors, including but not limited to (i) the importance of the roles and responsibility of the relevant Grantees; (ii) the past performance and contributions of the Grantees to the overall business performance of the Group; (iii) the period of service of all the Grantees; and (iv) the remuneration package of gaming companies with shares listed in the U.S. and Hong Kong.

Mr. Zongjian Cai, being the founder of the Group and the chairman of the Board and the chief executive officer of the Group, is primarily responsible for overall strategic planning and management of the Group, as well as the business direction of the global business operations of the Group. He has been the chief executive officer since the establishment of the Group and has provided significant contribution to the development of the Group over the past years and is regarded as a core figure for the Group's future development. The Board considers that the

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## LETTER FROM THE BOARD

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grant of the Performance-based Awarded Shares to Mr. Zongjian Cai has the benefit of securing consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group, which justifies the reason of him being granted with the highest percentage of Performance-based Awarded Shares under the Scheme.

The Grantees, being Mr. Zongjian Cai and his management team of the Group, who are responsible for the overall management of the Group's business operation, including research and development, operation, technology, finance, human resources and administration and strategic investment, have collectively contributed to the growth and development of the Group.

The background of the Grantees are set out below:

<b>Name of Grantees</b>	<b>Position held within the Group</b>	<b>Roles of the Grantees</b>	<b>Date of joining the Group</b>
<i>Connected Grantees</i>			
Mr. Zongjian Cai	Founder of the Group, executive Director, chairman and chief executive officer of the Group	Responsible for the corporate strategic planning and overall business development of the Group	February 2006
Mr. Yuan Xu	Executive Director and chief operating officer of the Group	Responsible for global operation strategies of the Group	September 2007
Mr. Hong Zhang	Executive Director, chief technology officer of the Group	Responsible for the overall technology operation of the Group	December 2008
Ms. Jessie Shen	Executive Director, chief financial officer and a joint company secretary of the Group	Responsible for corporate finance, legal and listing compliance matters on the Stock Exchange	March 2009
Mr. Feng Chen	Executive Director and senior vice president of the Group	Responsible for strategic investment management of the Group	April 2014

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## LETTER FROM THE BOARD

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<b>Name of Grantees</b>	<b>Position held within the Group</b>	<b>Roles of the Grantees</b>	<b>Date of joining the Group</b>
Ms. Meijia Chen	Director of subsidiaries of the Company and senior vice president of the Group	Responsible for game operation management	June 2007
Mr. Hanling Fang	Director of subsidiaries of the Company and vice president of the Group	Responsible for operation and management of the R&D centers	July 2007
Mr. Shuo Wang	Director of subsidiaries of the Company and vice president of the Group	Responsible for strategic investment projects and finance management	October 2006
Mr. Chengfeng Luo	Director of subsidiaries of the Company and senior director of research and development	Responsible for R&D project development and management of the Group	June 2009
<b><i>Non-connected Grantees</i></b>			
Key personnel 1	Senior director of human resources and administration	Responsible for the human resources and administration management of the Group	July 2008
Key personnel 2	Director of information technology	Responsible for the Group's overall IT operation and maintenance	June 2006
Key personnel 3	CTO chief of staff	Responsible for innovative technology, mission critical systems and major project development	March 2007

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## LETTER FROM THE BOARD

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Considering the global market presence of the Company's business, and its diversified source of revenue generated from various geographical locations including Asia, North America and Europe, in deciding the grant of the Performance-based Awarded Shares to the Grantees, particularly those Grantees who are executive Directors, the Board has made reference to the remuneration package of various gaming companies which are companies listed in the U.S. and Hong Kong. According to the ranking provided by App Annie, a leading global provider of mobile data and analytics, the Company ranked 28<sup>th</sup> for the year of 2020 amongst the top 52 publishers in the world. Having positioned itself as a global mobile game developer and considering that (i) around one-third of the top 52 publishers are U.S. companies; and (ii) the disclosures of the remuneration packages of U.S. listed companies are generally relatively transparent, based on which the Company could have adequate information to make its assessment, hence the Board considers it appropriate to make reference to U.S. listed gaming companies. The remuneration packages of those U.S. listed gaming companies that the Board had made reference to comprised base salary, bonus, non-performance based stock compensation and performance-based stock compensation. These companies also adopted various incentive scheme models, including time-based and performance-based. The value of awards granted under the performance-based incentive schemes of some of these companies were based on the shareholders' return/share price performance. Before the grant of the Performance-based Awarded Shares to the Grantees and without taking into account the share options granted under the Pre-IPO Share Option Scheme and the cancelled share options under the Share Option Scheme, since the respective adoption dates of the Share Option Scheme and the Share Award Scheme in September 2013 and December 2013, the Grantees had been collectively granted no more than 0.5% of the issued Shares as of the Latest Practicable Date, which are all non-performance-based and comprised of: (i) a total of 3,450,000 share options (representing 0.26% of the issued Shares as at the Listing Date) under the Share Option Scheme (excluding 4,028,000 share options which have been cancelled as of the Latest Practicable Date); and (ii) a total of 3,313,331 awarded shares (representing 0.24% of the issued Shares as at the adoption date of the Share Award Scheme) under the Share Award Scheme.

As such, the Board and the Remuneration Committee are of the view that the grant of Performance-based Awarded Shares complements the current remuneration package of the Directors and senior management of the Company, and after taking into account the grant of the Performance-based Awarded Shares, the structure of the remuneration package of the Grantees, particularly of the executive Directors, is comparable to that of the directors of such other U.S. and Hong Kong listed gaming companies. The long-term Awards designed under the Scheme is believed to provide incentives to retain the key executives to promote a strong and consistent management team for the sustainable growth of the Company.

### ***Business performance of the Group***

Established in 2006, the Group is a renowned developer and publisher of mobile games with a strong global presence and an international customer base of over 1 billion users in total. Leveraging its success in client and browser PC online games, the Group changed its strategy to target the mobile games market in 2013. Over the years, the Group's mobile games and apps

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## LETTER FROM THE BOARD

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are now available in 23 different languages worldwide with nearly 39 million monthly active users, and the Group has been listed among the “Top 52 Publishers” globally by App Annie for seven consecutive years. Embracing the corporate spirit of “Innovators at Work, Gamers at Heart”, the Group is dedicated to creating high-quality and enjoyable games that will stand the test of time.

The Group is headquartered in Singapore with local offices in the United States, China, Canada, Japan, South Korea, Thailand, Belarus, the Philippines, Indonesia, Brazil, Turkey, Italy and Spain, and users from more than 200 countries and regions worldwide.

Over the years, under the leadership and management of Mr. Zongjian Cai and his management team, the Group has aggressively pursued a strategy of globalisation in R&D and operations, establishing long-term relationships with more than 100 business partners, including art studios, advertising channels, as well as global platforms provided by companies such as Apple Inc., Google Inc., Amazon.com Inc., and Microsoft Corporation. The Group’s international presence and partnerships have enhanced its competitive advantage in the industry.

The Board considers that the grant of the Performance-based Awarded Shares provides reward to the Grantees for the past business performance of the Group. As illustrated below, the financial performance of the Group achieved rapid growth during the past five years under the leadership and management of the Grantees:

	<b>For the year ended/As at 31 December</b>					
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>CAGR</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	
<b>Revenue</b>	704,128	667,648	748,785	607,253	322,087	21%
<b>Profit from operation</b>	299,732	191,939	237,710	179,711	78,350	39%
<b>Net profit</b>	270,204	164,782	189,311	155,132	71,623	39%
<b>Total equity</b>	497,640	374,605	281,382	227,818	195,655	26%

### *Future developments of the Group*

With a strong business and financial performance in the year of 2020, the Group will continue to invest heavily in its R&D and operation teams to deliver innovative and diversified products to customers. Having expanded its research and development scale worldwide, including Singapore, Canada, Japan and China, the Group will continue to expand and develop its global research and development centers, which will provide a solid foundation for future development.

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## LETTER FROM THE BOARD

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The Company's blockbuster title, "Lords Mobile", continues to enjoy enduring popularity and revenue growth in its fifth year of operation. With innovative features and regular updates, the flagship game repeatedly hit new record highs in monthly gross billing in 2020. The Group has also achieved a breakthrough in diversifying its game portfolio beyond its core strategy games genre. "Time Princess", a female-oriented dress-up game, is a testament to such efforts. Looking forwards, the Group will be launching more new titles, including strategy and action games, to cater to different segments of the market.

The Group has also entered into strategic investment agreements with dozens of gaming companies across the world to strengthen its foothold in the gaming industry. Partnership models include licensed publishing and outsourced game development, which will enrich the Group's game portfolio and create momentum for long-term growth.

### *Growth rate on the Share price and alignment with Shareholders' interest*

The Board considers that the grant of the Performance-based Awarded Shares provides incentives to the Grantees to lead the future developments and direction of the Group. Based on the Growth Performance Condition for the vesting of the Performance-based Awarded Shares, in order for the Grantees to have the Performance-based Awarded Shares to vest in full, the Share price has to reach approximately 25% over the Basic Target Price during each of relevant Measurement Periods.

If the Share price reaches approximately 25% over the Basic Target Price during each of relevant Measurement Period, assuming there is no dividends and other distributions per Share paid or in respect of which an ex-dividend event occurred during each of the relevant financial year, the growth rate on the Share price compared to the Initial Benchmark Price during each of the relevant Measurement Periods are illustrated as follows:

<b>Year</b>	<b>Growth rate on the Share price compared to the Initial Benchmark Price</b>
2022	35%
2023	48%
2024	63%
2025	79%
2026	97%

As illustrated above, the price of Shares will be increased by approximately 97% compared to the Initial Benchmark Price (approximately two times of the Initial Benchmark Price) in such circumstance after five years.



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## LETTER FROM THE BOARD

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The Board had considered and compared various market performance indicators in designing for the Growth Performance Conditions and is of the view that the growth on Share price will fairly reflect, among others, (i) the overall business performance for the relevant financial year; (ii) total market capitalization of the Company; (iii) recent development of the Company; and (iv) investors and industry prospect for the relevant financial year. The Board is of the view that the Share price is a comprehensive indicator that reflects investors' assessment of the investment value of the Company taking into account relevant qualitative factors such as the overall business and financial performance of the Company for the relevant financial year, the recent development of the Company and the industry prospect for the future development, as well as reflecting the collective interests of the investors as to the growth of the Company. The share price-based performance condition approach adopted for the Growth Performance Conditions therefore provides a more fluid and market-sensitive indicator for adapting to any uncertain macro-environment ahead and will further safeguard the Shareholders' interests as a whole.

In order to assess the fairness and reasonableness of the vesting period under the Scheme, the Board had considered various U.S. and Hong Kong listed companies with share award scheme or similar equity incentive schemes as market comparable. The Board is of the view that the period of 5 years and the vesting conditions were considered to be fair and reasonable and is in the interests of the Shareholders as a whole. Having considered the past business performance and the strategic approach adopted for future growth of the Group, the Board believes that the Group will continue to achieve a sustainable and profitable growth in the upcoming years. Despite any unforeseeable impact of market volatility, the Board is of the view that the growth rates on Share price for the Performance-based Awarded Shares to be vested were reasonably determined and will fairly reflect the value and business growth of the Group.

Accordingly, the Awards granted to the Grantees and the economic benefits of the Performance-based Awarded Shares are dependent on the improvement in the price of the Shares and hence the Grantees can only benefit when all the Shareholders are also in a position to benefit from the increase in Share price. In addition, as the grant of the Performance-based Awarded Shares will vest over a period of five years, the Grantees' interests will be further aligned with that of the Shareholders in increasing the value of the Company and price of the Shares over a sustained period.

### *No cash outflow under the grant of the Performance-based Awarded Shares*

The grant of the Performance-based Awarded Shares to the Grantees to be satisfied by the issue and allotment of new Shares will enable the Company to obviate cash outflow while allowing long-term incentives to the Grantees to make future contribution to the operation of the Group and drive the Group's performance, as compared to other alternatives which have been considered by the Board including cash incentives.



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## LETTER FROM THE BOARD

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### *Immaterial dilution impact*

As at the Latest Practicable Date, the total number of Shares in issue was 1,193,987,599 Shares. Set out below is the shareholding structure of the Company (i) as at the date of the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Performance-based Awarded Shares assuming that all Performance-based Awarded Shares are vested in full and no changes to the number of Shares in issue other than as a result of the allotment and issue of the Performance-based Awarded Shares:

<b>Shareholders</b>	<b>As at the Latest Practicable Date</b>		<b>Immediately after the issue and allotment of the Performance-based Awarded Shares</b>	
	<i>Number of Shares (Note 5)</i>	<i>Approximate (%)</i>	<i>Number of Shares (Note 5)</i>	<i>Approximate (%)</i>
<b><i>Connected Grantees</i></b>				
Mr. Zongjian Cai ( <i>Note 1, 2</i> )	193,752,027	16.23	232,196,333	18.35
Mr. Yuan Xu ( <i>Note 2</i> )	22,494,917	1.88	29,658,452	2.34
Mr. Hong Zhang ( <i>Note 2</i> )	8,166,835	0.68	14,614,016	1.15
Ms. Jessie Shen	3,470,000	0.29	8,723,259	0.69
Mr. Feng Chen	13,340,000	1.12	16,205,414	1.28
Ms. Meijia Chen	–	–	7,163,536	0.57
Mr. Hanling Fang	423,000	0.04	1,139,354	0.09
Mr. Shuo Wang	2,500	0.00	718,854	0.06
Mr. Chengfeng Luo	183,750	0.02	900,104	0.07
<b><i>Other Directors who are not Grantees</i></b>				
Mr. Yuan Chi – Non-executive Director ( <i>Note 4</i> )	153,920,000	12.89	153,920,000	12.16
Dr. Horn Kee Leong – independent non-executive Director	60,000	0.01	60,000	0.01
Mr. Dajian Yu – independent non-executive Director	621,188	0.05	621,188	0.05
Ms. Zhao Lu – independent non-executive Director	60,000	0.01	60,000	0.01

## LETTER FROM THE BOARD

Shareholders	As at the Latest Practicable Date		Immediately after the issue and allotment of the Performance-based Awarded Shares	
	<i>Number of Shares (Note 5)</i>	<i>Approximate (%)</i>	<i>Number of Shares (Note 5)</i>	<i>Approximate (%)</i>
<i>Non-connected Grantees</i>	292,382	0.02	2,441,444	0.19
<i>Concert Party Group</i>				
Ms. Kai Chen (Note 2, 3)	17,847,952	1.49	17,847,952	1.41
Mr. Zhixiang Chen (Note 2)	16,000,000	1.34	16,000,000	1.26
<i>Other Shareholders</i>	<u>763,353,048</u>	<u>63.93</u>	<u>763,353,048</u>	<u>60.31</u>
<b>Total</b>	<u><u>1,193,987,599</u></u>	<u><u>100.00</u></u>	<u><u>1,265,622,954</u></u>	<u><u>100.00</u></u>

*Notes:*

- (1) Duke Online Holdings Limited was the beneficial owner of 193,752,027 Shares. Mr. Zongjian Cai was interested in all the issued share capital of Duke Online Holdings Limited and he is the sole director of Duke Online Holdings Limited. Therefore, he was deemed to be interested in 193,752,027 Shares held by Duke Online Holdings Limited under the SFO.
- (2) Mr. Zongjian Cai, Duke Online Holdings Limited, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen (spouse of Mr. Zongjian Cai) and Mr. Zhixiang Chen agreed that they would act in concert with each other with respect to material matters relating to the Company's operation pursuant to an act in concert agreement dated 16 September 2013, as amended by an amendment dated 18 October 2016. The Concert Party Group collectively holds 258,261,731 Shares as at the Latest Practicable Date and will hold 310,316,753 Shares immediately after the issue and allotment of the Performance-based Awarded Shares.
- (3) Ms. Kai Chen is the spouse of Mr. Zongjian Cai.
- (4) Edmond Online Holdings Limited was the beneficial owner of 153,434,000 Shares. Mr. Yuan Chi was interested in all the issued share capital of Edmond Online Holdings Limited and he is one of the directors of Edmond Online Holdings Limited. Therefore, he was deemed to be interested in 153,434,000 Shares held by Edmond Online Holdings Limited under the SFO.
- (5) For the purpose of calculation of the number of Shares held by the Shareholders, (a) share options granted to the respective Shareholder pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme which have not been exercised as at the Latest Practicable Date; and (b) awarded Shares granted to the respective Shareholder pursuant to the Share Award Scheme which have not been vested as at the Latest Practicable Date have not been taken into account.

As illustrated above, assuming that the Performance-based Awarded Shares are vested in full and there are no changes to the number of Shares in issue other than as a result of the allotment and issue of the Performance-based Awarded Shares and based on the shareholding structure as at the Latest Practicable Date, the shareholding of the other Shareholders will be diluted from approximately 63.93% to approximately 60.31% in around five years' time. Meanwhile, the Share price has to reach approximately 25% over the Basic Target Price for

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## LETTER FROM THE BOARD

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each tranche of Performance-based Awarded Shares to be vested in full. Accordingly, in the circumstances the Grantees were to be allotted the maximum number of Performance-based Awarded Shares, hypothetically, the other Shareholders will be able to benefit from an increase in the price of the Shares by approximately 97% as compared to the Initial Benchmark Price at a “cost” of dilution of the other Shareholders’ shareholding of only approximately 3.62% in a period of around five years as illustrated above.

The Board also considered the grant of share options to the Grantees as an alternative to provide incentives to the Grantees, but given the Grantees would be required to pay the exercise price upon exercise of the share options and as such significantly higher number of share options would need to be granted to the Grantees to provide the comparable incentives as the grant of the Performance-based Awarded Shares, thereby resulting in higher dilution impact on the shareholding interests of the other Shareholders, the Board considers the grant of share options to be a less desirable alternative compared to the grant of the Performance-based Awarded Shares.

Having considered (i) the roles and past contribution by the Grantees to the Group; (ii) the business developments of the Group under the leadership and management of the Grantees; (iii) that the grant of the Performance-based Awarded Shares is conditional upon the achievement of the Expected Growth Rate on the Initial Benchmark Price and will vest over a period of five years; (iv) that there will not be any actual cash outflow by the Group under the grant of the Performance-based Awarded Shares in providing incentives to the Grantees; and (v) that the dilution effect on the shareholding structure is not material, the Directors consider that the terms and conditions of the grant of the Performance-based Awarded Shares to the Connected Grantees and the Non-connected Grantees are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

#### 4. LISTING RULES IMPLICATIONS

Each of the Connected Grantees, being a director of the Company or a director of a Subsidiary, is a connected person of the Company. Accordingly, the grant of the Performance-based Awarded Shares to the Connected Grantees constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened to consider and, if thought fit, approve the grant of the Specific Mandate and the grant of the Performance-based Awarded Shares to the Grantees. The approval of the grant of the Specific Mandate and grant of the Performance-based Awarded Shares to each of the Grantees are inter-conditional to each other, and therefore only one single resolution on such matters will be voted at the EGM (i.e. Resolution No. 1 in the Notice of the EGM).

Any Shareholder with a material interest in the grant of the Specific Mandate and the grant of the Performance-based Awarded Shares to the Grantees is required to abstain from voting on the relevant resolution at the EGM. Therefore, the Grantees and their Associates are

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## LETTER FROM THE BOARD

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required to abstain from voting on the relevant resolution at the EGM to approve the Specific Mandate and the grant of Performance-based Award Shares. As at the Latest Practicable Date, so far as the Directors were aware and based on available information, (i) the Connected Grantees (including the Concert Party Group) and their Associates were collectively interested in 297,213,771 Shares, representing approximately 24.89% of the total issued share capital of the Company; and (ii) the Non-connected Grantees and their Associates were interested in 332,382 Shares in aggregate, representing approximately 0.03% of the total issued share capital of the Company.

Save for the aforesaid and to the best knowledge, information and belief of the Board, no other Shareholder is required to abstain from voting on the resolution to approve the grant of the Specific Mandate and the grant of the Performance-based Awarded Shares to the Grantees at the EGM.

### 5. EGM

Notice of EGM is set out on pages 85 to 87 of this circular. The EGM will be held on Tuesday, 20 July 2021 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the resolution set out therein.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 15 July 2021 to Tuesday, 20 July 2021, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the EGM, all transfers of Shares, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 14 July 2021.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM, you are requested to complete the form of proxy and return it to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM or at any adjournment thereof. The completion and return of a form of proxy will not preclude you from attending and voting at the EGM in person should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, voting by any Shareholders at a general meeting shall be by way of poll, except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the general meeting shall require the resolution proposed at the EGM to be voted by way of poll according to the Articles of Association.

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## LETTER FROM THE BOARD

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### 6. RECOMMENDATION

The Directors consider that the grant of the Specific Mandate and the grant of the Performance-based Awarded Shares to the Grantees are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. In view of the foregoing, the Directors recommend all Shareholders to vote in favour of the resolution set out in the Notice of EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 36 to 37 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the grant of the Performance-based Awarded Shares to the Connected Grantees; and (ii) the letter from the Independent Financial Adviser, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the grant of the Performance-based Awarded Shares to the Connected Grantees and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from the Independent Financial Adviser is set out on pages 38 to 70 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that although the grant of the Performance-based Awarded Shares to the Connected Grantees is not in the ordinary and usual course of business of the Group, it is incidental to the Group's development of its ordinary and usual course of business, and the terms of the grant of the Performance-based Awarded Shares to the Connected Grantees are on normal commercial terms, fair and reasonable and the grant of the Performance-based Awarded Shares to the Connected Grantees is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM in relation to the grant of the Performance-based Awarded Shares to the Connected Grantees.

### 7. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

In the event of inconsistency, the English text of this circular and the enclosed form of proxy shall prevail over the Chinese text.

By order of the Board  
**IGG INC**  
**Yuan Chi**  
*Non-executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 799)**

28 June 2021

*To the Independent Shareholders:*

Dear Sir or Madam,

### **CONNECTED TRANSACTION RELATING TO PROPOSED GRANT OF PERFORMANCE-BASED AWARDED SHARES TO CONNECTED PERSONS**

We refer to the circular of the Company dated 28 June 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular have the same meaning when used in this letter.

We, being all the independent non-executive Directors, have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the grant of the Performance-based Awarded Shares to the Connected Grantees are fair and reasonable, and whether the grant of the Performance-based Awarded Shares to the Connected Grantees is on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and to recommend whether or not you should vote in favour of the resolution to be proposed at the EGM to approve the above.

Innovax Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to grant of the Performance-based Awarded Shares to the Connected Grantees. The text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 70 of the Circular.

We also wish to draw your attention to the letter from the Board, as set out on pages 9 to 35 of the Circular.

We have considered the principal factors taken into account by the Independent Financial Adviser in arriving at its opinion in respect of the grant of the Performance-based Awarded Shares to the Connected Grantees. After taking into consideration, we are of the view that while the grant of the Performance-based Awarded Shares to the Connected Grantees is not in

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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the ordinary and usual course of business of the Group, the terms of the grant of the Performance-based Awarded Shares to the Connected Grantees are fair and reasonable, and the grant of the Performance-based Awarded Shares to the Connected Grantees is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution in respect of the grant of the Performance-based Awarded Shares to the Connected Grantees.

Yours faithfully,

For and on behalf of the Independent Board Committee

**IGG INC**

**Dr. Horn Kee Leong**

**Mr. Dajian Yu**

**Ms. Zhao Lu**

*Chairman*

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is a letter of advice from the Independent Financial Adviser, Innovax Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this Circular.*



28 June 2021

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **CONNECTED TRANSACTION RELATING TO PROPOSED GRANT OF PERFORMANCE-BASED AWARDED SHARES 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 connected transaction relating to proposed grant of the Performance-based Awarded Shares to connected persons (the “**Connected Transaction**”), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 28 June 2021 (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 21 May 2021, the Company has adopted the Scheme to recognise the contributions by certain Eligible Persons, particularly the Directors, senior management and key personnel of certain divisions of the Group, and the Board resolved to conditionally grant up to 71,635,355 Performance-based Awarded Shares to be vested subject to, among others, the satisfaction of the Growth Performance Condition in five tranches in relation to five financial years ending 31 December 2021, 2022, 2023, 2024 and 2025 (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme) to 12 Grantees at nil consideration under the Scheme, among which (a) up to 69,486,293 Performance-based Awarded Shares were granted to nine Connected Grantees; and (b) up to 2,149,062 Performance-based Awarded Shares were granted to three Non-connected Grantees.

As at the Latest Practicable Date, the aggregate of 71,635,355 Performance-based Awarded Shares granted represent approximately 6.00% of the total number of Shares in issue and approximately 5.66% of the total number of Shares in issue as enlarged by the issue and allotment of the new Shares, among which 69,486,293 Performance-based Awarded Shares to be issued and allotted to the Connected Grantees represent approximately 5.82% of the total number of Shares in issue as at the Latest Practicable Date and approximately 5.49% of the total number of Shares in issue as enlarged by the issue and allotment of the new Shares.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Each of the Connected Grantees, being a director of the Company or a director of a Subsidiary, is a connected person (as defined in Chapter 14A of the Listing Rules) of the Company. Accordingly, the grant of the Performance-based Awarded Shares to the Connected Grantees constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to Chapter 14A of the Listing Rules, the Grantees and their Associates are required to abstain from voting on the relevant resolution at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors of the Company, namely Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu, has been formed to advise the Independent Shareholders as to whether the Connected Transaction is on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As the Independent Financial Adviser, we have been appointed by the Company to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

### INDEPENDENCE

As at the Latest Practicable Date, we are not associated or connected with the Group, their respective substantial or controlling Shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Connected Transaction, there were no other engagements between the Group and Innovax Capital Limited or the parties acting in concert with it and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Group, their respective substantial or controlling Shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice in respect of the Connected Transaction.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management (“**Management**”) of the Company. We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations not contained in the Circular, the omission of which would make any statement in the Circular misleading.

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, 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. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, their respective Subsidiaries or Associates (if applicable) or any of the other parties involved in the Connected Transaction, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Connected Transaction.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### **1 Background information of the Group**

##### *1.1 Principal activities*

Established in 2006, the Group is a renowned developer and publisher of mobile games with a strong global presence and an international customer base of over 1 billion users in total. Leveraging its success in client and browser PC online games, the Group changed its strategy to target the mobile games market in 2013. For the year ended 31 December 2020, substantially all revenue is generated from online games.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1.2 Historical Financial Information of the Group

The following table summarises the audited financial information of the Group for the five years ended 31 December 2020 as extracted from the annual reports of the Company for the years ended 31 December 2020, 2019, 2018 and 2017:

	<b>For the year ended/As at 31 December</b>					<b>Compound annual growth rate</b>
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	
	<i>US\$'000</i> <i>(Audited)</i>	<i>US\$'000</i> <i>(Audited)</i>	<i>US\$'000</i> <i>(Audited)</i>	<i>US\$'000</i> <i>(Audited)</i>	<i>US\$'000</i> <i>(Audited)</i>	
Revenue	704,128	667,648	748,785	607,253	322,087	21%
Gross profit	491,680	462,795	523,548	414,592	218,903	22%
Profit from operations	299,732	191,939	237,710	179,711	78,350	39%
Profit for the year	270,204	164,782	189,311	155,132	71,623	39%
Total equity	497,640	374,605	281,382	227,818	195,655	26%

*Over the five years ended 31 December 2020*

As demonstrated in the first table above, during the past five years, the Group achieved sustainable and significant growth on its revenue, gross profit, profit from its operations, profit for the year and total equity with compound annual growth rate (“CAGR”) of approximately 21%, 22%, 39%, 39% and 26% from 2016 to 2020, respectively.

The Group has a strong global presence and an international customer base (meaning historical accumulated registered users, including game and mobile app users) of over 1 billion users in total. Such global presence is evidenced by (i) the Group’s mobile games and apps are available in 23 different languages worldwide with nearly 39 million monthly active users; (ii) the Group is headquartered in Singapore with local offices in the United States, China, Canada, Japan, South Korea, Thailand, Belarus, the Philippines, Indonesia, Brazil, Turkey, Italy and Spain, and users from more than 200 countries and regions worldwide; (iii) the Group has aggressively pursued a strategy of globalisation in R&D and operations, establishing long-term relationships with more than 100 business partners, including art studios, advertising channels, as well as global platforms provided by companies such as Apple Inc., Google Inc., Amazon.com Inc., and Microsoft Corporation. The Group’s international presence and partnerships have enhanced its competitive advantage in the industry. During the year ended 31 December 2020, revenue generated from markets in Asia, North America and Europe accounted for 39%, 31% and 23%, respectively, of the Group’s total revenue.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group also invests heavily in its R&D and operation teams to deliver innovative and diversified products to customers. To strengthen the Group's R&D capability, the Group (i) has established robust evaluation and testing procedures for R&D over the years to capture the frequently changing tastes of gamers and the latest market trends, providing R&D with useful data points to revamp or refine games under development. Underperforming projects are consolidated and resources reassigned under a competition system to achieve optimal allocation of resources; and (ii) on top of accelerating internal research and development, the Group has also entered into strategic investment agreements in 2020 with dozens of gaming companies across the world to strengthen its foothold in the gaming industry. Partnership models include licensed publishing and outsourced game development, which will enrich the Group's game portfolio and create momentum for long-term growth.

Through these years, the Group and its games successively won recognition from the industry and received numerous awards. The Group was listed by App Annie as one of the "Top 52 Publishers" for seven consecutive years from 2014 to 2020, "Top 50 Mobile Game Makers" by well-known mobile game website PocketGamer.biz for five consecutive years from 2015 to 2019, and "Best Under A Billion" by Forbes Asia from 2018 to 2019, manifesting a vote of confidence in the Group from the game industry.

The following tables summarise the audited financial information of the Group for the three years ended 31 December 2020 as extracted from the annual reports of the Company for the years ended 31 December 2020 and 2019:

	<b>For the year ended/ as at 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(Audited)	(Audited)	(Audited)
Net cash generated from operating activities	167,714	126,942	239,224
Net cash used in investing activities	(33,909)	(29,163)	(41,023)
Net cash used in financing activities	(163,148)	(78,096)	(131,567)
Net change in cash and cash equivalents, before effect of foreign exchange rate changes	(29,343)	19,683	66,634
Cash and cash equivalents at end of the year	280,236	307,086	287,547
Current ratio <sup>(1)</sup>	2.80	3.78	2.87
Gearing ratio <sup>(2)</sup>	21.0%	21.4%	29.6%

*Notes:*

1. Current ratio is calculated by dividing current assets by current liabilities as at the end of each financial period.
2. Gearing ratio is calculated by dividing total liabilities by total assets as at the end of each financial period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Cash flow and liquidity analysis for the two years ended 31 December 2020*

For the year ended 31 December 2019, the Group recorded a net increase in cash and cash equivalents before effect of foreign exchange rate changes, of approximately US\$19.7 million, as the Group's cash generated from operating activities was sufficient to cover cash used in investing activities and financing activities. Net cash used in investing activities mainly represented net cash paid for a business combination of approximately US\$22.5 million for the acquisition of Palazzo Magnani Feroni, a historical complex located in Florence. Net cash used in financing activities mainly represented dividends paid of approximately US\$47.4 million and payment for repurchase of shares of approximately US\$27.0 million.

As at 31 December 2019, the current ratio of the Group increased to 3.78 as compared to 2.87 as at 31 December 2018, mainly due to the decrease in trade and other payables; the decrease in tax payable; and the decrease in deferred revenue which mainly represents the unamortised portion of income received paid by game players for online game services. Gearing ratio decreased from 29.6% as at 31 December 2018 to 21.4% as at 31 December 2019, primarily due to (i) the increase in other financial assets which mainly represented equity securities listed in Hong Kong; and (ii) the increase in property, plant and equipment mainly as a result of the business combination in acquisition of Palazzo Magnani Feroni, a historical complex located in Florence.

For the year ended 31 December 2020, the Group recorded a net decrease in cash and cash equivalents before effect of foreign exchange rate changes, of approximately US\$29.3 million, as the Group's cash generated from operating activities was not sufficient to cover cash used in investing activities and financing activities. Net cash used in investing activities mainly represented investments in associates and joint ventures of approximately US\$50.1 million, prepayment for the acquisition of land use rights of approximately US\$16.3 million, net-off by proceeds from disposal of other financial assets of approximately US\$43.1 million. Net cash used in financing activities mainly represented dividends paid of approximately US\$106.2 million and payment for repurchase of shares of approximately US\$50.2 million.

As at 31 December 2020, the current ratio of the Group decreased to 2.80 as compared to 3.78 as at 31 December 2019, mainly due to the increase in trade and other payables; the increase in tax payable and the increase in deferred revenue which mainly represents the unamortised portion of income received paid by game players for online game services. Gearing ratio remained stable at 21.4% and 21.0% as at 31 December 2019 and 2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2 Details of the Award of Performance-based Awarded Shares

The key features of the grant of the Performance-based Awarded Shares are summarized below. Further details are set out in the section headed “GRANT OF PERFORMANCE-BASED AWARDED SHARES UNDER THE SCHEME” in the Letter from the Board contained in the Circular.

#### *(i) Number of the Performance-based Awarded Shares*

The aggregate of 71,635,355 Performance-based Awarded Shares to be allotted and issued by the Company to the Grantees at nil consideration represent approximately 6.00% of the total number of Shares in issue and being the maximum number of Performance-based Awarded Shares that are available for grant under the Scheme as at the Latest Practicable Date and approximately 5.66% of the total number of Shares in issue as enlarged by the issue and allotment of the new Shares, among which 69,486,293 Performance-based Awarded Shares to be issued and allotted to the Connected Grantees represent approximately 5.82% of the total number of Shares in issue as at the Latest Practicable Date and approximately 5.49% of the total number of Shares in issue as enlarged by the issue and allotment of the new Shares.

The grant of the Performance-based Awarded Shares to the Grantees shall be satisfied by the issue and allotment of new Shares to the Grantees under the Specific Mandate to be sought at the EGM. Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the aggregate of 71,635,355 Performance-based Awarded Shares.

The Grantees are not required to pay any consideration for the grant of the Performance-based Awarded Shares. No fund will be raised by the Company as a result of the issue and allotment of the Performance-based Awarded Shares.

#### *(ii) Market value of the Performance-based Awarded Shares*

Based on the closing price of HK\$10.68 per Share as quoted on the Stock Exchange as at the Latest Practicable Date, the market value of the maximum number of 69,486,293 and 2,149,062 Performance-based Awarded Shares granted to the Connected Grantees and Non-connected Grantees was approximately HK\$742.11 million (equivalent to approximately US\$95.63 million) and HK\$22.95 million (equivalent to approximately US\$2.96 million), respectively.

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*(iii) Vesting schedule and actual number of the Performance-based Awarded Shares to be vested*

Subject to the terms and conditions of the rules of the Scheme and the satisfaction of the vesting conditions, the aggregate of up to 71,635,355 Performance-based Awarded Shares (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares) will be vested in five tranches, each to be vested to the Grantees as soon as reasonably practicable after the end of each of the relevant Measurement Period and upon determination by the Board as to whether the vesting conditions have been satisfied for each such tranche and the actual number of Performance-based Awarded Shares to be vested under each such tranche. Such decision of the Board in relation to vesting shall be approved by all Directors (excluding Directors who are the Grantees).

An aggregate of up to 14,327,071 Performance-based Awarded Shares (subject to adjustment in the event of any sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme), representing 20% of the total Performance-based Awarded Shares to be vested under the Scheme, may be vested to the Grantees under each tranche. The actual number of Performance-based Awarded Shares to be vested to each Grantee under each tranche shall be calculated based on the achievement of Basic Target Price for each Measurement Period in accordance with the formula set out in the sub-section headed “Actual number of Performance-based Awarded Shares to be vested” in the Letter from the Board contained in the Circular. For the avoidance of doubt, in the event that the number of Performance-based Awarded Shares to be vested is less than the maximum number of Performance-based Awarded Shares under a tranche, the unvested Performance-based Awarded Shares under such tranche shall lapse and will not be added to another tranche. For details of the Basic Target Price and the maximum and minimum number of Performance-based Awarded Shares to be vested in each tranche upon satisfaction of the Growth Performance Condition, please also refer to the sub-section headed “Maximum and minimum number of Performance-based Awarded Shares to be vested in each tranche” in the Letter from the Board contained in the Circular.

*(iv) Conditions*

The issue and allotment of the Performance-based Awarded Shares to the Grantees shall be subject to the following vesting conditions: (i) if applicable, the approval by the Shareholders of the adoption of the Scheme at the EGM, to the extent required by the relevant law of California; (ii) the approval by the Independent Shareholders at the EGM in respect of the issue and allotment of the Performance-based Awarded Shares to the Grantees under the Specific Mandate; (iii) the granting of the listing approval by the Stock Exchange in respect of the Performance-based Awarded Shares granted to the Grantees; (iv) the relevant Grantee is and remains as an Eligible Person and the Performance-based Awarded Shares have not lapsed pursuant to the terms of the Scheme; and (v) for each tranche of the Performance-based Awarded Shares, the achievement of the Growth Performance Condition, representing achieving the Expected Growth Rate of



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a compound annual growth rate of not less than 10% on the Initial Benchmark Price based on the Measurement Price for each relevant Measurement Period. In the event that the Measurement Price reaches approximately 25% over the Basic Target Price during each of relevant Measurement Periods, the Performance-based Awarded Shares will be vested in full for the relevant tranche. For condition (i) above, the Group has sought advice from the U.S. counsel as the Eligible Persons also include the Group's employees resident in California, and it is confirmed that the adoption of the Scheme is not subject to approval by the Shareholders pursuant to the relevant law of California. As such, condition (i) has been satisfied.

The minimum Expected Growth Rate of not less than 10%, which was determined with reference to the Company's historical Share prices and the macroeconomic environment, represents a minimum pre-requisite growth on the Share price for the relevant tranche of Performance-based Awarded Shares to be vested. Based on the past business performance, future developments of the Group and industry prospect, the Company targets to reach a double rate of growth on its Share price from the Initial Benchmark Price on a progressive and sustainable basis over the span of five years under the Scheme. As such, it was formulated in such a way that the Performance-based Awarded Shares will be vested in full for the relevant tranche in the event that the Measurement Price reaches approximately 25% over the Basic Target Price during the relevant Measurement Period.

In determining whether the Expected Growth Rate is achieved for the purpose of vesting condition (v) above for each tranche of the Performance-based Awarded Shares, the Company will refer to the Basic Target Price to which each Measurement Period relates, which shall be calculated in accordance with the formula set out in the sub-section headed "Conditions" in the Letter from the Board contained in the Circular.

In order to assess the fairness and reasonableness of the parameters used in the formula of the actual number of Performance-based Awarded Shares to be vested which primarily included the Expected Growth Rate of a compound annual growth rate of not less than 10% on the Initial Benchmark Price based on the Measurement Price, which also translates into an annual growth rate of at least 25% over the Basic Target Price in order for the Performance-based Awarded Shares to be vested in full, we have considered (i) the Group's historical price performance; and (ii) the prospect of the gaming industry in the next few years. Based on our research, we noted the Share price grew slowly at a CAGR of 3.5% in the past three years prior to the Latest Practicable Date as the growth of the Group's flagship game, namely Lords Mobile released in 2016, gradually stabilize in recent years.



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Based on the example in the subsection headed “Maximum and minimum number of Performance-based Awarded Shares to be vested in each tranche” in the Letter from the Board contained in this Circular, we noted a required CAGR in the range of minimum 9.6% to 14.6% or more in the Group’s Share price over approximately five years since the Initial Benchmark Price, which was substantially higher than the CAGR of 3.5% of the Company’s Share price in recent years. Further, according to “*Gaming Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2021-2026*” released by IMARC Group in February 2021, the global gaming market growth is expected to slow down during the forecast period between 2021 and 2026 at a CAGR of 9.24%, compared with the substantial growth in the global gaming market the past several years at a CAGR of 19.5% from 2017 to 2020. In view of the stabilizing growth of the Group and the global gaming industry, we are of the view that the achievement of CAGR of 9.6% to 14.6% over a five-year period under the Scheme is challenging to the senior management of the Group. Therefore, we are of the view that the Scheme provided a strong stimulus to further incentivize the senior management of the Group to improve the financial performance of the Group and the Share price and that the imposition of the Growth Performance Conditions is fair, reasonable and beneficial to the Company and the Shareholders as a whole.

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(v) *List of the Performance-based Awarded Shares awarded to the Grantees*

Name of Grantees	Position held within the Group	Number of Performance- based Awarded Shares	Approximate % to the total issued share capital of the Company on the Date of Award
<i>Connected Grantees</i>			
Mr. Zongjian Cai	Founder of the Group, Executive Director, chairman and chief executive officer of the Group	38,444,306	3.22
Mr. Yuan Xu	Executive Director and chief operating officer of the Group	7,163,535	0.60
Mr. Hong Zhang	Executive Director, chief technology officer of the Group	6,447,181	0.54
Ms. Jessie Shen	Executive Director, chief financial officer and a joint company secretary of the Group	5,253,259	0.44
Mr. Feng Chen	Executive Director and senior vice president of the Group	2,865,414	0.24
Ms. Meijia Chen	Director of subsidiaries of the Company and senior vice president of the Group	7,163,536	0.60
Mr. Hanling Fang	Director of subsidiaries of the Company and vice president of the Group	716,354	0.06
Mr. Shuo Wang	Director of subsidiaries of the Company and vice president of the Group	716,354	0.06
Mr. Chengfeng Luo	Director of subsidiaries of the Company and senior director of research and development	716,354	0.06
Subtotal		<b>69,486,293</b>	<b>5.82</b>
<i>Non-connected grantees</i>	Key personnel of certain divisions of the Group	<b>2,149,062</b>	<b>0.18</b>
Total		<b>71,635,355</b>	<b>6.00</b>

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### *(vi) Suspension of repurchase*

In order to avoid any conflict of interest, the Company will not make any repurchase of its Shares at any time during the Measurement Period, other than in exceptional circumstances where the Board (excluding the Grantees) considers appropriate and necessary to repurchase its Shares at the interests of the Company and Shareholders as a whole.

### *(vii) Financial impact of the grant of the Performance-based Awarded Shares*

The value of the Performance-based Awarded Shares would be allocated and charged as expenses in the Group's consolidated profit or loss in each financial year over the period between the date on which the approval of the Specific Mandate and the grant of the Performance-based Awarded Shares to the Grantees is sought at the EGM and Vesting Date.

As set out in the sub-section headed "Financial Impact" in the Letter from the Board, based on the closing price of HK\$11.36 per Share as quoted on the Stock Exchange as at the valuation reference date (i.e. 11 June 2021), and other parameters in the valuation model, the total expense to be recognised in the financial statements on the Performance-based Awarded Shares granted under the Scheme is estimated to be US\$20.48 million, which would be amortised over the relevant financial years during the period between the date on which the approval of the Specific Mandate and the grant of the Performance-based Awarded Shares to the Grantees is sought at the EGM and Vesting Date. The estimated financial statements impact as disclosed above was based on the calculation performed by an external valuer engaged by the Company with reference to the closing price of the Shares on the valuation reference date, which is subject to remeasurement on the date on which the approval of the Specific Mandate and the grant of the Performance-based Awarded Shares to the Grantees is sought at the EGM and is subject to audit by the Company's auditor during the annual audit.

The grant, issue and allotment of the Performance-based Awarded Shares, however, will have no effect on the cash flow of the Group.

## **3 Reasons for the Grant of the Performance-based Awarded Shares**

### *Existing equity incentive schemes*

The Company adopted the Share Option Scheme on 16 September 2013 for the purpose of giving the eligible persons an opportunity to have personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company also adopted the Share Award Scheme on 24 December 2013 for granting Share awards to recognise the contribution of selected grantees and to give incentives to them in order to retain them for the continuing operation and development of the Group as well as to attract suitable personnel for future development of the Group. Under the Share Award Scheme, the Board may, at its absolute discretion, determine such number of Shares to be granted subject to any performance, operating and financial targets and other criteria.

As at the Latest Practicable Date, (i) the Shares falling to be issued upon exercise of the unexercised share options granted under the Pre-IPO Share Option Scheme represented approximately 0.39% of the current issued share capital of the Company; (ii) the Shares falling to be issued upon exercise of the unexercised share options granted and the unutilized scheme mandate limit under the Share Option Scheme represented approximately 0.37% and 9.36% of the issued share capital of the Company as at the Listing Date, respectively; and (iii) the number of unvested awarded shares and the remaining Shares available for grant under the Share Award Scheme represent approximately 0.70% and 7.81% of the issued share capital of the Company as at the adoption date of the Share Award Scheme, respectively. All the historical grant of awarded shares under the Share Award Scheme were satisfied by the acquisition of Shares by trustees from the open market with Company's internal resources, and as a result of which, no dilution effect had been caused to the interests of Shareholders in the past under the Share Award Scheme.

In consideration of the available limit under the Share Award Scheme, the adoption of the Scheme and the Performance-based Awarded Shares granted to the Grantees, the Board considers that the existing equity incentive schemes collectively offer a comprehensive and competitive remuneration package providing equitable incentives to the employees of the Group and hence has no present plan to grant any further options under the Share Option Scheme in the near future, particularly given the higher dilution impact arising from the grant of share options on the shareholding interests of the Shareholders than to provide the comparable incentives as the grant of awarded shares under the Share Award Scheme and the Scheme. In the event that the Board decides to grant further awards of Shares under the Share Award Scheme during the remaining term of the Share Award Scheme before its early termination, renewal or expiry in 2023, it is intended that any such grant, in aggregate with (i) the unexercised share options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme; (ii) the unvested awarded shares granted under the Share Award Scheme; and (iii) the Performance-based Awarded Shares granted to the Grantees under the Scheme, will not exceed 10% of the issued Shares on the date of relevant grant. To mitigate the potential dilution impact on the Shareholders, the further grant of awarded shares under the Share Award Scheme before its early termination, renewal or expiry in 2023 shall be satisfied by existing Shares to be purchased from the open market by utilizing the Company's resources pursuant to the rules of the Share Award Scheme. As such, while the Board would consider to grant awarded shares under the Share Award Scheme as and when appropriate, such grant of awarded shares would not have any dilution impact on the shareholdings of the Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *The Scheme*

According to the Letter from the Board, the Scheme is a separate incentive scheme that operates in parallel with the Share Award Scheme and the Share Option Scheme. The Scheme, which does not impose any specified limit for the grant to an individual grantee, will provide more flexibility for the Company to award the Eligible Persons, particularly the Directors, senior management and key personnel of certain divisions of the Group. For instance, the vesting conditions of the Performance-based Awarded Shares granted to the Grantees include the Growth Performance Condition, which would provide incentives to the Grantees to achieve the targeted growth of the Group in the upcoming five years. Therefore, the Board is of the view that the adoption of the Scheme will complement the Share Award Scheme and is beneficial to the Company and the Shareholders as a whole.

The Board considers that the grant of the Performance-based Awarded Shares to the Grantees provides reward to the Grantees for the past business performance of the Group and also gives incentives to the Grantees in order to retain them for the continuing operation and future development of the Group, and further aligns the interests of the Grantees to the Shareholders through direct ownership of Shares.

Having taken into consideration the following, we concur with the Board that the Scheme will complement the existing equity incentive schemes (including both the Share Award Scheme and the Share Option Scheme) and is beneficial to the Company and the Shareholders as a whole:

- (i) Although the Share Option Scheme, the Share Award Scheme and the Scheme serve similar purpose to incentivize its employees, there are differences between these schemes in terms of vesting conditions, dilution impact, the eligible persons, specified limit to individual grantees and etc. Please see further analysis in point (ii) to (iv) below. These differences provide flexibility for the Company to award the eligible persons under different circumstances and, therefore, collectively offer a comprehensive and competitive remuneration package to its employees;
- (ii) Whilst under the Share Award Scheme, the Board may, at its absolute discretion, determine the number of Shares to be granted subject to any performance, operating and financial targets and other criteria, the Board had in the past primarily imposed service condition requiring the employees to remain with the Group for a period of time but no other performance conditions nor market conditions linked to the Share price, the vesting condition of the Scheme, however, include the Growth Performance Condition, which incentivize the Grantees to achieve targeted growth and, in turn, improve the Share price in the coming five years, thereby aligning the interests of the employees with that of all the Shareholders;

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- (iii) Whilst the grant of the Performance-based Awarded Shares to the Grantees under the Scheme is to be satisfied by the issue and allotment of new Shares, the further grant of awarded shares under the Share Award Scheme shall be satisfied by existing Shares to be purchased from the open market by utilizing the Company's resources. As stated in the Letter from the Board, the Group has no present plan to grant any further options under the Share Option Scheme in the near future, particularly given the higher dilution impact arising from the grant of share options on the shareholder interests of the Shareholder. Therefore, the Company enjoys the flexibility in providing the incentives to its employees after considering its cash flow position and the potential dilution impact on the Shareholders;
- (iv) The Grantees under the Scheme (which included Directors of the Company and its subsidiaries) and the maximum number of Performance-based Awarded Shares to be vested under each tranche has already been specified in the Circular, the Company could grant Share awards under the Share Award Scheme to recognize the contribution of other selected grantees, including but not limited to any employees or Directors of any member of the Group, thereby extending the flexibility to incentivize other employees in important roles of the Group as and when necessary; and
- (v) Whilst both the Share Option Scheme and the Share Award Scheme imposed specified limit for the grant to an individual grantee, the Scheme does not impose any such limit and thereby providing the flexibility for the Company to award the Grantees in accordance with their importance, roles and responsibilities in the Group.

### *Roles and Contributions of the Connected Grantees*

In assessing the fairness and reasonableness of the Connected Transaction, the Board has taken into consideration various factors, including but not limited to (i) the importance of the roles and responsibility of the relevant Grantees; (ii) the past performance and contributions of the Grantees to the overall business performance of the Group; (iii) the period of service of all the Grantees; and (iv) the remuneration package of gaming companies with shares listed in the U.S. and Hong Kong.

Mr. Zongjian Cai, being the founder of the Group and the chairman of the Board and the chief executive officer of the Group, is primarily responsible for overall strategic planning and management of the Group, as well as the business direction of the global business operations of the Group. He has been the chief executive officer since the establishment of the Group and has provided significant contribution to the development of the Group over the past years and is regarded as a core figure for the Group's future development. The Board considers that the grant of the Performance-based Awarded Shares to Mr. Zongjian Cai has the benefit of securing consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group, which justifies the reason of him being granted with the highest percentage of Performance-based Awarded Shares under the Scheme.

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The Grantees, being Mr. Zongjian Cai and his management team of the Group, who are responsible for the overall management of the Group's business operation, including research and development, operation, technology, finance, human resources and administration and strategic investment, have collectively contributed to the growth and development of the Group.

The backgrounds of the Connected Grantees are set out below:

Name of Connected Grantees	Position held within the Group	Roles of the Connected Grantees	Date of joining the Group
Mr. Zongjian Cai	Founder of the Group, executive Director, chairman and chief executive officer of the Group	Responsible for the corporate strategic planning and overall business development of the Group	February 2006
Mr. Yuan Xu	Executive Director and chief operating officer of the Group	Responsible for global operation strategies of the Group	September 2007
Mr. Hong Zhang	Executive Director, chief technology officer of the Group	Responsible for the overall technology operation of the Group	December 2008
Ms. Jessie Shen	Executive Director, chief financial officer and a joint company secretary of the Group	Responsible for corporate finance, legal and listing compliance matters on the Stock Exchange	March 2009
Mr. Feng Chen	Executive Director and senior vice president of the Group	Responsible for strategic investment management of the Group	April 2014
Ms. Meijia Chen	Director of subsidiaries of the Company and senior vice president of the Group	Responsible for game operation management	June 2007
Mr. Hanling Fang	Director of subsidiaries of the Company and vice president of the Group	Responsible for operation and management of the R&D centers	July 2007
Mr. Shuo Wang	Director of subsidiaries of the Company and vice president of the Group	Responsible for strategic investment projects and finance management	October 2006

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Name of Connected Grantees	Position held within the Group	Roles of the Connected Grantees	Date of joining the Group
Mr. Chengfeng Luo	Director of subsidiaries of the Company and senior director of research and development	Responsible for R&D project development and management of the Group	June 2009

We have enquired with the Management as to the expertise, roles and responsibilities of the Connected Grantees and noted from the background and work experience of each of the Connected Grantees that each of them possesses expertise and experience in his/her own area which is relevant to the Group's operations. We further note that the Connected Grantees have years of services in the Group of up to 15 years with an average of approximately 13 years. In particular, Mr. Zongjian Cai, whom would be conditionally granted the highest number of Performance-based Awarded Shares among the Grantees, is the founder and the chief executive officer of the Group. Based on our review of the annual report for the years ended 31 December 2019 and 2020, the portion of equity-settled share-based payments to the total director emoluments of Mr. Zongjian Cai in the past three years ended 31 December 2018, 2019 and 2020 were less than 0.5%. As at the Latest Practicable Date, the percentage of shareholding on the Company held by the Connected Grantees and persons acting in concert with them were approximately 23.09% of total number of Shares in issue as at the Latest Practicable date, among which, Mr. Zongjian Cai and his Concert Party Group are interested in approximately 21.63% of total number of Shares in issue as at the Latest Practicable Date. We are of the view that through the Award to Mr. Zongjian Cai under the Scheme, the percentage of equity-settled share-based payments to total director emoluments of Mr. Zongjian Cai would be increased, thereby further aligning the interest of Mr. Zongjian Cai with that of Shareholders in increasing the value of the Company and the price of the Shares.

The grant of the Performance-based Awarded Shares shall vest in five tranches in relation to five financial years ending 31 December 2021, 2022, 2023, 2024 and 2025, the grant of which shall motivate the Grantees' continuing services in the Group and ensure stability in the Group's operations which minimises any potential disruption to the existing operations of the Group resulting from lack of continuity of an experienced senior management team. We consider that, the retention of valuable personnel, including the Connected Grantees, is critical for maintaining a stable and experienced senior management team, which in turn is crucial for the development and expansion of the Group. The Award to the Connected Grantees will provide them with a direct economic interest in attaining a long-term relationship with the Group.



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As stated in the Letter from the Board, considering the global market presence of the Group's business and its diversified source of revenue generated from various geographical locations including Asia, North America and Europe, in deciding the grant of the Performance-based Awarded Shares to the Grantees, particularly those Grantees who are executive Directors, the Board has made reference to the remuneration package of various gaming companies which are companies listed in the U.S. and Hong Kong. According to the ranking provided by App Annie, a leading global provider of mobile data and analytics, the Company ranked 28th for the year of 2020 amongst the top 52 publishers in the world. Having positioned itself as a global mobile game developer and considering that (i) around one-third of the top 52 publishers are U.S. companies; and (ii) the disclosures of the remuneration packages of U.S. listed companies are generally relatively transparent, based on which the Company could have adequate information to make its assessment, hence the Board considers it appropriate to make reference to U.S. listed gaming companies. The remuneration package of those U.S. listed gaming companies that the Board had made reference to comprised base salary, bonus, non-performance-based stock compensation and performance-based stock compensation. These companies also adopted various incentive scheme models including time-based and performance-based. The value of awards granted under the performance-based incentive schemes of some of these companies were based on the shareholders' return/share price performance. Before the grant of the Performance-based Awarded Shares to the Grantees and without taking into account the share options granted under the Pre-IPO Share Option Scheme and the cancelled share options under the Share Option Scheme, since the respective adoption dates of the Share Option Scheme and the Share Award Scheme in September 2013 and December 2013, the Grantees had been collectively granted no more than 0.5% of the issued Shares as of the Latest Practicable Date, which are non-performance-based and comprised of: (i) a total of 3,450,000 share options (representing 0.26% of the issued Shares as at the Listing Date) under the Share Option Scheme (excluding 4,028,000 share options which have been cancelled as of the Latest Practicable Date); and (ii) a total of 3,313,331 awarded shares (representing 0.24% of issued Shares as at the adoption date of the Share Award Scheme) under the Share Award Scheme.

As such, the Board and the Remuneration Committee are of the view that the grant of Performance-based Awarded Shares complements the current remuneration package of the Directors and senior management of the Company, and after taking into account the grant of the Performance-based Awarded Shares, the structure of the remuneration package of the Grantees, particularly of the executive Directors, is comparable to that of the directors of such other U.S. and Hong Kong listed gaming companies. The long-term Awards designed under the Scheme is believed to provide incentives to retain the key executives to promote a strong and consistent management team for sustainable growth of the Company.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to assess whether the Award to the Connected Grantees is in line with the structure of remuneration package in the market, we have considered the remuneration package of comparable companies listed in Hong Kong and the U.S. with similar scale as the Company in terms of revenue and market capitalization, taking into account that (i) both listing platforms in Hong Kong and the U.S. are recognized stock exchanges for international companies around the world; (ii) the Group is a global mobile game developer and operator with players from more than 200 countries and a strong global presence targeting international customer base; and (iii) the Group's source of revenue in terms of geographical locations was diversified with approximately 39%, 31%, 23% and 7% of its revenue generated in Asia, North America, Europe and other countries for the year ended 31 December 2020, respectively. As such, we have conducted a market analysis on comparable companies and identified five comparable companies listed in Hong Kong or the U.S. (the “**Comparables**”), which are also principally engaging in the development and operation of online games with more than 50% of their revenue generated from gaming and with market capitalization as at Latest Practicable Date similar to that of the Group in the range of USD1,000 million to USD2,500 million. Set out below is the comparison of the structure of remuneration package of the executive directors and/or senior management of the Comparables:

Company name (stock code)	Market capitalization as at Latest Practicable Date (USD'million)	Revenue for the financial year ended 31 December 2020 (USD'million)	Average remuneration of executive directors/senior management for the financial year ended 31 December 2020 (USD'thousand) <sup>(Note 1)</sup>			Percentage of share-based payments to total remuneration %	Percentage of average remuneration of executive directors/senior management to total revenue %
			Cash-settled remuneration <sup>(Note 2)</sup>	Share-based payments	Total		
SciPlay Corporation (SCPL.US)	2,188	582	781	400 <sup>(Note 3)</sup>	1,181	33.9	0.2
NetDragon Websoft Holdings Limited (777.HK)	1,488	921	329	659	988	66.7	0.1
CMGE Technology Group Ltd. (302.HK)	1,299	573	179	4,088 <sup>(Note 4)</sup>	4,267	95.8	0.7
Fire Rock Holdings Ltd. (1909.HK)	1,575	78	55	2	57	3.5	0.1
Archosaur Games Inc. (9990.HK)	1,441	181	548	–	548	–	0.3
				Average		39.9	0.3
				Median		33.9	0.2
				Maximum		95.8	0.7
				Minimum		–	0.1
The Company (799.HK)	1,635	704	872	–	872	–	0.1

*Notes:*

1. Remuneration information of the Comparables were extracted from their respective annual report for the year ended 31 December 2020. The average remuneration of executive directors is calculated by dividing the total remuneration of executive directors/senior management by the number of executive directors/senior management.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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2. Cash-settled remuneration included base salaries, directors' fees, pension/retirement scheme contribution, benefits in kind and bonuses.
3. Among the share-based payments being part of the remuneration of executive directors/senior management for the financial year ended 31 December 2020 for Sciply Corporation, approximately 50% are performance-based.
4. Among the share-based payments being part of the remuneration of executive directors/senior management for the financial year ended 31 December 2020 for CMGE Technology Group Ltd., approximately 100% are performance-based.

As demonstrated in the table above, it is common with four out of the five Comparables having the remuneration package of its executive directors and/or senior management consisting of two main portions including cash-settled remuneration and share-based payment (including both performance-based and non-performance-based share-based payment), which is similar to that of the executive Directors and senior management of the Group. We have also calculated and compared the percentage of share-based payment to total remuneration package of the Comparables with that of the Group, noting that the relevant percentage of the Group was nil, compared to the average of 39.9% and the median of 33.9% in the market for the year ended 31 December 2020. We have also considered the relevant percentage of the Group in the past three years, noting that the percentage had been consistently low with no more than 5.0%. Further, we have also compared the percentage of average remuneration of the executive Directors and/or senior management of the Group to total revenue with that of the Comparables, noting that the Group's percentage was on the low side at 0.1%, which was the minimum among the Comparables. As such, we are of the view that the Scheme together with the existing equity incentive schemes would enable the Group to offer a comprehensive and competitive remuneration package to its core management and that the Award to the Connected Grantees is in line with the market practice and is comparable to the structure of the remuneration package of the executive directors and/or senior management of other listed companies in Hong Kong and the U.S.

### ***Business performance of the Group***

As stated in the Letter from the Board, the Board considers that the grant of the Performance-based Awarded Shares provides reward to the Grantees for the past business performance of the Group. The financial performance of the Group achieved rapid growth during the past five years under the leadership and management of the Mr. Zongjian Cai and his management team. For details of the historical financial performance of the Group, please refer to section headed "1.2 Historical Financial Information of the Group" above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Future development of the Group*

With a strong business and financial performance in the year of 2020, the Group will continue to invest heavily in its R&D and operation teams to deliver innovative and diversified products to customers. Having expanded its research and development scale worldwide, including Singapore, Canada, Japan and China, the Group will continue to expand and develop its global research and development centers, which will provide a solid foundation for future development.

The Group has also entered into strategic investment agreements with dozens of gaming companies across the world to strengthen its foothold in the gaming industry. Partnership models include licensed publishing and outsourced game development, which will enrich the Group's game portfolio and create momentum for long-term growth. For details, please refer to the sub-section headed "Future development of the Group" in the Letter from the Board contained in the Circular.

### *Alignment with shareholders' interests*

The Board considers that the grant of the Performance-based Awarded Shares provides incentives to the Grantees to lead the future developments and direction of the Group. Based on the Growth Performance Condition for the vesting of the Performance-based Awarded Shares, in order for the Grantees to have the Performance-based Awarded Shares to vest in full, the Share price has to reach approximately 25% over the Basic Target Price during each of relevant Measurement Periods.

If the Share price reaches approximately 25% over the Basic Target Price during each of relevant Measurement Period, assuming there are no dividends and other distributions per Share paid or in respect of which an ex-dividend event occurred during each of the relevant financial year, the price of Shares will be increased by approximately 97% compared to the Initial Benchmark Price (approximately two times of the Initial Benchmark Price) in such circumstance after five years.

The Board had considered and compared various market performance indicators in designing for the Growth Performance Conditions and is of the view that the growth on Share price will fairly reflect, among others, (i) the overall business performance for the relevant financial year; (ii) total market capitalization of the Company; (iii) recent development of the Company; and (iv) investors and industry prospect for the relevant financial year. The Board is of the view that the Share price is a comprehensive indicator that reflects investors' assessment of the investment value of the Company taking into account relevant qualitative factors such as overall business and financial performance of the Company for the relevant financial years, the recent development of the Company and the industry prospect for the future development, as well as reflecting the collective interests of the investors as to the growth of the Company. The share price-based

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performance condition approach adopted for the Growth Performance Conditions therefore provides a more fluid and market-sensitive indicator for adapting to any uncertain macro-environment ahead and will further safeguard the Shareholders' interests as a whole.

In order to assess the fairness and reasonableness of the vesting period under the Scheme, the Board had considered various U.S. and Hong Kong listed companies with share award scheme or similar equity incentive schemes as market comparable. The Board is of the view that the period of 5 years and the vesting conditions were considered to be fair and reasonable and is in the interests of the Shareholders as a whole. Having considered the past business performance and the strategic approach adopted for future growth of the Group, the Board believes that the Group will continue to achieve a sustainable and profitable growth in the upcoming years. Despite any unforeseeable impact of market volatility, the Board is of the view that the growth rates on Share price for the Performance-based Awarded Shares to be vested were reasonably determined and will fairly reflect the value and business growth of the Group.

Accordingly, the Award granted to the Grantees and the economic benefits of the Performance-based Awarded Shares are dependent on the improvement in the price of the Shares and hence the Grantees can only benefit when all the Shareholders are also in a position to benefit from the increase in Share price. In addition, as the grant of the Performance-based Awarded Shares will vest over a period of five years, the Grantees' interests will be further aligned with that of the Shareholders in increasing the value of the Company and price of the Shares over a sustained period.

### *No cash outflow under the grant of the Performance-based Awarded Shares*

The grant of the Performance-based Awarded Shares to the Grantees, including the Connected Grantees, to be satisfied by the issue and allotment of new Shares will enable the Company to obviate cash outflow while allowing long-term incentives to the Grantees to make future contribution to the operation of the Group and drive the Group's performance, as compared to other alternatives which have been considered by the Board including cash incentives.

According to the Company' announcement dated 6 May 2021 ("**Share Award Scheme Announcement**"), based on the recommendation of the remuneration committee of the Company, the Board resolved to grant a total of 3,192,565 Shares, which have been acquired by the trustee from the open market by utilising the Company's internal resources provided to the trustee, to a total of 23 grantees, pursuant to the Share Award Scheme at nil consideration.

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We have discussed with the Management regarding the benefits of the Award through the issue and allotment of the new Shares, instead of acquisition of existing Shares from the open market. As advised by the Management, the Award through the issue of new Shares will enable the Company to obviate cash outflow, thereby avoiding additional pressure of the Group's liquidity while allowing long-term incentives to the Grantees to make future contribution to the operation of the Group and drive the Group's performance.

### *Immaterial dilution impact*

Assuming that the Performance-based Awarded Shares are vested in full and there are no changes to the number of Shares in issue other than as a result of the allotment and issue of the Performance-based Awarded Shares and based on the shareholding structure as at the Latest Practicable Date, the shareholding of the other Shareholders will be diluted from approximately 63.93% to approximately 60.31% in around five years' time. For details of the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the issue and allotment of the Performance-based Awarded Shares assuming that all Performance-based Awarded Shares are vested in full and no changes to the number of Shares in issue other than as a result of the allotment and issue of the Performance-based Awarded Shares, please refer to the sub-section headed "Immaterial Dilution Impact" in the Letter from the Board contained in the Circular. Meanwhile, the Share price has to reach approximately 25% over the Basic Target Price for each tranche of Performance-based Awarded Shares to be vested in full. Accordingly, in the circumstances the Grantees were to be allotted the maximum number of Performance-based Awarded Shares, hypothetically, the other Shareholders will be able to benefit from an increase in the price of the Shares by approximately 97% as compared to the Initial Benchmark Price at a "cost" of dilution of the other Shareholders' shareholding of only approximately 3.62% in a period of around five years.

The Board also considered the grant of share options to the Connected Grantees as an alternative to provide incentives to the Grantees, but given the Grantees would be required to pay the exercise price upon exercise of the share options and as such significantly higher number of share options would need to be granted to the Grantees to provide the comparable incentives as the grant of the Performance-based Awarded Shares, thereby resulting in higher dilution impact on the shareholding interests of the other Shareholders, the Board considers the grant of share options to be a less desirable alternative compared to the grant of the Performance-based Awarded Shares.

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Having taken into account the above and/or in particular the followings:

1. The Connected Grantees were all executive Directors of the Group or directors of subsidiaries of the Company, playing core roles in the Group and are responsible for different aspects of the Group, including corporate strategic planning, business development and management, technology, operation, strategic investment, R&D and finance management, which have collectively contributed to the continuing success of the Group;
2. All Connected Grantees have years of services in the Group of up to 15 years with an average of approximately 13 years. In particular, Mr. Zongjian Cai, whom was granted the highest percentage of Performance-based Awarded Shares under the Scheme, is the founder and the chief executive officer of the Group. Under the long-term leadership of Mr. Zongjian Cai and his management team, the Group has indeed achieved sustainable and significant growth in revenue, gross profit, profit from its operations, profit for the year and total equity with CAGR of more than 20% between 2016 and 2020. It is therefore expected that the Mr. Zongjian Cai and his management team's experience in driving the continuous success of the Group in the future is indispensable. We are also of the view that through the Award to Mr. Zongjian Cai under the Scheme, the percentage of equity-settled share-based payments to total director emoluments of Mr. Zongjian Cai would be increased, thereby further aligning the interest of Mr. Zongjian Cai with that of Shareholders;
3. Unlike the Share Option Scheme and the Share Award Scheme, the vesting of the Performance-based Awarded Shares under the Scheme is subject to the achievement of Growth Performance Condition and hence the Grantees would only be awarded when all the Shareholders are also in a position to benefit from the increase in Share price, thereby aligning the interests of the Grantees with the Shareholders' interests. In addition, same terms and conditions of the Scheme, including but not limited to the Growth Performance Condition, are applicable to both the Connected Grantees and Non-connected Grantees;
4. There will not be cash outflow as the Award would be satisfied by the issue and allotment of new Shares, thereby avoiding additional pressure on the Group's liquidity; and
5. In the circumstances the Grantees were to be allotted the maximum number of Performance-based Awarded Shares, the maximum dilution of the other Shareholders' shareholding by approximately 3.62%, in a period of five years is acceptable compared with the cumulative appreciation in the prices of the Shares by 97% after the corresponding period,

we are of the view that the Award to the Connected Grantees, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.



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### 4 Market Comparable Analysis

In order to assess the reasonableness and fairness of the terms of the Connected Transaction, we have, to our best effort and knowledge, identified an exhaustive list of 47 other companies which are listed on the Main Board of the Stock Exchange and had announced the grant of awarded shares since 1 January 2021 and up to the Latest Practicable Date (the “Comparable Grants”). We consider that the period under review, being approximately five months, is adequate to provide fair and representative samples for analysis of recent grant of awarded shares in the market.

Although the Comparable Grants have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company, we consider the Comparable Grants could provide a general reference of companies listed on the Main Board of the Stock Exchange granting award shares to its employees. Set out below is a comparison of the Comparable Grants:

Company name (Stock code)	Date of announcement	Number of grantees	Approximate % of the cumulative grant to the total issued share capital as at the date of announcement	Approximate % of the maximum awarded shares under the scheme to the total issued share capital	Vesting date/period	Vesting conditions
Galaxy Entertainment Group Limited (Stock code: 27)	18 June 2021	Not disclosed	0.04%	30.00%	Three tranches over a three-year period with approximately one-third each	Not disclosed
Wuxi Biologics (Cayman) Inc. (Stock Code: 2269)	18 June 2021	1,752	0.85%	3.00%	Not disclosed	Y
Alibaba Pictures Group Limited (Stock Code: 1060)	16 June 2021	413	3.46%	2.00% <sup>(Note 1)</sup>	Not disclosed	Not disclosed
BAIOO Family Interactive Limited (Stock code: 2100)	11 June 2021	42	6.32%	2.00% <sup>(Note 2)</sup>	20% each on the first and second anniversaries, then 7.5% each on quarterly basis between second to four anniversaries	Not disclosed



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Company name (Stock code)	Date of announcement	Number of grantees	Approximate % of the cumulative grant to the total issued share capital as at the date of announcement	Approximate % of the maximum awarded shares under the scheme to the total issued share capital	Vesting date/period	Vesting conditions
ManpowerGroup Greater China Limited (Stock Code: 2180)	10 June 2021	35	0.38%	2.50%	On the date falling 36 months from the date of grant	Y
YTO Express (International) Holdings Limited (Stock code: 6123)	10 June 2021	20	7.12%	5% <i>(Note 3)</i>	Four tranches over a four-year period with 25% each	Y
Pharmaron Beijing Co., Ltd. (Stock Code: 3759)	9 June 2021	204	0.10%	20.00%	Four tranches over a four-year period with 25% each	Y
Zhengzhou Coal Mining Machinery Group Company Limited (Stock code: 564)	4 June 2021	186	2.44%	10.00%	Three tranches over a three-year period with 40%, 30% and 30%, respectively	Y
Weimob Inc. (Stock code: 2013)	28 May 2021	5	0.08%	4.12%	Within four years from the date of award	Y
Weimob Inc. (Stock code: 2013)	28 May 2021	379	1.62%	3.00%	Within four years from the date of award	Y
Freetech Road Recycling Technology (Stock Code: 6888)	28 May 2021	7	2.25%	3.00%	Three tranches over a three-year period with 40%, 30% and 30%, respectively	Y
AsiaInfo Technologies Limited (Stock Code: 1675)	26 May 2021	Not disclosed	1.70%	5.00%	First to third anniversary	Y
Ascentage Pharma Group International (Stock Code: 6855)	21 May 2021	34	0.18%	1.39%	Not disclosed	Y
Haidilao International Holding Limited (Stock Code: 6862)	20 May 2021	Over 1,500	3.00%	5.00%	Tenth anniversary	Y

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Company name (Stock code)	Date of announcement	Number of grantees	Approximate % of the cumulative grant to the total issued share capital as at the date of announcement	Approximate % of the maximum awarded shares under the scheme to the total issued share capital	Vesting date/period	Vesting conditions
Wanka Online Inc. (Stock Code: 1762)	11 May 2021	11	3.55%	15.00%	Four tranches over a four-year period with 25% each	Y
BOC Aviation Limited (Stock code: 2588)	7 May 2021	Not disclosed	0.72%	50% of the bonus pool, which is subject to the net profit for the year and does not have any cap	December 2023	Y
Everest Medicines Limited (Stock Code: 1952)	7 May 2021	2	0.15%	5.00%	Not disclosed	N
IMAX China Holding, Inc. (Stock Code: 1970)	6 May 2021	5	4.69%	10.00%	Various vesting schedules: (i) Immediate; (ii) Three tranches over a three-year period with one-third each	N
Maoyan Entertainment (Stock Code: 1896)	2 May 2021	Not disclosed	1.21%	2.90%	Not disclosed	Not disclosed
Edvantage Group Holdings Limited (Stock code: 382)	29 April 2021	6	0.03%	2.00%	Not disclosed	N
Midea Real Estate Holding Limited (stock code: 3990)	22 April 2021	31	0.40%	10.00%	1 April 2022	Y

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Company name (Stock code)	Date of announcement	Number of grantees	Approximate % of the cumulative grant to the total issued share capital as at the date of announcement	Approximate % of the maximum awarded shares under the scheme to the total issued share capital	Vesting date/period	Vesting conditions
BeiGene, Ltd (Stock Code: 6160)	20 April 2021	11	2.95%	15.70%	Various vesting schedules: (i) Four tranches over a four-year period with 25% each; (ii) Upon the earlier of the first anniversary or the next annual general meeting	Y
i-Control Holdings Limited (stock code: 1402)	20 April 2021	1	0.05%	15.00%	Three tranches over a three-year period with 30%, 30% and 40%, respectively	Y
China Mengniu Dairy Company Limited (Stock Code: 2319)	15 April 2021	Not disclosed	1.97%	5.00%	Two tranches over a two-year period with 50% each	Y
China Dynamics (Holdings) Limited (Stock Code: 476)	13 April 2021	Not disclosed	1.17%	1.17%	Two tranches with 50% on the date of grant and 26 October 2021, respectively	N
Pacific Online Limited (Stock Code: 543)	12 April 2021	34	0.68%	5.00%	Two tranches over a three-year period with one-third each	Y
Riverine China Holdings Limited (Stock code: 1417)	12 April 2021	17	1.62%	10.00%	Not disclosed	Y
Bison Finance Group Limited (Stock code: 888)	9 April 2021	12	6.16%	10.00%	Within 10 business days after the date of acceptance	N

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Company name (Stock code)	Date of announcement	Number of grantees	Approximate % of the cumulative grant to the total issued share capital as at the date of announcement	Approximate % of the maximum awarded shares under the scheme to the total issued share capital	Vesting date/period	Vesting conditions
Shangri-La Asia Limited (Stock code: 69)	9 April 2021	1	7.20%	10.00%	1 April 2022	N
Elife Holdings Limited (Stock Code: 223)	8 April 2021	9	2.97%	10.00%	Four tranches over a nine-month period with 25% each	Y
RAZER INC. (Stock code: 1337)	1 April 2021	Not disclosed	13.09%	18.00%	Four tranches over a four-year period with 25% each	Y
Hong Kong Television Network Limited (Stock Code: 1137) ("HKTV")	1 April 2021	1	5.00%	10.00%	Five tranches over a five-year period with 20% each	Y
IVD Medical Holding Limited (Stock Code: 1931)	29 March 2021	405	2.27%	10.00%	1 April 2022	Y
BOE Varitronix Limited (Stock Code: 710)	29 March 2021	72	0.86%	10.00%	Three tranches over a two-year period with 40%, 30% and 30%, respectively	Y
NetDragon Websoft Holdings Limited (Stock Code: 777)	26 March 2021	1	0.88%	10.00%	Immediate	N
China Modern Dairy Holdings Limited (Stock Code: 1117)	25 March 2021	Not disclosed	1.17%	1.00%	First anniversary	Y
Wuxi Biologics (Cayman) Inc. (Stock Code: 2269)	24 March 2021	1,625	0.54%	3.00%	Not disclosed	Y
Xtep International Holdings Limited (Stock Code: 1368)	19 March 2021	Over 100	4.91%	5.00%	Five tranches over a five-year period with 10%, 15%, 20%, 20% and 35%, respectively	N

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Company name (Stock code)	Date of announcement	Number of grantees	Approximate % of the cumulative grant to the total issued share capital as at the date of announcement	Approximate % of the maximum awarded shares under the scheme to the total issued share capital	Vesting date/period	Vesting conditions
Chong Hing Bank Limited (Stock Code: 1111)	16 March 2021	58	0.24%	10.00%	Four tranches over a four-year period with 25% each	Y
SITC International Holdings Company Limited (Stock Code: 1308)	12 March 2021	634	0.82%	5.00%	Third anniversary	Y
Pacific Basin Shipping Limited (Stock Code: 2343)	2 March 2021	Not disclosed	3.52%	10.00%	Immediate	N
Earthasia International Holdings Limited (Stock Code: 6128)	28 January 2021	10	5.55%	10.00%	Immediate	N
NagaCorp Limited (Stock Code: 3918)	28 January 2021	1,100	0.44%	5.00%	Over six-year period	Y
BC Technology Group Limited (Stock Code: 863)	27 January 2021	48	4.45%	5.00%	Various vesting schedules: (i) Two tranches over a two-year period with two-third and one third, respectively (ii) Four tranches over a four-year period with 25% each	N
Frontage Holdings Corporation (Stock Code: 1521)	26 January 2021	184	1.12%	10.00%	Four tranches over a four-year period with 25% each	N
Sinsoft Technology Group Limited (Stock Code: 1297)	25 January 2021	9	2.92%	5.00%	Immediate	N

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Company name (Stock code)	Date of announcement	Number of grantees	Approximate % of the cumulative grant to the total issued share capital as at the date of announcement	Approximate % of the maximum awarded shares under the scheme to the total issued share capital	Vesting date/period	Vesting conditions
Renrui Human Resources Technology Holdings Limited (6919)	22 January 2021	29	1.47%	10.00%	Three tranches over a three-year period with one-third each	N
Dashan Education Holdings Limited (9986)	14 January 2021	56	3.75%	10.00%	Three tranches over a three-year period with 40%, 30% and 30%, respectively	Y
Xiaomi Corporation (1810)	6 January 2021	2,405	0.07%	5.00%	Between 2 July 2021 to 6 January 2025	Y
	<b>Average</b>	<b>259</b>	<b>2.42%</b>	<b>7.57%</b>		
	<b>Median</b>	<b>33</b>	<b>1.62%</b>	<b>5.00%</b>		
	<b>Maximum</b>	<b>2,405</b>	<b>13.09%</b>	<b>30.00%</b>		
	<b>Minimum</b>	<b>1</b>	<b>0.04%</b>	<b>1.00%</b>		
	<b>The Company</b>	<b>12</b>	<b>6.00%</b>	<b>6.00%</b>		

*Notes:*

- (1) According to Alibaba Pictures Group Limited's announcement dated 31 May 2019 on the amendment to share award scheme, the maximum number of shares which can be held by the trustee under the share award scheme at any time shall not exceed 2% of the total issued share capital of the company from time to time, but such limit shall not include any shares which have been vested and transferred out to the selected employees.
- (2) According to BAIOO Family Interactive Limited's announcement dated 14 October 2020 on the amendments to the Post-IPO RSU Scheme, the maximum number of new shares that may underlie the awards granted pursuant to the scheme during the applicable period, which shall not exceed 2% of the number of shares issued as of the date of the approval by the shareholders at the annual general meeting of the company.
- (3) According to YTO Express (International) Holdings Limited's announcement dated 18 August 2018 on the adoption of share award plan, in any given financial year of the company, the maximum number of shares to be subscribed for and/or purchased by the trustee by utilising the funds to be allocated by the board out of the company's resources for the purpose of the plan shall not exceed 5% of the total number of issued shares as at the beginning of such financial year.

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The aggregate of 71,635,355 Performance-based Awarded Shares to be allotted and issued by the Company to the Grantees represent approximately 6.00% of the total number of Shares in issue as at the Date of Award, which is within the range of the Comparable Grants between approximately 0.04% and 13.09% and higher than the average of 2.42% and median of 1.62% of the Comparable Grants because the 6.00% represented the maximum number of Shares to be granted to the Grantees subject to the satisfaction of the vesting conditions whereas most of the Comparable Grants did not impose similar vesting conditions except for HKTV, please refer to the analysis below. If the Share prices are not able to reach approximately 25% over the Basic Target Price during each of the relevant Measurement Periods, all 6.00% of Performance-based Awarded Shares may not be vested in full. Instead, depending on the extent of excess of the Measurement Price over the Basic Target Price, less than the maximum number of Performance-based Awarded Shares may be vested and allocated to the Grantees. For details of the actual number of Performance-based Awarded Shares to be vested, please refer to the subsection headed “Actual number of Performance-based Awarded Shares to be vested” in the Letter from the Board contained in the Circular.

While most of the Comparable Grants represented only part of the grant of awarded shares under their respective share award scheme and these companies may award more shares permissible under the same share award scheme in the future, the grant of the Performance-based Awarded Shares already represented the maximum number of Shares that are available for grant under the Scheme as at the Date of Award. Therefore, we also considered the maximum number of Shares available for grant under the Scheme as at the Date of Award, which is again within the range of the maximum number of shares available for grant under the share award scheme of the Comparable Grants, which ranged from approximately 1.00% to 30.00% and was lower than the average of 7.81% and comparable to the median of 5.0% of the Comparable Grants. Moreover, the vesting period of the Comparable Grants ranged from immediate to ten years. The vesting period of the Performance-based Awarded Shares of five years is also within the range of the Comparable Grants, and is the same as HKTV, which imposed similar vesting condition that is directly linked to the share price over a vesting period of approximately five years, please refer to the detailed analysis below. As such, we are of the view that the vesting period is in line with market practice. The maximum percentage of the Performance-based Awarded Shares to be vested in each year is 20%, which again falls within the range of 10% to 50% (excluding those vesting periods with immediate terms) of the Comparable Grants.

In addition, we also noted that it is not uncommon with 14 out of the 49 Comparable Grants, for listed issuers not to impose any vesting conditions on the grant of share awards. As for those Comparable Grants with vesting conditions, we noted that they were mainly service condition requiring continued service from the senior management or employees or performance condition requiring the business performance to reach a certain target, except for HKTV, which imposed similar vesting condition that is directly linked to the share price. In the case of HKTV, it was resolved that a maximum 5.0% of the total number of shares in issue as at the latest practicable date of their circular dated 10 May 2021 would be conditionally granted to the Group Chief Executive Officer for nil consideration, which would be conditional upon the satisfaction of vesting conditions, which also included a growth performance condition of the achievement of a compound annual growth rate of not less than 10% on the initial benchmark price based on the measurement price for each measurement period. Similar to the Group, the proposed awarded shares of HKTV will also be vested in five tranches in relation

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to five financial years and that in the circumstances that the Group Chief Executive Officer were to be allocated the maximum number of connected awarded shares, the shareholders of HKTV would be able to enjoy a cumulative appreciation in the price of HKTV's shares of approximately 100%. Accordingly, we consider that the imposition of Growth Performance Condition would better align the interests of the Grantees with the Independent Shareholders and are more beneficial in the future growth of the Group, compared with the Comparable Grants which award shares to its employees without aligning the interests of the grantees with their shareholders. We also noted from the table above that the Performance-based Awarded Shares were granted to 12 Grantees covering the core roles and different aspects of the Group's operation, which also falls within the range of the Comparable Grants from one to 2,405 but lower than the average of 259 because several companies of the Comparable Grants had a much larger workforce and a larger management team than the Group, for example, as at 31 December 2020, Xiaomi Corporation had 22,074 employees, NagaCorp Ltd. had 8,371 employees, Wuxi Biologics (Cayman) Inc. had 6,646 employees and Haidilao International Holding Ltd. had 131,084 employees, compared with the Group's workforce totaling 2,022 employees as at 31 December 2020. Therefore, the number of Grantees under the Scheme of the Group was much closer to the median of the Comparable Grants of 33 grantees. With the Performance-based Awarded Shares being granted to the core management team of the Group, we believe that this better enables the Group to retain the senior management team to ensure stability in the Group's operations, which in turn is crucial for the development and expansion of the Group.

### RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that although the Connected Transaction is not in the ordinary and usual course of business of the Group, it is incidental to the Group's development of its ordinary and usual course of business, and the terms of the Connected Transaction are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Connected Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM to approve the Connected Transaction.

Yours faithfully,

For and on behalf of

**Innovax Capital Limited**

**Alvin Kam**

**Erica Ling**

*Managing Director*

*Director*

#### *Notes:*

Mr. Alvin Kam is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 18 years of experience in investment banking and corporate finance.

Ms. Erica Ling is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has around 10 years of experience in investment banking and corporate finance.



**SUMMARY OF THE SCHEME**

A summary of the principal terms and conditions of the Scheme is set out below.

**Purpose of the Scheme**

The purpose of the Scheme is to recognise the contributions by certain Eligible Persons, particularly the Directors, senior management and key personnel of certain divisions of the Group. The Board may, at its absolute discretion, impose certain vesting conditions, such as performance index to the grant of Performance-based Awarded Shares which shall incentivize the Selected Grantees in achieving targeted performance indicators for the continuing development and growth of the Group, and to retain suitable personnel for further development of the Group.

**Duration**

Subject to any early termination as may be determined by the Board pursuant to the terms of the Scheme, the Scheme shall be valid and effective for a term of five (5) years commencing on the Adoption Date.

**Administration**

The Scheme shall be subject to the administration of the Board in accordance with the terms stated in the Scheme. The Board may appoint a Trustee to assist with the administration and vesting of the Performance-based Awarded Shares to be granted pursuant to the Scheme.

**Operation of the Scheme*****Eligibility***

The Board may, from time to time, at its absolute discretion select any Eligible Person (excluding any Excluded Grantee) for participation in the Scheme as a Selected Grantee. However, until so selected, no Eligible Person shall be entitled to participate in the Scheme.

***Satisfaction of the Awards***

The Performance-based Awarded Shares shall be either:–

- (i) allotted and issued by the Company under general mandates or specific mandates granted to the Board by the Shareholders in the general meetings of the Company from time to time;

- (ii) allotted and issued by the Company under specific mandates granted to the Board by the Shareholders in the general meetings of the Company where (a) any grant of the Performance-based Awarded Shares would cause the Company to issue and allot Shares in excess of the permitted amount in the general mandate available from time to time; or (b) any Award is made to a connected person of the Company; or
- (iii) acquired by the Trustee from the open market by utilising the Company's resources provided to the Trustee, subject to the absolute discretion of the Board.

#### *Awards to Connected Persons*

In respect of any proposed Award to a Selected Grantee who is also regarded as a connected person of the Company or any of his Associates, it must be:

- (i) approved by all independent non-executive Directors (excluding the relevant independent non-executive Director if the grant is proposed to be made to him/her); and
- (ii) if required under Chapter 14A of the Listing Rules, be separately approved by Shareholders in general meeting, with such connected person and his Associates abstaining from voting, and shall comply with all other requirements of Chapter 14A of the Listing Rules applicable to such Award from time to time.

#### *Vesting of Performance-based Awarded Shares*

Performance-based Awarded Shares which are referable to a Selected Grantee shall vest to that Selected Grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the Selected Grantee remains at all times after the Reference Date and on each relevant vesting date(s) an Eligible Person (for this purpose, the date or each such date on which the Performance-based Awarded Shares are to vest being hereinafter referred to as a "**Vesting Date**"). The Board may also, in its absolute discretion, determine the performance, operating and financial targets and other criteria, if any, to be satisfied by the Selected Grantee before the Performance-based Awarded Shares can vest.

#### *Lapse of Performance-based Awarded Shares*

In the event that prior to or on the Vesting Date, (i) a Selected Grantee who is an Employee ceases to be an Employee, or (ii) the Subsidiary by which a Selected Grantee is employed ceases to be a Subsidiary of the Company (or of a member of the Group), or (iii) a Selected Grantee who is a director of the Company or a Subsidiary ceases to be a director of the same, or (iv) a Selected Grantee ceases to hold the office or position by virtue of which he/she has been granted the Performance-based Awarded Shares (irrespective of whether he/she remains an Employee or not), or (v) a Selected Grantee has passed away or retired, whether at his/her normal retirement date or earlier by agreement with the Company or a Subsidiary (as the case may be), or (vi) an order for the winding-up of the Company is made or a resolution

is passed for the voluntary winding-up of the Company otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company passed to a successor company (each of these, an event of “**Total Lapse**”), the Award shall, unless the Board otherwise agrees, lapse and all the Performance-based Awarded Shares shall not vest on the relevant Vesting Date but shall become Returned Shares for the purposes of the Scheme where applicable.

In the event a Selected Grantee is found to be an Excluded Grantee (“**Partial Lapse**”), the relevant part of an Award made to such Selected Grantee shall, unless the Board otherwise agree, lapse and the relevant Performance-based Awarded Shares shall not vest on the relevant Vesting Date but shall become Returned Shares for the purposes of the Scheme where applicable.

#### ***Non-Transferable***

Prior to the Vesting Date, any Award made under the Scheme shall be personal to the Selected Grantee to whom it is made and shall not be assignable and no Selected Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to either the Reference Amount or the Performance-based Awarded Shares referable to him pursuant to such Award or the Related Income or any of the Returned Shares under the Scheme. Upon receiving a vesting notice from the Company, subject to the approval of the Board, the Selected Grantee may direct the Company and/or the Trustee to transfer the Performance-based Awarded Shares to his wholly-owned company or trust (the beneficiaries of which include such Selected Grantee and/or his immediate family members) on the Vesting Date.

#### ***Right of Participants before Vesting***

A Selected Grantee will have no rights in respect of any Shares subject to Performance-based Awarded Shares (including any income, dividends, other distributions or voting rights) until the Shares are vested in him pursuant to the Scheme on the relevant Vesting Date.

#### ***Black-out Period***

No Award shall be made by the Board and no payment shall be made to the Trustee pursuant to the Scheme and no instructions to acquire or subscribe for Shares shall be given to the Trustee under the Scheme and the Trustee shall not sell the Performance-based Awarded Shares for the relevant Selected Grantees:–

- (i) where the Company is in possession of unpublished inside information (as defined in the SFO) in relation to the Company;

- (ii) where dealings by Directors are prohibited under any code or requirement of the Listing Rules or any applicable laws from time to time. Such requirement also applies to Directors' Associates, any Eligible Person who can get access to inside information of the Group through his or her position or responsibility in the Group;
- (iii) during the period of 60 days immediately preceding the publication date of the annual results of the Company or, if shorter, the period from the end of the relevant financial year up to the publication date of the results;
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and interim results of the Company or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results; or
- (v) in any circumstance which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.

#### **Consolidation, sub-division and bonus issue**

In the event that the Company undertakes a sub-division or consolidation of the Shares, corresponding changes will be made to the number of Performance-based Awarded Shares that have been granted provided that the adjustments shall be made in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Scheme for the Selected Grantees. All fractional share (if any) arising out of such consolidation in respect of the Performance-based Awarded Shares and the Related Income of a Selected Grantee shall be deemed as Returned Shares for the purposes of the Scheme and shall not be transferred to the relevant Selected Grantee on the relevant Vesting Date.

In the event of an issue of Shares by the Company credited as fully paid to the holders of the Shares by way of capitalization of profits or reserves, the Shares attributable to any Performance-based Awarded Shares shall be deemed to be an accretion to such Performance-based Awarded Shares and all the provisions hereof in relation to the original Performance-based Awarded Shares shall apply to such additional Shares.

#### **Scheme limit**

No Shares shall be subscribed for and/or purchased pursuant to the Scheme nor any amounts paid to the Trustee for the purpose of making such a subscription and/or purchase, if as a result of such subscription and/or purchase, the number of Shares administered under the Scheme would represent more than 6% of the number of the issued Shares as at the Adoption Date (subject to adjustment in the event of sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Scheme).

**Amendment to the Scheme**

The Scheme may be altered in any respect by a resolution of the Board, including alterations to the terms and conditions of the Scheme which are of material nature, provided that the Scheme so altered must comply with the Listing Rules and the articles of association of the Company.

Written notice of any amendment to the Scheme shall be given to all Selected Grantees.

**Termination**

The Scheme shall terminate on the earlier of:

- (i) on the 5th anniversary date of the Adoption Date; and
- (ii) such date of early termination as determined by the Board,

provided that such termination shall not affect any subsisting rights of any Selected Grantee thereunder.

Upon termination of the Scheme, (i) no further grant of Performance-based Awarded Shares may be made under the Scheme; and (ii) all the Performance-based Awarded Shares of the Selected Grantees granted under the Scheme shall continue to be held by the Trustee, where applicable, and shall be vested in the Selected Grantees according to the vesting schedule and conditions of the Awards, subject to the receipt by the Board or the Trustee of any prescribed subscription and/or transfer documents (where applicable and as may be required by the Board or the Trustee) duly executed by the Selected Grantees.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the 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.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Company's Directors, chief executives and their associates 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 are required 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 taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

#### *Long positions in Shares of the Company*

Name of Director	Nature of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the total number of Shares in issue (%)
Mr. Zongjian Cai (Note 1, 2)	Beneficial owner, interest in a controlled corporation, spouse interest, interests held jointly with another person	264,297,731	22.14

Name of Director	Nature of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the total number of Shares in issue (%)
Mr. Yuan Xu (Note 1, 2)	Beneficial owner, interests held jointly with another person	264,297,731	22.14
Mr. Hong Zhang (Note 1, 2)	Beneficial owner, interests held jointly with another person	264,297,731	22.14
Ms. Jessie Shen (Note 3)	Beneficial owner	4,522,000	0.38
Mr. Feng Chen (Note 4)	Beneficial owner	14,031,000	1.18
Mr. Yuan Chi (Note 5)	Beneficial owner, interest in a controlled corporation	154,002,000	12.90
Dr. Horn Kee Leong (Note 6)	Beneficial owner	132,000	0.01
Mr. Dajian Yu (Note 7)	Beneficial owner	810,188	0.07
Ms. Zhao Lu (Note 8)	Beneficial owner	249,000	0.02

## Notes:

- (1) Mr. Zongjian Cai, Duke Online Holdings Limited, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen (spouse of Mr. Zongjian Cai) and Mr. Zhixiang Chen agreed that they would act in concert with each other with respect to material matters relating to the Company's operation pursuant to an act in concert agreement dated 16 September 2013, as amended by an amendment dated 18 October 2016.
- (2) Mr. Zongjian Cai was interested in all the issued share capital of Duke Online Holdings Limited and he is the sole director of Duke Online Holdings Limited. Therefore, he was deemed to be interested in 193,752,027 Shares held by Duke Online Holdings Limited under the SFO. Mr. Zongjian Cai was deemed to be interested in all Shares held by Ms. Kai Chen under the SFO. On 6 May 2021, 746,000 awarded shares were granted to Mr. Zongjian Cai under the Share Award Scheme. Upon the full vest of such awarded shares, Mr. Zongjian Cai will be beneficially interested in 746,000 Shares.

Mr. Yuan Xu was the beneficial owner of 22,494,917 Shares. On 23 March 2015, he was also granted 613,000 share options under the Share Option Scheme. On 6 May 2021, 579,000 awarded shares were granted to Mr. Yuan Xu under the Share Award Scheme. Upon the full exercise and vest of such share options and awarded shares, Mr. Yuan Xu will be beneficially interested in 1,192,000 Shares.

Mr. Hong Zhang was the beneficial owner of 8,166,835 Shares, and was granted 9,200,000 share options under the Pre-IPO Share Option Scheme, among which 6,200,000 share options have been exercised. On 23 March 2015, Mr. Hong Zhang was also granted 605,000 share options under the Share Option Scheme. On 6 May 2021, 493,000 awarded shares were granted to Mr. Hong Zhang under the Share Award Scheme. Upon the full exercise and vest of those share options and awarded shares, Mr. Hong Zhang will be beneficially interested in 4,098,000 Shares.

Ms. Kai Chen was the beneficial owner of 17,847,952 Shares and she was also deemed to be interested in all Shares held by Mr. Zongjian Cai under the SFO.

Mr. Zhixiang Chen was the beneficial owner of 16,000,000 Shares.

- (3) Ms. Jessie Shen was the beneficial owner of 3,470,000 Shares. On 21 November 2014, 23 March 2015 and 6 May 2021, respectively, 367,000 share options, 141,000 share options and 544,000 awarded shares were granted to Ms. Jessie Shen under the Share Option Scheme and Share Award Scheme. Upon the full exercise and vest of such share options and awarded shares, Ms. Jessie Shen will be beneficially interested in 1,052,000 Shares.
- (4) Mr. Feng Chen was the beneficial owner of 13,340,000 Shares. On 23 March 2015, 300,000 share options were granted to Mr. Feng Chen under the Share Option Scheme. On 6 May 2021, 391,000 awarded shares were granted to Mr. Feng Chen under the Share Award Scheme. Upon the full exercise and vest of such share options and awarded shares, Mr. Feng Chen will be beneficially interested in 691,000 Shares.
- (5) Mr. Yuan Chi was the beneficial owner of 486,000 Shares. Mr. Yuan Chi was also interested in all the issued share capital of Edmond Online Holdings Limited and he is one of the directors of Edmond Online Holdings Limited. Therefore, he was deemed to be interested in 153,434,000 Shares held by Edmond Online Holdings Limited under the SFO. On 6 May 2021, 82,000 awarded shares were granted to Mr. Yuan Chi under the Share Award Scheme. Upon the full vest of such awarded shares, Mr. Yuan Chi will be beneficially interested in 82,000 Shares.
- (6) Dr. Horn Kee Leong was the beneficial owner of 60,000 Shares. On 6 May 2021, 72,000 awarded shares were granted to Dr. Horn Kee Leong under the Share Award Scheme. Upon the full vest of such awarded shares, Dr. Horn Kee Leong will be beneficially interested in 72,000 Shares.
- (7) Mr. Dajian Yu was the beneficial owner of 621,188 Shares. On 23 March 2015, Mr. Dajian Yu was granted 250,000 share options under the Share Option Scheme, among which 100,000 share options have been exercised. On 6 May 2021, 39,000 awarded shares were granted to Mr. Dajian Yu under the Share Award Scheme. Upon the full exercise and vest of those share options and awarded shares, Mr. Dajian Yu will be beneficially interested in 189,000 shares.
- (8) Ms. Zhao Lu was the beneficial owner of 60,000 Shares. On 23 March 2015, Ms. Zhao Lu was granted 250,000 share options under the Share Option Scheme, among which 100,000 share options have been exercised. On 6 May 2021, 39,000 awarded shares were granted to Ms. Zhao Lu under the Share Award Scheme. Upon the full exercise and vest of those share options and awarded shares, Ms. Zhao Lu will be beneficially interested in 189,000 shares.



*Long positions in shares of associated corporations**UGen World Inc.*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of shares/ underlying shares held</b>	<b>Approximate percentage of shareholding in the total number of shares in issue (%)</b>
Mr. Yuan Xu <i>(Note 1)</i>	Beneficial owner	384,978	4.67
Mr. Hong Zhang <i>(Note 2)</i>	Beneficial owner	230,986	2.80

*Chinese ABC Limited*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of shares/ underlying shares held</b>	<b>Approximate percentage of shareholding in the total number of shares in issue (%)</b>
Mr. Feng Chen	Beneficial owner	990	9.90

*Notes:*

- (1) Mr. Yuan Xu will be the beneficial owner of 384,978 most senior class of shares of UGen World Inc. upon full conversion of the relevant share subscription warrants pursuant to the terms thereof and is the holder of US\$100,000 convertible promissory note of UGen World Inc. which can be converted into such number of the most senior class or series of equity securities of UGen World Inc. or such class or series of equity securities of UGen World Inc. existing immediately prior to such conversion as elected by him in his sole discretion pursuant to the terms of the relevant convertible promissory note.
- (2) Mr. Hong Zhang will be the beneficial owner of 230,986 most senior class of shares of UGen World Inc. upon full conversion of the relevant share subscription warrants pursuant to the terms thereof and is the holder of US\$60,000 convertible promissory note of UGen World Inc. which can be converted into such number of the most senior class or series of equity securities of UGen World Inc. or such class or series of equity securities of UGen World Inc. existing immediately prior to such conversion as elected by him in his sole discretion pursuant to the terms of the relevant convertible promissory note.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, or chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required 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 taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Substantial shareholders' and other persons' interests and short positions in Shares and underlying Shares**

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the interests and short positions of the Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or in any options in respect of such capital, were as follows:

<b>Name of substantial Shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares and underlying Shares held</b>	<b>Approximate percentage of shareholding in the total number of Shares in issue (%)</b>
Duke Online Holdings Limited (Note 1, 2)	Beneficial owner, interests held jointly with another person	264,297,731	22.14
Mr. Zongjian Cai (Note 1, 2)	Beneficial owner, interest in a controlled corporation, spouse interest, interests held jointly with another person	264,297,731	22.14
Mr. Yuan Xu (Note 1, 2)	Beneficial owner, interests held jointly with another person	264,297,731	22.14

Name of substantial Shareholder	Nature of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the total number of Shares in issue (%)
Mr. Hong Zhang (Note 1, 2)	Beneficial owner, interests held jointly with another person	264,297,731	22.14
Ms. Kai Chen (Note 1, 2)	Beneficial owner, spouse interest, interests held jointly with another person	264,297,731	22.14
Mr. Zhixiang Chen (Note 1, 2)	Beneficial owner, interests held jointly with another person	264,297,731	22.14
Edmond Online Holdings Limited (Note 3)	Beneficial owner	153,434,000	12.85
Mr. Yuan Chi (Note 3)	Beneficial owner, interest in a controlled corporation	154,002,000	12.90
LSV Asset Management (Note 4)	Investment manager, interests held through general partnership	61,935,000	5.19

## Notes:

- (1) Mr. Zongjian Cai, Duke Online Holdings Limited, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen (spouse of Mr. Zongjian Cai) and Mr. Zhixiang Chen agreed that they would act in concert with each other with respect to material matters relating to the Company's operation pursuant to an act in concert agreement dated 16 September 2013, as amended by an amendment dated 18 October 2016.
- (2) Mr. Zongjian Cai was interested in all the issued share capital of Duke Online Holdings Limited and he is the sole director of Duke Online Holdings Limited. Therefore, he was deemed to be interested in 193,752,027 Shares held by Duke Online Holdings Limited under the SFO. Mr. Zongjian Cai was deemed to be interested in all Shares held by Ms. Kai Chen under the SFO. On 6 May 2021, 746,000 awarded shares were granted to Mr. Zongjian Cai under the Share Award Scheme. Upon the full vest of such awarded shares, Mr. Zongjian Cai will be beneficially interested in 746,000 Shares.

Mr. Yuan Xu was the beneficial owner of 22,494,917 Shares. On 23 March 2015, he was also granted 613,000 share options under the Share Option Scheme. On 6 May 2021, 579,000 awarded shares were granted to Mr. Yuan Xu under the Share Award Scheme. Upon the full exercise and vest of such share options and awarded shares, Mr. Yuan Xu will be beneficially interested in 1,192,000 Shares.

Mr. Hong Zhang was the beneficial owner of 8,166,835 Shares, and was granted 9,200,000 share options under the Pre-IPO Share Option Scheme, among which 6,200,000 share options have been exercised. On 23 March 2015, Mr. Hong Zhang was also granted 605,000 share options under the Share Option Scheme. On 6 May 2021, 493,000 awarded shares were granted to Mr. Hong Zhang under the Share Award Scheme. Upon the full exercise and vest of those share options and awarded shares, Mr. Hong Zhang will be beneficially interested in 4,098,000 Shares.

Ms. Kai Chen was the beneficial owner of 17,847,952 Shares and she was also deemed to be interested in all Shares held by Mr. Zongjian Cai under the SFO.

Mr. Zhixiang Chen was the beneficial owner of 16,000,000 Shares.

- (3) Mr. Yuan Chi was the beneficial owner of 486,000 Shares. Mr. Yuan Chi was also interested in all the issued share capital of Edmond Online Holdings Limited and he is one of the directors of Edmond Online Holdings Limited. Therefore, he was deemed to be interested in 153,434,000 Shares held by Edmond Online Holdings Limited under the SFO. On 6 May 2021, 82,000 awarded shares were granted to Mr. Yuan Chi under the Share Award Scheme. Upon the full vest of such awarded shares, Mr. Yuan Chi will be beneficially interested in 82,000 Shares.
- (4) LSV Asset Management held 48,031,000 Shares in the capacity of investment manager, and 13,904,000 Shares are deemed interest through its general partnership interest in certain limited partnerships.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other persons, other than the Directors and chief executives of the Company, whose interests are set out in the section headed “(a) Directors’ and chief executives’ interests and short positions in Shares, underlying Shares and debentures” above, had interests or short positions in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 to the SFO.

### **3. DIRECTORS’ INTERESTS IN ASSETS AND CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been 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 since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

### **4. DIRECTORS’ SERVICE CONTRACT**

As at the Latest Practicable Date, none of the Directors has or is proposed to have any service contract with the Company or any member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

## 5. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and his/her close associates was interested in any business, which competes or is likely to compete, either directly or indirectly, with that of the Group.

## 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or operation position or prospects of the Group since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up.

## 7. LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 8. EXPERT'S QUALIFICATION AND CONSENT

The qualification of the expert who has provided its advice which is contained in this circular is set out as follows:

<b>Independent Financial Adviser</b>	<b>Qualification</b>
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Innovax Capital Limited	a corporation licensed under the SFO permitted to engage in type 1 and type 6 regulated activities (as defined under the SFO)
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As at the Latest Practicable Date, Innovax did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Innovax did not have any direct or indirect interest in any assets which had been, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Innovax has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name in the form and context in which they appear.

The letter is given by Innovax as of the date of this circular for incorporation herein.

**9. MISCELLANEOUS**

- (a) The registered office of the Company is at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.
- (b) The headquarters and the principal place of business of the Company in Singapore is at 80 Pasir Panjang Road, #18-84 Mapletree Business City, Singapore 117372 and the principal place of business of the Company in Hong Kong is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.
- (c) The Hong Kong share registrar is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The joint company secretaries of the Company are Ms. Jessie Shen and Ms. Yin Ping Yvonne Kwong. Ms. Jessie Shen passed the examination of American Institute of Certified Public Accountants (AICPA), Certified Public Accountant examination in Taiwan, Certified Internal Auditor examination by the Institute of Internal Auditors, and the certification examination by Taiwan Institute of Internal Auditors. Ms. Yin Ping Yvonne Kwong is a fellow member of The Hong Kong Institute of Chartered Secretaries.
- (e) Unless stated otherwise, in the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copy of the Scheme will be available for inspection at the office of 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, during normal business hours from the date of this circular up to and including the date of the EGM.

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## NOTICE OF EGM

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**IGG INC**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 799)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of IGG Inc (the “**Company**”) will be held at 24/F, Admiralty Centre Tower I, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 20 July 2021 at 10:30 a.m. for the following purpose.

#### ORDINARY RESOLUTION

1. To consider and, if thought fit, pass with or without amendments, the following resolution, each being inter-conditional with each other, as an ordinary resolution of the Company:–

“**THAT**

- (a) the grant of specific mandate (the “**Specific Mandate**”) to the directors of the Company regarding the issue and allotment of an aggregate of up to 71,635,355 new shares of the Company (the “**Performance-based Awarded Shares**”) under the performance-based share award scheme of the Company adopted by the board of directors of the Company on 21 May 2021 (the “**Scheme**”) (out of which an aggregate number of up to 69,486,293 Performance-based Awarded Shares to the Connected Grantees (as defined in the circular of the Company dated 28 June 2021) and an aggregate number of up to 2,149,062 Performance-based Awarded Shares to the Non-connected Grantees (as defined in the circular of the Company dated 28 June 2021) and the transactions contemplated thereunder, be and are hereby approved and confirmed;
- (b) the grant of up to 38,444,306 Performance-based Awarded Shares pursuant to the Scheme to Mr. Zongjian Cai be and is hereby approved and confirmed;
- (c) the grant of up to 7,163,535 Performance-based Awarded Shares pursuant to the Scheme to Mr. Yuan Xu be and is hereby approved and confirmed;
- (d) the grant of up to 6,447,181 Performance-based Awarded Shares pursuant to the Scheme to Mr. Hong Zhang be and is hereby approved and confirmed;

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## NOTICE OF EGM

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- (e) the grant of up to 5,253,259 Performance-based Awarded Shares pursuant to the Scheme to Ms. Jessie Shen be and is hereby approved and confirmed;
- (f) the grant of up to 2,865,414 Performance-based Awarded Shares pursuant to the Scheme to Mr. Feng Chen be and is hereby approved and confirmed;
- (g) the grant of up to 7,163,536 Performance-based Awarded Shares pursuant to the Scheme to Ms. Meijia Chen be and is hereby approved and confirmed;
- (h) the grant of up to 716,354 Performance-based Awarded Shares pursuant to the Scheme to Mr. Hanling Fang be and is hereby approved and confirmed;
- (i) the grant of up to 716,354 Performance-based Awarded Shares pursuant to the Scheme to Mr. Shuo Wang be and is hereby approved and confirmed;
- (j) the grant of up to 716,354 Performance-based Awarded Shares pursuant to the Scheme to Mr. Chengfeng Luo be and is hereby approved and confirmed;
- (k) the grant of an aggregate of up to 2,149,062 Performance-based Awarded Shares pursuant to the Scheme to three Non-connected Grantees who are key personnel of certain divisions of the Group, not being connected persons of the Company, be and is hereby approved and confirmed; and
- (l) any one or more director(s) of the Company (excluding the Connected Grantees) be and is/are hereby authorised to do all such acts and things, to sign and execute all such documents (and to affix the common seal of the Company thereon, if necessary) as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the issue and allotment of the Performance-based Awarded Shares under the Specific Mandate and the transactions contemplated thereunder.”

By order of the Board  
**IGG INC**  
**Yuan Chi**  
*Non-executive Director*

Hong Kong, 28 June 2021

*As at the date of this notice, the Board comprises five executive Directors, namely, Mr. Zongjian Cai, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen; one non-executive Director, namely, Mr. Yuan Chi; and three independent non-executive Directors, namely, Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu.*



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## NOTICE OF EGM

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*Registered office:*

P.O. Box 31119, Grand Pavilion  
Hibiscus Way  
802 West Bay Road  
Grand Cayman KY1-1205  
Cayman Islands

*Headquarters and principal place of business in Singapore:*

80 Pasir Panjang Road  
#18-84 Mapletree Business City  
Singapore 117372

*Principal place of business in Hong Kong:*

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

*Notes:*

1. For details of the resolution to be approved in this EGM, please refer to the circular.
2. The register of members of the Company will be closed from Thursday, 15 July 2021 to Tuesday, 20 July 2021 (both days inclusive), during which period no transfer of shares of the Company (the “Shares”) will be effected. In order to determine the entitlement to attend and vote at the EGM, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 14 July 2021.
3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if such member is the holder of two or more Shares) to attend and to vote instead of them. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending the EGM and vote in person. In such event, his form of proxy will be deemed to have been revoked.
4. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.