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.

天鴿 tianGe

Tian Ge Interactive Holdings Limited
天鴿互動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1980)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF INTEREST AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

Lego Corporate Finance Limited
力高企業融資有限公司

A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 18 of this circular. A letter from Lego Corporate Finance Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 35 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 Thursday, March 18, 2021 at 2:00 p.m. is set out on pages 46 to 47 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 Tuesday, March 16, 2021) 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.

February 26, 2021

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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 in the Listing Rules
"Board"	the board of Directors
"Business Day"	any day (other than Saturday or Sunday) on which commercial banks are open for business in Hong Kong, or the next Business Day where the Share Transfer Agreement provides that any action be taken on or before a day which is not a Business Day
"Company"	Tian Ge Interactive Holdings Limited (天鴿互動控股有限公司), 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
"Completion"	completion of the Disposal
"Completion Date"	the date on which the Purchaser has paid the Consideration in full
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration for the Disposal which is RMB256.0 million (approximately HK$302.88 million)
"Contractual Arrangements"	has the meaning ascribed to it in the Prospectus
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Share Transfer Agreement
"EGM"	the extraordinary general meeting of the Company to be held at 12A, Intime City Tower E, Gongshu District, Hangzhou, Zhejiang, PRC on Thursday, March 18, 2021 at 2:00 p.m., or any adjournment thereof and notice of which is set out on pages 46 to 47 of this circular

"Equity Transfer"	the Vendor's transfer of 64% equity interest in Target Company to the Purchaser
"Final Conditions Precedent"	the conditions precedent to be fulfilled within 12 months from the date of the initial transfer payment
"Group"	the Company and its subsidiaries from time to time
"Guarantors"	Jinhua99 Information Technology Co., Ltd* (金華玖玖信息技術有限公司) and Jinhua9158 Network Science and Technology Co., Ltd* (金華就約我吧網絡科技有限公司)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	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 Share Transfer Agreement and the transactions contemplated thereunder
"Independent Financial Adviser"	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as regards the terms of the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder
"Independent Shareholders"	Shareholders who are independent of and have no interest in the transaction contemplated under the Share Transfer Agreement
"Initial Conditions Precedent"	the conditions precedent to be fulfilled within 20 working days commencing on the date of the Share Transfer Agreement
"Latest Practicable Date"	February 22, 2021, 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
"Main Board"	the stock market operated by the Stock Exchange, which excludes GEM and the options market
"Parties"	the Vendor, Jinhua Ruian, the Purchaser, the Target Company, the Founders and the Benqu Network collectively
"PRC"	the People's Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated June 25, 2014
"Purchaser"	北京微夢創科創業投資管理有限公司 (Beijing Weimeng Chuangke Investment Management Company Limited*), a company established in the PRC with limited liability and an associate of the beneficial owner of Sina Hong Kong Limited
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	64% of Target Company's equity interest
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Shanghai Benqu"	Shanghai Benqu Internet Technology Company Limited* (上海本趣網絡科技有限公司), a company established in the PRC with limited liability which is owned as to 14% by Maanshan Wuta Enterprise Management Center (General Partnership)* (馬鞍山吾他企業管理中心(普通合夥)), 80% by the Target Company and 6% by the Purchaser as at the Latest Practicable Date
"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
"Share Transfer Agreement"	the share transfer agreement entered into, among others, between the Vendor, the Purchaser, the Target Company and the Guarantors in relation to the Disposal on December 15, 2020
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Jinhua Ruian Investment Management Company Limited* (金華睿安投資管理有限公司), a company established in the PRC with limited liability which is owned as to 64% by the Vendor and 36% by the Purchaser immediately before the Disposal
"Target Group"	the Target Company and its sole subsidiary
"Vendor"	Jinhua Ruichi Investment Management Company Limited* (金華睿馳投資管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Jinhua99 Information Technology Company Limited, a company controlled by the Group through contractual arrangements
"%"	per cent

* *for identification purpose only*

In this circular, amounts denominated in RMB have been converted into HK$ at the rate of RMB1.00 = HK$1.18 for illustration purpose only. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

Tian Ge Interactive Holdings Limited
天鴿互動控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1980)

Executive Directors:
Mr. Fu Zhengjun *(Chairman)*
Mr. Mai Shi'en *(Chief Operating Officer and Acting Chief Financial Officer)*

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
East Tower Building 1
No. 17-1 Chuxin Road
Gongshu District
Hangzhou, PRC

Principal place of business in Hong Kong:
31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

February 26, 2021

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF INTEREST AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the announcement of the Company dated December 15, 2020 in relation to, among other things, the Disposal.

On December 15, 2020, the Vendor (a wholly-owned subsidiary of a PRC operating entity of our Group), the Purchaser, the Target Company and the Guarantors entered into the Share Transfer Agreement pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 64% of the equity interest of Target Company, which as of the Latest Practicable Date is owned as to 64% by the Vendor and holds 80% equity interest in Shanghai Benqu, for an aggregate Consideration of approximately RMB256.0 million (approximately HK$302.88 million).

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

THE SHARE TRANSFER AGREEMENT

Date: December 15, 2020

Parties:

(1)	The Vendor:	Jinhua Ruichi Investment Management Company Limited* (金華睿馳投資管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Jinhua99 Information Technology Company Limited* (金華玖玖信息技術有限公司), a company controlled by the Group through contractual arrangements
(2)	Target Company:	Jinhua Ruian Investment Management Company Limited* (金華睿安投資管理有限公司), a company established in the PRC with limited liability and a subsidiary of the Vendor
(3)	The Purchaser:	Beijing Weimeng Chuangke Investment Management Company Limited* (北京微夢創科創業投資管理有限公司), a company established in the PRC with limited liability and an associate of the beneficiary owner of Sina Hong Kong Limited which is a substantial shareholder of the Company
(4)	Shanghai Benqu:	Shanghai Benqu Internet Technology Company Limited* (上海本趣網絡科技有限公司), a company established in the PRC with limited liability which is owned as to 14% by Maanshan Wuta Enterprise Management Center (General Partnership)* (馬鞍山吾他企業管理中心(普通合夥)), 80% by the Target Company and 6% by the Purchaser as of the Latest Practicable Date

(5) Guarantors:

(i) Jinhua99 Information Technology Co., Ltd* (金華玖玖 信息技術有限公司), a company established in the PRC with limited liability which is owned as to 98% by Mr. Fu Zhengjun and 2% by Mr. Fu Yanchang, and controlled by our Group through the Contractual Arrangements

(ii) Jinhua9158 Network Science and Technology Co., Ltd* (金華就約我吧網絡科技有限公司), a company established in the PRC with limited liability which is owned as to 98% by Mr. Fu Zhengjun and 2% by Mr. Fu Yanchang, and controlled by our Group through the Contractual Arrangements

Interest to be disposed of by the Group

Pursuant to the terms and conditions of the Share Transfer Agreement, the Vendor agreed to sell, and the Purchaser agreed to purchase, 64% of equity interest in the Target Company, which holds 80% equity interest in Shanghai Benqu. As of the Latest Practicable Date, the Target Company is 64% owned by the Vendor.

Consideration

The Consideration for the Disposal is approximately RMB256.0 million (approximately HK$302.88 million) and shall be paid by the Purchaser to the Vendor in the following manner:

Subject to the fulfillment of the Initial Conditions Precedent or the written waiver by the Purchaser, the Purchaser shall, within 15 working days from the date of completion of the Initial Conditions Precedent, pay 20% of the Consideration to the Vendor's designated account as initial transfer payment.

Subject to the fulfillment of the Final Conditions Precedent or the written waiver by the Purchaser, the Purchaser shall, within 15 working days from the date of completion of the Final Conditions Precedent, pay the remaining 80% of the Consideration to the Vendor's designated account as final transfer payment.

The Consideration was agreed among the Purchaser, the Vendor, the Target Company and the Guarantors after arm's length negotiation and was determined with reference to the valuation of comparable companies and the future prospects of the business of the Target Group. For comparable companies, the Company has identified several public companies listed on the Stock Exchange which are principally engaged in the operation of mobile entertainment platforms and online advertisement, such as Meitu, Inc. and China Parenting Network Holdings Limited.

The Company identified four companies (details of which are summarized in the table below) which are considered to be comparable to the Target Group based on the following criterion: (i) listed on the Stock Exchange; and (ii) principally generates revenue from online advertisement in the PRC through the operation of online platforms, including mobile application(s) and/or online portal(s), with annual revenue from relevant segment having accounted substantially for more than 50% of the total consolidated revenue during their respective latest financial years. Despite that a majority of these comparable companies do not operate any beauty camera applications, taking into account that (i) all such comparable companies are principally engaged in online advertising in the PRC, which is the sole source of revenue of the Target Group; (ii) all such comparable companies generate their online advertisement revenue on a display-based basis, under which advertisement is displayed for a specific period in accordance with the relevant contracts, which is consistent with the Target Group's primary revenue recognition model; and (iii) as platforms for providing online advertising services, all such comparable companies own mobile application(s) and/or online portal(s) which focus on user traffic such as MAUs that is in turn driven by factors such as user stickiness, user experience, and product quality and enrichment, which are generally in line with the Target Group's operating model, the Company considers that the respective businesses of the comparable companies are generally comparable in nature to that of the Target Group.

The Company used the price-to-sales ("**P/S**") valuation approach given the cyclicality as well as the non-capital intensive nature of the business of the Target Group, while the price-to-earnings ("**P/E**") analysis has also been conducted for reference purpose only. The implied P/S and the implied P/E of the Target Group in proportion to the 64% equity interests therein to be disposed of under the Disposal (respectively, the "**Implied P/S**" and the "**Implied P/E**") are respectively compared with the P/S and the P/E of the comparable companies in the Company's analysis and the findings are summarised below:

Listed issuer	**Stock code**	**Market capitalisation** *(Note 1)* *(HK$ million)* *(approximate)*	**P/S** *(Note 2)* *(times)* *(approximate)*	**P/E** *(Note 3)* *(times)* *(approximate)*	**Principal Business**
Meitu, Inc.	1357	5,909.9	5.1	N/A *(Note 4)*	provide a portfolio innovative photo and community apps in China and overseas
China Parenting Network Holdings Limited	1736	251.3	2.3	88.3	provide vertical online platforms for Children-Babies-Maternity market in China
BabyTree Group	1761	2,360.0	5.6	N/A *(Note 4)*	provide Maternity and Child-focused online community platforms in China
Pacific Online Limited	543	1,417.6	1.2	7.8	provide Internet advertising services and information technology services

Listed issuer	Stock code	Market capitalisation *(Note 1)* *(HK$ million)* *(approximate)*	P/S *(Note 2)* *(times)* *(approximate)*	P/E *(Note 3)* *(times)* *(approximate)*	Principal Business
		Minimum	**1.2**	**7.8**	
		Maximum	**5.6**	**88.3**	
		Average	**3.5**	**48.0**	
Target Group		***473.3*** *(Note 5)*	***7.2*** *(Note 6)*	***19.8*** *(Note 7)*	

Source: The official website of the Stock Exchange (http://www.hkexnews.hk/)

Notes:

1. Computed based on the number of ordinary shares in issue and the closing share price of the comparable companies as at the date of the Share Transfer Agreement.

2. Computed by dividing the respective market capitalisations of the comparable companies as at the date of the Share Transfer Agreement by the respective latest reported sales revenue of the comparable companies as extracted from the latest annual reports of the comparable companies.

3. Computed by dividing the respective market capitalisations of the comparable companies as at the date of the Share Transfer Agreement by the respective net profit after taxation for the respective latest financial years of the comparable companies as extracted from the latest annual reports of the comparable companies.

4. Not applicable since such relevant comparable companies recognised a net loss after taxation during their respective latest financial years.

5. The implied value of the Consideration with respect to 100% equity interests in the Target Group; computed by dividing the converted Consideration of approximately HK$302.88 million by the proportion of equity interests in the Target Group to be disposed of under the Disposal of 64%.

6. The Implied P/S; computed based on the implied value of the Consideration with respect to 100% equity interests in the Target Group and the revenue for the year ended December 31, 2019.

7. The Implied P/E; computed based on the implied value of the Consideration with respect to 100% equity interests in the Target Group and the net profit for the year ended December 31, 2019.

8. Where applicable and for illustration purpose only, the exchange rate of RMB1.00 = approximately HK$1.18 is used for the conversion between RMB and HK$.

Accordingly, taking into account (i) the Implied P/S of approximately 7.2 times slightly exceeds the maximum P/S of the comparable companies of approximately 5.6 times; and (ii) the Implied P/E of approximately 19.8 times is within the range of the P/E of the comparable companies, the Directors are of the view that the determination of the Consideration in the amount of approximately RMB256 million is fair and reasonable.

Taking into account the matters above and the reasons and benefits as stated in the paragraph below headed "Reasons for and benefits of the Disposal", the Directors consider that the Consideration is fair and reasonable.

Conditions Precedent

The Initial Conditions Precedent include, among others:

(1) the completion of financial legal and business due diligence of the Target Company;

(2) all necessary internal authorizations and approvals (including but not limited to the approval of the board of directors and shareholders' meeting) and the approvals of the governmental authority (if any) of the parties involved in the transactions have been obtained and have not been revoked; and

(3) the proper signing of all transaction documents.

The Final Conditions Precedent include, among others:

(1) the Vendor to procure and ensure Shanghai Benqu has obtained the value-added telecommunications business license;

(2) the Vendor to procure and ensure Shanghai Benqu submits written application documents for the online cultural business license or the non-commercial internet cultural activity filing in accordance with the opinions of relevant competent authorities;

(3) the Target Company has signed labor contracts, non-competition agreements and confidentiality and intellectual property protection agreements with key employees, with the contract period be no less than two years;

(4) the Vendor, the Guarantors, the Company and/or their respective associates have obtained all trademark rights related to "Wuta" and "Benqu", and have irrevocably transferred to Shanghai Benqu. To the extent the trademark rights are in the process of application, the Vendor to ensure it has either abandoned the relevant trademark applications under the Vendor's name or has changed the applicant's name from the Vendor to Shanghai Benqu accordingly;

(5) the Target Company and Shanghai Benqu have completed the business registration procedures for the Equity Transfer; and

(6) the registered capital of the Target Company has been fully paid.

The Initial Conditions Precedent shall be fulfilled within 20 working days commencing on the date of the Share Transfer Agreement, whereas the Final Conditions Precedent shall be fulfilled within 12 months from the date of the initial transfer payment. The Purchaser may waive any of the conditions precedent. If any of the conditions precedent are not met due to the Purchaser's own reasons, the relevant conditions precedent are deemed to have been met. If a condition precedent cannot be fulfilled for reasons other than the parties of the Disposal, the Purchaser may consider waiving such condition precedent and waiving any of the conditions precedent will not affect the substance of the Disposal. As at the Latest Practicable Date and to the Company's knowledge, other than the signing of transaction documents and the approval of the shareholders' meeting no other condition above has been fulfilled or waived.

Completion

Completion shall take place on the Completion Date. Upon Completion, the Target Company will be a wholly-owned subsidiary of the Purchaser and the Company will no longer have any equity interest in the Target Company.

The following tables set out the shareholding structure of the Target Company (i) as of the Latest Practicable Date; and (ii) immediately after Completion.

Shareholding structure of the Target Company:

Name of shareholders	As of the Latest Practicable Date	Immediately upon Completion
The Vendor	64.00%	0.00%
The Purchaser	36.00%	100.00%
Total	100.00%	100.00%

INFORMATION OF SHANGHAI BENQU

Shanghai Benqu is a company established in the PRC with limited liability. Its wholly-owned subsidiary, Ningbo Benqu Culture Media Co., Ltd.* (寧波本趣文化傳媒有限公司), is a company established in the PRC with limited liability in June 2018 principally engaged in online advertisement business. Shanghai Benqu principally engaged in developing and operating mobile photo and video applications in the PRC and developing platforms for simultaneous video re-touching features.

The financial information of Shanghai Benqu for the two financial years ended December 31, 2019, 2018 and nine months ended September 30, 2020 is set out below:

	For the nine months ended September 30,	For the year ended December 31,	
	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
Net profit before taxation	14,590	25,962	9,393
Net profit after taxation	13,682	25,360	10,564

According to the unaudited management accounts of Shanghai Benqu, as of September 30, 2020, consolidated net assets of Shanghai Benqu amounted to approximately RMB68.6 million.

INFORMATION OF THE TARGET COMPANY

The Target Company, a subsidiary of the Vendor before the Disposal, is a company established in the PRC with limited liability in July 2018. It is an investment holding company principally engaged in investment management, enterprise management and consulting in the PRC.

The unaudited consolidated financial information of the Target Company for the nine months ended September 30, 2020, the year ended December 31, 2019 and the period from July 19, 2018 to December 31, 2018 are set out below:

	For the 9 months ended September 30, 2020 *(unaudited)* *(approximate)* *RMB'000*	**For the year ended December 31, 2019** *(unaudited)* *(approximate)* *RMB'000*	**For the period from July 19, 2018** *(Note 1)* **to December 31, 2018** *(unaudited)* *(approximate)* *RMB'000*
Net profit before taxation	9,544	19,219	1,669
Net profit after taxation *(Note 2)*	9,901	20,301	2,581

Notes:

1. The Target Company was incorporated in July 19, 2018.

2. Deferred income tax expense deceased during 2018 to 2019 due to Chaduan amortization of appraisal of intangible assets, therefore after taxation profits are higher than profit before taxation.

The increase in profits of Shanghai Benqu and the Target Company from 2018 to 2019 was mainly due to the growth in profits generated from online advertising business of Wuta Camera application launched in February 2018. Through promotional work and advertisements in 2018, the market awareness of the Wuta brand has increased and the advertising value has grown as a result. Some customers increased the amount of spending on advertising through the Wuta application during 2019. The Target Company further monetised by increasing advertising space in the Wuta application during 2019, which further boosted its profits in 2019.

According to the unaudited management accounts of the Target Company, as of September 30, 2020, consolidated net assets of the Target Company amounted to approximately RMB281.7 million.

INFORMATION OF THE PURCHASER

The Purchaser is an investment holding company. It is an associate of SINA Corporation, the beneficial owner of Sina Hong Kong Limited. Sina Hong Kong Limited, a substantial shareholder of the Company holding 23.42% of the issued share capital of the Company as of the Latest Practicable Date, is a company principally engaging in offering online media and advertising services and is wholly-owned by SINA Corporation. Hence, the Purchaser, being an associate of SINA Corporation, is a connected person of the Company under the Listing Rules.

The Purchaser was directly owned by two natural persons in the PRC, namely Mr. Wang Wei and Mr. Liu Yunli, each holding 50% of the Purchaser's equity interest. Mr. Wang and Mr. Liu are senior management members of SINA Corporation. The Purchaser is controlled through contractual arrangement by Weibo Corporation, a NASDAQ listed company whose largest shareholder is SINA Corporation (held as to approximately 44.9% according to the last published annual report of Weibo Corporation). SINA Corporation is also a NASDAQ-listed company and according to its latest annual report, the major shareholders of SINA Corporation include New Wave MMXV Limited, Schroder Investment Management North America Inc, BlackRock, Inc. and Susquehanna Securities and its affiliates.

INFORMATION OF THE GROUP

The Group is principally engaged in the live social video businesses.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal enables the Group to realize/liquidate its investments in the Target Company calculated at fair market value.

Since the launch of the Wuta Camera application in February 2018, its MAU has since grown to over 10 million by June 2020 (i.e., over a two year period). However, its MAU began to drop, and exhibited a compound monthly decrease of approximately 3.2% from June to October 2020, which was potentially the start of a declining trend. The Company considers that the growth of Wuta Camera application has stabilized in recent years and it is a good time to realize/liquidate its investment. Furthermore, the Disposal will help to streamline the Group's businesses and the development of its core live streaming business. The sale of the Target Company will achieve capital appreciation for the Group and bring a large capital return. The injection of such capital will accelerate the development of the Group's domestic and overseas live streaming business, propel the Company into a new stage of development and create sustainable profit returns for shareholders of the Group.

The Directors are of the view that the terms of the Share Transfer Agreement have been negotiated on an arm's length basis and on normal commercial terms, in the ordinary course of business of the Company, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

As at the Latest Practicable Date, the Target Company was indirectly owned by the Company as to 64.0% and accounted for as a subsidiary of the Company. Upon Completion, the Target Company will be wholly-owned by the Purchaser. The financial results of the Target Company will no longer be consolidated into the financial accounts of the Group.

As the business of the Target Company is a separate major line of business of the Group – advertising via beauty camera app, this transaction would cause the operation of the Target Company be considered as discontinued operation with certain comparative information be re-presented.

In terms of the accounting treatments of this transaction, immediately upon Completion, before considering the potential income tax to be incurred, the Group will deconsolidate the balance sheet of the Target Company, including assets of approximately RMB79.3 million, liabilities of approximately RMB7.8 million, and derecognise a goodwill of RMB210.2 million related to the Target Company's business and the non-controlling interests of approximately RMB110.6 million. In addition, the redemption liabilities which arose from the disposal of 36% equity interest in the Target Company in 2019 of approximately RMB272.2 million will also be derecognised with a corresponding adjustment to "other reserves". Accordingly, immediately upon Completion, it is expected that the Group's total assets shall be decreased by approximately RMB33.5 million after considering the deconsolidation of the Target Group's assets and goodwill as well as the increase in cash arising from the receipt of the Consideration, and the Group's total liability shall be decreased by approximately RMB280.0 million after considering the deconsolidation of the Target Group's liabilities and the derecognition of the redemption liabilities. As a result of the deconsolidation, the Company will recorded a disposal gain of RMB84.9 million at the excess of the total of cash consideration of RMB256.0 million over the effects of the above mentioned derecognition of the assets, liabilities and non-controlling interests. In accordance with the PRC taxation regulations, the Disposal is subject to income tax which may have an impact on the financial information of the Group. Therefore, the actual disposal gain in the Company's consolidated income statements may be slightly different from the disposal gain due to the impact of income tax expense.

Upon the Completion, contribution of advertising income from the Target Company will not be included in the consolidated statement of the Group, this will lead to a drop of advertising income of the Group.

USE OF PROCEEDS

The net proceeds of the Disposal, being the amount of Consideration minus taxation and expenses incurred by the Company due to the Disposal, will be RMB211.9 million. It is expected that (i) approximately 30% of the net proceeds from the Disposal will be used for the development of the domestic live streaming business, including enriching and improving content quality, upgrading anchor PK and multi-to-multi voice/video chat functions, etc. (ii) approximately 40% of the net proceeds will be used for overseas live streaming business expansion, including further optimizing the overseas team and business structure and continuing to develop overseas platforms. Currently, no target has been identified for the potential acquisitions, and (iii) the remaining 30% will be used as general working capital.

GUARANTEE

The Guarantors shall bear unlimited joint and several liability for the obligations of the Vendor under the Share Transfer Agreement. The Purchaser shall have the right to claim directly from any guarantor in the case of the failure of the Vendor to pay any sum and when the same shall become due and payable under the Share Transfer Agreement. The Guarantors shall not refuse, and shall have obligations to guarantee the realization of all claims under the Share Transfer Agreement.

LISTING RULES IMPLICATIONS

The Purchaser is an associate of the beneficial owner of Sina Hong Kong Limited, and Sina Hong Kong Limited is a substantial shareholder of the Company holding 23.42% of the issued share capital of the Company as of the Latest Practicable Date. Hence the Purchaser constitutes a connected person of the Company under the Listing Rules, and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal is/are more than 25% but all of the applicable percentage ratios are less than 75%, the Disposal constitutes a major and connected transaction of the Company, which is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

APPROVAL BY DIRECTORS AND INDEPENDENT SHAREHOLDERS

Ms. Cao Fei, being a Director nominated to the Board by Sina Hong Kong Limited, should abstain from voting on the Board resolutions for considering and approving the Disposal to avoid a perception of a conflict of interest. At the Board meeting to consider and approve the Disposal, Ms. Cao Fei 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 Disposal, and no other Directors are required to abstain from voting on the Board resolutions for considering and approving the Disposal.

The Independent Board Committee (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders in relation to the Disposal. None of the members of the Independent Board Committee has any material interest in the Disposal. A letter from the Independent Board Committee is set out on page 18 of this circular.

Pursuant to the Listing Rules, any Shareholder with a material interest in the Disposal is required to abstain from voting in respect of the Disposal. As at the Latest Practicable Date, Sina Hong Kong Limited (including its associates) is holding 300,000,000 shares of the Company and is a substantial shareholder holding 23.42% of the issued share capital of the Company. The Purchaser is an associate of the beneficial owner of Sina Hong Kong Limited. In view of the interests of Sina Hong Kong Limited in the Disposal, Sina Hong Kong Limited and its associates shall abstain from voting in respect of the resolution relating to the Disposal at the EGM. To the best knowledge of the Company, save for Sina Hong Kong Limited and its associates, no other Shareholder is required to abstain from voting in respect of the resolution relating to the Disposal at the EGM.

INDEPENDENT FINANCIAL ADVISER

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal. A letter from the Independent Financial Adviser is set out on pages 19 to 35 of this circular.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from March 15, 2021 to March 18, 2021, 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 March 12, 2021.

EGM

A notice dated February 26, 2021 convening the EGM is set out on pages 46 to 47 of this circular, which contains an ordinary resolution to approve the Disposal.

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 March 16, 2021) 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 authorised 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 authorised 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.

RECOMMENDATION

After taking into account the reasons for and benefits of the Disposal, the Directors are of the view that the terms of the Share Transfer Agreement 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 advice the Independent Shareholders to vote in favor of the ordinary resolution to approve the Disposal 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

The following is the text of a letter of advice from the Independent Board Committee setting out their recommendation to the Independent Shareholders for the purpose of inclusion in this circular.

Tian Ge Interactive Holdings Limited
天鴿互動控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1980)

February 26, 2021

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF INTEREST

We refer to the circular of the Company dated February 26, 2021 (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 Disposal. Lego Corporate Finance 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 5 to 17 of the Circular, which sets out details of the Disposal including the redemption liabilities. We also wish to draw your attention to the letter from the Independent Financial Adviser set out on pages 19 to 35 of the Circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal.

Having considered the reasons for and benefits of the Disposal and the advice of the Independent Financial Adviser, we consider that the terms of the Share Transfer Agreement 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 advice the Independent Shareholders to vote in favor of the ordinary resolution to approve the Disposal, particulars of which are set out in the notice of EGM set out on pages 46 to 47 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

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder, which has been prepared for the purpose of inclusion in this Circular.

Lego Corporate Finance Limited
力高企業融資有限公司

26 February 2021

To: *The Independent Board Committee and the Independent Shareholders*
of Tian Ge Interactive Holdings Limited

Dear Sirs and Madams,

MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 26 February 2021 (the "**Circular**"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

Reference is made to the announcement of the Company dated 15 December 2020, according to which on 15 December 2020, the Vendor (a wholly-owned subsidiary of a PRC operating entity of the Group), the Purchaser, the Target Company and the Guarantors entered into the Share Transfer Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 64% of the equity interest of Target Company, which was as of Latest Practicable Date owned as to 64% by the Vendor and held 80% equity interest in Shanghai Benqu, at the Consideration of approximately RMB256.0 million (equivalent to approximately HK$302.88 million).

Upon Completion, the Target Company will be wholly-owned by the Purchaser; the Company will no longer has any equity interest in the Target Company and the financial results of the Target Company will no longer be consolidated into the financial accounts of the Group.

As the Purchaser is an associate of the beneficial owner of Sina Hong Kong Limited, and Sina Hong Kong Limited is a substantial shareholder of the Company holding 23.42% of the issued share capital of the Company as at the Latest Practicable Date, the Purchaser was a connected person of the Company under the Listing Rules, and the Disposal constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal is/are more than 25% but all of the applicable percentage ratios are less than 75%, the Disposal constitutes a major and connected transaction of the Company, which is subject to the reporting, announcement, circular and the independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolution(s) to approve, among others, the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder. According to the Letter from the Board, Sina Hong Kong Limited and its associates have a material interest in the Disposal, and will therefore be required to abstain from voting on the relevant resolution(s) at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the three independent non-executive Directors, namely Mr. Lam Yiu Por, Mr. Yang Wenbin and Mr. Chan Wing Yuen Hubert, has been established to advise the Independent Shareholders as regards the terms of the Disposal, the Share Transfer Agreement and the transactions contemplated thereunder.

We, Lego Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser in accordance with the requirements of the Listing Rules to advise the Independent Board Committee and the Independent Shareholders as regards the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder. Our appointment has been approved by the Independent Board Committee.

During the past two years, we have acted as the independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to a connected transaction, details of which are set out in the circular of the Company dated 29 April 2019. Apart from the normal professional fees for our services to the Company in connection with the above-mentioned engagement and the engagement to act as the Independent Financial Adviser, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Group and the Purchaser or any of their respective substantial shareholders, directors or chief executives, or of their respective associates that could reasonably be regarded as relevant to our independence. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder.

BASIS OF OUR ADVICE

In formulating our opinions and recommendations, we have reviewed, inter alia, the Share Transfer Agreement, the announcement of the Company dated 15 December 2020, the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**"), the interim report of the Company for the six months ended 30 June 2020 (the "**2020 Interim Report**"), the announcement of unaudited third quarter results of the Company for the nine months ended 30 September 2020 (the "**2020 3Q Results Announcement**") and the consolidated management accounts of Target Group for the period from 19 July 2018 up to and including 30 September 2020 (the "**Target Group Accounts**"). We have also reviewed certain information provided by the management of the Company (the "**Management**") relating to the operations, financial conditions and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the terms of the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder, as well as the businesses and future outlook of the Group. We have taken reasonable steps to ensure that such information and statements, and any representation made to us, which we have relied upon in formulating our opinions, are true, accurate and complete in all material respects as of the Latest Practicable Date and the Shareholders shall be notified of any material changes, if any, as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of and reasons for entering into the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder. Except for its inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions in respect of the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1 Financial information of the Group

The Group is principally engaged in the live social video businesses.

Set out below in Table 1 is certain financial information of the Group (i) for the two financial years ended 31 December 2018 and 31 December 2019 as extracted from the 2019 Annual Report; (ii) as at 30 June 2020 as extracted from the 2020 Interim Report; and (iii) for each of the nine months ended 30 September 2019 and 30 September 2020 as extracted from the 2020 3Q Results Announcement.

Table 1: Financial information of the Group

	For the nine months ended 30 September		For the year ended 31 December	
	2020	**2019**	**2019**	**2018**
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	297,881	419,588	539,329	751,933
Profits attributable to the Shareholders	74,400	67,709	93,834	218,276

	As at 30 June	As at 31 December	
	2020	**2019**	**2018**
	(unaudited)	*(audited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	1,506,643	1,518,622	1,572,543
Current assets	2,165,739	1,984,142	1,583,997
Current liabilities	(601,182)	(519,354)	(199,771)
Net current assets	1,564,557	1,464,788	1,384,226
Non-current liabilities	(100,768)	(118,667)	(112,599)
Net assets	2,970,432	2,864,743	2,844,170

For the year ended 31 December 2019

For the year ended 31 December 2019, total revenue of the Group was approximately RMB539.3 million, representing a decrease of approximately 28.3% as compared to that of approximately RMB751.9 million for the year ended 31 December 2018. Based on the 2019 Annual Report, such decrease in revenue was mainly due to net effects of the decrease of quarterly paying users and the increase in quarterly average revenue per user.

For the year ended 31 December 2019, the Group recognised profit for the year attributable to the Shareholders of approximately RMB93.8 million, representing a decrease of approximately 57.0% as compared to that of approximately RMB218.3 million for the year ended 31 December 2018. Based on the 2019 Annual Report, such decrease was mainly due to the combined effects of, among others, the decrease of gross profit, the decrease of other gains, decrease of operating expenses, decrease of impairment loss and decrease of income tax expense.

As at 31 December 2019, the Group recorded net current assets and net assets of approximately RMB1,464.8 million and approximately RMB2,864.7 million, respectively.

For the nine months ended 30 September 2020

For the nine months ended 30 September 2020, total revenue of the Group was approximately RMB297.9 million, representing a decrease of approximately 29.0% as compared to that of approximately RMB419.6 million for the nine months ended 30 September 2019. Based on the 2020 3Q Results Announcement, such decrease in revenue was mainly due to the decrease of monthly active users and quarterly paying users alongside the Company's decision to quit from online game business so as to focus on live social video platforms service.

For the nine months ended 30 September 2020, the Group recognised profit for the year attributable to the Shareholders of approximately RMB74.4 million, representing an increase of approximately 9.9% as compared to that of approximately RMB67.7 million for the nine months ended 30 September 2019. Based on the 2020 3Q Results Announcement, such increase was mainly due to, the increase of other gains and the decrease of income tax expense, while partially offset by the decrease of gross profit.

2 Background information on the Target Group

According to the Letter from the Board, the Target Company is an investment holding company established in the PRC in July 2018. It is an investment holding company principally engaged in investment management, enterprise management and consulting in the PRC. As at the Latest Practicable Date, the Target Company held 80% equity interests in Shanghai Benqu. Shanghai Benqu is a company established in the PRC with limited liability. Shanghai Benqu and its subsidiaries are principally engaged in developing and operating mobile photo and video applications in the PRC and developing platforms for simultaneous video re-touching features.

Set out below in Table 2 is certain consolidated financial information of the Target Group for the period from 19 July 2018 (the date of incorporation of the Target Company) up to and including 30 September 2020.

Table 2: Unaudited consolidated financial information of the Target Group

	For the nine months ended 30 September 2020	For the year ended 31 December 2019	For the period from 19 July 2018 to 31 December 2018
	(unaudited)	*(unaudited)*	*(unaudited)*
	(approximate)	*(approximate)*	*(approximate)*
	RMB'000	*RMB'000*	*RMB'000*
Net profit before taxation	9,544	19,219	1,669
Net profit after taxation	9,901	20,301	2,581

As at 30 September 2020, the unaudited net assets of the Target Group amounted to approximately RMB281.7 million.

The net profit after taxation of the Target Group has tremendously increased from approximately RMB2.6 million in the period from 18 July 2018 to 31 December 2018 (or approximately RMB5.7 million in 2018 on an annualised basis) to approximately RMB20.3 million in 2019. As advised by the Company, the increase in profit from 2018 to 2019 was mainly due to the growth in profit from online advertising of Wuta camera application in 2019, which was in turn primarily attributable to the increase in the number of customers as well as their advertising spending due to the brand awareness and recognition gained by Wuta Camera application following the promotion of its online advertising business after launch in February 2018, and the increase in the advertising space of the application. For the nine months ended 30 September 2020, the Target Group recognised net profit after taxation of approximately RMB9.9 million (or approximately RMB13.2 million on an annualised basis), representing a decrease as compared to that for the year ended 31 December 2019. Such decrease was mainly due to the decline in the number of customers and their advertising spending as a result of the COVID-19, the corresponding economic slowdown and the approach to maturity of Wuta Camera application as well as the overall beauty camera application industry, further analyses of which are set out in the sub-section headed "3.2 Development and general prospect of the Target Group's business" below in this letter.

3 Reasons for and benefits of the entering into of the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder

According to the Letter from the Board and our discussions with the Management, it is expected that the net proceeds arising from the Disposal will be approximately RMB211.9 million, which is intended to be utilised as to (i) approximately 30% for future development of the Group's existing live streaming business in the PRC through, among others, enrichment of the contents of the existing platforms; (ii) approximately 40% for future development of the Group's live streaming business in the overseas markets primarily the Southeast Asia region through, among others, development of new products and optimising the overseas business structure; and (iii) the remaining balance of approximately 30% for general working capital of the Group.

In assessing the fairness and reasonableness of entering into the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder, we have primarily considered (i) the business strategy of the Group; (ii) the development and general prospect of business of the Target Group; and (iii) the future prospect of the live streaming business of the Group.

3.1 Business strategy of the Group and the development of its live streaming business

The Group is principally engaged in the online interactive entertainment business mainly through the operations of live streaming platforms. According to the 2019 Annual Report, the Group operates its flagship social interactive entertainment platforms including but not limited to "9158 Live Streaming", "Sina Show" and "Miao Broadcasting". During the year ended 31 December 2019, the Group generated its revenue substantially from the segment of online interactive entertainment service for approximately 82.1%, the contribution of which has further increased to approximately 87.6% for the nine months ended 30 September 2020. Alongside with the Company's decision to primarily focus on live social video platforms business, the operation of live social video platforms has consistently been a primary revenue contributor of the segment of online interactive entertainment service, which accounted for over 98% of the total segmental revenue of the Group for each of the year ended 31 December 2019 and the nine months ended 30 September 2020.

In recent years, the Group continued to adhere to the development strategy of "Mobile + PC" dual live streaming by concentrating on optimisation and development of its core platforms. With reference to the 2019 Annual Report and the 2020 3Q Results Announcement, during the year ended 31 December 2019 and the nine months ended 30 September 2020, the Group diversified the content on its platforms through the integration of live streaming services with short videos, social interactive products and overseas products, and enhanced content quality with multiple functions such as "host PK" and "one-to-one audio/video chat" to improve user experience and interactivity. On the other hand, as emphasised in the 2020 3Q Results Announcement, overseas expansion is an important development strategy of the Group. We were given to understand that in view of the rapid growth of the development of the Internet in the Southeast Asia region, the Group continued to maintain a clear expansion strategy by replicating and promoting the successful domestic business models to the markets within the Southeast Asia region, and shall continue to further develop its live streaming business therein in the future. For instance, during the nine months ended 30 September 2020, "MLive", the overseas version of "Miao Broadcasting" which is a flagship live streaming platform of the

Group, as well as "Bunny Live", a new live streaming platform of the Group mainly targeting the Vietnamese market, continued to experience more traction among users in the Southeast Asia region, demonstrating the growth potential of these overseas markets.

As advised by the Management, going forward, the Group will continue to, among others, concentrate on expanding its live streaming business and optimising the platforms with innovative contents, as well as increase efforts in the overseas business, particularly, the Southeast Asia region, to get closer to user demands, improve user experiences and enhance product commercialisation so as to attract more Internet users and enhance its market competitiveness.

3.2 Development and general prospect of the Target Group's business

Through Wuta Camera application, the Target Group is principally engaged in developing and operating mobile and video applications which generate advertisement revenue, a segment having accounted for approximately 13.4% and approximately 12.0% of the Group's total revenue for the year ended 31 December 2019 and the nine months ended 30 September 2020, respectively. Based on our research, Wuta Camera application is a beauty camera application primarily favoured by female users. According to "2020 PRC Beauty Camera App Users Business Value Insight Report*" (<<2020中國美顏拍攝類APP用戶營銷價值洞察報告>>) (*https://www.iresearch.com.cn/*) published in April 2020 by iResearch Consulting Group, a professional market research and consulting company specialising in the PRC Internet industry, approximately 89% of Wuta Camera application users are female with a majority within the age group of 16 to 35. With references to the 2019 Annual Report and our discussions with the Management, the main purposes for the Group to acquire the Target Group (the "**Acquisition**") in 2018 were to promote integration of the live streaming industry with camera applications, create synergy between these products, as well as further enhance the growth potential and value of the Group's live streaming platforms, being the business focus of the Group.

Since completion of the Acquisition, Wuta Camera application has been operated independently from the Group's live streaming business, overseen by a different management team with different technology requirements and source of revenue. Taking the advantage of the major user group of Wuta Camera application, the Company initially targeted to introduce more female users to its live streaming platforms, which on the other hand mainly consisted of male users, thereby expanding the user coverage and accelerating the monetisation of the live streaming products. Yet, as advised by the Management, due to its generally vertical business nature and user group, synergy effects of Wuta Camera application with the Group's core business did not materialise as anticipated; no significant increment was observed in the number of female users of the Group's live streaming platforms since completion of the Acquisition.

After a few years of rapid growth, it appears that the beauty camera application market in the PRC has recently approached its maturity stage with an increasingly clear competitive landscape. According to Questmobile TRUTH (*https://www.questmobile.com.cn/*), a professional business data platform specialising in the PRC mobile Internet market, BeautyCam, which is operated by Meitu, Inc. (stock code:1357.hk) with monthly active users (the "**MAUs**") of approximately 55.1 million and a penetration rate of approximately 4.8%, was ranked the first in the PRC camera application market in June 2020, followed by two market players with the respective MAUs of not less than 30 million, and another two market players with the respective MAUs of not less than 20 million, and Wuta Camera application with MAUs of not less than 10 million. In fact, as the only market player with MAUs of exceeding 50 million, BeautyCam had been consistently significantly dominating the PRC camera application market from June through October 2020, with the difference between its MAUs and that of the second player having been increased since July 2020. Further, there was no change in the rankings of the top six market players between June and October 2020, indicating that most of the market leaders had successfully maintained their market positions under the generally intense competition among the industry. Ranked the sixth, MAUs of Wuta Camera application consistently remained below 15 million and exhibited a compound monthly decrease of approximately 3.2% throughout the period from June to October 2020, which had continued the generally decreasing trend for the second quarter of 2020 resulted from, with reference to the 2020 Interim Report, the intensifying competition in the beauty camera and video markets.. On the other hand, it is suggested that the beauty camera applications are potentially facing external competitions with other products. According to the "The Report on the PRC Internet Development Trends 2020*" (<<2020中國互聯網發展趨勢報告>>) (*http://www.ifastdata.com/*) published in February 2020 by FastData, a professional mobile internet business data services provider in PRC, the ongoing improvements and evolutions of the in-built "beauty" function of mobile hardwares as well as video streaming platforms had resulted in a general decrease in the number of daily active users of beauty camera applications during the period between January 2019 and February 2020, demonstrating the potential overlap of users of such products which may in turn impose uncertainties on the beauty camera application market. As a result, considering the recent conditions of the beauty camera application market which is significantly dominated by a small number of players with fierce internal and external competitions, it would be challenging for most of the market players to maintain and/or even increase their market shares, failing which may eventually lead to decreasing sales and profits as the market becomes saturated over time.

Accordingly, despite the fact that the Target Group recorded a year-over-year increase in net profits in 2019 (on an annualised basis), taking into account of (i) the recent year-over-year decrease in net profits of the Target Group in 2020 (on an annualised basis), further details of which are set out in the sub-section headed "2 Background information on the Target Group" above in this letter; (ii) the insignificant synergy brought by Wuta Camera application with the Group's existing live streaming business, which was in deviation from the initial expectations of the Group at the time of implementing the Acquisition; and (iii) the significant domination by a small number of market players as well as the internal and external competitions featuring the beauty camera application market, which indicate the potential difficulties for Wuta Camera application to further exploit the market potentials and maintain and/or increase its market shares, failing which may eventually lead to decreasing sales and profits, we consider that the future prospect of the business of the Target Group, being operation and development of beauty camera applications, is generally uncertain and that the synergy that could be brought by Wuta Camera application with the Group's live streaming business in the future would be minimal.

3.3 Future prospect of the live streaming market

As noted from the allocation of the proceeds from the Disposal, a substantial portion will be used for the development and/or expansion of the Group's live streaming business in the PRC and overseas markets, we have primarily focused on the assessment of the future prospects of the live streaming markets in the PRC and the Southeast Asia region.

Based on our research conducted from the public domains, demand for the Internet and specifically, live streaming in the PRC has been generally strong recently. According to "The 46th China Statistical Report on Internet Development" (*http://cnnic.com.cn*) published in September 2020 by China Internet Network Information Center (the "**CINIC Report**"), a directly affiliated institution of the Office of the Central Internet Security and Informatisation Commission of the PRC, as of June 2020, the number of Internet users in the PRC exhibited a growth from March 2020 and reached 940 million, among which a significant portion of approximately 99.1% was accounted for by the mobile Internet users. Specifically, the total number of live streaming users in the PRC has reached approximately 562.3 million as of June 2020, representing a substantial portion of approximately 59.8% of the total PRC Internet user population and a significant growth of approximately 41.2% as compared to that as of December 2018. Benefited from the current quarantine measures and increased reliance on the Internet resulted from the outbreak of COVID-19 pandemic, the user expansion is expected to rise continuously in the future.

On the other hand, it is expected that the prospect of live streaming in the Southeast Asia region will be generally positive in the future. According to "e-Conomy SEA 2020" (the "**Google, Bain and Temasek Report**") (*http://www.google.com/*, *https://www.bain.com/ and https://www.temasek.com.sg/en/index*), a research report jointly published in November 2020 by Google, LLC, Bain & Company and Temasek Holdings (Private) Limited, respectively an American multinational technology company specialised in Internet-related services and products, an American management consultancy company and a global investment company, gross merchandise value of the Internet in the Southeast Asia region has more than tripled between 2015 and 2020, and is expected to experience another substantial increase and hit $300 billion United States dollars by 2025. In fact, it is expected the Internet economies of all countries within the region including Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam shall experience a growth in the next five years in terms of gross merchandise value. As suggested in the report, while the COVID-19 lockdowns across the Southeast Asia region has helped accelerating several sectors including but not limited to online media industry which was supported by, among others, the growing online population and the expanding online supply, it is expected that the overall Internet economy of the Southeast Asia region will have an outlook more robust than ever in the long run.

On the other hand, it is also suggested that a highly-connected and Internet-enabled community has taken root in the Southeast Asia region recently and such community is growing rapidly. Based on the report, notwithstanding that the online entertainment platforms have seen a surge in new user acquisitions during the COVID-19 pandemic lockdowns, the subsequent churn statistics obtained suggested that many of those new users shall continue their subscriptions indefinitely, demonstrating the opportunities and potentials of the market in the long run. In addition, based on "Future of Consumption in Fast-Growth Consumer Markets: ASEAN" (*http://www.weforum.org*) published in June 2020 by World Economic Forum, an international organisation established in 1971 with an aim to shape global, regional and industry agendas, it is expected that the average time spent online by the Southeast Asian consumers will further expand by the advances of technology. As suggested in the report, rapid digital adoption in the Southeast Asia region shall continue and there will be nearly 575 million Internet users in the region by 2030, bringing significant potentials towards the live streaming market in the Southeast Asian countries.

To conclude, in light of (i) the importance of optimising the content of online entertainment platform so as to enhance users experience and accordingly the market competitiveness of the service providers; (ii) the recent increasing Internet penetration in the PRC as supported by the growths in the number of Internet users as well as mobile Internet users; (iii) the solid demand for live streaming in the PRC in recent years; and (iv) the expanding Internet user base in the Southeast Asia region as supported by, among others, the improvement in Internet connectivity and access, it is expected that the prospect of the live streaming market shall be optimistic in the future.

Accordingly, despite the fact that the Target Group recorded a year-over-year increase in net profits in 2019 (on an annualised basis), considering (i) the initial rationale for implementing the Acquisition was to further enhance the growth potential and value of the Group's live streaming business, its consistently predominant business focus and source of revenue, by creating synergy with Wuta Camera application, which subsequently failed to materialise as anticipated; (ii) the recent decrease in profits of the Target Group for 2020 as compared to 2019 (on an annualised basis) amid the generally uncertain prospect of the beauty camera application business of the Target Group due to the significant domination by a small number of market players and the competitions; and (iii) the generally optimistic prospect of the live streaming market, by implementing the Disposal, the Group will be able to apply the proceeds by reallocating of the investment in Wuta Camera application to focus and further expand the live streaming business, which shall enhance the business performance of the Group and ultimately help enhance returns to the Shareholders. In light of the foregoing, we are of the view that the entering into of the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder are in line with the business strategy of the Group and in the interests of the Company and the Independent Shareholders as a whole.

4 Principal terms of the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder

Pursuant to the Share Transfer Agreement, among others, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 64% of the equity interest in the Target Company at the Consideration of approximately RMB256.0 million (equivalent to approximately HK$302.88 million).

Assessment of the Consideration

According to the Letter from the Board, the Consideration was determined among the Purchaser, the Vendor, the Target Company and the Guarantors after arm's length negotiations with reference to the valuations of the comparable companies and the future prospects of the business of the Target Group. In assessing the fairness and reasonableness of the Consideration, we have primarily made reference to the results of the price-to-sales ("**P/S**") and price-to-earnings ("**P/E**") analyses of comparable companies, as well as the results of an analysis of transactions comparable to the Disposal, details and analyses of which are set out below respectively.

Comparison with comparable companies

For the purpose of our analysis, we have originally conducted research on comparable companies from the public domain which (i) are listed on the Stock Exchange; and (ii) are principally engaged in online advertising in the PRC through operation of beauty camera applications and/or other camera applications, with annual revenue from relevant segment having accounted substantially for more than 50% of the total consolidated revenue during their respective latest financial years. However, on a best-effort basis, we have only identified one comparable, being Meitu, Inc. (stock code: 1357.hk), that have met the aforesaid selection criteria. In order to obtain a larger sample size and hence a more meaningful assessment, we have therefore extended selection criterion (ii) to include all companies that are principally engaged in online advertising in the PRC through operation of their own online platform(s) including mobile application(s) and/or online portal(s), with annual revenue from relevant segment having accounted substantially for more than 50% of the total consolidated revenue during their respective latest financial years (collectively with selection criterion (i), the "**Selection Criteria**"). On a best-effort basis, we have identified an exhaustive list of four companies that have met all of the Selection Criteria (the "**Comparables**").

Despite that a majority of the Comparables do not operate any beauty camera applications, taking into account that (i) all Comparables are principally engaged in online advertising in the PRC, which is the sole source of revenue of the Target Group; (ii) all Comparables generate their online advertisement revenue on a display-based basis, under which advertisement is displayed for a specific period in accordance with the relevant contracts, which is consistent with the Target Group's primary revenue recognition model; and (iii) as the platforms for providing online advertising services, all Comparables own mobile application(s) and/or online portal(s) which focus on user traffic such as MAUs that in turn is driven by certain factors including but not limited to user stickiness, user experiences, and product quality and enrichment, which is generally in line with the Target Group's operating model, we consider that the businesses of the Comparables are generally comparable in nature to that of the Target Group, and have made reference to the Comparables in conducting our analysis.

Initially, we have considered adopting various common valuation approaches, namely the P/E valuation approach, the price-to-book valuation approach and the P/S valuation approach. Having considered that the price-to-book ratio would be the most meaningful for asset-based companies such as banks and insurance companies, whereas the Target Group is principally engaged in a non-capital intensive industry, being the operation of Wuta Camera application which in turn is a mobile entertainment application generating online advertising revenue, we considered the price-to-book valuation approach relatively less appropriate. On the other hand, notwithstanding that the P/E valuation approach is commonly adopted and the Target Group was profit-making in 2019, taking into account of the unavailability of the implied P/E of half of the Comparables due to their loss-making positions, the P/S valuation approach which has a larger sample size has been primarily relied upon in assessing the fairness and reasonableness of the Consideration, while the P/E analysis has also been conducted for reference purpose. Based on our research, it is noted that Nasdaq (*https://www.nasdaq.com/*), an American stock exchange, published reports monthly on the top rated technology stocks according to the P/S investor model, and the P/S ratio is included as one of the key statistics for investors' information in certain widely-used real-time market data feeds such as Bloomberg (*https://www.bloomberg.com/*) and Thomson Reuters (*https://www.reuters.com/*). Further, according to the article "The Pricing of Online Media" published in 2015 by Cogent Valuation (*http://cogentvaluation.com/*), an independent valuation and financial advisory firm in the United States of America since 1991, due to the limitations of the P/E valuation approach, the P/S ratio serves as a good barometer for determining the value of online media companies. As such, we consider that adopting P/S valuation approach in assessing the fairness and reasonableness of the Consideration is reasonable.

In addition, it is worth noting that the implied P/S and the implied P/E of the Target Group in proportion to the 64% equity interests therein to be disposed of under the Disposal (respectively, the "**Implied P/S**" and the "**Implied P/E**") are respectively compared with the P/S and the P/E of the Comparables in our analysis based on the assumption that interests in private companies can be converted into cash quickly at minimum costs in an active open market as the interests in public companies. Yet, in reality, interests in private companies generally do not possess such characteristics due to their lack of marketability and are therefore generally worth less than the interests in public companies. Accordingly, the Implied P/S and the Implied P/E of the Target Group, the members of which are private companies, in our analyses are subject to potential downward biases in comparison to the P/S and the P/E of the Comparables, being publicly listed companies. Our independent findings are summarised in Table 4 below.

Table 4: A summary of the Comparables

Listed issuer	**Stock code**	**Location of principal operation**	**Nature of business**	**Market capitalisation** *(Note 1)* *(HK$ million)* *(approximate)*	**P/S** *(Note 2)* *(times)* *(approximate)*	**P/E** *(Note 3)* *(times)* *(approximate)*
Meitu, Inc.	1357	PRC	Provision of online advertising and Internet value added services	5,909.9	5.1	N/A *(Note 4)*
China Parenting Network Holdings Limited	1736	PRC	Provision of marketing and promotional services and e-commerce business	251.3	2.3	88.3
BabyTree Group	1761	PRC	Provision of advertising, e-commerce and content monetization business	2,360.0	5.6	N/A *(Note 4)*
Pacific Online Limited	543	PRC	Provision of Internet advertising services	1,417.6	1.2	7.8
				Minimum	1.2	7.8
				Maximum	5.6	88.3
				Average	3.5	48.0
Target Group				*473.3* *(Note 5)*	*7.2* *(Note 6)*	*19.8* *(Note 7)*

Source:

The official website of the Stock Exchange (http://www.hkexnews.hk/)

Notes:

1. Computed based on the number of ordinary shares in issue and the closing share price of the Comparables as at the date of the Share Transfer Agreement.

2. Computed by dividing the respective market capitalisations of the Comparables as at the date of the Share Transfer Agreement by the respective latest reported sales revenue of the Comparables, as extracted from the latest annual reports of the Comparables.

3. Computed by dividing the respective market capitalisations of the Comparables as at the date of the Share Transfer Agreement by the respective net profit after taxation for the respective latest financial years of the Comparables as extracted from the latest annual reports of the Comparables.

4. Not applicable since such relevant Comparables recognised a net loss after taxation during their respective latest financial years.

5. The implied value of the Consideration with respect to 100% equity interests in the Target Group; computed by dividing the converted Consideration of approximately HK$302.88 million by the proportion of equity interests in the Target Group to be disposed of under the Disposal of 64%.

6. The Implied P/S computed based on the implied value of the Consideration with respect to 100% equity interests in the Target Group and the revenue for the year ended 31 December 2019.

7. The Implied P/E computed based on the implied value of the Consideration with respect to 100% equity interests in the Target Group and the net profit for the year ended 31 December 2019.

8. Where applicable and for illustration purpose only, the exchange rate of RMB1.00 = HK$1.18 is used for the conversion between RMB and HK$.

Based on (i) the implied value with respect to 100% equity interests in the Target Group of the Consideration in the amount of approximately HK$473.3 million; and (ii) the revenue of Target Group for the year ended 31 December 2019 in the amount of approximately HK$65.9 million, the Implied P/S amounts to approximately 7.2 times. As illustrated in Table 4, the P/S of the Comparables range from approximately 1.2 times to approximately 5.6 times, with the average of approximately 3.5 times. Therefore, notwithstanding the above-mentioned potential bias on the results of the P/S analysis, the Implied P/S of approximately 7.2 times is slightly higher than the maximum P/S of the Comparables.

On the other hand, based on (i) the implied value with respect to 100% equity interests in the Target Group of the Consideration in the amount of approximately HK$473.3 million; and (ii) the net profit of Target Group for the year ended 31 December 2019 in the amount of approximately HK$24.0 million, the Implied P/E amounts to approximately 19.8 times. As illustrated in Table 4, the P/E of the Comparables range from approximately 7.8 times to approximately 88.3 times, with the average of approximately 48.0 times. Therefore, notwithstanding the above-mentioned potential bias on the results of the P/E analysis, the Implied P/E of approximately 19.8 times is within the range of the P/E of the Comparables.

Accordingly, taking into account (i) the Implied P/S of approximately 7.2 times slightly exceeds the maximum P/S of the Comparables of approximately 5.6 times; and (ii) the Implied P/E of approximately 19.8 times is within the range of the P/E of the Comparables, we are of the view that the determination of the Consideration in the amount of approximately RMB256 million is fair and reasonable.

Comparison with comparable transactions

Apart from the P/S and P/E analyses of the Comparables, we have also conducted research on comparable transactions which (i) involve acquisitions or disposals of equity interests in companies which are principally engaged in online advertising in the PRC; (ii) at least one of the underlying parties to the subject transactions is listed on the Stock Exchange; (iii) the underlying considerations and financials including sales and/or earnings of the targets are publicly available; and (iv) were announced during the last twelve months prior to and including the date of the Share Transfer Agreement, which in our view represents a reasonable period of time to reflect the recent market conditions and sentiments for conducting such transactions. On a best-effort basis, we have however identified nil comparable transactions that could meet all of the aforesaid selection criteria. Accordingly, we consider the approach of comparing with other comparable transactions inapplicable for assessing the fairness and reasonableness of the Consideration.

In addition, we have reviewed other principal terms of the Share Transfer Agreement and the transaction contemplated thereunder including but not limited to the terms of payment and the conditions precedent thereto, further details of which are set out in the sub-sections respectively headed "Consideration" and "Conditions Precedent" in the Letter from the Board, and are not aware of any terms being unusual. In view of the above, we are of the view that the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Financial effects of the Disposal

As at the Latest Practicable Date, the Target Company was indirectly owned by the Company as to 64.0% and accounted for as a subsidiary of the Company. Upon Completion, the Group will cease to hold any equity interests in the Target Company, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the accounted of the Group after Completion.

Subject to review by the auditors, immediately after the Completion, before considering the potential income tax to be incurred, balance sheet items of the Target Group including assets of approximately RMB79.3 million and liabilities of approximately RMB7.8 million will be deconsolidated from the financial statements of the Group. In addition, goodwill of approximately RMB210.2 million related to the Target Group's business, non-controlling interests of approximately RMB110.6 million and redemption liabilities arose from the disposal of 36% equity interest in the Target Group in 2019 of approximately RMB272.2 million, which will be adjusted to "other reserves", will be derecognised by the Group immediately after Completion. Accordingly, immediately upon Completion, it is expected that the Group's total assets shall be decreased by approximately RMB33.5 million after considering the deconsolidation of the Target Group's assets and goodwill as well as the increase in cash arising from the receipt of the Consideration, and the Group's total liability shall be decreased by approximately RMB280.0 million after considering the deconsolidation of the Target Group's liabilities and the derecognition of the redemption liabilities. As a result of the deconsolidation, it is expected that the Disposal will result in recognition by the Group of a disposal gain of approximately RMB84.9 million at the excess of the total of cash Consideration of RMB256.0 million over the effects of the abovementioned derecognition of assets. In accordance with the PRC taxation regulations, the Disposal is subject to income tax which may have an impact on the financial information of the Group. Therefore, the above-mentioned financial effects including the actual amount of the gain/loss from the Disposal to be recognised in the consolidated financial statements of the Company would depend on the impact of income tax expense, the then exchange rate on or after the date of the Completion and/or review and final audit by the auditors of the Company, and accordingly may be different from the respective amounts mentioned above. Further, upon Completion, as any advertising income of the Target Company will no longer be included in the consolidated financial statement of the Group, it is expected that there will be a decline in advertising income of the Group.

RECOMMENDATIONS

Having considered the above principal factors and reasons including the potential financial impacts on the Group thereof, we are of the view that the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder, which are implemented in the ordinary and usual course of business of the Company, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed for approving the Disposal, the Share Transfer Agreement and the transaction contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Billy Tang
Managing Director

Billy Tang is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the corporate finance advisory profession.

* *For identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements for the years ended December 31, 2018, 2019 and the unaudited consolidated financial statements for the six months ended June 30, 2020, together with the notes thereto, are set forth in pages 113 to 264 of the annual report for the year ended December 31, 2018, pages 124 to 280 of the annual report for the year ended December 31, 2019 and pages 34 to 80 of the interim report for the year ended June 30, 2020.

- annual report of the Company for the year ended December 31, 2018 published on April 25, 2019 (pages 113-264)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn20190425557.pdf)

- annual report of the Company for the year ended December 31, 2019 published on April 27, 2020 (pages 124-280)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700625.pdf)

- interim report of the Company for the six months ended June 30, 2020 published on September 21, 2020 (pages 34-80)
(https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0921/2020092100329.pdf)

2. INDEBTEDNESS

As at the close of business on December 31, 2020, the Group had a total bank and other borrowings of approximately US$21.7 million (HK$166.8 million), comprising secured bank loans of US$21.7 million. As at December 31, 2020, all of the Group's secured borrowings were secured by the Group's investments in financial assets. Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on December 31, 2020, the Group did not have other outstanding mortgages, charges, debentures or other loan capital issued and outstanding and authorized or otherwise created but unissued, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Group's internal resources, cash flow from operations and also the effect of the Disposal, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is principally engaged in the operation of live social video platforms, mobile and online games, advertising and other services in the PRC. During the first half of 2020, due to the outbreak of the COVID-19 all over the world, the macro-economy and various industries have been impacted with varying degree of severity and the global economy has experienced a certain degree of decline. Meanwhile, the fierce competition and strict supervision in the mobile Internet industry in the PRC continued to pose challenges to the business development of the Group. However, on the other hand, the quarantine measures during the pandemic resulted in the rise of "Stay-at-Home Economic", which contributed new user traffic to the Internet industry. The application of emerging technologies such as 5G has also brought development opportunities to the live streaming industry.

The Group plans to utilize the industry opportunities brought by 5G technology, continue to adhere to its core business, optimize its user platform, create more diversified content and pay close attention to new trends in the development of online platforms such as marriage social networks and live e-commerce. At the same time, the Group will further deepen its layout in overseas markets, replicate its successful business model in China to Southeast Asia and other regions, expand its international market share and promote the Group to enter a new stage of international development as soon as possible, so as to create sustainable profit returns for Shareholders.

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 they 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 *(Note 1)*	330,695,000	25.81%
	Beneficial owner	200,000	0.02%
Mr. Zhao Weiwen	Beneficial owner	1,009,000	0.08%

Note:

1. 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. Mai Shi'en	Executive Director, chief operating officer and acting chief financial officer	RSUs *(Note 1)*	4,050,000	Nil	0.32%
Mr. Chan Wing Yuen, Hubert	Independent Non-executive Director	Options *(Note 2)*	200,000	0.35	0.02%
Mr. Zhao Weiwen	Chief executive officer	RSUs *(Note 3)*	96,203	N/A	0.01%
		Options *(Note 4)*	100,000	0.35	0.01%

Notes:

1. Mr. Mai Shi'en is interested in 405,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 4,050,000 Shares.

2. Mr. Chan Wing Yuen, Hubert are each interested in 20,000 Pre-IPO options granted to each of them on May 22, 2014 under the Pre-IPO share Option Scheme entitling each of them to receive 200,000 Shares.

3. 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.

4. 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 they 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 *(Note 1)*	330,695,000	25.81%
Three-Body Holdings Ltd	Interest in Controlled Corporation *(Note 1)*	330,695,000	25.81%
Blueberry Worldwide Holdings Limited	Beneficial Owner *(Note 1)*	330,695,000	25.81%
Sina Hong Kong Limited	Beneficial Owner	300,000,000	23.42%
Ho Chi Sing	Interest in Controlled Corporation *(Note 2)*	110,000,000	8.59%
Zhou Quan	Interest in Controlled Corporation *(Note 2)*	110,000,000	8.59%
IDG-Accel China Growth Fund GP II Associates Ltd.	Interest in Controlled Corporation *(Note 2)*	110,000,000	8.59%
IDG-Accel China Growth Fund II Associates L.P.	Interest in Controlled Corporation *(Note 2)*	102,146,200	7.97%
IDG-Accel China Growth Fund II L.P.	Beneficial Owner *(Note 2)*	102,146,200	7.97%

Notes:

(i) 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.

(ii) 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.

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).

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(i) the subscription confirmation letter dated January 7, 2019 entered into between Jinhua9158 Network Science and Technology Co., Ltd.* (金華就約我吧網絡科技有限公司, "**Jinhua9158**") and Suzhou Yunyue Enterprise Management Center (Limited Partnership)* (蘇州雲月企業管理中心(有限合夥)) in relation to the subscription and purchase of a limited partnership interest in the Suzhou Yunzhou Venture Capital Center (Limited Partnership)* (蘇州雲周創業投資中心(有限合夥)) by Jinhua 9158 at the consideration of RMB25 million;

(ii) the capital contribution agreement dated April 1, 2019 entered into between Week8 Holdings (HK) Limited and Buny Technology Pte. Ltd pursuant to which Week8 Holdings (HK) Limited agreed to contribute new capital in the aggregate amount of US$1.47 million in return for approximately 49% of the enlarged capital of Buny Technology Pte. Ltd.;

(iii) the joint venture agreement dated August 23, 2019 entered into between Week8 Holdings (HK) Limited and Fusion Space Realty Corp in relation to the establishment of One Three Three Digital Technology Inc., pursuant to which Week8 Holdings (HK) Limited holds 20% equity interest in One Three Three Digital Technology Inc. at the consideration of RMB10 million;

(iv) the capital contribution agreement dated September 11, 2019 entered into between Week8 Holdings (HK) Limited and Superise Realty Group Inc. pursuant to which Week8 Holdings (HK) Limited agreed to contribute new capital in the aggregate amount of RMB19.5 million in return for approximately 10% of the enlarged capital of Superise Realty Group Inc.;

(v) the joint venture agreement dated December 6, 2019 entered into between Week8 Holdings (Singapore) Pte. Ltd and Waterelephant Technology Co., Limited in relation to the establishment of Waterelephant Technology Pte. Limited, pursuant to which Week8 Holdings (Singapore) Pte. Ltd holds 10% equity interest in Waterelephant Technology Pte. Limited at the consideration of RMB10 million;

(vi) the discretionary account agreement dated March 2, 2020 entered into between HuaGe Group Limited ("**HuaGe**") and Forshine Asset Management Limited in relation to the discretionary investment management service provided by Forshine Asset Management Limited to HuaGe with the investment amount of US$60 million;

(vii) the share subscription agreement dated March 5, 2020 entered into between Week8 Holdings (HK) Limited and PS Newgen Management Limited in relation to the subscription of 3.33% equity interest of PS Newgen Management Limited at the consideration of US$0.5 million;

(viii) the capital contribution agreement dated March 6, 2020 entered into between Week8 Holdings (HK) Limited and Standard Financial Holdings Corp. pursuant to which Week8 Holdings (HK) Limited agreed to contribute new capital in the aggregate amount of US$11 million in return for approximately 19.3% equity interest of Standard Financial Holdings Corp.;

(ix) the capital contribution agreement dated July 1, 2020 entered into between Jinhua Ruichi and Shenzhen Aizuji Technology Limited* (深圳市愛租機科技有限公司, "**Shenzhen Aizuji**") pursuant to which Jinhua Ruichi agreed to contribute new capital in the aggregate amount of RMB15 million in return for approximately 6% equity interest of Shenzhen Aizuji;

(x) the equity transfer agreement dated July 1, 2020 entered into between Week8 Holdings (Singapore) Pte. Ltd, Jinhua Xinyue Information Technology Limited* (金華興悦資訊技術有限公司, "**Jinhua Xinyue**") and Ms. Zhou Xiaoyu in relation to the acquisition of 80% equity interest in Jinhua Xinyue at the consideration of RMB11.25 million;

(xi) the discretionary account agreement dated September 3, 2020 entered into between HuaGe and Forshine Asset Management Limited in relation to the discretionary investment management service provided by Forshine Asset Management Limited to HuaGe with the investment amount of US$87 million;

(xii) the share subscription agreement dated September 3, 2020 entered into between HuaGe and Micro Money Fund SPC in relation to the subscription and purchase of participating, redeemable, non-voting shares attributable to Micro Money Fund SP, a segregated portfolio of Micro Money Fund SPC by HuaGe with the investment amount of US$3 million;

(xiii) the subscription agreement dated September 7, 2020 entered into between the Company and Sun Life Hong Kong Limited in relation to the subscription for wealth management product offered by Sun Life Hong Kong Limited with the subscription amount of US$10 million; and

(xiv) the limited partnership agreement and the subscription agreement dated December 28, 2020 entered into between the Company and Yun Qi Partners III GP, Ltd., pursuant to which the Company agreed to invest US$1 million in Yun Qi Partners III-A, L.P. as a limited partner. Yun Qi Partners III GP, Ltd. is the general partner and the fund manager of Yun Qi Partners III-A, L.P.

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.

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 December 31, 2019, 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 Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) 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
Lego Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The expert above 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, the above expert 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, the above experts had no interest, direct or indirect, in any asset since December 31, 2019, 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 AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong during normal business hours (from 9:00 a.m. to 5:30 p.m.) on any weekday, excluding public holidays, from the Latest Practicable Date up to and including the date of the EGM:

(a) Articles of Association;

(b) the Share Transfer Agreement;

(c) the letter from the Independent Board Committee, the text of which is set out in this circular;

(d) the annual reports of the Company for the years ended December 31, 2018 and 2019 and the interim report of the Company for the six months ended June 30, 2020;

(e) the material contracts as referred to in the paragraph headed "Material Contracts" in this appendix;

(f) the written consent of the expert referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix;

(g) the letter of advice from Lego Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;

(h) the Company's circular dated October 29, 2020 regarding its discretionary account agreements and the share subscription agreement; and

(i) this circular.

Tian Ge Interactive Holdings Limited
天鴿互動控股有限公司

(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 Thursday, March 18, 2021 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

"**THAT**:

(a) the entering into and performance of the share transfer agreement dated December 15, 2020 (the "**Share Transfer Agreement**") and other agreements ancillary to the the disposal of 64% equity interest of Jinhua Ruian Investment Management Company Limited (the "**Disposal**"), be and are hereby approved, confirmed and ratified;

(b) the Disposal be and is hereby approved, ratified and confirmed; and

(c) any one director of the Company be and is hereby authorised 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 Share Transfer Agreement and the transactions contemplated thereunder."

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

Hong Kong, February 26, 2021

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

Headquarter:
Room 322
East Tower Building 1
No. 17-1 Chuxin Road
Gongshu District
Hangzhou, PRC

Principal place of business in Hong Kong:
31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
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 March 16, 2021) 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 March 18, 2021, the register of members of the Company will be closed from March 15, 2021 to March 18, 2021 (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 March 12, 2021.

(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.