
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tian Ge Interactive Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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Tian Ge Interactive Holdings Limited **天鵠互動控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1980)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE NEW CONTRACTUAL ARRANGEMENTS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



RAINBOW CAPITAL (HK) LIMITED
流博資本有限公司

A letter from the Board is set out on pages 6 to 49 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 50 of this circular. A letter from Rainbow Capital (HK) Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 51 to 70 of this circular.

A notice convening the EGM of Tian Ge Interactive Holdings Limited to be held at 12A, Intime City Tower E, Gongshu District, Hangzhou, Zhejiang, PRC on Friday, 6 May 2022 at 2:00 p.m. is set out on pages 77 to 78 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.tiange.com).

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event no less than 48 hours before the time appointed for the holding of the EGM (i.e. before 2:00 p.m. on Wednesday, 4 May 2022) 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 adjourned meeting should you so wish.

13 April 2022

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company currently in force
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CIETAC”	China International Economic and Trade Arbitration Commission
“Company”	Tian Ge Interactive Holdings Limited (天鵲互動控股有限公司), a company incorporated in Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1980)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Contractual Arrangements”	the Existing Contractual Arrangements and the New Contractual Arrangements
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 12A, Intime City Tower E, Gongshu District, Hangzhou, Zhejiang, PRC on Friday, 6 May 2022 at 2:00 p.m., or any adjournment thereof and notice of which is set out on pages 77 to 78 of this circular
“Equity Transfer Agreements”	the equity transfer agreements dated 9 March 2022 entered into between the Existing Registered Holders and the New Registered Holders, as further detailed in the section headed “Equity Transfer Agreements” in this circular
“Existing Contractual Arrangements”	the contractual arrangements under the Existing VIE Agreements
“Existing Registered Holder(s)”	Mr. Fu and Mr. Fu Yanchang, the registered shareholders of the PRC Operating Entities before the completion of the Equity Transfer Agreements

DEFINITIONS

“Existing VIE Agreements”	a set of underlying agreements entered into between the WFOEs, the PRC Operating Entities and the Existing Registered Holders in June 2014, including: (i) Exclusive Technology Service Agreement (獨家技術服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Voting Rights Proxy Agreement (股東表決權委託協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議)
“Group”	the Company and its subsidiaries from time to time
“Hangzhou Tiange”	Tiange Technology (Hangzhou) Co., Ltd.* (天格科技(杭州)有限公司), a limited liability company established in the PRC and is wholly-owned by the Company
“Hantang”	Hangzhou Hantang Cultural Communication Co., Ltd.* (杭州漢唐文化傳播有限公司), a limited liability company established in the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICP License”	a value-added telecommunications business operation license issued by the relevant PRC government authorities with a service scope of information services
“Independent Board Committee”	an independent board committee, comprising Mr. Lam Yiu Por, Mr. Yang Wenbin and Mr. Chan Wing Yuen Hubert, all being independent non-executive Directors, established for the purpose of advising the Independent Shareholders, on the terms of the New Contractual Arrangements and the transactions contemplated thereunder
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as regards the terms of the New Contractual Arrangements and the transaction contemplated thereunder

DEFINITIONS

“Independent Shareholders”	Shareholders who are independent of and have no interest in the transactions contemplated under the Termination Agreements, the Equity Transfer Agreements and the New VIE Agreements
“Jinhua 9158”	Jinhua 9158 Network Science and Technology Co., Ltd.* (金華就約我吧網絡科技有限公司), a limited liability company established in the PRC
“Jinhua 99”	Jinhua 99 Information Technology Co., Ltd.* (金華玖玖信息技術有限公司), a limited liability company established in the PRC
“Jinhua Ruian”	Jinhua Ruian Investment Management Co., Limited* (金華睿安投資管理有限公司), a limited liability company established in the PRC
“Jinhua Ruichi”	Jinhua Ruichi Investment Management Co., Ltd.* (金華睿馳投資管理有限公司), a limited liability company established in the PRC and is wholly-owned by one of the PRC Operating Entities
“Jinhua Xuance”	Jinhua Xuance Investment Management Co., Ltd.* (金華萱策投資管理有限公司), a limited liability company established in the PRC and is wholly-owned by one of the PRC Operating Entities
“Latest Practicable Date”	7 April 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Fu”	Mr. Fu Zhengjun, the Chairman of the Board and a Shareholder
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“New Contractual Arrangements”	the contractual arrangements under the New VIE Agreements

DEFINITIONS

“New Registered Holder(s)”	Mr. Fu Yanchang, Mr. Zhao Weiwen and Mr. Teng Tao, the registered shareholders of the PRC Operating Entities upon the completion of the Equity Transfer Agreements
“New VIE Agreements”	a set of underlying agreements entered into between the WFOEs, the PRC Operating Entities and the New Registered Holders on 9 March 2022, including: (i) Exclusive Technology Service Agreement (獨家技術服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Voting Rights Proxy Agreement (股東表決權委託協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議)
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisor”	Han Kun Law Offices, the legal advisor to the Company as to the PRC laws
“PRC Operating Entities”, each a “PRC Operating Entity”	Jinhua 9158, Jinhua 99, Hantang and Xingxiu, each a limited liability company established in the PRC
“Prospectus”	the prospectus of the Company dated 25 June 2014 in connection with the global offering of its ordinary shares
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of par value of US\$0.0001 each in the share capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Share Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s branch share registrar in Hong Kong
“Shareholder(s)”	holder(s) of the Share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Termination Agreements”	the termination agreement dated 9 March 2022 entered into between the Existing Registered Holders, the PRC Operating Entities and the WFOEs, as further detailed in the section headed “Termination Agreements” in this circular
“VIE”	variable interest entity(ies)
“WFOE(s)”	Hangzhou Tiange and Zhejiang Tiange, each a limited liability company established in the PRC and is wholly-owned by the Company
“Xingxiu”	Jinhua Xingxiu Cultural Communication Co., Ltd.* (金華星秀文化傳播有限公司), a limited liability company established in the PRC
“Zhejiang Gengfan”	Zhejiang Gengfan Investment Management Co., Ltd.* (浙江互凡投資管理有限公司), a limited liability company established in the PRC
“Zhejiang Gengxuan”	Zhejiang Gengxuan Investment Management Co., Ltd.* (浙江互萱投資管理有限公司), a limited liability company established in the PRC and is wholly-owned by one of the PRC Operating Entities
“Zhejiang Tiange”	Zhejiang Tiange Information and Technology Co., Ltd.* (浙江天格信息技術有限公司), a limited liability company established in the PRC and is wholly-owned by the Company
“9158 Investment”	Jinhua 9158 Investment Management Co., Ltd.* (金華就約我吧投資管理有限公司), a limited liability company established in the PRC and was liquidated in August 2021
“%”	per cent

* *for identification purpose only*

LETTER FROM THE BOARD



Tian Ge Interactive Holdings Limited
天鵠互動控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1980)

Executive Directors:

Mr. Fu Zhengjun (*Chairman*)
Mr. Mai Shi'en

Non-executive Directors:

Mr. Xiong Xiangdong
Ms. Cao Fei

Independent non-executive Directors:

Mr. Lam Yiu Por
Mr. Yang Wenbin
Mr. Chan Wing Yuen Hubert

Registered office:

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

Headquarters:

Room 322
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Gongshu District
Hangzhou, PRC

Principal place of business in

Hong Kong:
31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

13 April 2022

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE NEW CONTRACTUAL ARRANGEMENTS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 9 March 2022 in relation to, among other things, the New Contractual Arrangements.

LETTER FROM THE BOARD

On 9 March 2022, the relevant parties (as detailed below) entered into the following agreements to change the Existing Registered Holders of the PRC Operating Entities to the New Registered Holders, and replace the Existing Contractual Arrangements with the New Contractual Arrangements:

- (1) the Termination Agreements, pursuant to which the Existing Registered Holders, the PRC Operating Entities and the WFOEs agreed that the Existing VIE Agreements in relation to the Existing Contractual Arrangements shall be terminated;
- (2) the Equity Transfer Agreements, pursuant to which Mr. Fu agreed to transfer 95%, 2% and 1% of the equity interest held in each of the PRC Operating Entities to (i) Mr. Fu Yanchang, the father of Mr. Fu and an Existing Registered Holder of the PRC Operating Entities who is also a PRC national, (ii) Mr. Zhao Weiwen, a PRC national and the chief executive officer of the Company, and (iii) Mr. Teng Tao, a PRC national and a Shareholder of the Company, respectively;
- (3) the New VIE Agreements, pursuant to which the Group established the New Contractual Arrangements.

As a result of the New Contractual Arrangements, the Group continues to be able to recognize and receive the economic benefit of the business and operations of the PRC Operating Entities. The New Contractual Arrangements are also designed to provide the Company with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interest of the PRC Operating Entities.

The purpose of this circular is to provide you with, among other things, (i) further details of the New Contractual Arrangements; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the New Contractual Arrangements; (iii) the advice of the Independent Financial Adviser on the New Contractual Arrangements; (iv) other information as required under the Listing Rules; and (v) the notice convening the EGM.

BACKGROUND

As explained in the sections headed “Contractual Arrangements” and “Connected Transactions” in the Prospectus, the principal business of the Company includes the provision of value-added telecommunications services and online cultural business that are subject to foreign investment restrictions or prohibitions under PRC laws and regulations. Accordingly, the Company, as a foreign investor, is not able to acquire equity interest in the PRC Operating Entities, which hold certain licenses and permits required for the operation of the Company’s principal business. Therefore, the Group, through the WFOEs, Hangzhou Tiange and Zhejiang Tiange, entered into the Existing Contractual Arrangements with the PRC Operating Entities and their shareholders in order to conduct the Company’s principal business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of the PRC Operating Entities.

LETTER FROM THE BOARD

In June 2014, the WFOEs, the PRC Operating Entities, the Existing Registered Holders entered into the Existing VIE Agreements. Each of the PRC Operating Entities, the relevant WFOE and the Existing Registered Holders (where applicable) entered into a set of underlying agreements under the same terms, being the (i) Exclusive Technology Service Agreement (獨家技術服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Voting Rights Proxy Agreement (股東表決權委託協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議).

THE NEW CONTRACTUAL ARRANGEMENTS AND REASONS FOR ENTERING INTO THE NEW VIE AGREEMENTS

Since the Company's shares began trading on the Main Board of the Stock Exchange in 2014, the Company has been exposed to the convenience, diversity and vitality of the financing and investment environment in Hong Kong.

Mr. Fu, being the Chairman of the Board and one of the substantial shareholders of the Company, plans to obtain permanent residence status in Hong Kong. Each PRC Operating Entities is owned by Mr. Fu as to 98% before the Equity Transfer Agreements come into effect. As Mr. Fu is one of the Existing Registered Holders of the PRC Operating Entities which are subject to foreign ownership restrictions, the Company proposes the restructuring of the contractual arrangements of the Group, which involves the entering into of the New Contractual Arrangements.

TERMINATION AGREEMENTS

The summary of the principal terms of the Termination Agreements is set forth below:

- Date:** 9 March 2022
- Parties:**
- (a) the PRC Operating Entities
 - (b) the Existing Registered Holders
 - (c) the WFOEs
- Subject:** Pursuant to the Termination Agreements, the PRC Operating Entities, the WFOEs, the Existing Registered Holders agreed that the Existing VIE Agreements in relation to the PRC Operating Entities will be terminated upon the effectiveness of the Termination Agreements.

The parties to the Termination Agreements have further agreed that the unpaid loan of the Existing Registered Holders under the loan agreement under the Existing VIE Agreements will be borne by the Existing Registered Holders respectively.

LETTER FROM THE BOARD

EQUITY TRANSFER AGREEMENTS

The summary of the principal terms of the Equity Transfer Agreements is set forth below:

- Date:** 9 March 2022
- Parties:** (a) the Existing Registered Holders
(b) the New Registered Holders
- Subject:** Pursuant to the Equity Transfer Agreements, Mr. Fu agreed to transfer (i) 95% equity interest in the PRC Operating Entities to Mr. Fu Yanchang, the father of Mr. Fu and an Existing Registered Holder of the PRC Operating Entities who is also a PRC national, (ii) 2% equity interest in the PRC Operating Entities to Mr. Zhao Weiwen, a PRC national and the chief executive officer of the Company, and (iii) 1% equity interest in the PRC Operating Entities to Mr. Teng Tao, a PRC national and also a Shareholder of the Company, respectively. The consideration for such transfers will be determined with reference to the net asset value of the PRC Operating Entities, save for the transfer between Mr. Fu and Mr. Fu Yanchang which will be conducted at the consideration equal to the registered capital of the PRC Operating Entities paid up by Mr. Fu due to their paternal relationship.

NEW VIE AGREEMENTS

The New Contractual Arrangements under the New VIE Agreements will be on substantially the same terms as those currently in place under the Existing VIE Agreements, save as to the identity of the registered shareholders of the PRC Operating Entities.

In relation to the contractual arrangements under the New VIE Agreements, the Company will fulfill and comply with the same conditions as those imposed on the contractual arrangements under the Existing VIE Agreements as disclosed on pages 218 to 221 of the Prospectus, *mutatis mutandis*.

To the extent that any of the New VIE Agreements have a term which is expected to be more than 3 years, as the Company has appointed an independent financial adviser to, provide opinion on such term in accordance with Rule 14A.52 of the Listing Rules which has been included in this circular.

LETTER FROM THE BOARD

The summary of the principal terms of the New VIE Agreements and other ancillary documents is set forth below:

(1) Exclusive Technology Service Agreement

Date: 9 March 2022

Parties: (a) the PRC Operating Entities
(b) the WFOEs

Subject: Each of the PRC Operating Entities and the relevant WFOE entered into an Exclusive Technology Service Agreement, pursuant to which the relevant PRC Operating Entity shall engage the relevant WFOE as its exclusive provider of technology services related to its business. Such technology services shall include:

- (i) licensing of software required for the relevant PRC Operating Entity's business and provision of technical applications and implementation related to the PRC Operating Entity's business operations;
- (ii) research, development, maintenance and upgrade of technology and software necessary for the PRC Operating Entity's business operations;
- (iii) consulting services for procurement of equipment, software and hardware systems required for the PRC Operating Entity's online business operations;
- (iv) daily maintenance, troubleshooting and upgrade of computer network systems and other hardware equipment and databases of the PRC Operating Entity;
- (v) technical services related to advertisement design, software design and webpage production, etc. for each PRC Operating Entity's advertising business;
- (vi) technical training and assistance to personnel employed by the PRC Operating Entity;
- (vii) assistance in the collection and analysis of all technical data from website operation for the purpose of improving technical services provided under the relevant Exclusive Technology Service Agreement; and

LETTER FROM THE BOARD

(viii) additional services requested by the PRC Operating Entity from time to time. In addition, the relevant WFOE shall have exclusive and proprietary rights to all intellectual properties arising from the performance of these services.

Pursuant to each Exclusive Technology Service Agreement, the relevant PRC Operating Entity shall pay to the relevant WFOE a service fee at 95% of the PRC Operating Entity's net revenue, i.e. revenue less any costs and expenses (except the service fee) necessary for such PRC Operating Entity's business operations and any taxes (except enterprise income tax) and accumulated losses in a given year, within three months after each calendar year for the services provided in the preceding year. The remaining 5% of the PRC Operating Entity's net revenue shall be paid to WFOE from time to time as extra service fee for additional services provided by the WFOE upon request of the PRC Operating Entity. The loss incurred by the PRC Operating Entity shall be borne by the New Registered Holders pro rata.

Pursuant to each Exclusive Technology Service Agreement, without the prior written approval from the relevant WFOE, the relevant PRC Operating Entity (i) shall not enter into any transactions that may result in conflicts with the Exclusive Technology Service Agreement or adversely affect the WFOE's interests thereunder; and (ii) shall not dispose of any of its material assets or change its existing shareholding structure.

Further, pursuant to each Exclusive Technology Service Agreement, in the event of any dispute arising out of or in relation to the Exclusive Technology Service Agreement, the parties shall negotiate in good faith to resolve such dispute. If the parties fail to reach an agreement on the resolution of such dispute within 30 days, any party may submit such dispute to the CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. The arbitration ruling shall be final and binding on all parties.

Term:

Each Exclusive Technology Service Agreement shall have a term of twenty years and will be automatically renewed on a yearly basis after expiration unless otherwise notified by the relevant WFOE, and shall be terminated when the operating term of the relevant WFOE or the relevant PRC Operating Entity expires. To the extent permitted by law, each PRC Operating Entity is not contractually entitled to terminate the relevant Exclusive Technology Service Agreement with the relevant WFOE.

LETTER FROM THE BOARD

(2) Exclusive Call Option Agreement

Date: 9 March 2022

Parties:

- (a) the PRC Operating Entities
- (b) the WFOEs
- (c) the New Registered Holders

Subject: Each of the PRC Operating Entities, the New Registered Holders, and the relevant WFOE entered into an Exclusive Call Option Agreement, pursuant to which:

- (i) the New Registered Holders shall irrevocably grant the WFOE an exclusive and unconditional option to purchase their equity interests in the PRC Operating Entity to the extent permitted under PRC law at a purchase price equal to the higher of the capital contribution paid to the registered capital by the respective New Registered Holder for such interests or the lowest price permitted under PRC law, and
- (ii) the PRC Operating Entity shall irrevocably grant the WFOE an exclusive and unconditional option to purchase all or part of its assets to the extent permitted under PRC law at a purchase price equal to the higher of the net book value of such assets or the lowest price permitted under PRC law.

The WFOE may also designate a third party to purchase all or part of the equity interests and assets of the PRC Operating Entity, subject to the call option. Such third party shall be (i) a direct or indirect shareholder of the WFOE or a direct or indirect subsidiary of such shareholder (when exercising equity purchase option or assets purchase option), or (ii) a director of the WFOE or the WFOE's direct or indirect shareholder or a direct or indirect subsidiary of such shareholder who is a PRC citizen (when exercising equity purchase option).

LETTER FROM THE BOARD

Pursuant to each Exclusive Call Option Agreement, the New Registered Holders shall undertake to perform certain acts or refrain from performing certain acts until they obtain written consent from the WFOE, including without limitation:

- (i) not to transfer or otherwise dispose of or establish any encumbrance or other third party rights on their equity interests;
- (ii) not to increase or reduce the PRC Operating Entity's registered capital, or procure or agree to any merger between the PRC Operating Entity and any other entity;
- (iii) not to, or to procure the management of the PRC Operating Entity not to, dispose of any material assets of the PRC Operating Entity (save for the transactions occurring in the ordinary course of business);
- (iv) not to, or to procure the management of the PRC Operating Entity not to, terminate any material agreement to which the PRC Operating Entity is a party, or enter into any other agreement which is in conflict with any existing material agreement;
- (v) not to appoint or replace any director, supervisor or any other management of the PRC Operating Entity who shall be appointed or dismissed by the New Registered Holders of the PRC Operating Entity;
- (vi) not to procure the PRC Operating Entity to declare or distribute any distributable profits or dividends;
- (vii) to ensure the valid existence of the PRC Operating Entity and that the PRC Operating Entity will not be terminated, liquidated or dissolved;
- (viii) not to make any amendment to the articles of association of the PRC Operating Entity; and
- (ix) to ensure that the PRC Operating Entity will not lend or borrow any loan, or provide guarantee or any other form of guarantee, or commit any material undertakings out of the ordinary course of operation.

LETTER FROM THE BOARD

Further, the PRC Operating Entity shall undertake to perform certain acts or refrain from performing certain acts until they obtain written consent from the WFOE, including without limitation:

- (i) the PRC Operating Entity shall make best efforts to satisfy any conditions to effect the transfer of the equity interests and assets subject to the call option under the Exclusive Call Option Agreement, including the obtaining of third party consent, permit, waiver, authorization or governmental approval, permit or waiver, or completion of any registration or filing with government authorities;
- (ii) the PRC Operating Entity shall not assist in or allow any transfer or other disposal of the equity interests subject to the call option or creation by the New Registered Holders of any encumbrance or third party rights on such equity interests, or transfer or otherwise dispose of any of its material assets (save for the transactions occurring in the ordinary course of business) or create any encumbrance or other third party rights on the assets; and
- (iii) the PRC Operating Entity shall not conduct or allow any behavior or action that may adversely affect the WFOE's interest under the Exclusive Call Option Agreement.

In addition, the respective New Registered Holders shall undertake that (i) in case they receive any dividends or other profit distributions from the PRC Operating Entities, to the extent permitted by PRC law, they shall return the same to the WFOE, with deduction of applicable taxes and governmental fees; and (ii) in case they receive any proceeds from transfer of equity interests in the PRC Operating Entities, or any distributions upon liquidation of the PRC Operating Entities, and if the amount of such proceeds or distribution is higher than the loans owed by the New Registered Holders respectively to the WFOE under the relevant Loan Agreements, to the extent permitted by PRC law, they shall return to the WFOE such proceeds or distribution they receive, with deduction of applicable taxes and governmental fees, and the amounts of the relevant loans.

LETTER FROM THE BOARD

Therefore the consideration to be paid by the WFOE for purchase of all or part of the assets of PRC Operating Entities, constituting part of the PRC Operating Entities' income, will be returned to the WFOE in the following different ways: (i) as technology service fees under the Exclusive Technology Service Agreements; (ii) as dividends distributed to the New Registered Holders upon prior consent of the WFOE, which should be returned to the WFOE in accordance with the Exclusive Call Option Agreements; or (iii) in case of receipt of properties or assets of the PRC Operating Entities by the New Registered Holders in the event of liquidation or termination of the PRC Operating Entities, return of such distributed properties or assets to the WFOE in accordance with the Exclusive Call Option Agreements.

Further, pursuant to each Exclusive Call Option Agreement, in the event of any dispute arising out of or in relation to the Exclusive Call Option Agreement, the parties shall negotiate in good faith to resolve such dispute. If the parties fail to reach an agreement on the resolution of such dispute within 30 days, any party may submit such dispute to CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. The arbitration ruling shall be final and binding on all parties.

Term: Each Exclusive Call Option Agreement will expire when all the equity interests in and assets of the relevant PRC Operating Entity have been transferred to the relevant WFOE or its designated entities or individuals. To the extent permitted by law, each PRC Operating Entity and the New Registered Holders are not contractually entitled to terminate the relevant Exclusive Call Option Agreement with the relevant WFOE.

(3) Voting Rights Proxy Agreement

Date: 9 March 2022

Parties:

- (a) the PRC Operating Entities
- (b) the WFOEs
- (c) the New Registered Holders

LETTER FROM THE BOARD

Subject: Each of the PRC Operating Entities, the New Registered Holders and the relevant WFOE entered into a Voting Rights Proxy Agreement, pursuant to which, each New Registered Holder, through the Power of Attorney, shall irrevocably appoint the person designated by the WFOE as his attorney-in-fact to exercise such shareholder's rights in the relevant PRC Operating Entity, including without limitation to, the rights to:

- (i) convene and participate in shareholders meetings in the capacity of a proxy of the New Registered Holder;
- (ii) exercise the voting rights, on behalf of the New Registered Holder, and adopt and execute resolutions, on matters to be discussed and resolved at shareholder meetings, including without limitation to, the appointment and election of directors of the PRC Operating Entity or any senior management that should be appointed and dismissed by the shareholders; the disposal of the assets of the PRC Operating Entity, the dissolution or liquidation of the PRC Operating Entity; the establishment of the liquidation committee and the exercise of rights enjoyed by the liquidation committee during the liquidation period in accordance with PRC law on behalf of the New Registered Holders;
- (iii) exercise other voting rights of shareholders under the articles of association of the PRC Operating Entity (including any amendment thereto);
- (iv) submit any required document to any relevant company registry or other authorities in the capacity of a proxy of each New Registered Holder; and
- (v) enter into or sign, on behalf of the New Registered Holder, any equity transfer agreement or other related documents, and process any governmental approvals, registration, filing or other procedures to effect the equity transfer under the Exclusive Call Option Agreement.

LETTER FROM THE BOARD

Pursuant to each Voting Rights Proxy Agreement, the appointee appointed by the WFOE as the New Registered Holder's power of attorney should be a director of the WFOE or the WFOE's direct or indirect shareholder, or such director's successor (including a liquidator replacing the director or its successor), and such appointee should be a PRC citizen and should not be either of the New Registered Holders or any of their "connected person" as defined in the Listing Rules.

Further, pursuant to each Voting Rights Proxy Agreement, in the event of any dispute arising out of or in relation to the Voting Rights Proxy Agreement, the parties shall negotiate in good faith to resolve such dispute. If the parties fail to reach an agreement on the resolution of such dispute within 30 days, any party may submit such dispute to CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. The arbitration ruling shall be final and binding on all parties.

Term: Each Voting Rights Proxy Agreement will have a term of twenty years and will be automatically renewed on a yearly basis after expiration unless otherwise notified by the relevant WFOE. In case that (i) the operating term of the relevant WFOE or the relevant PRC Operating Entity expires, or (ii) the parties thereto mutually agree on an early termination, the relevant Voting Rights Proxy Agreement may be terminated. To the extent permitted by law, each PRC Operating Entity and its New Registered Holders are not contractually entitled to terminate the relevant Voting Rights Proxy Agreement with the relevant WFOE.

(4) Powers of Attorney

Date: 9 March 2022

Parties: each of the New Registered Holders

LETTER FROM THE BOARD

Subject: Each of the New Registered Holders executed an irrevocable Power of Attorney, appointing a person designated by the WFOE as his proxy to exercise on his behalf all of his shareholder rights in the relevant PRC Operating Entity, including the rights to:

- (i) convene and participate in shareholders meetings in the capacity of a proxy of the New Registered Holder;
- (ii) exercise the voting rights, on behalf of the New Registered Holder, and adopt and execute resolutions, on matters to be discussed and resolved at shareholder meetings, including without limitation to, the election and appointment of directors or any senior management of the PRC Operating Entity that should be appointed and dismissed by the shareholders; the dispose of the assets of the PRC Operating Entity, the dissolution or liquidation of the PRC Operating Entity; the establishment of the liquidation committee and the exercise of rights enjoyed by the liquidation committee during the liquidation period in accordance with PRC laws on behalf of the New Registered Holders;
- (iii) exercise other voting rights of shareholders under the articles of association of the PRC Operating Entity (including any amendment thereto);
- (iv) submit any required document to any relevant company registry or other authorities in the capacity of a proxy of each New Registered Holder; and
- (v) enter into or sign, on behalf of the New Registered Holder, any equity transfer agreement or other related documents, and process any governmental approvals, registration, filing or other procedures to effect the equity transfer under the Exclusive Call Option Agreement.

Term: The Power of Attorney shall remain in effect until the expiration or early termination of the relevant Voting Rights Proxy Agreement, or until the WFOE to the Voting Rights Proxy Agreement designates another appointee.

LETTER FROM THE BOARD

(5) Loan Agreement

Date: 9 March 2022

Parties: (a) WFOEs
(b) the New Registered Holders

Subject: Each of the WFOEs and the New Registered Holders entered into a Loan Agreement, pursuant to which the WFOE shall provide, and the New Registered Holders is obligated to repay, an interest-free loan facility to each of the New Registered Holders for his investment in the relevant PRC Operating Entity.

Under the Loan Agreement regarding the investment in Jinhua 9158 (being one of the four PRC Operating Entities), the New Registered Holders and the relevant WFOE confirm that the relevant WFOE has lent to each of the New Registered Holders, and each of the New Registered Holders is obligated to repay the relevant WFOE, amounts equal to his respective payment for consideration of share transfer under the Equity Transfer Agreement or capital contribution to the registered capital of the relevant PRC Operating Entity (as applicable), i.e. RMB9,700,000 to Mr. Fu Yanchang, RMB1,833,800 to Mr. Zhao Weiwen and RMB916,900 to Mr. Teng Tao.

Under the Loan Agreement regarding the investment in Jinhua 99 (being one of the four PRC Operating Entities), the New Registered Holders and the relevant WFOE confirm that the relevant WFOE has lent to each of the New Registered Holders, and each of the New Registered Holders is obligated to repay the relevant WFOE, amounts equal to his respective payment for consideration of share transfer under the Equity Transfer Agreement or capital contribution to the registered capital of the relevant PRC Operating Entity (as applicable), i.e. RMB9,700,000 to Mr. Fu Yanchang, RMB4,970,500 to Mr. Zhao Weiwen and RMB2,485,200 to Mr. Teng Tao.

Under the Loan Agreement regarding the investment in Xingxiu (being one of the four PRC Operating Entities), the New Registered Holders and the relevant WFOE confirm that the relevant WFOE has lent to each of the New Registered Holders, and each of the New Registered Holders is obligated to repay the relevant WFOE, amounts equal to his respective payment for consideration of share transfer under the Equity Transfer Agreement or capital contribution to the registered capital of the relevant PRC Operating Entity (as applicable), i.e. RMB9,700,000 to Mr. Fu Yanchang, RMB200,000 to Mr. Zhao Weiwen and RMB100,000 to Mr. Teng Tao.

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Under the Loan Agreement regarding the investment in Hantang (being one of the four PRC Operating Entities), the New Registered Holders and the relevant WFOE confirm that the relevant WFOE has lent to each of the New Registered Holders, and each of the New Registered Holders is obligated to repay the relevant WFOE, amounts equal to his respective payment for consideration of share transfer under the Equity Transfer Agreement or capital contribution to the registered capital of the relevant PRC Operating Entity (as applicable), i.e. RMB9,680,000 to Mr. Fu Yanchang, RMB469,300 to Mr. Zhao Weiwen and RMB234,600 to Mr. Teng Tao.

Given that the net asset value of the relevant PRC Operating entity may change, the amount of the loan of Mr. Zhao Weiwen and Mr. Teng Tao are subject to the final actual consideration of the proposed equity transfer.

Further, pursuant to each Loan Agreement, in the event of any dispute arising out of or in relation to the Loan Agreement, the parties shall negotiate in good faith to resolve such dispute. If the parties fail to reach an agreement on the resolution of such dispute within 30 days, any party may submit such dispute to CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. The arbitration ruling shall be final and binding on all parties.

Term: The term for any loan under the Loan Agreement is twenty (20) years after the effective date, or the expiration of the relevant WFOE's operating term (including its extended operating term from time to time) or the PRC Operating Entity's operating term (including its extended operating term from time to time), whichever occurs earliest. After the loan term expires, unless the parties concerned agree to extend the loan, the New Registered Holder shall repay all the money in one lump sum on the day when the loan term expires.

(6) Equity Pledge Agreement

Date: 9 March 2022

Parties:

- (a) the PRC Operating Entities
- (b) the WFOEs
- (c) the New Registered Holders

LETTER FROM THE BOARD

Subject: Each of the PRC Operating Entities, the New Registered Holders and the relevant WFOE entered into an Equity Pledge Agreement, pursuant to which, the New Registered Holders will pledge all their equity interests in the PRC Operating Entity to the WFOE to secure their performance, as well as the performance of the PRC Operating Entity, of the (i) Exclusive Technology Service Agreement; (ii) Exclusive Call Option Agreement; (iii) Voting Rights Proxy Agreement; and (iv) Loan Agreement. If any of the New Registered Holders or PRC Operating Entity breaches or fails to fulfill the obligations under any of the aforementioned agreements, the relevant WFOE, as the pledgee, will be entitled to foreclose the pledge over the equity interests, entirely or partially.

Pursuant to each Equity Pledge Agreement, any dividend or bonus arising from the pledged equity interests shall be deposited into the WFOE's designated bank account, and shall be used in discharge of the collateralized obligations with first priority. Under the Equity Pledge Agreement, the New Registered Holders warrant to the relevant WFOE that all appropriate arrangements have been made and all necessary documents have been executed to ensure that none of their successors, guardians, creditors, spouses and other third parties will adversely impact or hinder the enforcement of the Equity Pledge Agreement in the event of death, loss of legal capacity, bankruptcy, divorce or any other situation of the New Registered Holders.

Pursuant to each Equity Pledge Agreement, the New Registered Holders shall not obtain any dividend or bonus or (in the event of liquidation or termination of the PRC Operating Entity) receive any distribution of properties or assets of the PRC Operating Entity in respect of the pledged equity interests without prior consent from the WFOE, and such dividend, bonus or remaining assets of the PRC Operating Entity shall be deposited into the WFOE's designated bank account, and shall be used in discharge of the secured debts with first priority.

Further, pursuant to each Equity Pledge Agreement, in the event of any dispute arising out of or in relation to the Equity Pledge Agreement, the parties shall negotiate in good faith to resolve such dispute. If the parties fail to reach an agreement on the resolution of such dispute within 30 days, any party may submit such dispute to CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. The arbitration ruling shall be final and binding on all parties.

Term: Each Equity Pledge Agreement will remain in full effect until all the contractual obligations have been performed or all the secured debts have been discharged.

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(7) Confirmation Letter from Spouse

Pursuant to paragraph 18 (b) of guidance letter HKEX-GL77-14, where applicable, each of the spouse of Mr. Fu Yanchang, Mr. Zhao Weiwen and Mr. Teng Tao will provide a written confirmation confirming that she will execute any necessary document and take any necessary measure to ensure the proper performance of the New VIE Agreements to which the relevant New Registered Holder is a party, as may be amended from time to time.

(8) Dispute Resolution

Each of the New VIE Agreements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising out of or in relation to the New VIE Agreements, the parties shall negotiate in good faith to resolve such dispute. If the parties fail to reach an agreement on the resolution of such dispute within 30 days, any party may submit such dispute to CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. The arbitration ruling shall be final and binding on all parties.

In addition, pursuant to the dispute resolution provisions and subject to the PRC laws, the arbitral tribunal may award remedies over the equity interests or assets of the PRC Operating Entities, including restrictions over the conduct of business, restrictions or prohibitions over transfer or disposal of the equity interests or assets or order the winding up of the PRC Operating Entities, and the courts of (i) Hong Kong, (ii) the Cayman Islands (being the place of incorporation of the Company), (iii) the place of incorporation of the relevant PRC Operating Entity (i.e. Hangzhou city or Jinhua city, PRC); and (iv) the place(s) where the Company or the relevant PRC Operating Entity's principal assets are located shall have jurisdiction to grant and/or enforce the arbitral award and to grant interim remedies over the equity interests or assets of the relevant PRC Operating Entity.

However, the PRC Legal Advisor advised that the above dispute resolution provisions may not be enforceable under the PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC and the relevant WFOE may not be able to obtain sufficient remedies in a timely manner.

As a result of the above, in the event that the PRC Operating Entities or the New Registered Holders breach any of the New VIE Agreements, the Company may not be able to obtain sufficient remedies in a timely manner, and the Company's ability to exert effective control over the PRC Operating Entities and conduct the Company's business could be materially and adversely affected.

(9) Potential Conflicts of Interests

Each of the New Registered Holders has given their irrevocable undertakings in the Powers of Attorney which address potential conflicts of interests that may arise in connection with the New VIE Agreements.

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LEGALITY OF THE NEW CONTRACTUAL ARRANGEMENTS

According to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by the State Council on 11 December 2001 and amended on 6 February 2016, foreign investors are not allowed to hold more than 50% of the equity interest of a company providing value added telecommunication services, including ICP service.

The PRC Legal Advisor advises that as no filing, consent, permit or recognition of any PRC governmental authorities are required in connection with the execution, delivery, effectiveness and enforceability of the New VIE Agreements except that (i) the pledge of any equity interests in the PRC Operating Entities for the benefit of the relevant WFOE is subject to registration requirements with the relevant governmental authority, (ii) the exercise of any exclusive option rights by the WFOEs under the relevant Exclusive Call Option Agreement may subject to the approval, filing or registration requirements with the relevant governmental authorities to the extent permitted by the PRC law, and (iii) the transfer or license of any intellectual property rights under the Exclusive Technology Service Agreement may subject to the approval, filing or registration requirements with the relevant authorities under the then applicable laws and regulations of the PRC in force. It is not an administrative matter under the PRC laws for governmental authorities to issue formal confirmation on any agreements that do not require the examination and approval of the regulatory authorities, therefore, the Company has not formally filed any request for confirmation regarding the legality of the New Contractual Arrangements.

Having taken all possible actions and steps to enable the New VIE Agreements to reach their legal conclusions, the PRC Legal Advisor of the Company is of the opinion that:

- (i) the Company does not hold, directly or indirectly, any equity interest in the PRC Operating Entities; the ownership of each of the PRC Operating Entities will be in compliance with the existing PRC laws and regulations; the Group's ownership structure, immediately following the entering into the New VIE Agreements, will not be regarded as violation of the existing PRC laws and regulations;
- (ii) the New VIE Agreements shall not be regarded as being invalid due to violation of the Civil Code of the PRC, in particular on the ground of "impairing others' legitimate rights and interests with malicious collusion" or fall within any of the circumstances under which a contract may become invalid pursuant to the Civil Code of the PRC;
- (iii) each of the New VIE Agreements is in compliance with the applicable PRC laws and regulations, and is enforceable, valid and legally binding under the applicable PRC laws and regulations, except for the provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the relevant PRC Operating Entities, injunctive relief and/or winding up of the relevant PRC Operating Entities,

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and that the courts in Hong Kong or the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be recognized or enforceable by the PRC courts;

- (iv) no filings, consents, approvals, permits or recognitions, of any PRC governmental authorities, will be required in connection with the execution, delivery, effectiveness and enforceability of each of the agreements comprising the New VIE Agreements except that (i) the pledge of any equity interests in the PRC Operating Entities for the benefit of the relevant WFOE is subject to registration requirements with the relevant governmental authority and (ii) the exercise of any exclusive option rights by the WFOEs under the relevant Exclusive Call Option Agreement may subject to the approval, filing or registration requirements with the relevant governmental authorities to the extent permitted by the PRC laws.

Based on the above, the Directors believe that the New Contractual Arrangements are enforceable under the relevant laws and regulations, subject to certain issues discussed in the section headed “Risk Factors relating to the New Contractual Arrangements” in this circular.

EFFECTS OF THE NEW CONTRACTUAL ARRANGEMENTS

As a result of the New Contractual Arrangements, the Group is able to recognize and receive the economic benefit of the business and operations of the PRC Operating Entities. The New Contractual Arrangements are also designed to provide the Company with effective control over and the right to acquire the equity interests of the New Registered Holders in the PRC Operating Entities to the extent permitted under PRC law. The reporting accountants of the Company also confirm that New Contractual Arrangements allow the financial results of the PRC Operating Entities to be consolidated into the Group’s combined financial statements. In summary, the New Contractual Arrangements will provide the Company with:

- (i) the right to receive substantially all of the revenue generated by the PRC Operating Entities from their business operations through various commercial arrangements;
- (ii) the right to purchase equity interests of the New Registered Holders in the PRC Operating Entities to the extent permitted under PRC law at a purchase price equal to the higher of the registered capital paid by the respective New Registered Holder for such interests or the lowest price permitted under PRC law;
- (iii) the right to purchase all or part of the assets of the PRC Operating Entities to the extent permitted under PRC law at a purchase price equal to the higher of the net book value of such assets or the lowest price permitted under PRC law; and
- (iv) pledge over the entire equity interests in the registered capital of each of the PRC Operating Entities.

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Annual Caps

Similar to the Existing VIE Agreements, the Exclusive Technology Service Agreements will provide a revenue transfer mechanism by way of fixed annual rate which is designed to transfer substantially all of the operating revenue from the PRC Operating Entities. Further, as all shareholder rights in each of the PRC Operating Entities shall be exercised by a person designated by relevant WFOE as the proxy of the New Registered Holders, the Group does not foresee any difficulty in ensuring the Company to derive substantially all economic benefits from the PRC Operating Entities.

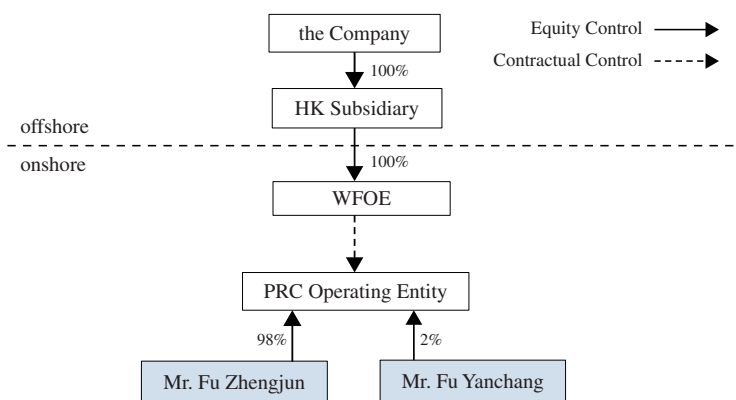
Accordingly, the New VIE Agreements have been designed to ensure that there will be no limit on the amount of fees payable to the Group under the New Contractual Arrangements. Therefore, there will be no monetary cap on any agreements under the New VIE Agreements.

Connected Persons

Upon execution of the New VIE Agreements, each of the PRC Operating Entities will be treated as a wholly-owned subsidiary of the Company, and the directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the PRC Operating Entities and their respective associates will be treated as “connected persons” of the Company under the Listing Rules. Hence, both Mr. Fu Yanchang and Mr. Zhao Weiwen are connected persons of the Company under Rule 14A.07(4) of the Listing Rules. Given that the New VIE Agreements are continuing in nature, transactions between members of the Group and each of the PRC Operating Entities under the New VIE Agreements would constitute continuing connected transactions and, unless an exemption is obtained under the Listing Rules, would be subject to the applicable reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

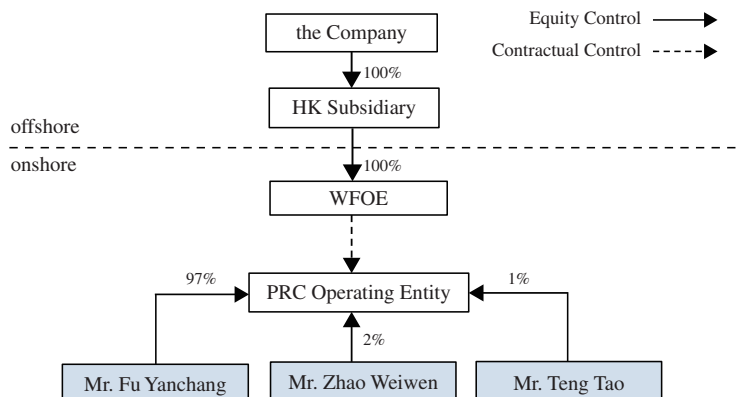
CORPORATE STRUCTURE UNDER THE GROUP’S EXISTING CONTRACTUAL ARRANGEMENTS AND UNDER THE NEW CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the Group’s Existing Contractual Arrangements immediately prior to the entering of the New VIE Agreements:



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The following simplified diagram illustrates the New Contractual Arrangements immediately after the New VIE Agreements come into effect:



RISKS FACTORS RELATING TO THE NEW CONTRACTUAL ARRANGEMENTS

- (1) **If the PRC government determines that the New VIE Agreements establishing the structure for operating the Company's businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Company could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of its interest in the PRC Operating Entities.**

The Company is incorporated in the Cayman Islands and its wholly-owned PRC subsidiaries are considered as foreign-invested enterprises. Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunications services and online cultural businesses. Due to these restrictions, the Company conducts its operations in China through the PRC Operating Entities, including Hantang, Jinhua 9158, Jinhua 99 and Xingxiu, based on a series of Contractual Arrangements by and among the WFOE, the PRC Operating Entities and their shareholders. As a result of the Contractual Arrangements, although the Company does not have any equity interest in its PRC Operating Entities, it is able to exercise effective control over its PRC Operating Entities and receive substantially all of the economic benefits of their operations through the Contractual Arrangements with the PRC Operating Entities and their shareholders.

The PRC Legal Advisor has advised that the corporate structure of the Group and the New Contractual Arrangements are not in violation of application PRC laws and regulations. However, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Thus, it cannot be assured that the PRC regulatory authority will not ultimately take a view contrary to or otherwise different from the opinion of the PRC Legal Advisor of the Company. If the Company is found to be in violation of any PRC laws or regulations or if the New VIE Agreements of the New Contractual Arrangements among the WFOE, the PRC

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Operating Entities and the Registered Holders are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- (i) revoke the New VIE Agreements constituting the New Contractual Arrangements;
- (ii) revoke business and operating licenses of the PRC Operating Entities related to its value-added telecommunications business and/or online cultural business;
- (iii) restrict or prohibit related party transactions between the WFOEs and the PRC Operating Entities;
- (iv) require the PRC Operating Entities to discontinue or restrict operations related to its value-added telecommunications business and/or online cultural business;
- (v) restrict the PRC Operating Entities' right to collect revenue generated from its value-added telecommunications business and/or online cultural business;
- (vi) levy fines and/or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- (vii) require the Company to restructure the operations in such a way as to compel the Company to establish a new enterprise, re-apply for the necessary licenses or relocate businesses, staff and assets related to its value-added telecommunications business and/or online cultural business; or
- (viii) impose additional conditions or requirements with which the Company may not be able to comply, or take other regulatory or enforcement actions that could be harmful to the Company's business.

Furthermore, any of the assets under the name of any New Registered Holders of equity interest in the PRC Operating Entities, including such equity interest, may be put under court custody in connection with any litigation, arbitration or other judicial or dispute resolution proceedings against that New Registered Holder. It cannot be assured that the equity interest will be disposed of in accordance with the New Contractual Arrangements. In addition, the existing PRC laws, rules and regulations are subject to changes or new PRC laws, rules and regulations may be introduced to impose additional requirements, all of which may impose additional challenges to the Company's corporate structure and the New Contractual Arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on the Company's ability to conduct its business. In addition, if the imposition of any of these penalties causes the Company to lose the rights to direct the activities of the PRC Operating Entities or the rights to receive their economic benefits, the Company would no longer be able to consolidate the PRC Operating Entities, thus adversely affect its results of operations.

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(2) Substantial uncertainties exist with respect to whether the control of PRC onshore VIEs by foreign investors via contractual arrangements will be recognized as “foreign investment” and how it may impact the viability of current corporate structure and operations of the Company.

On 15 March 2019, the National People’s Congress of the PRC adopted the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “PRC Foreign Investment Law”), which came into force on 1 January 2020. The PRC Foreign Investment Law defines “foreign investment” as investment activity in China conducted directly or indirectly by foreign investors in any of the following manners: (i) the foreign investor, by itself or together with other investors, establishes a foreign-invested enterprise in China; (ii) the foreign investor acquires shares, equities, asset tranches, or similar rights and interests in enterprises in China; (iii) the foreign investor, by itself or together with other investors, invests and establishes a new project in China; or (iv) the foreign investor invests through other approaches as stipulated by laws, administrative regulations or otherwise regulated by the State Council. The PRC Foreign Investment Law is silent on how to define and regulate VIEs, while adding a catch-all clause that “other approaches as stipulated by laws, administrative regulations or otherwise regulated by the State Council” can fall within the concept of “foreign investment,” which leaves uncertainty as to whether a foreign investor’s control of PRC onshore VIEs via contractual arrangements will be recognized as “foreign investment.” Pursuant to the PRC Foreign Investment Law, PRC governmental authorities will regulate foreign investment by applying the principle of pre-entry national treatment together with a “negative list,” which will be promulgated by or promulgated with approval by the State Council. Foreign investors are prohibited from making any investments in industries which are listed as “prohibited” in such negative list; and, after satisfying certain additional requirements and conditions as set out in the “negative list,” are allowed to make investments in the industries which are listed as “restricted” in such negative list. With respect to any foreign investor that fails to comply with such negative list, the competent authorities are entitled to ban its investment activities, require such investor to take measures to correct its non-compliance, and impose other penalties.

The value-added telecommunications services and online cultural business that the Company conducts through its PRC Operating Entities are subject to foreign investment restrictions or prohibitions as set out in the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)》(2021年版)) issued by MOFCOM and NDRC which became effective on 1 January 2022. It is unclear whether any new “negative list” to be issued under the PRC Foreign Investment Law will be different from such existing list.

The PRC Foreign Investment Law leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. It is therefore uncertain whether the corporate structure of the Company will be seen as violating foreign investment rules as the Company is currently using the Contractual Arrangements to operate certain businesses in which foreign investors are currently prohibited or restricted from investing. Furthermore, if future laws, administrative regulations or provisions of the State Council mandate further actions to be taken by companies

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with respect to the Contractual Arrangements, the Company may face substantial uncertainties as to whether it can complete such actions in a timely manner, or at all. If the Company fails to take appropriate and timely measures to comply with any of these or similar regulatory compliance requirements, its current corporate structure, corporate governance and business operations could be materially and adversely affected.

- (3) The Company relies on the Contractual Arrangements for its operations in China, which may not be as effective in providing operational control as direct ownership. The PRC Operating Entities and/or the New Registered Holders may fail to perform their obligations under the Contractual Arrangements, which may result in the Company resorting to arbitration or other legal proceedings to enforce its rights, which may be time-consuming, unpredictable, expensive, limited and damaging to operations and reputation of the Company.**

A significant portion of revenues of the Company are attributed to the PRC Operating Entities. Due to PRC restrictions on and prohibitions of foreign ownership of certain businesses in China, the Company operates its business in China through the PRC Operating Entities, in which the Company has no ownership interest. The Company relies on the New Contractual Arrangements with the PRC Operating Entities and their Registered Holders to control and operate the businesses of the PRC Operating Entities. The New Contractual On 15 March 2019, the National People's Congress of the PRC adopted the Foreign Arrangements are intended to provide the Company with effective control over the PRC Operating Entities and allow the Company to obtain economic benefits from them. In particular, the Company's ability to control the PRC Operating Entities is dependent on the power of attorney granted by the New Registered Holders under the Voting Rights Proxy Agreement, pursuant to which the WFOEs are entitled to vote on all matters requiring shareholder approval with respect to the PRC Operating Entities.

Although the Company has been advised by the PRC Legal Advisor that each of the agreements and undertakings under the New Contractual Arrangements is legal, valid and binding under existing PRC laws and regulations, except that the dispute resolution provisions set forth in the New VIE Agreements of the New Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts, these New Contractual Arrangements may not be as effective in providing operational control over the PRC Operating Entities and their subsidiaries as direct equity ownership. Direct ownership would allow the Company, for example, to directly or indirectly exercise its rights as a shareholder to effect changes in the boards of directors of the PRC Operating Entities, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the New Contractual Arrangements, as a legal matter, if the PRC Operating Entities or the New Registered Holders fail to perform their respective obligations under the New Contractual Arrangements, the Company may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to arbitration or other legal proceedings and rely on legal remedies under PRC laws and regulations, which may be time consuming,

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unpredictable, expensive, limited and damaging to our operations and reputation. For example, if the New Registered Holders of the PRC Operating Entities were to refuse to transfer their equity interests in the PRC Operating Entities to the relevant WFOE or a third party designated by such WFOE when such WFOE exercises the call option pursuant to the agreements of the New Contractual Arrangements or if they were otherwise to act in bad faith toward the WFOE, the WFOE might have to take legal action to compel them to perform their respective contractual obligations. The New Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from the New Contractual Arrangements will be resolved through arbitration in China. However, the legal systems in China, particularly as it relates to arbitration proceedings, are different from legal systems in many other jurisdictions. There are very few precedents and little official guidance as to how contractual arrangements in the context of consolidated affiliated entities should be interpreted or enforced under PRC laws. There remain significant uncertainties regarding the ultimate outcome of arbitration, should legal action become necessary. These uncertainties could limit the ability of the Company to enforce the New Contractual Arrangements. In addition, arbitration awards are final and may only be enforced in PRC courts through arbitration award recognition proceedings, which could cause additional expenses and delays. In the event the Company is unable to enforce the New Contractual Arrangements or if the Company experiences significant delays or other obstacles in the process of enforcing the New Contractual Arrangements, the Company may not be able to exert effective control over the PRC Operating Entities and may lose control over the assets owned by the PRC Operating Entities. As a result, the Company may be unable to consolidate the financial results of such entities in its combined financial statements, its ability to conduct businesses in China may be negatively affected, and its operations could be severely disrupted, which could materially and adversely affect the business, financial condition, results of operations and prospects of the Company.

- (4) As some of the New VIE Agreements of the New Contractual Arrangements may not have fully detailed the parties' rights and obligations, remedies for a breach of these arrangements may not be guaranteed.**

The Company's current relationship with the PRC Operating Entities and their shareholders is based on a number of contracts, and the PRC Operating Entities are considered to be VIEs of the Company for accounting purposes. Regardless of the Company's internal control and contract management processes, certain terms of the New Contractual Arrangements may be statements of general intent and may not have fully detailed the rights and obligations of the parties. It may be difficult for the Company to obtain remedies or damages from the PRC Operating Entities or their shareholders for breaching the New VIE Agreements. As the Company relies significantly on these companies for its business, the realization of any of these risks may disrupt operations of the Company.

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(5) The Company may not be able to conduct operations in China without the services provided by certain of the PRC Operating Entities.

Part of the Company's operations are currently dependent upon commercial relationships with the PRC Operating Entities, and the Company derives a significant portion of its revenues from these companies. If the PRC Operating Entities are unwilling or unable to perform the New VIE Agreements, the Company may not be able to conduct its operations in the manner in which it currently envisages. In addition, the PRC Operating Entities may seek to renew these agreements on terms that are disadvantageous to the Company. Although the Company has entered into the New VIE Agreements that provide it with substantial ability to control these companies, the Company may not succeed in enforcing its rights under them. If the Company is unable to renew these agreements on favourable terms, or to enter into similar agreements with other parties, its business may not expand, and operating expenses may increase.

(6) The Company may lose the ability to use and enjoy assets held by the PRC Operating Entities that are material to its business operations if the PRC Operating Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

The PRC Operating Entities hold assets that are material to the business operations of the Company. The New Contractual Arrangements with the PRC Operating Entities contain terms that specifically obligate the New Registered Holders to ensure the valid existence of the PRC Operating Entities and that the PRC Operating Entities may not be voluntarily liquidated. However, should the shareholders breach this obligation and voluntarily liquidate the PRC Operating Entities, or should the PRC Operating Entities declare bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors and the Company may be unable to continue some or all of its business operations in China, which could materially and adversely affect business, financial condition, results of operations and prospects of the Company.

(7) The New Registered Holders of the PRC Operating Entities may have conflicts of interest with the Company, which may materially and adversely affect the Company's business.

The Company's control over the PRC Operating Entities is based upon the New Contractual Arrangements with the PRC Operating Entities and the New Registered Holders. The New Registered Holders may potentially have conflicts of interest with the Company and breach their contracts or undertakings if it would further their own interest or if they otherwise act in bad faith. It cannot be assured that when conflicts of interest arise, these individuals will act in the best interests of the Company or that conflicts of interest will be resolved in the Company's favour. In the event of any such conflicts of interest, these individuals may breach or cause the PRC Operating Entities to breach or refuse to renew the New Contractual Arrangements that allow us to effectively control and receive economic benefits from the PRC Operating Entities. If the Company cannot resolve such conflict of interest or dispute between the Company and the New Registered Holders should it arise, the Company would have to rely

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on legal protections, which could result in disruption of its business and subject the Company to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede the Company's ability to enforce the New Contractual Arrangements. If the Company is unable to resolve any such conflicts, or if it experiences significant delays or other obstacles as a result of such conflicts, the Company's business and operations could be severely disrupted, which could materially and adversely affect its results of operations and damage the Company's reputation.

(8) The Company conducts its business operations in China through the PRC Operating Entities by way of the New Contractual Arrangements. However, certain terms of the New Contractual Arrangements may not be enforceable under PRC laws and regulations.

New VIE Agreements which constitute the New Contractual Arrangements are governed by PRC laws and regulations and provided for resolution of disputes through arbitration in China. Accordingly, these agreements would be interpreted in accordance with PRC laws and regulations, and disputes would be resolved in accordance with PRC legal procedures. The uncertainties as to the adoption of evidence and precedent rulings in China's legal system could limit our ability to enforce the New Contractual Arrangements. In the event that the Company is unable to enforce the New Contractual Arrangements, or if the Company suffers significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the PRC Operating Entities, and the Company's ability to conduct business, financial condition and results of operations of the Company may be materially and adversely affected. The New Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the PRC Operating Entities, injunctive relief and/or winding up of the PRC Operating Entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws and regulations, these terms may not be enforceable. Under PRC laws and regulations, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the PRC Operating Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as courts in Hong Kong and the Cayman Islands may not be recognizable or enforceable in China. PRC laws and regulations do not allow the arbitral body to grant an award of transfer of assets of or equity interests in the PRC Operating Entities in favour of an aggrieved party. Therefore, in the event of breach of any agreements constituting the New Contractual Arrangements by the PRC Operating Entities and/or New Registered Holders, and if the Company is unable to enforce the New Contractual Arrangements, the Company may not be able to exert effective control over the PRC Operating Entities, which could negatively affect its ability to conduct its business.

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- (9) **The New Contractual Arrangements may subject the Company to scrutiny by the PRC tax authorities and may result in a finding that the Company owes additional taxes or is ineligible for tax exemptions, or both, which could substantially increase taxes owed and thereby reduce profit attributable to equity shareholders of the Company.**

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Company could face material and adverse tax consequences if the PRC tax authorities determine that the New VIE Agreements entered into with the PRC Operating Entities do not represent an arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase tax liabilities of the Company. In addition, PRC tax authorities may form the view that the PRC Operating Entities have improperly minimized their tax obligations, and the Company may not be able to rectify any such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on the Company for underpaid taxes, which could materially and adversely affect business, financial condition and results of operations of the Company.

- (10) **If any WFOE exercises the option to purchase equity interest and assets of the relevant PRC Operating Entities, the equity interest or asset transfer may subject the Company to substantial costs.**

Pursuant to the New Contractual Arrangements, the WFOEs have the exclusive right to purchase all or any part of the equity interests in each of the PRC Operating Entities from the New Registered Holders at a purchase price equal to the higher of the capital contribution paid to the registered capital by the respective New Registered Holder for such interests or the lowest price permitted under PRC law. The WFOEs also have the exclusive right to purchase all or any part of the assets in each of the PRC Operating Entities from the New Registered Holders at a purchase price equal to the higher of the net book value of such assets or the lowest price permitted under PRC law. However, the equity transfer price may be subject to review and tax adjustment by the relevant tax authorities. The asset transfer price to be received by the WFOEs under the New Contractual Arrangements may also be subject to enterprise income tax, and these amounts could be substantial.

RESTRUCTURING STEPS UNDERTAKEN BY THE COMPANY PURSUANT TO THE NARROWLY TAILORED REQUIREMENTS

The Company has strived to optimise its shareholding structure and underwent certain restructuring steps with a view to directly hold the maximum permitted interest in each of its PRC Operating Entities to the extent permissible and practicable. These steps include but not limited to:

- (1) Jinhua Ruichi transferred its equity interest in Jinhua Ruian to Beijing Weimeng Chuangke Investment Management Company Limited in April 2021;

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- (2) Jinhua Ruichi transferred all its equity interest in Zhejiang Gengfan to an independent third party in June 2021;
- (3) 9158 Investment completed its liquidation and deregistration in August 2021.

As of the date of this circular, certain subsidiaries (“**Investment Subsidiaries**”) of the PRC Operating Entities (namely, Zhejiang Gengxuan, Jinhua Ruichi and Jinhua Xuance) which are not engaged in foreign-investment prohibited businesses remain to be held by the PRC Operating Entities. According to the Regulations for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**Order No. 10**”), where a domestic entity or natural person outside of the PRC merges with such person’s or entity’s affiliated company within the PRC, such person or entity is required to seek MOFCOM’s approval for such transfer. Therefore, the transfer of equity interest of the Investment Subsidiaries to WFOEs will trigger reporting and approval requirements under Order No. 10, which to the best knowledge of the Company based on the current regulatory framework, is not obtainable from MOFCOM. The financial contribution of these subsidiaries accounted for (i) 0% (unaudited) of the total revenue, (ii) approximately 8.61% (unaudited) of the net profits, and (iii) approximately 7.87% (unaudited) of the total assets, of the Group for the six months ended 30 June 2021. In addition, the Company had also used its best endeavours to transfer its interests in certain Investment Subsidiaries to the WFOEs, but such transfer requests were either rejected by their major shareholders or general partners. Certain underlying investments of these subsidiaries were passive investments of the Company and hence the Company was unable to exit or transfer by itself without cooperation of the other major shareholders or general partners.

In view of the limitations stated above, the Company’s PRC Legal Advisor is of the view that the New VIE Agreements are narrowly tailored to minimize potential conflict with relevant PRC laws and regulations and that the execution, delivery and due performance of each of the New VIE Agreements by the parties thereto and the consummation of the transactions contemplated thereunder would not, as to each of the PRC Operating Entities that is a party to such New VIE Agreements:

- (i) result in any violation of the business license, articles of association or other constitutional documents (if any) of such PRC Operating Entities;
- (ii) result in any violation of any governmental authorization of such PRC Operating Entities; or
- (iii) result in any violation of any explicit provisions of applicable PRC Laws.

However, the above confirmation is subject to the interpretation and application of PRC laws and regulations promulgated from time to time, and there can be no assurance that any governmental agency will not take a view that is contrary to or otherwise different from the opinions stated above.

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The following table is a comparison to demonstrate the New VIE Agreements are in compliance with each of the requirements set out in the paragraph 16 of guidance letter HKEX-GL77-14.

Paragraph 16 of guidance letter HKEX-GL77-14	Analysis of the compliance of the Company under the New VIE Agreements
<p>When an issuer proposes to acquire or establish a business using Contractual Arrangements which constitutes a notifiable and/or connected transaction, it is expected to observe the following:</p>	
<p>(a) The Structured Contracts should be narrowly tailored to achieve the issuer's business purpose and minimise the potential for conflict with relevant PRC laws and regulations:</p>	<p>The value-added telecommunications services and online cultural business that the Company conducts through its PRC Operating Entities are subject to foreign investment restrictions or prohibitions under PRC laws and regulations. Accordingly, the Company, as a foreign investor, is not able to acquire equity interest in the PRC Operating Entities, which hold certain licenses and permits required for the operation of the Company's principal business. The Company is of the view that the New VIE Agreements are narrowly tailored to achieve the Company's business purpose and minimise the potential for conflict with relevant PRC laws and regulations.</p>
<p>(i) For the avoidance of doubt, Contractual Arrangements may only be used to the extent necessary to address any limits on foreign ownership, except as provided in sub-paragraphs (1) and (2) below. The issuer must otherwise directly hold the maximum permitted interest in the OPCO. For the avoidance of doubt, even if the issuer is able to control OPCO through the direct equity interest held by it in OPCO (e.g. by holding a direct equity interest of more than 50%), the remaining equity interest that is not permitted to be directly held by it may still be held through Contractual Arrangements.</p>	

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Paragraph 16 of guidance letter HKEX-GL77-14

Analysis of the compliance of the Company under the New VIE Agreements

- (1) If the OPCO, as a result of / having foreign ownership, is required to obtain approval and fulfill additional eligibility standards (“Other Requirements”), the issuer must fulfil such Other Requirements. The issuer must seek and obtain such regulatory approval to directly hold the maximum interest in the OPCO prior to acquiring or establishing a business using Contractual Arrangements unless the approving regulatory authority confirms that it will not or cannot give approval even if the issuer fulfilled the Other Requirements:
- (a) because no procedures or guidance for granting approval are available; or
 - (b) for policy reasons.

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Paragraph 16 of guidance letter HKEX-GL77-14

(Updated in April 2018)

- (ii) The issuer should obtain a PRC legal opinion that the Contractual Arrangements comply with PRC laws, rules and regulations, including those applicable to the business of the PRC Subsidiaries and OPCO. There should be a positive confirmation from the PRC legal advisers that the Structured Contracts would not be deemed as “concealing illegal intentions with a lawful form” and void under the PRC contract law.

Where the relevant laws and regulations specifically disallow foreign investors from using any agreements or Contractual Arrangements to gain control of or operate a foreign restricted business (e.g. on-game business in the PRC which is subject to GAAP’s Notice 13), the PRC legal opinion on the Contractual Arrangements must include a positive confirmation that the use of the Structured Contracts does not constitute a breach of those laws and regulations, with support of appropriate regulatory assurance, where possible, to demonstrate the legality of the Contractual Arrangements.

Subject to availability and practicability, appropriate regulatory assurance should be obtained from the relevant regulatory authorities, or the PRC legal adviser should make a statement in its legal opinion to the effect that all possible actions or steps taken to enable it to reach its legal conclusions had been taken.

Analysis of the compliance of the Company under the New VIE Agreements

Having taken all possible actions and steps to enable the New VIE Agreements to reach their legal conclusions, the PRC Legal Advisor of the Company is of the opinion that:

- (i) the Company does not hold, directly or indirectly, any equity interest in the PRC Operating Entities; the ownership of each of the PRC Operating Entities will be in compliance with the existing PRC laws and regulations; the Group’s ownership structure, immediately following the entering into the New VIE Agreements, will not be regarded as violation of the existing PRC laws and regulations;
- (ii) the New VIE Agreements shall not be regarded as being invalid due to violation of the Civil Code of the PRC, in particular on the ground of “impairing others’ legitimate rights and interests with malicious collusion” or fall within any of the circumstances under which a contract may become invalid pursuant to the Civil Code of the PRC;
- (iii) each of the New VIE Agreements is in compliance with the applicable PRC laws and regulations, and is enforceable, valid and legally binding under the applicable PRC laws and regulations, except for the provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the relevant PRC Operating Entities, injunctive relief and/or winding up of the relevant PRC Operating Entities, and that the courts in Hong Kong or the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be recognized or enforceable by the PRC courts;

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Analysis of the compliance of the Company under the New VIE Agreements

- (iv) no filings, consents, approvals, permits or recognitions, of any PRC governmental authorities, will be required in connection with the execution, delivery, effectiveness and enforceability of each of the agreements comprising the New VIE Agreements except that (i) the pledge of any equity interests in the PRC Operating Entities for the benefit of the relevant WFOE is subject to registration requirements with the relevant governmental authority and (ii) the exercise of any exclusive option rights by the WFOEs under the relevant Exclusive Call Option Agreement may subject to the approval, filing or registration requirements with the relevant governmental authorities to the extent permitted by the PRC laws.

However, the Company has been advised by its PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of the current and future PRC laws and regulations, and there can be no assurance that any PRC regulatory authorities will not take a view that is contrary to or otherwise different from the above opinions of the PRC Legal Adviser.

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(b) The issuer should ensure that the Contractual Arrangements:

- include a power of attorney by which OPCO's shareholders grant to the issuer's directors and their successors (including a liquidator replacing the issuer's directors) the power to exercise all rights of OPCO's shareholders, including the rights to vote in a shareholders' meeting, sign minutes, file documents with the relevant companies registry. OPCO's shareholders should ensure that the power of attorney does not give rise to any potential conflicts of interest. Where OPCO's shareholders are officers or directors of the issuer, the power of attorney should be granted in favour of the issuer and actions in relation to the Contractual Arrangements must be decided by officers or directors of the issuer who are not shareholders of OPCO;
(Updated in August 2015)

Analysis of the compliance of the Company under the New VIE Agreements

The Company confirms that the following requirements are met under the New VIE Agreements.

The Company confirms that the Power of Attorney under the New VIE Agreements meets the requirements.

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- contain dispute resolution clauses that:
 - provide for arbitration and that arbitrators may award remedies over the shares or land assets of OPCO, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of OPCO;
 - provide the courts of competent jurisdictions with the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of Hong Kong, the issuer's place of incorporation, OPCO's place of incorporation, and the place where the issuer or OPCO's principal assets are located should be specified as having jurisdiction for this purpose; and
 - encompass dealing with OPCO's assets, and not only the right to manage its business and the right to revenue. This is to ensure that the liquidator, acting on the Contractual Arrangements, can seize OPCO's assets in a winding up situation for the benefit of the issuer's shareholders or creditors.

Analysis of the compliance of the Company under the New VIE Agreements

The Company confirms that the dispute resolution clauses contained in the New VIE Agreements meet the requirements.

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- (c) Where the financial results of OPCO are to be accounted for and consolidated in the issuer's consolidated accounts as if it were a subsidiary of the Group, the issuer should discuss with its auditors or reporting accountants to confirm that it has the right to do so under the prevailing accounting principles.

Analysis of the compliance of the Company under the New VIE Agreements

The Company confirms with the Company's auditors on the accounting treatment conditional upon the finalisation of the New VIE Agreements. It is noted that the financial results of the PRC Operating Entities are consolidated into the Company's financial statements under the Existing VIE Agreements. Based on the draft New VIE Agreements and the opinion from the PRC Legal Adviser that there is no substantial change in PRC laws, rules and regulations which may impact the enforceability of the New VIE Agreements, the financial results of the PRC Operating Entities will continue to be consolidated into the Company's financial statements.

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(d) It should put in place effective internal controls over the PRC Subsidiaries and OPCO to safeguard its assets held through the Contractual Arrangements.

Analysis of the compliance of the Company under the New VIE Agreements

The Company believes it has sufficient and effective internal controls in place to safeguard its assets held through the New Contractual Arrangements. Primary internal control measures adopted by the Company have been set out as below:

- (i) major issues arising from the implementation of the New Contractual Arrangements will be closely monitored and regularly reviewed, at least on a quarterly basis, by the Board;
- (ii) matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at these regular meetings;
- (iii) the relevant business units and operation divisions of our Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of the Company in relation to business performance and compliance conditions of the PRC Operating Entities and other related matters;
- (iv) the senior management of the Company plays an essential role in decision-making mechanism of the PRC Operating Entities. All important matters relating to the business, operation, finance management and compliance of the PRC Operating Entities are discussed and determined by senior management of the Company to ensure the performance and decision-making of the PRC Operating Entities are in the interests of our Group;

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Analysis of the compliance of the Company under the New VIE Agreements

- (v) the company seals, financial seals, contract seals and crucial corporate certificates of the PRC Operating Entities are properly kept by our Group's finance department. Any employee of the Group who wishes to use the seals will have to obtain internal approval from the business, legal and/or finance department(s) (as the case may be) of the Group, as well as approval from relevant department head, the chief financial officer and the chief executive officer of the Company, depending on the importance of the document to which the seal/seals will be affixed. The business, legal and/or finance departments constitute our Group's central management system and the persons in charge of these departments as well as the department members responsible for the custody and handling of the seals and crucial corporate certificates are employees directly engaged by the Company;
- (vi) if necessary, legal advisors and/or other professionals will be retained to assist our Group to deal with specific issues arising from the New Contractual Arrangements and to ensure that the operation and implementation of the New Contractual Arrangements as a whole will continue to be effective and in the meantime comply with applicable laws and regulations;
- (vii) independent non-executive Directors of the Company will review the implementation and compliance of the New Contractual Arrangements on an annual basis and their confirmation will be disclosed in our annual report.

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- (e) It should terminate the Contractual Arrangements as soon as the law allows the business to be operated without them. It should ensure that OPCO's registered shareholders have undertaken to it that, subject to the relevant laws and regulations, they must return to the issuer any consideration they receive in the event that the issuer acquires OPCO's shares when terminating the Contractual Arrangements.

Analysis of the compliance of the Company under the New VIE Agreements

The Company will adjust or unwind (as the case may be) the New VIE Agreements as soon as practicable and will directly hold the maximum percentage of ownership interests of the PRC Operating Entities to the extent permitted under relevant PRC laws and regulations.

The Company also confirms that the New Registered Holders will return any consideration they receive to the Company in the event that the Company exercises the option to purchase their equity interests in the PRC Operating Entity to the extent permitted under PRC laws.

Based on the above analysis, the Directors (including the independent non-executive Directors) are of the view that the New VIE Agreements are narrowly tailored and are in compliance with requirements set out in the guidance letter HKEX-GL77-14. The Directors are also of the view that the New Contractual Arrangements are fundamental to the Group's corporate structure and business operations in respect of the Group's principal business, and the New Contractual Arrangements are merely a clone of the Existing Contractual Arrangements to strengthen the Group's management control over the PRC Operating Entities, to confer the relevant rights upon the Group over the assets and economic benefits of the PRC Operating Entities, and to grant the right to acquire the equity interests and/or assets of the PRC Operating Entities to the extent permitted by PRC laws and regulations. The Directors are also of the view that the terms of each of the New VIE Agreements are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole because the New VIE Agreements were reproduced from the Existing VIE Agreements. The corporate structure of the Group after the entering into of the New Contractual Arrangements is set out in the section headed "Corporate Structure under the Group's Existing Contractual Arrangements and under the New Contractual Arrangements" of this circular.

As of the date of this circular, the Company has not encountered any interference or encumbrance from any PRC governing bodies in operating its business through the PRC Operating Entities under the Existing Contractual Arrangements and/or the New Contractual Arrangements.

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INFORMATION OF THE GROUP

The Company is principally engaged in the operation of live social video platforms and other services in the PRC, as well as financial investments and general investment businesses outside of the PRC.

The Company operates its principal business in the PRC through the PRC Operating Entities under the New Contractual Arrangements.

INFORMATION ABOUT THE PARTIES TO THE NEW CONTRACTUAL ARRANGEMENTS

The New Registered Holders are Mr. Fu Yanchang, Mr. Zhao Weiwen and Mr. Teng Tao. Mr. Fu Yanchang is the father of Mr. Fu and an Existing Registered Holder of the PRC Operating Entities who is also a PRC national. Mr. Zhao Weiwen is a PRC national and the chief executive officer of the Company. Mr. Teng Tao is a PRC national and the Company's Shareholder.

Each of the four PRC Operating Entities is a limited liability company established in the PRC and a consolidated affiliated entity of the Company.

Each of the WFOEs is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company.

DIRECTORS' VIEW ON THE NEW CONTRACTUAL ARRANGEMENTS

None of the New Registered Holders will receive any financial benefit under the New Contractual Arrangements despite their equity interests in the PRC Operating Entities. Furthermore, the New Contractual Arrangements do not anticipate any payment or consideration passing from the Group to each of the PRC Operating Entities. Under the New Contractual Arrangements, the PRC Operating Entities will agree to pay fees to the relevant WFOEs for exclusive technology services.

The Directors (including the independent non-executive Directors) are of the view that the New Contractual Arrangements are fundamental to the Group's corporate structure and business operations in respect of the Group's principal business, and the New Contractual Arrangements are merely a clone of the Existing Contractual Arrangements to strengthen the Group's management control over the PRC Operating Entities, to confer the relevant rights upon the Group over the assets and economic benefits of the PRC Operating Entities, and to grant the right to acquire the equity interests and/or assets of the PRC Operating Entities to the extent permitted by PRC laws and regulations. The Directors are also of the view that the terms of each of the New VIE Agreements are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole because the New VIE Agreements were reproduced from the Existing VIE Agreements.

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LISTING RULES IMPLICATIONS

After the signing of the Termination Agreements, the Equity Transfer Agreements and the New VIE Agreements, the financial results of the PRC Operating Entities will continue to be accounted for and consolidated in the accounts of the Group as if they are wholly-owned subsidiaries of the Company. Each of the PRC Operating Entities would be owned as to (i) 97% by Mr. Fu Yanchang, the father and an associate of Mr. Fu, and (ii) 2% by Mr. Zhao Weiwen, the chief executive officer of the Company. Hence, both Mr. Fu Yanchang and Mr. Zhao Weiwen are connected persons of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the Termination Agreements, the Equity Transfer Agreements and the New VIE Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Waivers from strict compliance with Chapter 14A of the Listing Rules

The New Contractual Arrangements under the New VIE Agreements will be on substantially the same terms as those currently in place under the Existing VIE Agreements, save as to the identity of the registered shareholders of the PRC Operating Entities. As a result of the New Contractual Arrangements, the Group is able to recognize and receive the economic benefit of the business and operations of the PRC Operating Entities.

The Directors consider that the Group's structure whereby the financial results of each of its PRC Operating Entities are consolidated into the Group's financial statements as indirect subsidiaries, and the flow of economic benefits of their business to the Group, places the Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules. Accordingly, notwithstanding that the transactions contemplated under the New VIE Agreements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between the PRC Operating Entities and any member of the Group constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to the Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual cap and the fixed term requirements.

In addition, the Directors consider that the New VIE Agreements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In view of the above, the Company has sought, and the Stock Exchange has granted, waivers from strict compliance with (i) the fixed term requirement for the New VIE Agreements pursuant to Rule 14A.52 of Chapter 14A of the Listing Rules and (ii) the annual

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caps requirement for the fees payable by the PRC Operating Entities to the WFOEs under the New VIE Agreements pursuant to Rule 14A.53 of Chapter 14A of the Listing Rules in connection with the continuing connected transactions under the New Contractual Arrangements.

APPROVAL BY DIRECTORS AND INDEPENDENT SHAREHOLDERS

Mr. Fu, being an Existing Registered Holder, should abstain from voting on the Board resolutions for considering and approving the New Contractual Arrangements to avoid a perception of a conflict of interest. At the Board meeting to consider and approve the New Contractual Arrangements, Mr. Fu had abstained from voting on the resolutions to approve the same. Save as disclosed above, there are no other Directors who have any material interest in the New Contractual Arrangements, and no other Directors are required to abstain from voting on the Board resolutions for considering and approving the New Contractual Arrangements.

The Independent Board Committee (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders in relation to the New Contractual Arrangements. None of the members of the Independent Board Committee has any material interest in the New Contractual Arrangements. A letter from the Independent Board Committee is set out on page 50 of this circular.

Pursuant to the Listing Rules, any Shareholder with a material interest in the New Contractual Arrangements is required to abstain from voting in respect of the New Contractual Arrangements. As at the Latest Practicable Date, the Company has no controlling Shareholder. Mr. Fu, being the chairman of the Board and an executive Director, held 330,895,000 Shares in total, representing approximately 26.10% of the total issued share capital of the Company. Mr. Zhao Weiwen, being the chief executive officer of the Company, held 1,009,000 Shares, representing approximately 0.08% of the total issued share capital of the Company. Mr. Teng Tao held 4,095,000 Shares, representing approximately 0.32% of the total issued share capital of the Company. Mr. Fu, Mr. Zhao Weiwen and Mr. Teng Tao and their respective associates held 335,999,000 Shares, representing approximately 26.50% of the total issued share capital of the Company as of the Latest Practicable Date. Therefore, Mr. Fu, Mr. Zhao Weiwen and Mr. Teng Tao are required to abstain from voting on the proposed resolution in respect of the New Contractual Arrangements at the EGM.

Save as disclosed above, to the best of the Director's knowledge, information and belief having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the proposed resolution in respect of the New Contractual Arrangements at the EGM.

INDEPENDENT FINANCIAL ADVISER

Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Contractual Arrangements. A letter from the Independent Financial Adviser is set out on pages 51 to 70 of this circular.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 May 2022 to 6 May 2022, both days inclusive, in order to determine the Shareholders' entitlements to attend and vote at the EGM. In order to be eligible for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 29 April 2022.

EGM

A notice dated 13 April 2022 convening the EGM is set out on pages 77 to 78 of this circular, which contains an ordinary resolution to approve the New Contractual Arrangements.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Share Registrar, 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 of the EGM (i.e. before 2:00 p.m. on 4 May 2022) or any adjournment thereof.

Completion and return of the form of proxy will not prevent you from attending and voting in person at the EGM and at any adjournment thereof if you so wish and, in such event, the form of proxy shall be deemed to be revoked.

VOTING BY POLL

The resolution set out in the notice of the EGM would be decided by poll in accordance with the Listing Rules and the Articles of Association. The Chairman will explain the detailed procedures for conducting a poll at the commencement of the EGM.

On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy shall have one vote for every fully paid Share held. A Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy who is entitled to more than one vote need not use all his/its votes or cast all his/its votes in the same way.

After the conclusion of the EGM, the poll results will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.tiange.com.

LETTER FROM THE BOARD

RECOMMENDATION

After taking into account the reasons for and benefits of the New Contractual Arrangements, the Directors are of the view that the terms of the New Contractual Arrangements are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the ordinary resolution to approve the New Contractual Arrangements at the EGM. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolution to be proposed at the EGM.

Yours faithfully,

By order of the Board

Tian Ge Interactive Holdings Limited

Fu Zhengjun

Chairman



Tian Ge Interactive Holdings Limited

天鵠互動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1980)

13 April 2022

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE NEW CONTRACTUAL ARRANGEMENTS**

We refer to the circular of the Company dated 13 April 2022 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the New Contractual Arrangements. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board on pages 6 to 49 of the Circular, which sets out details of the New Contractual Arrangements including the redemption liabilities. We also wish to draw your attention to the letter from the Independent Financial Adviser set out on pages 51 to 70 of the Circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Contractual Arrangements.

Having considered the reasons for and benefits of the New Contractual Arrangements and the advice of the Independent Financial Adviser, we consider that the terms of the New Contractual Arrangements are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the ordinary resolution to approve the New Contractual Arrangements, particulars of which are set out in the notice of EGM set out on pages 77 to 78 of this Circular.

Yours faithfully,

For and on behalf of the Independent Board Committee

Lam Yiu Por

Yang Wenbin

Chan Wing Yuen Hubert

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Contractual Arrangements, which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

13 April 2022

To the Independent Board Committee and the Independent Shareholders

Tian Ge Interactive Holdings Limited
31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS NEW CONTRACTUAL ARRANGEMENTS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Contractual Arrangements, 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 13 April 2022 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 9 March 2022, the relevant parties (as detailed below) entered into the following agreements to change the Existing Registered Holders of the PRC Operating Entities to the New Registered Holders, and replace the Existing Contractual Arrangements with the New Contractual Arrangements:

- (i) the Termination Agreements, pursuant to which the Existing Registered Holders, the PRC Operating Entities and the WFOEs agreed that the Existing VIE Agreements in relation to the Existing Contractual Arrangements shall be terminated;
- (ii) the Equity Transfer Agreements, pursuant to which Mr. Fu agreed to transfer 95%, 2% and 1% of the equity interest held in each of the PRC Operating Entities to (a) Mr. Fu Yanchang, the father of Mr. Fu and an Existing Registered Holder of the PRC

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Operating Entities who is also a PRC national; (b) Mr. Zhao Weiwen, a PRC national and the chief executive officer of the Company; and (c) Mr. Teng Tao, a PRC national and a Shareholder, respectively; and

- (iii) the New VIE Agreements, pursuant to which the Group established the New Contractual Arrangements.

As a result of the New Contractual Arrangements, the Group continues to be able to recognize and receive the economic benefit of the business and operations of the PRC Operating Entities. The New Contractual Arrangements are also designed to provide the Company with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interest of the PRC Operating Entities.

After the signing of the Termination Agreements, the Equity Transfer Agreements and the New VIE Agreements, the financial results of the PRC Operating Entities will continue to be accounted for and consolidated in the accounts of the Group as if they are wholly-owned subsidiaries of the Company. Each of the PRC Operating Entities would be owned as to (i) 97% by Mr. Fu Yanchang, the father and an associate of Mr. Fu; and (ii) 2% by Mr. Zhao Weiwen, the chief executive officer of the Company. As both Mr. Fu Yanchang and Mr. Zhao Weiwen are connected persons of the Company under Rule 14A.07(4) of the Listing Rules, the transactions contemplated under the Termination Agreements, the Equity Transfer Agreements and the New VIE Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company has sought, and the Stock Exchange has granted, waivers from strict compliance with (i) the fixed term requirement for the New VIE Agreements pursuant to Rule 14A.52 of Chapter 14A of the Listing Rules and (ii) the annual caps requirement for the fees payable by the PRC Operating Entities to the WFOEs under the New VIE Agreements pursuant to Rule 14A.53 of Chapter 14A of the Listing Rules in connection with the continuing connected transactions under the New Contractual Arrangements.

The Company will seek approval from the Independent Shareholders in relation to the New Contractual Arrangements by way of a poll at the EGM. As at the Latest Practicable Date, the Company has no controlling Shareholder. Mr. Fu, being the chairman of the Board and an executive Director, held 330,895,000 Shares in total, representing approximately 26.10% of the total issued share capital of the Company. Mr. Zhao Weiwen, being the chief executive officer of the Company, held 1,009,000 Shares, representing approximately 0.08% of the total issued share capital of the Company. Mr. Teng Tao held 4,095,000 Shares, representing approximately 0.32% of the total issued share capital of the Company. Mr. Fu, Mr. Zhao Weiwen and Mr. Teng Tao and their respective associates held 335,999,000 Shares, representing approximately 26.50% of the total issued share capital of the Company as of the Latest Practicable Date. Therefore, Mr. Fu, Mr. Zhao Weiwen and Mr. Teng Tao and their respective associates are required to abstain from voting on the proposed resolution in respect of the New Contractual

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Arrangements at the EGM. Save as above, to the best of the Director's knowledge, information and belief having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the proposed resolution in respect of the New Contractual Arrangements at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Lam Yiu Por, Mr. Yang Wenbin and Mr. Chan Wing Yuen Hubert, has been formed to advise the Independent Shareholders on the New Contractual Arrangements and as to voting. We, Rainbow Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, Mr. Fu, Mr. Fu Yanchang, Mr. Zhao Weiwen, Mr. Teng Tao and their respective associates and connected persons (as defined under the Listing Rules) that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group, Mr. Fu, Mr. Fu Yanchang, Mr. Zhao Weiwen, Mr. Teng Tao and their respective associates and connected persons (as defined under the Listing Rules). Accordingly, we are qualified to give independent advice on the New Contractual Arrangements.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In arriving at our opinion and recommendation, we have reviewed (i) the Existing VIE Agreements; (ii) the New VIE Agreements; (iii) the Prospectus; (iv) the annual reports of the Company; (v) the PRC legal opinion in relation to the New Contractual Arrangements prepared by the PRC Legal Advisor; (vi) the principal terms of the Comparable Contractual Arrangements (as defined below); and (vii) the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the New Contractual Arrangements are fair and reasonable, we have taken into account the principal factors and reasons set out below:

1. Background of and reasons for the New Contractual Arrangements

Information on the Group

The Group is principally engaged in the operation of live social video platforms and other services in the PRC through the PRC Operating Entities, as well as financial investments and general investment businesses outside of the PRC.

Information on the Existing Contractual Arrangements

As disclosed in the section headed “Contractual Arrangements” and “Connected Transactions” of the Prospectus, the principal business of the Company includes the provision of value-added telecommunications services and online cultural business that are subject to foreign investment restrictions or prohibitions under PRC laws and regulations. Accordingly, the Company, as a foreign investor, is not able to acquire equity interest in the PRC Operating Entities, which hold certain licenses and permits required for the operation of the Company’s principal business. Therefore, the Group, through the WFOEs, Hangzhou Tiange and Zhejiang Tiange, entered into the Existing Contractual Arrangements with the PRC Operating Entities and their shareholders in order to conduct the Company’s principal business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of the PRC Operating Entities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In June 2014, the WFOEs, the PRC Operating Entities and the Existing Registered Holders entered into the Existing VIE Agreements. Each of the PRC Operating Entities, the relevant WFOE and the Existing Registered Holders (where applicable) entered into a set of underlying agreements under the same terms, being the (i) Exclusive Technology Service Agreement (獨家技術服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Voting Rights Proxy Agreement (股東表決權委託協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議).

Information on the New Contractual Arrangements

As disclosed in the Letter from the Board, since the Company's shares began trading on the Main Board of the Stock Exchange in 2014, the Company has been exposed to the convenience, diversity and vitality of the financing and investment environment in Hong Kong.

Mr. Fu, being the Chairman of the Board and one of the substantial shareholders of the Company, plans to obtain permanent residence status in Hong Kong. Each of the PRC Operating Entities is owned by Mr. Fu as to 98% before the Equity Transfer Agreements come into effect. As Mr. Fu is one of the Existing Registered Holders of the PRC Operating Entities which are subject to foreign ownership restrictions, the Company proposes the restructuring of the contractual arrangements of the Group, which involves the entering into of the New Contractual Arrangements.

Information on the parties to the New Contractual Arrangements

The New Registered Holders are Mr. Fu Yanchang, Mr. Zhao Weiwen and Mr. Teng Tao. Mr. Fu Yanchang is the father of Mr. Fu and an Existing Registered Holder of the PRC Operating Entities who is also a PRC national. Mr. Zhao Weiwen is a PRC national and the chief executive officer of the Company. Mr. Teng Tao is a PRC national and the Company's head of technology and infrastructure and also a Shareholder.

Each of the four PRC Operating Entities is a limited liability company established in the PRC and a consolidated affiliated entity of the Company.

Each of the WFOEs is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company.

Overall comment

As stated in the Letter from the Board, the New Contractual Arrangements under the New VIE Agreements will be on substantially the same terms as those currently in place under the Existing VIE Agreements, save as to the identity of the registered shareholders of the PRC Operating Entities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

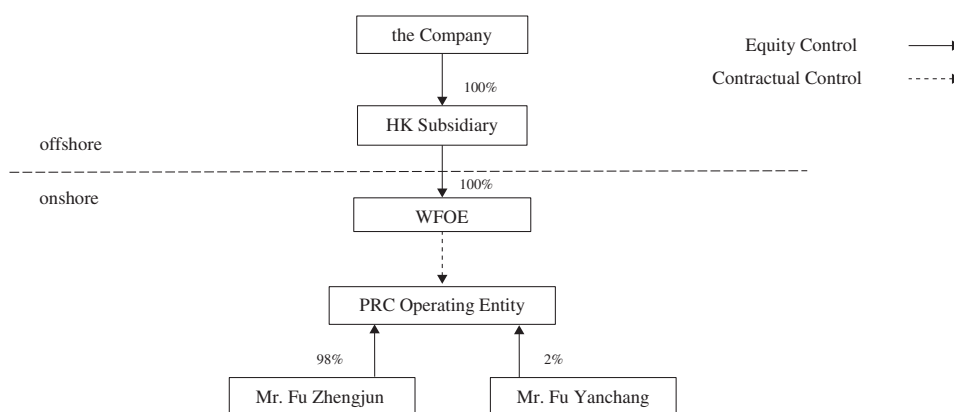
Given (i) the limitations on foreign ownership in the PRC companies conducting value-added telecommunications services and online cultural business and the licensing and approval requirements applicable to the Company's principal business under the relevant PRC laws and regulations; and (ii) Mr. Fu, one of the Existing Registered Holders of the PRC Operating Entities which are subject to foreign ownership restrictions, plans to obtain permanent residence status in Hong Kong, the New Contractual Arrangements shall allow the Group to continue to (i) have effective control over and the right to acquire the equity interests of the New Registered Holders in the PRC Operating Entities to the extent permitted under the relevant PRC laws and regulations; and (ii) recognize and receive the economic benefits of the business and operations of the PRC Operating Entities. The reporting accountants of the Company also confirm that New Contractual Arrangements allow the financial results of the PRC Operating Entities to be consolidated into the Group's combined financial statements.

Based on the above, we concur with the Directors that (i) the New Contractual Arrangements are fundamental to the Group's legal structure and business operations as it enables the Group to continue to receive the economic benefits generated by the PRC Operating Entities and maintain its principal business in compliance with the relevant PRC laws and regulations; and (ii) the entering into of the New Contractual Arrangements is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Shareholding structure under the Existing Contractual Arrangements and the New Contractual Arrangements

Shareholding structure under the Existing Contractual Arrangements

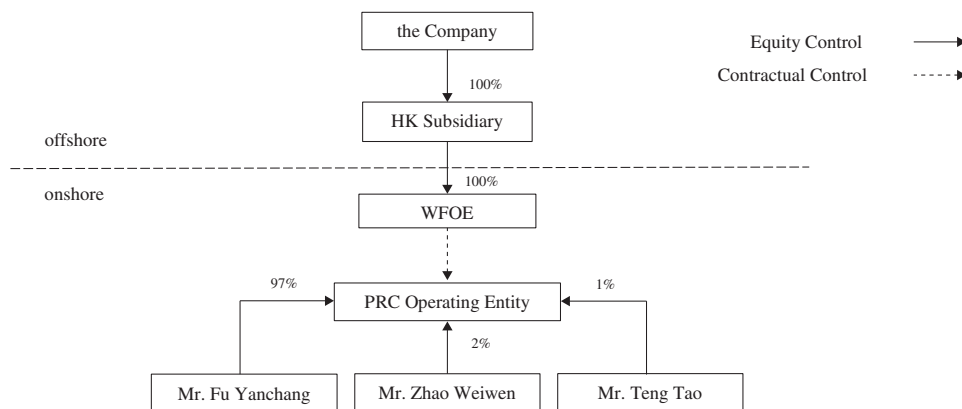
Set out below is the simplified shareholding structure of the Group under the Existing Contractual Arrangements immediately prior to the entering into of the New VIE Agreements:



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholding structure under the New Contractual Arrangements

Set out below is the simplified shareholding structure of the Group under the New Contractual Arrangements immediately after the New VIE Agreements come into effect:



3. Assessment of the principal terms of the New Contractual Arrangements

Details of the principal terms of the New VIE Agreements, namely (i) the Exclusive Technology Service Agreement (獨家技術服務協議); (ii) the Exclusive Call Option Agreement (獨家購買權協議); (iii) the Voting Rights Proxy Agreement (股東表決權委託協議); (iv) the Loan Agreement (借款協議); and (v) the Equity Pledge Agreement (股權質押協議), are set out in section headed “New VIE Agreements” in the Letter from the Board.

In assessing the fairness and reasonableness of the New VIE Agreements, we have reviewed (i) the Existing VIE Agreements; (ii) the New VIE Agreements; (iii) the Prospectus; (iv) the annual reports of the Company; (v) the PRC legal opinion in relation to the New Contractual Arrangements prepared by the PRC Legal Advisor; and (vi) the principal terms of the Comparable Contractual Arrangements (as defined below). Based on our review, we noted that:

- (i) the entering into of the New VIE Agreements is essential for the Group to continue to receive the economic benefits derived by the PRC Operating Entities and maintain its principal business in compliance with the relevant PRC laws and regulations;
- (ii) save as the identity of the registered shareholders of the PRC Operating Entities, the terms of the New VIE Agreements are on substantially the same terms as those currently in place under the Existing VIE Agreements;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the New Contractual Arrangements will be subject to the same conditions as those imposed on the Existing Contractual Arrangement as disclosed in the paragraph headed “Application for Waiver” under the section headed “Connected transactions” in the Prospectus (i.e. pages 218 to 221 of the Prospectus), including but not limited to the following:
 - (a) no change to the Existing VIE Agreements will be made without the approval of the independent non-executive Directors;
 - (b) save as renewal and reproduction, no change to the Existing VIE Agreements will be made without the approval of the independent Shareholders;
 - (c) the Existing VIE Agreements shall continue to enable the Group to receive the economic benefits derived from the PRC Operating Entities; and
 - (d) the independent non-executive Directors and the auditors of the Company shall review the transactions contemplated under the Existing VIE Agreements annually;
- (iv) the independent non-executive Directors and the auditors of the Company have reviewed the transactions contemplated under the Existing VIE Agreements, including the pricing terms, on an annual basis since the listing of the Company on the Stock Exchange in July 2014 (i.e for each of the seven years ended 31 December 2020) and no exception was identified, as disclosed in the respective annual reports of the Company. In other words, the Existing Contractual Arrangements have been conducted in accordance with the Existing VIE Agreements;
- (v) the PRC Legal Advisor confirmed, in compliance with the Stock Exchange’s Guidance Letter HKEx-GL77-14, among others, that:
 - (a) the Company does not hold, directly or indirectly, any equity interest in the PRC Operating Entities; the ownership of each of the PRC Operating Entities will be in compliance with the existing PRC laws and regulations; and the Group’s ownership structure, immediately following the entering into of the New VIE Agreements, will not be regarded as violation of the existing PRC laws and regulations;
 - (b) the New VIE Agreements shall not be regarded as being invalid due to violation of the Civil Code of the PRC, in particular on the ground of “impairing others’ legitimate rights and interests with malicious collusion” or fall within any of the circumstances under which a contract may become invalid pursuant to the Civil Code of the PRC;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) each of the New VIE Agreements is in compliance with the applicable PRC laws and regulations, and is enforceable, valid and legally binding under the applicable PRC laws and regulations (except for the provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the relevant PRC Operating Entities, injunctive relief and/or winding up of the relevant PRC Operating Entities, and that the courts in Hong Kong or the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be recognized or enforceable by the PRC courts);
- (d) no filings, consents, approvals, permits or recognitions of any PRC governmental authorities will be required in connection with the execution, delivery, effectiveness and enforceability of each of the agreements comprising the New VIE Agreements except that (1) the pledge of any equity interests in the PRC Operating Entities for the benefit of the relevant WFOEs is subject to registration requirements with the relevant governmental authority and (2) the exercise of any exclusive option rights by the WFOEs under the relevant Exclusive Call Option Agreement may be subject to the approval, filing or registration requirements with the relevant governmental authorities to the extent permitted by the PRC laws;
- (e) the terms of the New VIE Agreements are narrowly tailored to achieve the Company's business purpose; and
- (f) there are no clear and explicit provisions under the existing applicable PRC laws and regulations that prohibit foreign investors from exercising control over PRC companies through contractual arrangements;
- (vi) the New Contractual Arrangements are in line with the market practice as revealed in the Comparable Contractual Arrangements as detailed in the section headed "5. Analysis on comparable arrangements" below; and
- (vii) certain internal control measures are in place to safeguard the Company's assets held through the New Contractual Arrangement, details of which are set out in the section headed "Restructuring steps undertaken by the Company pursuant to the narrowly tailored requirements" in the Letter from the Board.

Based on the above, we consider that the terms of the New VIE Agreements are on normal commercial terms which are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Waivers from strictly compliance with Chapter 14A of the Listing Rules

As disclosed in the Letter from the Board, the Directors consider that the Group's structure whereby the financial results of each of its PRC Operating Entities are consolidated into the Group's financial statements as indirect subsidiaries, and the flow of economic benefits of their business to the Group, places the Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules. Accordingly, notwithstanding that the transactions contemplated under the New VIE Agreements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between the PRC Operating Entities and any member of the Group constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, the Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to the Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual cap and the fixed term requirements.

Accordingly, the Company has sought, and the Stock Exchange has granted, waivers from strict compliance with (i) the fixed term requirement for the New VIE Agreements pursuant to Rule 14A.52 of Chapter 14A of the Listing Rules and (ii) the annual caps requirement for the fees payable by the PRC Operating Entities to the WFOEs under the New VIE Agreements pursuant to Rule 14A.53 of Chapter 14A of the Listing Rules in connection with the continuing connected transactions under the New Contractual Arrangements.

Rule 14A.52 of the Listing Rules requires that the period for a connected transaction agreement must be fixed and must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. In this case, the listed issuer must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

Given that (i) the Company is ineligible to operate its principal businesses in the PRC in view of the limitations on foreign ownership in PRC companies conducting value-added telecommunications services and online cultural business and the licensing and approval requirements under the PRC laws and regulations; (ii) the Company is able to continue to exercise effective control over the licensed business and operation and to safeguard the assets of the PRC Operating Entities through the New Contractual Arrangements; and (iii) a comparatively long duration of the New VIE Agreement without a fixed term will provide stability to the Group's operations and extend the period of income to be derived from the PRC Operating Entities, it is commercially desirable and essential for the Group to enter into the New VIE Agreements without a fixed term.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, Rule 14A.53 of the Listing Rules requires the listed issuer to set an annual cap for the continuing connected transactions. The annual cap must be (i) expressed in monetary terms; (ii) determined by reference to the previous transactions and figures in the published information of the listed issuer's group. If there were no previous transactions, the annual cap must be set based on reasonable assumptions; and (iii) approved by shareholders if the transaction requires shareholders' approval.

As stated in the section headed "1. Background of and reasons for the New Contractual Arrangements – Overall comments" above, the New Contractual Arrangements are fundamental to the Group's legal structure and business operations which allow the Group to recognise and receive the economic benefits of the business and operations of the PRC Operating Entities. As a result, setting maximum caps for such service fees would limit the ability of the Group to operate the business and receive economic benefits generated by the PRC Operating Entities, which is not in the interests of the Company and the Shareholders as a whole.

Based on the above, we consider that it is not fair and reasonable and therefore not in the interests of the Company and the Shareholders as a whole to set (i) a fixed term for the New Contractual Arrangements; and (ii) an annual cap for the service fee payable by the PRC Operating Entities to the Group under the New Contractual Arrangements.

5. Analysis on comparable arrangements

In assessing the fairness and reasonableness of the terms of the New Contractual Arrangements, we have, on a best effort basis, researched and identified an exhaustive list of comparable transactions (the "**Comparable Contractual Arrangements**") that (i) involved contractual arrangements, with nature similar to those under the New Contractual Arrangements, adopted by companies listed on the Stock Exchange which are principally engaged in the provision of Internet services in the PRC (the "**Comparable Companies**"); and (ii) constituted continuing connected transactions under the respective contractual arrangements pursuant to the Listing Rules, with details disclosed in the respective prospectuses of the Comparable Companies published during the period from 1 January 2019 to the date of the New VIE Agreements (being approximately three years) (the "**Review Period**"). Based on the aforesaid criteria, we have identified 13 Comparable Contractual Arrangements.

We consider that the Comparable Contractual Arrangements represent fair and representative samples given (i) the Comparable Companies involved in the Comparable Contractual Arrangements are principally engaged in the provision of Internet services in the PRC, the nature of which is similar to the principal business of the Group; and (ii) the Comparable Contractual Arrangements identified during the Review Period represent recent structure of obtaining control over PRC companies operating in industries where foreign investment is subject to restrictions under the relevant PRC laws and regulations; and (iii) the sufficient number (i.e. size of 13) of the Comparable Contractual Arrangements identified.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Details of the Comparable Contractual Arrangements are set out below:

Company name (stock code)	Source of information	Principal business	Date of agreement	Restrictions	Basis of the service fee	Duration of agreement	Waiver from strict compliance with Rule 14A.52 of the Listing Rules obtained (Y/N)	Waiver from strict compliance with Rule 14A.53 of the Listing Rules obtained (Y/N)
Qingci Games Inc. (6633.HK)	Prospectus dated 6 December 2021	Development and operation of mobile games	26 May 2021	Foreign investors are prohibited or restricted from holding equity interests in PRC entities conducting internet cultural business and value-added telecommunication services	Total consolidated profit after the deduction of operating costs, expenses, taxes and other statutory contributions	N/A (Note)	Y	Y
Medlive Technology Co., Ltd. (2192.HK)	Prospectus dated 30 June 2021	Operation of online professional physician platform in the PRC	8 March 2021	Foreign investors are prohibited or restricted from holding equity interests in PRC entities conducting value-added telecommunication services, foreign-related market investigation business, radio and television production business, internet cultural business and Internet hospital services	100% of the distributable net profit, after deducting losses from the previous years and any statutory provident fund (if applicable)	N/A (Note)	Y	Y

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Source of information	Principal business	Date of agreement	Restrictions	Basis of the service fee	Duration of agreement	Waiver from strict compliance with Rule 14A.52 of the Listing Rules obtained (Y/N)	Waiver from strict compliance with Rule 14A.53 of the Listing Rules obtained (Y/N)
Kuaishou Technology (1024.HK)	Prospectus dated 26 January 2021	Operation of content community and social platform	14 July 2014	Foreign investors are prohibited or restricted from holding equity interests in PRC entities conducting transmission of audio-visual programs business via information network, internet cultural business, value-added telecommunication services business and radio and television production business	100% of the total consolidated profit, after the deduction of any accumulated deficit, operating costs, expenses, taxes, other statutory contributions, and any reasonable operating profits calculated based on the application of PRC tax law principals and tax practices	N/A (Note)	Y	Y
Cheshi Holdings Limited (1490.HK)	Prospectus dated 31 December 2020	Operation of online automobile vertical media platforms in the PRC	15 May 2019	Foreign investors are restricted from holding equity interests in PRC entities conducting value- added telecommunication services business	100% of the total consolidated profit, after deduction of any accumulated deficit, operating costs, expenses, taxes and other statutory contributions	N/A (Note)	Y	Y

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Source of information	Principal business	Date of agreement	Restrictions	Basis of the service fee	Duration of agreement	Waiver from strict compliance with Rule 14A.52 of the Listing Rules obtained (Y/N)	Waiver from strict compliance with Rule 14A.53 of the Listing Rules obtained (Y/N)
Sino-entertainment Technology Holdings Limited (6933.HK)	Prospectus dated 30 June 2020	Development and operation of mobile games	7 November 2018	Foreign investors are prohibited or restricted from holding equity interests in PRC entities conducting internet cultural business and value-added telecommunication services	Profit before tax after deduction of necessary costs, expenses, taxes and other statutory contributions	N/A (Note)	Y	Y
Archosaur Games Inc. (9990.HK)	Prospectus dated 30 June 2020	Development and operation of mobile games	10 March 2020	Foreign investors are prohibited or restricted from holding equity interests in PRC entities conducting internet cultural business and value-added telecommunication services	Total consolidated net profit after offsetting the prior-year loss, operating costs, expenses, tax and other statutory contributions	N/A (Note)	Y	Y
Newborn Town Inc. (9911.HK)	Prospectus dated 17 December 2019	Proprietary app traffic monetization business and mobile advertising platform and related business	26 June 2019	Foreign investors are restricted from holding equity interests in PRC entities conducting value- added telecommunication services business	100% of the total consolidated profit, after deduction of any accumulated deficit, operating costs, expenses, taxes and other statutory contributions	N/A (Note)	Y	Y

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Source of information	Principal business	Date of agreement	Restrictions	Basis of the service fee	Duration of agreement	Waiver from strict compliance with Rule 14A.52 of the Listing Rules obtained (Y/N)	Waiver from strict compliance with Rule 14A.53 of the Listing Rules obtained (Y/N)
XD Inc. (2400.HK)	Prospectus dated 29 November 2019	Development, operation, publishing and distribution of mobile, web games and provision of information services	16 June 2019	Foreign investors are prohibited or restricted from holding equity interests in PRC entities conducting internet publication, internet cultural business and value-added telecommunication services	Total consolidated profit after the deduction of operating costs, expenses, taxes and other statutory contributions	N/A (<i>Note</i>)	Y	Y
CMGE Technology Group Limited (302.HK)	Prospectus dated 19 October 2019	Operation of IP- based game	30 May 2018	Foreign investors are prohibited or restricted from holding equity interests in PRC entities conducting online publication business, online game operation business and value-added telecommunication services	Profits after off-setting the prior-year loss, actual operating cost, working capital requirements and tax	N/A (<i>Note</i>)	Y	Y

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Source of information	Principal business	Date of agreement	Restrictions	Basis of the service fee	Duration of agreement	Waiver from strict compliance with Rule 14A.52 of the Listing Rules obtained (Y/N)	Waiver from strict compliance with Rule 14A.53 of the Listing Rules obtained (Y/N)
FriendTimes Inc. (6820.HK)	Prospectus dated 24 September 2019	Development, publication and operation of mobile games	20 February 2019 and 6 March 2019	Foreign investors are prohibited or restricted from holding equity interests in PRC entities conducting internet publication, internet cultural business and value-added telecommunication services	Total consolidated net profit after offsetting the prior-year loss, operating costs, expenses, tax and other statutory contributions	N/A (<i>Note</i>)	Y	Y
Homeland Interactive Technology Ltd. (3798.HK)	Prospectus dated 18 June 2019	Development and operation of mobile car and board games	24 September 2018	Foreign investors are prohibited or restricted from holding equity interests in PRC entities conducting internet cultural business and value-added telecommunication services	100% of the total consolidated profit, after offsetting the prior-year loss and deducting such amounts as required for working capital, operating costs, expenses, tax and other statutory contributions	N/A (<i>Note</i>)	Y	Y

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Source of information	Principal business	Date of agreement	Restrictions	Basis of the service fee	Duration of agreement	Waiver from strict compliance with Rule 14A.52 of the Listing Rules obtained (Y/N)	Waiver from strict compliance with Rule 14A.53 of the Listing Rules obtained (Y/N)
Zengame Technology Holding Limited (2660.HK)	Prospectus dated 3 April 2019	Development and operation of mobile games	27 October 2018	Foreign investors are prohibited or restricted from holding equity interests in PRC entities conducting internet cultural business and value-added telecommunication services	Income from operations	N/A (Note)	Y	Y
Maoyan Entertainment (1896.HK)	Prospectus dated 23 January 2019	Provision of online entertainment ticketing services, entertainment content services, e-commerce services and advertising services	9 August 2018	Foreign investors are prohibited or restricted from holding equity interests in PRC entities conducting value-added telecommunication services, performance brokerage services, movie distribution and radio and television program production	100% of the total consolidated profit, after deduction of any accumulated deficit, operating costs, expenses, taxes and other statutory contributions	20 years	N	Y

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Source of information	Principal business	Date of agreement	Restrictions	Basis of the service fee	Duration of agreement	Waiver from strict compliance with Rule 14A.52 of the Listing Rules obtained (Y/N)	Waiver from strict compliance with Rule 14A.53 of the Listing Rules obtained (Y/N)
The Company (1980.HK)		Operation of live social video platforms and other services in the PRC, as well as financial investments and general investment businesses outside of the PRC	9 March 2022	Foreign investors are restricted from holding equity interests in PRC entities conducting value-added telecommunication services and online cultural business	95% of net revenue, i.e. revenue less any costs and expenses (except the service fee) necessary for business operations and any taxes (except enterprise income tax) and accumulated losses, plus extra service fee for additional services provided. The remaining 5% of the PRC Operating Entity's net revenue shall be paid to the WFOE from time to time as extra service fee for additional services provided by the WFOE upon request of the PRC Operating Entity. The loss incurred by the PRC Operating Entity shall be borne by the New Registered Holders pro rata.	N/A	Y	Y

Source: the website of the Stock Exchange

Note: No definite duration of the relevant agreement is disclosed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown above, each of the Comparable Companies entered into a series of contractual arrangements with the relevant PRC operating entities and their shareholders so that the Comparable Companies can exercise effective control over the relevant operating entities and consolidate the financial results of the relevant operating entities into its consolidated financial statements.

The Comparable Contractual Arrangements have maturity terms ranging from 20 years to a non-fixed term. Among the 13 Comparable Contractual Arrangements, 12 of them did not disclose a definite term for the contractual arrangements and have applied for and been granted by the Stock Exchange a waiver from strict compliance with Rule 14A.52 of the Listing Rules. Accordingly, we consider that it is a normal business practice for the terms of contractual arrangements similar to the New Contractual Arrangements to exceed three years.

In respect of setting annual caps under contractual arrangements, it is noted that all of the Comparable Contractual Arrangements have applied for and been granted by the Stock Exchange a waiver from strict compliance with Rule 14A.53 of the Listing Rules. Accordingly, we consider that it is a normal business practice for not setting annual caps for contractual arrangements similar to the New Contractual Arrangements.

Having considered the above, we consider the absence of a fixed term and annual caps under the New Contractual Arrangements is justifiable, of normal business practice, fair and reasonable.

In respect of the basis of the service fee, pursuant to each Exclusive Technology Service Agreement, the relevant PRC Operating Entity shall pay to the relevant WFOE a service fee at 95% of the PRC Operating Entity's net revenue, i.e. revenue less any costs and expenses (except the service fee) necessary for such PRC Operating Entity's business operations and any taxes (except enterprise income tax) and accumulated losses in a given year, within three months after each calendar year for the services provided in the preceding year. The remaining 5% of the PRC Operating Entity's net revenue shall be paid to the relevant WFOE from time to time as extra service fee for additional services provided by the WFOE upon request of the PRC Operating Entity. The loss incurred by the PRC Operating Entity shall be borne by the New Registered Holders pro rata. Given that (i) the basis of the service fee under the New Contractual Arrangements is the same as those under the Existing Contractual Arrangements; and (ii) the relevant WFOE shall ultimately receive a service fee at 100% of the relevant PRC Operating Entity's net revenue under the New Contractual Arrangements which is the same as that under the Comparable Contractual Arrangements, we consider the basis of the service fee under the New Contractual Arrangements is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the New VIE Agreements are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the entering into the New VIE Agreements is 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 (iii) the absence of a fixed term and annual caps under the New Contractual Arrangements is justifiable, of normal business practice, fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the New Contractual Arrangements.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of Latest Practicable Date, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which were taken or deemed to have taken under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) are as follows:

Interests in ordinary Shares:

Name of Director/ chief executive	Nature of interests	Number of shares held	Approximate percentage of shareholding as at Latest Practicable Date
Mr. Fu Zhengjun (“ Mr. Fu ”)	Founder of a discretionary trust (<i>Note 1</i>)	330,695,000	26.08%
	Beneficial owner	200,000	0.02%
Mr. Zhao Weiwen	Beneficial owner	1,009,000	0.08%
Mr. Mai Shi'en	Beneficial owner	4,050,000	0.32%

Note:

- UBS Trustees (B.V.I.) Limited, the trustee of Mr. Fu's Trust (as defined below), holds the entire issued share capital of Three-Body Holdings Ltd through its nominee, UBS Nominee Limited. Three-Body Holdings Ltd holds the entire issued share capital of Blueberry Worldwide Holdings Limited. Blueberry Worldwide Holdings Limited in turn holds 330,695,000 Shares. Mr. Fu's trust (“**Mr. Fu's Trust**”) is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and his family members. Accordingly, each of Mr. Fu, UBS Trustees (B.V.I.) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 330,695,000 Shares held by Blueberry Worldwide Holdings Limited.

Interests in underlying Shares:

Name of Director/chief executive	Position held within our Group	Nature	Number of Shares represented by options or RSUs	Exercise price (US\$)	Approximate percentage of shareholding as at Latest Practicable Date
Mr. Chan Wing Yuen, Hubert	Independent Non-executive Director	Options (Note 1)	200,000	0.35	0.02%
Mr. Zhao Weiwen	Chief executive officer	RSUs (Note 2)	96,203	N/A	0.01%
		Options (Note 3)	100,000	0.35	0.01%

Notes:

1. Mr. Chan Wing Yuen, Hubert is interested in 20,000 Pre-IPO options granted to him on May 22, 2014 under the Pre-IPO share Option Scheme entitling him to receive 200,000 Shares.
2. Mr. Zhao Weiwen is interested in 50,852 and 45,351 RSUs granted to him on April 20, 2015 and April 1, 2016, respectively, under the Post-IPO RSU Scheme entitling him to receive 96,203 Shares.
3. Mr. Zhao Weiwen is interested in 100,000 options granted to him on May 22, 2014 under the Pre-IPO Share Option Scheme entitling him to receive 100,000 Shares.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at Latest Practicable Date, within the knowledge of the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Nature of interests	Number of Shares or securities held	Approximate percentage of interest as at Latest Practicable Date
UBS Trustees (B.V.I.) Limited	Trustee (<i>Note 1</i>)	330,695,000	26.08%
Three-Body Holdings Ltd	Interest in Controlled Corporation (<i>Note 1</i>)	330,695,000	26.08%
Blueberry Worldwide Holdings Limited	Beneficial Owner (<i>Note 1</i>)	330,695,000	26.08%
Sina Hong Kong Limited	Beneficial Owner	300,000,000	23.66%
Ho Chi Sing	Interest in Controlled Corporation (<i>Note 2</i>)	110,000,000	8.68%
Zhou Quan	Interest in Controlled Corporation (<i>Note 2</i>)	110,000,000	8.68%
IDG-Accel China Growth Fund GP II Associates Ltd.	Interest in Controlled Corporation (<i>Note 2</i>)	110,000,000	8.68%
IDG-Accel China Growth Fund II Associates L.P.	Interest in Controlled Corporation (<i>Note 2</i>)	102,146,200	8.06%
IDG-Accel China Growth Fund II L.P.	Beneficial Owner (<i>Note 2</i>)	102,146,200	8.06%
The Core Trust Company Limited	Trustee (<i>Note 3</i>)	65,716,736	5.18%
TCT (BVI) Limited	Other (<i>Note 3</i>)	63,510,438	5.00%

Notes:

- (1) UBS Trustees (B.V.I.) Limited, the trustee of Mr. Fu's Trust, holds the entire issued share capital of Blueberry Worldwide Holdings Limited through Three-Body Holdings Ltd. Blueberry Worldwide Holdings Limited holds 330,695,000 Shares. Mr. Fu's Trust is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and his family members. Accordingly, each of Mr. Fu, UBS Trustees (B.V.I.) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 330,695,000 Shares held by Blueberry Worldwide Holdings Limited.

- (2) IDG-Accel China Growth Fund II L.P. is wholly owned by IDG-Accel China Growth Fund II Associates L.P., which is in turn wholly owned by IDG-Accel China Growth Fund GP II Associates Ltd. Accordingly, each of IDG-Accel China Growth Fund II L.P., IDG-Accel China Growth Fund II Associates L.P. and IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in the 102,146,200 Shares held by IDG-Accel China Growth Fund II L.P. Separately, IDG-Accel China Investors II L.P. is wholly owned by IDG-Accel China Growth Fund GP II Associates Ltd., therefore IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in the shares held by IDG-Accel Growth Investors II L.P.

Each of Ho Chi Sing and Zhou Quan holds 50% of the issued share capital of IDG-Accel China Growth Fund GP II Associates Ltd., therefore both Ho Chi Sing and Zhou Quan are deemed to be interested in the 110,000,000 Shares which IDG-Accel China Growth Fund GP II Associates Ltd. is interested in total.

- (3) Xinshow Limited, the nominee to the trustee of certain share incentive schemes of the Company, is wholly owned by TCT(BVI) Limited, which is in turn wholly owned by The Core Trust Company Limited. Therefore, TCT(BVI) Limited and The Core Trust Company are deemed to be interested in the Shares held by Xinshow Limited.

Save as disclosed above, as at Latest Practicable Date, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

As at the Latest Practicable Date, no Director was materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Group, and no Director was interested in any assets which had been 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 since the date of the latest published audited accounts of the Company.

As of the Latest Practicable Date, no Director was a director or employee of the Company's substantial shareholders.

MATERIAL ADVERSE CHANGE

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

LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

MISCELLANEOUS

- (a) The registered office of the Company is at Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands.
- (b) The joint company secretaries of the Company are Mr. Chen Shi and Ms. Ng Sau Mei. Ms. Ng Sau Mei is as a fellow member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in United Kingdom.
- (c) The English text of this circular and the form of proxy shall prevail over the Chinese text in the case of inconsistency.

EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given an opinion or advice to the Company as contained in this circular:

Name	Qualification
Rainbow Capital (HK) Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Han Kun Law Offices	a law firm established under the laws and regulations of the PRC and duly approved by the Beijing Municipal Justice Bureau and qualified PRC lawyers duly approved by the Ministry of Justice of the PRC

Each of the above experts has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its report or opinion (as applicable) as set out in this circular and references to its name in the form and context in which they appear in this circular.

As at the Latest Practicable Date, each of the above experts had no shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts had no interest, direct or indirect, in any asset since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, 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 an member of the Group.

GENERAL

The English text of this circular shall prevail over its Chinese text in the case of inconsistency.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.tiange.com>) from the date of this circular up to and including the date of the EGM:

- (a) Articles of Association;
- (b) the Termination Agreements;
- (c) the Equity Transfer Agreements;
- (d) the New VIE Agreements;
- (e) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (f) the annual reports of the Company for the years ended 31 December 2019 and 2020 and the interim report of the Company for the six months ended 30 June 2021;
- (g) the written consent of the expert referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix;
- (h) the letter of advice from Rainbow Capital (HK) Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular; and
- (i) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Tian Ge Interactive Holdings Limited **天鵲互動控股有限公司**

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1980)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the an extraordinary general meeting (the “**EGM**”) of Tian Ge Interactive Holdings Limited (the “**Company**”) will be held at 12A, Intime City Tower E, Gongshu District, Hangzhou, Zhejiang, PRC on Friday, 6 May 2022 at 2:00 p.m. to consider and, if thought fit, approve, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

1. “THAT:

- (a) the entering into and performance of (i) the Termination Agreements dated 9 March 2022; (ii) the Equity Transfer Agreements dated 9 March 2022; and (iii) the New VIE Agreements dated 9 March 2022 in relation to the New Contractual Arrangements (details of the Termination Agreements, the Equity Transfer Agreements, the New VIE Agreements and the New Contractual Arrangements have been set out in the circular dated 13 April 2022), be and are hereby approved, confirmed and ratified;
- (b) the New Contractual Arrangements be and is hereby approved, ratified and confirmed; and
- (c) any one director of the Company be and is hereby authorized to do all such acts and things and execute all such documents which he/she may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Termination Agreements, the Equity Transfer Agreements, New VIE Agreements and the New Contractual Arrangements contemplated thereunder.”

By order of the Board
Tian Ge Interactive Holdings Limited
Fu Zhengjun
Chairman

Hong Kong, 13 April 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

<i>Registered office:</i>	<i>Headquarter:</i>	<i>Principal place of business in</i>
Grand Pavilion	Room 322	<i>Hong Kong:</i>
Hibiscus Way	East Tower Building 1	31/F, Tower Two
802 West Bay Road	No. 17-1 Chuxin Road	Times Square
P.O. Box 31119	Gongshu District	1 Matheson Street
KY1-1205	Hangzhou, PRC	Causeway Bay
Cayman Islands		Hong Kong

Notes:

- (i) The resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Company in accordance with the Listing Rules.
- (ii) Any member of the Company entitled to attend and vote at the EGM is entitled to appoint more than one proxy to attend and on a poll, vote instead of him. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (iii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (iv) In order 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 that power of attorney or authority, must be deposited at Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 2:00 p.m. on 4 May 2022) or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (v) For determining the right to attend and vote at the EGM to be held on 6 May 2022, the register of members of the Company will be closed from 3 May 2022 to 6 May 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 29 April 2022.
- (vi) Pursuant to Rule 13.39(4) of the Listing Rules, voting for the resolution set out in the notice of the EGM will be taken by poll, except where the chairman, 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.