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Tian Ge Interactive Holdings Limited

天鵲互動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1980)

CONTINUING CONNECTED TRANSACTIONS NEW CONTRACTUAL ARRANGEMENTS

THE NEW CONTRACTUAL ARRANGEMENTS

Reference is made to the sections headed “Contractual Arrangements” and “Connected Transactions” in the Prospectus in relation to, among others, the contractual arrangements. The Board is pleased to announce that, on 9 March 2022, the relevant parties (as detailed below) entered into the following agreements to change the Existing Registered Holders of the PRC Operating Entities to the New Registered Holders, and replace the Existing Contractual Arrangements with the New Contractual Arrangements:

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

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

LISTING RULES IMPLICATIONS

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

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

The EGM will be held for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolution(s) to approve, among other things, the entering into of the Termination Agreements, the Equity Transfer Agreements and the New VIE Agreements.

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the said agreements are fair and reasonable and how to vote in respect of the resolution(s) proposed after taking into account the recommendation of the independent financial adviser. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Termination Agreements, the Equity Transfer Agreements and the New VIE Agreements; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 30 March 2022.

The consummation of the said agreements are subject to the passing of the resolutions at the EGM. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

INTRODUCTION

Reference is made to the sections headed “Contractual Arrangements” and “Connected Transactions” in the Prospectus in relation to, among others, the contractual arrangements. The Board is pleased to announce that, on 9 March 2022, the relevant parties (as detailed below) entered into the following agreements to change the Existing Registered Holders of the PRC Operating Entities to the New Registered Holders, and replace the Existing Contractual Arrangements with the New Contractual Arrangements:

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

Under the New Contractual Arrangements, each of the PRC Operating Entities will remain a consolidated affiliated entity of the Company and its financial results will continue to be accounted for and consolidated in the accounts of the Group.

BACKGROUND

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

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

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

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

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

TERMINATION AGREEMENTS

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

Date: 9 March 2022

Parties:

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

Subject: Pursuant to the Termination Agreements, the PRC Operating Entities, the WFOEs, the Existing Registered Holders agreed that the Existing VIE Agreements in relation to the PRC Operating Entities will be terminated upon the effectiveness of the Termination Agreements.

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

EQUITY TRANSFER AGREEMENTS

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

Date: 9 March 2022

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

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

NEW VIE AGREEMENTS

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

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

To the extent that any of the New VIE Agreements have a term which is expected to be more than 3 years, as the Company will appoint an independent financial adviser to provide opinion on such term in accordance with Rule 14A.52 of the Listing Rules which will be included in the circular to be despatched to the Shareholders on or before 30 March 2022.

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

(1) Exclusive Technology Service Agreement

Date: 9 March 2022

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

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

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

Pursuant to each Exclusive Technology Service Agreement, the relevant PRC Operating Entity shall pay to the relevant WFOE a service fee at 95% of the PRC Operating Entity's net revenue, i.e. revenue less any costs and expenses (except the service fee) necessary for such PRC Operating Entity's business operations and any taxes (except enterprise income tax) and accumulated losses in a given year, plus extra service fee for additional services provided by the WFOE upon request of the PRC Operating Entity, within three months after each calendar year for the services provided in the preceding year.

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

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

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

(2) Exclusive Call Option Agreement

Date: 9 March 2022

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

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

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

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

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

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

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

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

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

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

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

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

(3) Voting Rights Proxy Agreement

Date: 9 March 2022

Parties:

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

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

- (i) convene and participate in shareholders meetings in the capacity of a proxy of the New Registered Holder;
- (ii) exercise the voting rights, on behalf of the New Registered Holder, and adopt and execute resolutions, on matters to be discussed and resolved at shareholder meetings, including without limitation to, the appointment and election of directors of the PRC Operating Entity or any senior management that should be appointed and dismissed by the shareholders; the disposal of the assets of the PRC Operating Entity, the dissolution or liquidation of the PRC Operating Entity; the establishment of the liquidation committee and the exercise of rights enjoyed by the liquidation committee during the liquidation period in accordance with PRC law on behalf of the New Registered Holders;
- (iii) exercise other voting rights of shareholders under the articles of association of the PRC Operating Entity (including any amendment thereto);

- (iv) submit any required document to any relevant company registry or other authorities in the capacity of a proxy of each New Registered Holder; and
- (v) enter into or sign, on behalf of the New Registered Holder, any equity transfer agreement or other related documents, and process any governmental approvals, registration, filing or other procedures to effect the equity transfer under the Exclusive Call Option Agreement.

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

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

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

(4) Powers of Attorney

Date: 9 March 2022

Parties: each of the New Registered Holders

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

- (i) convene and participate in shareholders meetings in the capacity of a proxy of the New Registered Holder;

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

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

(5) Loan Agreement

Date : 9 March 2022

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

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

Under the Loan Agreement regarding the investment in Jinhua9158 (being one of the four PRC Operating Entities), the New Registered Holders and the relevant WFOE confirm that the relevant WFOE has lent to each of the New Registered Holders, and each of the New Registered Holders is obligated to repay the relevant WFOE, amounts equal to his respective payment for consideration of share transfer under the Equity Transfer Agreement or capital contribution to the registered capital of the relevant PRC Operating Entity (as applicable), i.e. RMB9,700,000 to Mr. Fu Yanchang, RMB1,833,800 to Mr. Zhao Weiwen and RMB916,900 to Mr. Teng Tao.

Under the Loan Agreement regarding the investment in Jinhua99 (being one of the four PRC Operating Entities), the New Registered Holders and the relevant WFOE confirm that the relevant WFOE has lent to each of the New Registered Holders, and each of the New Registered Holders is obligated to repay the relevant WFOE, amounts equal to his respective payment for consideration of share transfer under the Equity Transfer Agreement or capital contribution to the registered capital of the relevant PRC Operating Entity (as applicable), i.e. RMB9,700,000 to Mr. Fu Yanchang, RMB4,970,500 to Mr. Zhao Weiwen and RMB2,485,200 to Mr. Teng Tao.

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

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

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

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

(6) Equity Pledge Agreement

Date: 9 March 2022

Parties:

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

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

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

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

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

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

(7) Confirmation Letter from Spouse

Where applicable, each of the spouse of Mr. Fu Yanchang, Mr. Zhao Weiwen and Mr. Teng Tao will provide a written confirmation confirming that she will execute any necessary document and take any necessary measure to ensure the proper performance of the New VIE Agreements to which the relevant New Registered Holder is a party, as may be amended from time to time.

(8) Dispute Resolution

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

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

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

(9) Potential Conflicts of Interests

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

LEGALITY OF THE NEW CONTRACTUAL ARRANGEMENTS

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

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

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

- (i) the Company does not hold, directly or indirectly, any equity interest in the PRC Operating Entities; the ownership of each of the PRC Operating Entities will be in compliance with the existing PRC laws and regulations; the Group's ownership structure, immediately following the entering into the New VIE Agreements, will not be regarded as violation of the existing PRC laws and regulations;
- (ii) the New VIE Agreements shall not be regarded as being invalid due to violation of the Civil Code of the PRC, in particular on the ground of "impairing others' legitimate rights and interests with malicious collusion" or fall within any of the circumstances under which a contract may become invalid pursuant to the Civil Code of the PRC;
- (iii) each of the New VIE Agreements is in compliance with the applicable PRC laws and regulations, and is enforceable, valid and legally binding under the applicable PRC laws and regulations, except for the provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the relevant PRC Operating Entities, injunctive relief and/or winding up of the relevant PRC Operating Entities, and that the courts in Hong Kong or the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be recognized or enforceable by the PRC courts;
- (iv) no filings, consents, approvals, permits or recognitions, of any PRC governmental authorities, will be required in connection with the execution, delivery, effectiveness and enforceability of each of the agreements comprising the New VIE Agreements except that (i) the pledge of any equity interests in the PRC Operating Entities for the benefit of the relevant WFOE is subject to registration requirements with the relevant governmental authority and (ii) the exercise of any exclusive option rights by the WFOEs under the relevant Exclusive Call Option Agreement may subject to the approval, filing or registration requirements with the relevant governmental authorities to the extent permitted by the PRC laws.

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

EFFECTS OF THE NEW CONTRACTUAL ARRANGEMENTS

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

- (i) the right to receive substantially all of the revenue generated by the PRC Operating Entities from their business operations through various commercial arrangements;

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

Annual Caps

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

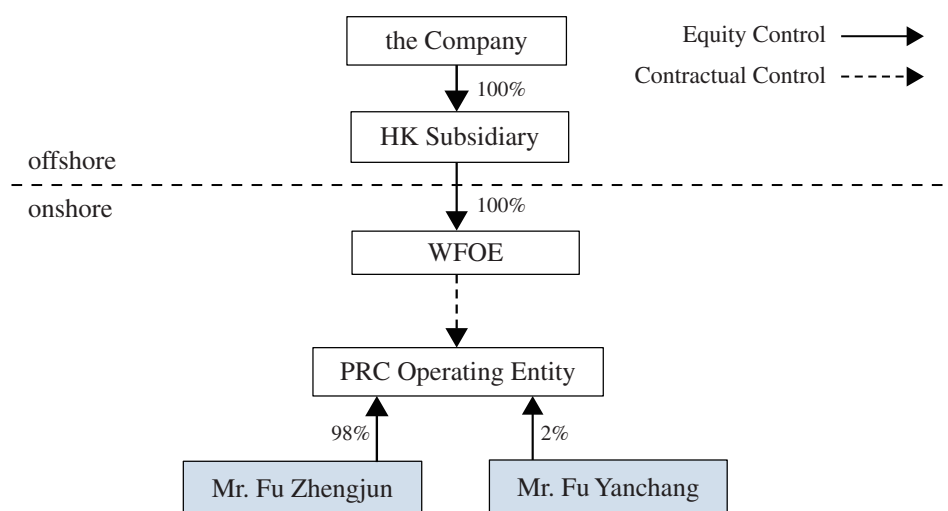
Accordingly, the New VIE Agreements have been designed to ensure that there will be no limit on the amount of fees payable to the Group under the New Contractual Arrangements. Therefore, there will be no monetary cap on any agreements under the New VIE Agreements.

Connected Persons

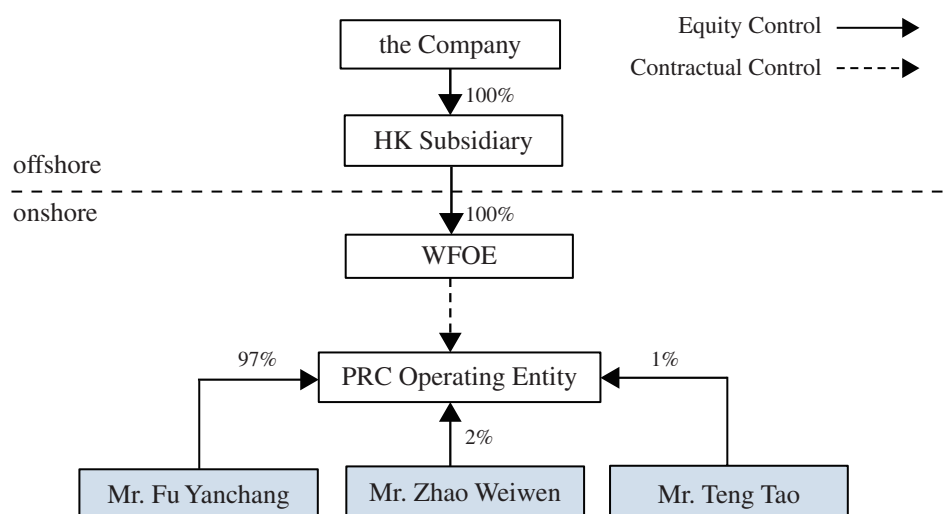
Upon execution of the New VIE Agreements, each of the PRC Operating Entities will be treated as a wholly-owned subsidiary of the Company, and the directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the PRC Operating Entities and their respective associates will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

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

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



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



RISKS FACTORS RELATING TO THE NEW CONTRACTUAL ARRANGEMENTS

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

The Company is incorporated in the Cayman Islands and its wholly-owned PRC subsidiaries are considered as foreign-invested enterprises. Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunications services and online cultural businesses. Due to these restrictions, the

Company conducts its operations in China through the PRC Operating Entities, including Hantang, Jinhua9158, Jinhua99 and Xingxiu, based on a series of Contractual Arrangements by and among the WFOE, the PRC Operating Entities and their shareholders. As a result of the Contractual Arrangements, although the Company does not have any equity interest in its PRC Operating Entities, it is able to exercise effective control over its PRC Operating Entities and receive substantially all of the economic benefits of their operations through the Contractual Arrangements with the PRC Operating Entities and their shareholders.

The PRC Legal Advisor has advised that the corporate structure of the Group and the New Contractual Arrangements are not in violation of application PRC laws and regulations. However, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Thus, it cannot be assured that the PRC regulatory authority will not ultimately take a view contrary to or otherwise different from the opinion of the PRC Legal Advisor of the Company. If the Company is found to be in violation of any PRC laws or regulations or if the New VIE Agreements of the New Contractual Arrangements among the WFOE, the PRC Operating Entities and the Registered Holders are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

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

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

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

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

The value-added telecommunications services and online cultural business that the Company conducts through its PRC Operating Entities are subject to foreign investment restrictions or prohibitions as set out in the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) (《外商投資准入特別管理措施(負面清單)》(2020年版)) issued by MOFCOM and the NDRC which became effective on 23 July 2020. It is unclear whether any new “negative list” to be issued under the PRC Foreign Investment Law will be different from such existing list.

The PRC Foreign Investment Law leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. It is therefore uncertain whether the corporate structure of the Company will be seen as violating foreign investment rules as the Company is currently using the Contractual Arrangements to operate certain businesses in which foreign investors are currently prohibited or restricted from investing. Furthermore, if future laws, administrative regulations or provisions of the State Council mandate further actions to be taken by companies with respect to the Contractual Arrangements, the Company may face substantial uncertainties as to whether it can complete such actions in a timely manner, or at all. If the Company fails to take appropriate and timely measures to comply with any of these or similar regulatory compliance requirements, its current corporate structure, corporate governance and business operations could be materially and adversely affected.

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

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

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

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

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

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

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

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

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

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

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

The Company's control over the PRC Operating Entities is based upon the New Contractual Arrangements with the PRC Operating Entities and the New Registered Holders. The New Registered Holders may potentially have conflicts of interest with the Company and breach their contracts or undertaking if it would further their own interest or if they otherwise act in bad faith. It cannot be assured that when conflicts of interest arise, these individuals will act in the best interests of the Company or that conflicts of interest will be resolved in the Company's favour. In the event of any such conflicts of interest, these individuals may breach or cause the PRC Operating Entities to breach or refuse to renew the New Contractual Arrangements that allow us to effectively control and receive economic benefits from the PRC Operating Entities. If the Company cannot resolve such conflict of interest or dispute between the Company and the New Registered Holders should it arise, the Company would have to rely on legal protections, which could result in disruption of its business and subject the Company to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede the Company's ability to enforce the New Contractual Arrangements. If the Company is unable to resolve any such conflicts, or if it experiences significant delays or other obstacles as a result of such conflicts, the Company's business and operations could be severely disrupted, which could materially and adversely affect its results of operations and damage the Company's reputation.

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

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

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

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

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

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

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

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

- (1) Jinhua Ruichi transferred its equity interest in Jinhua Ruian to Beijing Weimeng Chuangke Investment Management Company Limited in April 2021;
- (2) Jinhua Ruichi transferred all its equity interest in Zhejiang Gengfan to an independent third party in June 2021;
- (3) 9158 Investment completed its liquidation and deregistration in August 2021.

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

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

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

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

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

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

INFORMATION OF THE GROUP

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

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

INFORMATION ABOUT THE PARTIES TO THE NEW CONTRACTUAL ARRANGEMENTS

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

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

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

DIRECTORS' VIEW ON THE NEW CONTRACTUAL ARRANGEMENTS

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

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

LISTING RULES IMPLICATIONS

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

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

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

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

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

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

Independent Shareholders' Approval and the EGM

The EGM will be held for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolution(s) to approve, among other things, the entering into of the Termination Agreements, the Equity Transfer Agreements and the New VIE Agreements.

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the said Agreements are fair and reasonable and how to vote in respect of the resolution(s) proposed after taking into account the recommendation of the independent financial adviser. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Termination Agreements, the Equity Transfer Agreements and the New VIE Agreements; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 30 March 2022.

The consummation of the said agreements are subject to the passing of the resolutions at the EGM. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, the following terms and expressions shall have the following meanings, unless the context otherwise requires:

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“CIETAC”	China International Economic and Trade Arbitration Commission
“Company”	Tian Ge Interactive Holdings Limited, a company incorporated in Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1980)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Contractual Arrangements”	the Existing Contractual Arrangements and the New Contractual Arrangements
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, approve the Termination Agreements, the Equity Transfer Agreements, the New VIE Agreements and the transactions contemplated thereunder
“Equity Transfer Agreements”	the equity transfer agreements dated 9 March 2022 entered into between the Existing Registered Holders, the New Registered Holders and the PRC Operating Entities, as further detailed in the section headed “Equity Transfer Agreements” in this announcement
“Existing Contractual Arrangements”	the contractual arrangements under the Existing VIE Agreements
“Existing Registered Holder(s)”	Mr. Fu and Mr. Fu Yanchang, the registered shareholders of the PRC Operating Entities before the completion of the Equity Transfer Agreements

“Existing VIE Agreements”	a set of underlying agreements entered into between the WFOEs, the PRC Operating Entities and the Existing Registered Holders in June 2014, including: (i) Exclusive Technology Service Agreement (獨家技術服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Voting Rights Proxy Agreement (股東表決權委託協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議)
“Group”	the Company and its subsidiaries from time to time
“Hangzhou Tiange”	Tiange Technology (Hangzhou) Co., Ltd. (天格科技(杭州)有限公司), a limited liability company established in the PRC and is wholly-owned by the Company
“Hantang”	Hangzhou Hantang Cultural Communication Co., Ltd.* (杭州漢唐文化傳播有限公司), a limited liability company established in the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICP License”	a value-added telecommunications business operation license issued by the relevant PRC government authorities with a service scope of information services
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the terms of the Termination Agreements, the Equity Transfer Agreements, the New VIE Agreements and the transaction contemplated thereunder
“Independent Shareholders”	Shareholders who are independent of and have no interest in the transactions contemplated under the Termination Agreements, the Equity Transfer Agreements and the New VIE Agreements
“Jinhua 9158”	Jinhua 9158 Network Science and Technology Co., Ltd.* (金華就約我吧網絡科技有限公司), a limited liability company established in the PRC
“Jinhua 99”	Jinhua 99 Information Technology Co., Ltd.* (金華玖玖信息技術有限公司), a limited liability company established in the PRC
“Jinhua Ruian”	Jinhua Ruian Investment Management Co., Limited* (金華睿安投資管理有限公司), a limited liability company established in the PRC
“Jinhua Ruichi”	Jinhua Ruichi Investment Management Co., Ltd.* (金華睿馳投資管理有限公司), a limited liability company established in the PRC and is wholly-owned by one of the PRC Operating Entities
“Jinhua Xuance”	Jinhua Xuance Investment Management Co., Ltd.* (金華萱策投資管理有限公司), a limited liability company established in the PRC and is wholly-owned by one of the PRC Operating Entities

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Fu”	Mr. Fu Zhengjun, the Chairman of the Board and a Shareholder
“New Contractual Arrangements”	the contractual arrangements under the New VIE Agreements
“New Registered Holder(s)”	Mr. Fu Yanchang, Mr. Zhao Weiwen and Mr. Teng Tao, the registered shareholders of the PRC Operating Entities upon the completion of the Equity Transfer Agreements
“New VIE Agreements”	a set of underlying agreements entered into between the WFOEs, the PRC Operating Entities and the New Registered Holders on 9 March 2022, including: (i) Exclusive Technology Service Agreement (獨家技術服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Voting Rights Proxy Agreement (股東表決權委託協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議)
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisor”	Han Kun Law Offices, the legal advisor to the Company as to the PRC laws
“Prospectus”	the prospectus of the Company dated 25 June 2014 in connection with the global offering of its ordinary shares
“PRC Operating Entities”, each a “PRC Operating Entity”	Jinhua9158, Jinhua99, Hantang and Xingxiu, each a limited liability company established in the PRC
“Shareholder(s)”	holder(s) of the Share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

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

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

Hong Kong, 9 March 2022

As of the date of this announcement, the executive Directors are Mr. Fu Zhengjun and Mr. Mai Shi'en, the non-executive Directors are Mr. Xiong Xiangdong and Ms. Cao Fei, and the independent non-executive Directors are Mr. Lam Yiu Por, Mr. Yang Wenbin and Mr. Chan Wing Yuen Hubert.

* for identification purposes only