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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2014

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended June 30,		
	2014	2013	**Change**
	RMB'000	*RMB'000*	*%*
Revenue	**344,257**	259,777	32.5
Gross Profit	**290,203**	229,566	26.4
Loss Attributable to Equity Holders of the Company	**(174,353)**	(91,940)	89.6
Non-IFRS Adjusted Net Profit[(1)]	**131,701**	100,484	31.1
Non-IFRS EBITDA[(2)]	**158,708**	121,836	30.3

Notes:

(1) Non-IFRS adjusted net profit was derived from the unaudited profit for the period excluding the effect of non-cash share-based compensation expenses, non-cash fair value change of convertible redeemable preferred shares, gain on repurchase of preferred shares, dividend appropriation to preferred shareholders and listing expenses.

(2) Non-IFRS EBITDA represents operating profit, adjusted to exclude share-based compensation expenses, listing expenses, depreciation and amortization.

INTERIM RESULTS

The board of directors (the "**Directors**") (the "**Board**") of Tian Ge Interactive Holdings Limited (the "**Company**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2014. These interim results have been reviewed by (i) the Company's Audit Committee, comprising solely the independent non-executive Directors, one of whom chairs the committee, and (ii) the Company's external auditors, PricewaterhouseCoopers.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
(AS AT JUNE 30, 2014)

	Note	**Unaudited June 30, 2014** *RMB'000*	Audited December 31, 2013 *RMB'000*
Assets			
Non-current assets			
Property and equipment		**122,920**	16,736
Intangible assets		**49,003**	5,864
Investment in associates	*11*	**3,196**	4,900
Available-for-sale financial assets	*13*	**2,300**	2,300
Prepayments and other receivables		**23,691**	110,737
Deferred income tax assets		**23,254**	24,348
Restricted cash		**87,000**	87,000
		311,364	251,885
Current assets			
Trade receivables	*12*	**21,117**	20,804
Prepayments and other receivables		**41,239**	66,788
Available-for-sale financial assets	*13*	**382,525**	278,140
Term deposits with initial term over 3 months		**–**	21,873
Cash and cash equivalents		**65,553**	171,896
Restricted cash		**100,000**	33,000
		610,434	592,501
Total assets		**921,798**	844,386
Equity			
Equity attributable to Shareholders of the Company			
Share capital		**46**	42
Shares held for RSU Scheme		**(4)**	–
Reserves		**212,749**	205,408
Accumulated deficits		**(468,359)**	(294,006)
		(255,568)	(88,556)
Non-controlling interests		**5,074**	4,897
Total deficits		**(250,494)**	(83,659)

	Note	**Unaudited June 30, 2014 *RMB'000***	Audited December 31, 2013 *RMB'000*
Liabilities			
Non-current liabilities			
Borrowings	*16*	**79,986**	79,260
Convertible redeemable preferred shares	*17*	**813,757**	548,471
Deferred income tax liabilities		**482**	595
		894,225	628,326
Current liabilities			
Trade payables	*15*	**28,480**	13,883
Other payables and accruals		**79,923**	114,631
Income tax liabilities		**42,530**	42,532
Dividend payable		**–**	74,161
Borrowings	*16*	**92,292**	30,485
Customer advance and deferred revenue		**34,842**	24,027
		278,067	299,719
Total liabilities		**1,172,292**	928,045
Total equity and liabilities		**921,798**	844,386
Net current assets		**332,367**	292,782
Total assets less current liabilities		**643,731**	544,667

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(FOR THE SIX MONTHS ENDED JUNE 30, 2014)

		Unaudited Six months ended June 30,	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**344,257**	259,777
Cost of revenue	*5*	**(54,054)**	(30,211)
Gross profit		**290,203**	229,566
Selling and marketing expenses	*5*	**(94,824)**	(76,952)
Administrative expenses	*5*	**(69,614)**	(21,670)
Research and development expenses	*5*	**(33,977)**	(31,579)
Other gains, net	*6*	**14,077**	12,903
Operating profit		**105,865**	112,268
Finance income	*7*	**2,993**	34,624
Finance costs	*7*	**(1,839)**	(35,804)
Finance income/(costs), net	*7*	**1,154**	(1,180)
Fair value loss of convertible redeemable preferred shares	*17*	**(260,502)**	(185,942)
Loss before income tax		**(153,483)**	(74,854)
Income tax expense	*8*	**(20,693)**	(17,086)
Loss for the period		**(174,176)**	(91,940)
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(6,169)**	8,921
Total comprehensive loss for the period		**(180,345)**	(83,019)
Loss attributable to:			
– Shareholders of the Company		**(174,353)**	(91,940)
– Non-controlling interests		**177**	–
		(174,176)	(91,940)
Total comprehensive loss attributable to:			
– Shareholders of the Company		**(180,522)**	(83,019)
– Non-controlling interests		**177**	–
		(180,345)	(83,019)
Loss per share (expressed in RMB per share)			
– Basic	*9(a)*	**(0.27)**	(0.14)
– Diluted	*9(b)*	**(0.27)**	(0.14)
Dividends	*10*	**–**	89,739

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(FOR THE SIX MONTHS ENDED JUNE 30, 2014)

		Unaudited						
		Equity attributable to shareholders of the Company						
	Note	Share capital RMB'000	Shares held for RSU Scheme RMB'000	Reserves RMB'000	Accumulated deficits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Deficits RMB'000
Balance at January 1, 2014		**42**	**–**	**205,408**	**(294,006)**	**(88,556)**	**4,897**	**(83,659)**
Comprehensive loss								
Loss for the six months ended June 30, 2014		**–**	**–**	**–**	**(174,353)**	**(174,353)**	**177**	**(174,176)**
Other comprehensive income								
Currency translation differences		**–**	**–**	**(6,169)**	**–**	**(6,169)**	**–**	**(6,169)**
Total comprehensive income		**–**	**–**	**(6,169)**	**(174,353)**	**(180,522)**	**177**	**(180,345)**
Issuance of shares held for RSU Scheme		**4**	**(4)**	**–**	**–**	**–**	**–**	**–**
Share-based compensation		**–**	**–**	**13,510**	**–**	**13,510**	**–**	**13,510**
Total transactions with owners, recognized directly in equity		**4**	**(4)**	**7,341**	**(174,353)**	**(167,012)**	**177**	**(166,835)**
Balance at June 30, 2014		**46**	**(4)**	**212,749**	**(468,359)**	**(255,568)**	**5,074**	**(250,494)**
Balance at January 1, 2013		42	–	272,730	(200,346)	72,426	–	72,426
Comprehensive loss								
Loss for the six months ended June 30, 2013		–	–	–	(91,940)	(91,940)	–	(91,940)
Other comprehensive income								
Currency translation differences		–	–	8,921	–	8,921	–	8,921
Total comprehensive income		–	–	8,921	(91,940)	(83,019)	–	(83,019)
Share-based compensation		–	–	2,997	–	2,997	–	2,997
Appropriation of dividend	*10*	–	–	(89,739)	–	(89,739)	–	(89,739)
Total transactions with owners, recognized directly in equity		–	–	(77,821)	(91,940)	(169,761)	–	(169,761)
Balance at June 30, 2013		42	–	194,909	(292,286)	(97,335)	–	(97,335)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(FOR THE SIX MONTHS ENDED JUNE 30, 2014)

	Unaudited Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
Net cash generated from operating activities	**109,481**	70,717
Net cash used in investing activities	**(163,889)**	(2,299)
Net cash used in financing activities	**(51,935)**	(57,156)
Net (decrease)/increase in cash and cash equivalents	**(106,343)**	11,262
Cash and cash equivalents at beginning of period	**171,896**	136,637
Exchange gain on cash and cash equivalents	**–**	1,689
Cash and cash equivalents at end of period	**65,553**	149,588

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
(FOR THE SIX MONTHS ENDED JUNE 30, 2014)

1 GENERAL INFORMATION

Tian Ge Interactive Holdings Limited (the "Company"), was incorporated in the Cayman Islands on July 28, 2008 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands as an investment holding company. The address of the Company's registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company and its subsidiaries (collectively the "Group") are principally engaged in the operating of live social video platforms, mobile and online games and other products and services in the People's Republic of China (the "PRC").

The Company finished its primary listing on The Stock Exchange of Hong Kong Limited on July 9, 2014.

This condensed consolidated financial information is presented in Renminbi (the "RMB"), unless otherwise stated. This condensed consolidated financial information was approved by the board of directors of the Company for issue on August 26, 2014.

This condensed consolidated financial information has been reviewed by the auditor of the Company, not audited.

Key events

(a) On March 31, 2014, Series B Preferred Shares Investors executed a letter of undertaking to waive their redemption rights for the period from December 31, 2013 to July 1, 2015.

(b) On May 22, 2014, the Group operates a new equity-settled share-based compensation plan (the "Pre-IPO Restricted Share Unit Scheme"), under which the entity receives services from employees as consideration for equity instruments of the Group. On the same day, 7,280,000 Pre-IPO restricted share units ("RSUs"), which includes the 4,280,000 Pre-IPO RSUs which were granted to partially replace the options granted under the Pre-IPO Share Option Scheme, have been granted to 17 grantees, including two executive Directors, three senior management members, one connected person of the Group and 11 other employees.

(c) Pursuant to the Circular on the Pilot Plan for Levying Value Added Tax ("VAT") in Place of Business Tax (Caishui No.110, 2011) and the Circular on the Pilot Practice of Levying VAT in Place of Business Tax for the Telecommunication Industry (Caishui No.43, 2014) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenue from operation of live social video communities and interactive social video games was subject to VAT since June 1, 2014, and the applicable tax is 6%.

2 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended June 30, 2014 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2013, as set out in Appendix I to the prospectus of the Company dated June 25, 2014 (the "Prospectus").

(a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) The Group purchased two platform licenses in the six months ended June 30, 2014. As the licenses were separately acquired, the acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

(c) Depreciation on building and decorations is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, 33 years and 3 to 5 years, respectively.

(d) On May 22, 2014, the Share Option Plan was amended to decrease the aggregate number of Ordinary Share available for issuance thereunder by 4,154,425 Ordinary Shares from 13,000,000 Ordinary Shares to 8,845,575 Ordinary Shares. Pursuant to the modification, 4,280,000 share options granted under the Share Option Plan were replaced by the same number of RSUs under the Pre-IPO Restricted Share Unit Scheme.

Where there is modification of terms and conditions which increase the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

New standards, amendments and interpretations to existing standards that are effective during this interim period have been adopted consistently throughout the interim period unless prohibited by the standards to apply retrospectively. There are no new or amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the financial information of the Group.

4 REVENUE

Details of the revenue for the six months ended June 30, 2013 and 2014 are as follows:

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
Live Social Video Platform	**316,496**	254,000
Games	**26,153**	758
Others	**1,608**	5,019
Total revenue	**344,257**	259,777

5 EXPENSES BY NATURE

	Six months ended June 30, 2014 RMB'000	2013 RMB'000
Employee benefit expenses (including share-based compensation expenses)	**69,288**	51,658
Promotion and advertising expenses	**64,850**	42,919
Professional and consultancy fees	**32,399**	193
Business tax and related surcharges	**18,704**	15,360
Commission charges by platforms and game developers	**15,950**	–
Bandwidth and server custody fees	**14,716**	13,812
Game development outsourcing costs	**7,702**	8,763
Travelling and entertainment expenses	**7,101**	7,062
Depreciation of property and equipment	**5,732**	5,683
Utilities and office expenses	**4,856**	4,701
Operating lease rentals in respect of office buildings	**4,550**	5,090
Payment handling costs	**2,635**	2,129
Amortization of intangible assets	**1,736**	888
Auditors' remuneration	**1,455**	1,932
Others	**795**	222
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**252,469**	160,412

6 OTHER GAINS, NET

	Six months ended June 30, 2014 RMB'000	2013 RMB'000
Investment Interest	**8,916**	5,631
Government grants	**7,021**	7,420
Share of loss from associate	**(1,704)**	–
Loss on disposal of property and equipment, net	**(122)**	(59)
Others	**(34)**	(89)
	14,077	12,903

7 FINANCE INCOME/(COSTS), NET

	Six months ended June 30, 2014 RMB'000	2013 RMB'000
Finance income:		
– Exchange gain on financing activities	**2**	1,696
– Interest income on cash and cash equivalents	**2,991**	644
– Gain on repurchase of preferred shares	**–**	32,284
	2,993	34,624
Finance costs:		
– Dividend appropriation to preferred shareholders	**–**	(35,769)
– Interest expenses on bank borrowings	**(1,830)**	(35)
– Exchange loss on financing activities	**(9)**	–
	(1,839)	(35,804)
Finance income/(cost), net	**1,154**	(1,180)

8 INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands. Hong Kong profits tax has been provided for at the rate of 16.5% (2013:16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operated in the PRC are subject to PRC Enterprise Income Tax ("EIT") at the rate of 25% (2013: 25%) and certain Group's subsidiaries and PRC Operating Entities are entitled to preferential EIT rate of 12.5% or 15%.

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong corporate income tax	**–**	20
– PRC corporate income tax	**19,712**	15,400
Total current income tax	**19,712**	15,420
Deferred income tax	**981**	1,666
	20,693	17,086

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate of companies established and operated in the PRC used for the six months ended June 30, 2014 is 14.63% (the estimated tax rate of companies established and operated in the PRC for the six months ended June 30, 2013 was 15.39%).

9 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss of the Group attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during each year.

	Six months ended June 30,	
	2014	2013
Loss attributable to shareholders of the Company *(RMB'000)*	**(174,353)**	(91,940)
Weighted average number of ordinary shares in issue	**640,000,000**	640,000,000
Basic loss per share *(in RMB/share)*	**(0.27)**	(0.14)

As of June 30, 2014, share capital consisted of 64,000,000 ordinary shares, each with the par value of US$0.0001.

Upon the Company's listing on Main Board of the Stock Exchange of Hong Kong Limited, the Company's ordinary shareholders received nine bonus shares for every registered ordinary share that they already held. As a result, the then existing outstanding ordinary shares were adjusted to 640,000,000 on a one-to-ten basis.

For the purpose of computing basic and diluted loss per share, the number of ordinary shares outstanding during each interim period have been adjusted retroactively for the proportional changes in the number of ordinary share outstanding as a result of the issuance of bonus shares.

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted loss per share for the six months ended June 30, 2013 and 2014 are the same as basic loss per share in the respective period.

For the six months ended June 30, 2013 and 2014, the Company has two categories of dilutive potential ordinary shares, convertible redeemable preferred shares and share based compensation granted to employees under 2008 Global Share Option Plan and Pre-IPO Restricted Share Unit Scheme are assumed to have been fully vested and released from restrictions with no impact on earnings.

As the Group incurred loss for the six months ended June 30, 2013 and 2014, the convertible redeemable preferred shares and the share based compensation are anti-dilutive and, consequently, not included in the computation of diluted losses per share.

10 DIVIDENDS

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
Dividends declared by the Company	**–**	89,739

Pursuant to the resolution of the Company's board meeting in January 2013, the Company declared dividend of US$20 million (RMB123.792 million) to the holders of the ordinary shares, series A preferred shares and series B preferred shares, of which the dividends on these preferred shares that are classified as liabilities are recognised in the consolidated statements of comprehensive income as finance costs (Note 7).

As of June 30, 2014, all declared dividend were paid to the holders of the ordinary shares, series A preferred shares and series B preferred shares.

11 INVESTMENT IN ASSOCIATE

	As of June 30, 2014	As of December 31, 2013
	RMB'000	*RMB'000*
Associate	**3,196**	4,900

Set out below is the associate of the Group as of June 30, 2014, which, in the opinion of the directors, is not material to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also its principal place of business.

Details of investment in associate as of June 30, 2014

Name of entity	**Place of business**	**% of ownership interest**	**Nature of relationship**	**Measurement method**
Sun's Catering & Entertainment Management (Hangzhou) Co., Ltd. ("Sun") (孫記餐飲娛樂管理(杭州)有限公司)	Hangzhou, PRC	49%	Note (a)	Equity

(a) Sun primarily engages in the operation of a physical KTV store in Hangzhou, the PRC. The physical KTV store started its operation in January 2014.

	Six Months ended June 30, 2014 *RMB'000*
Beginning of the period	**4,900**
Share of loss from associate	**(1,704)**
End of the period	**3,196**

12 TRADE RECEIVABLES

Aging analysis based on recognition date of the gross trade receivables at the respective balance sheet dates are as follows:

	As of June 30, 2014 *RMB'000*	As of December 31, 2013 *RMB'000*
0-90 days	**10,273**	14,741
91-180 days	**5,776**	4,931
181-365 days	**5,068**	275
Over 1 year	**–**	857
	21,117	20,804

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended June 30,	
	2014 *RMB'000*	2013 *RMB'000*
Non-current		
Opening balance as of January 1	**2,300**	2,000
Additions	**–**	–
Closing balance as of June 30	**2,300**	2,000
Current (Note (a))		
Opening balance as of January 1	**278,140**	144,402
Additions	**1,175,332**	1,073,443
Repayment	**(1,070,947)**	(1,109,511)
Closing balance as of June 30	**382,525**	108,334

(a) The fair value of the structured deposits approximated its carrying amount. The Group's available-for-sale financial assets refer to RMB-denominated structured deposits with floating interest rates ranging from 2.2% to 6.2% per annum with primarily a maturity period ranging from 3 months to 1 year or with a revolving term. These structured deposits are offered by large state-owned commercial banks in the PRC.

14 SHARE-BASED PAYMENTS

(a) Share Options

	Average Exercise Price in US$ per Share Option	Number of Share Options
At January 1, 2014		**11,996,510**
Granted *(i)*	**3.5000**	**1,185,000**
Cancelled	**0.9734**	**(248)**
Forfeited	**1.7410**	**(62,387)**
Replaced by the Pre-IPO Restricted Share Unit Scheme *(ii)*	**0.2808**	**(4,280,000)**
At June 30, 2014		**8,838,875**
At January 1, 2013		11,841,938
Forfeited	1.0083	(20,479)
At June 30, 2013		11,821,459

(i) On May 22, 2014, the Company granted 1,185,000 ordinary share options to its directors and employees at an exercise price of US$3.5. Subject to the grantee continuing to be a service provider, 25% of these options will be vested on May 22, 2015. Since then, the options will be vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(ii) On May 22, 2014, the Share Option Plan was amended to decrease the aggregate number of ordinary share available for issuance thereunder by 4,154,425 ordinary shares from 13,000,000 ordinary shares to 8,845,575 ordinary shares. Pursuant to the modification, 4,280,000 share options granted under the Share Option Plan were replaced by the same number of RSUs under the Pre-IPO Restricted Share Unit Scheme (see Note (b) below). The major changes are that there is no consideration payable by the grantees for the RSUs, while there were assigned exercise prices for the options exchanged. Such changes represent a modification of the instruments granted for share based payments and resulted in an aggregate incremental fair value of approximately US$1,787,434 (equivalent to approximately RMB10,979,834).

As of June 30, 2014, no share options were exercisable as the Trigger Event set out in Appendix I to the Prospectus has not been met.

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors with best estimates.

Based on the fair value of the underlying ordinary share, the directors have used Binominal pricing model to determine the fair value of the share option as of the grant date.

The management estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to the option life of the share option. Volatility was estimated at grant date based on the average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date.

(b) Restricted Share Units

On May 22, 2014, the board of directors of the Company approved the establishment of the Pre-IPO Restricted Share Unit Scheme. Pursuant to the resolution, 7,280,000 pre-IPO restricted share units ("Pre-IPO RSUs"), which includes the 4,280,000 Pre-IPO RSUs which were granted to partially replace the options granted under the pre-IPO share option scheme of the Company, have been granted to 17 grantees, including two executive directors, three senior management members, one connected person of the Group and 11 other employees.

RSUs held by a participant that are vested may be exercised (in whole or in part) by the participant serving an exercise notice in writing to the Company and delivered to the RSU Trustee accordingly.

The Pre-IPO Restricted Share Unit Scheme will be valid and effective for a period of ten years, commencing from May 22, 2014.

Apart from the RSUs granted for replacement of certain then existing share options as described in Note (a) above, on May 22, 2014, the Group granted 500,000, 85,000, 2,415,000 additional RSUs to its employees and directors with below different vesting schedules, respectively:

(i) 25% shall vest 6 months after the Listing, and 25% shall vest every year thereafter over the next three years after the first vesting date.

(ii) 25% shall vest on the first anniversary of June 1, 2012, and 2.083% shall vest every month thereafter over the next three years after the first vesting date.

(iii) 25% shall vest on the first anniversary of the grant date, and 2.083% shall vest every month thereafter over the next three years after the first vesting date.

Movements in the number of RSUs outstanding:

	Number of Pre-IPO RSUs
At January 1, 2014	**–**
Granted	**3,000,000**
Granted to replace the share options	**4,280,000**
At June 30, 2014	**7,280,000**
Shares vested but not transferred as of June 30, 2014	**3,947,500**

None of the above awarded RSUs were exercised during the six months ended June 30, 2014.

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors with best estimates. The fair value of the each RSU granted was calculated based on the fair value of the underlying ordinary shares.

The weighted average fair value of Pre-IPO RSUs granted during the six months ended June 30, 2014 was USD5.28 per share (equivalent to approximately RMB32.56 per share).

(c) **Shares held for RSU Scheme**

On June 16, 2014, the Company entered into a trust deed with an independent trustee (the "RSU Trustee") and an independent trust nominee (the "RSU Nominee"), pursuant to which the RSU Trustee shall act as the administrator of the RSU Scheme and the RSU Nominee shall hold the shares underlying the RSU Scheme.

On June 19, 2014, the Company issued 7,280,000 ordinary shares to the RSU Nominee at the par value of US$0.0001 each. Accordingly, 7,280,000 ordinary shares of the Company underlying the RSUs were held by the RSU Nominee for the benefit of the grantees pursuant to the RSU Scheme.

The above shares held for RSU Scheme were regarded as treasury shares and had been deducted from shareholders' equity.

15 TRADE PAYABLES

The aging analysis of trade payables based on recognition date is as follows:

	As of June 30, 2014 *RMB'000*	As of December 31, 2013 *RMB'000*
0-90 days	**7,199**	3,261
91-180 days	**13,550**	3,159
181-365 days	**951**	2,933
Over 1 year	**6,780**	4,530
	28,480	13,883

16 BORROWINGS

	As of June 30, 2014 *RMB'000*	As of December 31, 2013 *RMB'000*
Non-current		
Bank borrowings	**79,986**	79,260
Current		
Bank borrowings	**92,292**	30,485
Total borrowings	**172,278**	109,745
Unsecured	**–**	–
Secured		
– Pledged (a)	**172,278**	109,745
	172,278	109,745

(a) As at June 30, 2014, bank borrowings of RMB172,278,000 were pledged by restricted bank deposits of RMB187,000,000, the weighted average interest rate on bank borrowings in the six months ended June 30, 2014 was 2.99% per annum.

17 CONVERTIBLE REDEEMABLE PREFERRED SHARES

	Convertible Redeemable Preferred Shares		
	Series A	**Series B**	**Total**
	RMB'000	*RMB'000* *(Note a)*	*RMB'000*
At January 1, 2014	**–**	**548,471**	**548,471**
Changes in fair value	**–**	**260,502**	**260,502**
Exchange differences	**–**	**4,784**	**4,784**
At June 30, 2014	**–**	**813,757**	**813,757**
Change in unrealized losses for the period included in profit or loss for liabilities held at the period end	**–**	**260,502**	**260,502**
At January 1, 2013	52,119	303,043	355,162
Changes in fair value	24,907	161,035	185,942
Repurchase of Series A Preferred Shares	(76,453)	–	(76,453)
Exchange differences	(573)	(7,583)	(8,156)
At June 30, 2013	–	456,495	456,495
Change in unrealized losses for the period included in profit or loss for liabilities held at the period end	24,907	161,035	185,942

(a) On March 31, 2014, the Series B Preferred Shares Investors executed a letter of undertaking to waive their redemption rights for the period from December 31, 2013 to July 1, 2015.

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the preferred shares as of the date of issuance and at each of the reporting dates.

Changes in fair value of series A preferred shares and series B preferred shares were recorded in "fair value loss of convertible redeemable preferred shares". Management considered that fair value change in the preferred shares that are attributable to changes of credit risk of this liability being not significant.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Overview and Outlook

In the first half of 2014, we made significant progress in expanding and developing our overall business. The superior user experience we offer is grounded in our strong technological capabilities and infrastructure. Thanks to the improved functionality of our services and strong user activity on our platform, we achieved robust financial results for the first half of 2014.

In order to remain competitive, we are committed to nurturing the development of new real-time video content genres, and expanding our live social video community, as well as attracting new hosts, users-on-air and room managers. We intend to leverage the successful position we have fortified in the music and entertainment category to further expand and diversify into new content genres, such as finance, health and lifestyle, and e-commerce. In tandem with this multi-dimensional expansion into new content genres and media formats, we will continue to attract hosts, users-on-air and room managers to increase the stickiness on our social ecosystem.

Recognizing the trend towards mobile in online entertainment, we plan to facilitate complete multi-platform usability and functionality, as we leverage our brand, user base and technology to give users the flexibility to enjoy our content anytime and anywhere. Our mobile strategy aims to take full advantage of the technological and infrastructure improvements in China, including the ongoing recent rollout of 4G services, which will support high-quality video streams on mobile devices.

In addition, since we expanded into the mobile games market through the launch of our first mobile game, “Three Kingdoms” and leveraging the strength of our user base, we also initiated the beta-testing soft launch of our new live-social-video-embedded game. We expect to release an additional six to eight self-developed and third-party developed mobile games over the next six to twelve months, several of which could enable interactive video functionality. The introduction and expansion of gaming on our platform allows us to leverage our large social video community, diversify our revenue mix and drive future growth. We believe that our large and rapidly growing user base elevates cross-promotion potential and lowers customer acquisition costs.

We aim to further advance our platform’s penetration outside of Mainland China in countries and regions with large numbers of Chinese speakers. We will accomplish this by carefully considering partnerships, mergers and acquisitions with other companies. We will initially target companies with large user bases and similar interactive product offerings, or those in our upstream and downstream markets. Although we have not yet identified any acquisition targets, we believe horizontal and vertical partnerships and acquisitions could significantly accelerate the growth and enhance the competitive positioning of our live social video services. We aim to leverage our strong technological capabilities and infrastructure, large and loyal user base and established social ecosystem to successfully expand into new markets and sectors.

Lastly, we have leveraged our live social video know-how and technological capabilities to offer an O2O entertainment service that allows real-time interaction between people located at physical entertainment venues accessing through smart-TVs and online users accessing through PC or mobile devices. We currently provide technical support to an offline karaoke outlet in downtown Hangzhou as a testing center to further improve user experience. Going forward, we plan to provide this cloud-based O2O service to third-party operators of entertainment venues across China.

2. Operating Information

The following table sets forth certain operating statistics relating to the company's Internet platforms and value-added services as of the dates and for the periods presented below:

	Three months ended				
	June 30, 2014	March 31, 2014	Quarter-on-quarter Change	June 30, 2013	Year-on-year Change
Live Social Video Community					
Monthly Active Users *(in '000)*	**13,428**	12,172	*10.3%*	10,541	*27.4%*
% of mobile MAU users	**7.4%**	8.0%	*n/a*	3.9%	*n/a*
Monthly Paying Users *(in '000)*	**332**	324	*2.5%*	246	*35.0%*
Monthly Average Revenue Per User *(RMB)*	**158**	163	*-3.1%*	174	*-9.2%*
Number of Rooms	**29,449**	28,411	*3.7%*	24,609	*19.7%*
Number of Hosts	**38,448**	38,303	*0.4%*	31,467	*22.2%*
Mobile Game & Other					
Monthly Active Users *(in '000)*	**319**	302	*5%*		
Number of Games	**1**	1			

The following is a summary of the comparative figures for the periods presented above:

- Monthly Active Users ("**MAU**") for the Company's live social video platforms was approximately 13.4 million for the three months ended June 30, 2014, representing an increase of approximately 27.4% from the three months ended June 30, 2013 and representing an increase of 10.3% from the three months ended March 31, 2014.

- Monthly Paying Users ("**MPU**") for the Company's live social video platforms was approximately 332,000 for the three months ended June 30, 2014, representing an increase of approximately 35.0% from the three months ended June 30, 2013 and representing an increase of 2.5% from the three months ended March 31, 2014.

- The Monthly Average Revenue Per User ("**ARPU**") of the Company's live social video platforms experienced a moderate decline primarily due to the significant increase in our paying user base.

- Number of rooms and number of hosts on the live social video platforms grew steadily year-on-year in line with MAUs, reflecting the organic growth of the Company's diversified content and expanding user reach.

- Number of users on air on our live social video platform increased to approximately 644,000 in three months ended June 30, 2014 from approximately 570,000 in the corresponding period of year 2013. The healthy year-on-year increase in users on air also reflected the stronger willingness of our active users to go on camera and interact via real time video.

- The percentage users on air over total MAU on the live social video platform remained stable at 4.8% in three months ended June 30, 2014, as compared to 4.7% in the immediately preceding quarter.

- The percentage of the Company's live social video platform's mobile MAU over total MAU grew to 7.4% in the three months ended June 30, 2014 from 3.9% in the corresponding period in 2013.

- The total registered users of the Company as at June 30, 2014 is 245.0 million, as compared to 205.1 million as at December 31, 2013.

3. Financial Information

	Unaudited			
	Three months ended		**Six months ended**	
	June 30, 2014	March 31, 2014	**June 30, 2014**	June 30, 2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
IFRS P&L				
IFRS Revenue	**172,612**	171,645	**344,257**	259,777
Cost of revenue	**26,711**	27,343	**54,054**	30,211
Selling and Marketing expenses	**44,807**	50,017	**94,824**	76,952
Administrative Expenses	**45,191**	24,423	**69,614**	21,670
Research and Development expenses	**18,849**	15,128	**33,977**	31,579
Other Gains, Net	**8,083**	5,994	**14,077**	12,903
Operating Profit	**45,137**	60,728	**105,865**	112,268
Finance income/(cost), net	**644**	510	**1,154**	(1,180)
Fair value loss of convertible redeemable preferred shares and redeemable ordinary shares	**(237,517)**	(22,985)	**(260,502)**	(185,942)
Provision for income taxes	**9,869**	10,824	**20,693**	17,086
Net Profit/(Loss)	**(201,605)**	27,429	**(174,176)**	(91,940)
Non-controlling interests	**(409)**	232	**(177)**	
Equity holders of the Company	**(202,014)**	27,661	**(174,353)**	(91,940)
Non-IFRS Financial Data				
Non-IFRS EBITDA	**81,947**	76,761	**158,708**	121,836
Non-IFRS EBITDA margin	**47%**	45%	**46%**	47%
Non-IFRS Net Income	**68,641**	63,060	**131,701**	100,484

Revenue

Revenue increased by 32.5% year-on-year to RMB344.3 million in the first half of 2014 from the corresponding period in 2013. The following table sets forth the Company's revenue by line for the periods presented below.

	Unaudited			
	Three months ended		**Six months ended**	
	June 30, 2014	March 31, 2014	**June 30, 2014**	June 30, 2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue Mix				
Live social video	**157,952**	158,544	**316,496**	254,000
% of total revenue	***91.5%***	*92.4%*	***91.9%***	*97.8%*
Games & Others	**14,660**	13,101	**27,761**	5,777
% of total revenue	***8.5%***	*7.6%*	***8.1%***	*2.2%*
Total Revenue	**172,612**	171,645	**344,257**	259,777

The following is a summary of the comparative figures for the periods presented above:

- Revenues from our live social video platform was approximately RMB316.5 million for the six months ended June 30, 2014, representing an increase of approximately 24.6% from the corresponding period in 2013.
- Revenues from our live social video platform was approximately RMB158.0 million for the second quarter of 2014, which remained stable as compared to the first quarter of 2014.
- Games and other revenues was approximately RMB27.8 million for the six months ended June 30, 2014, representing an increase of approximately 380.5% from the corresponding period in 2013.
- Games and other revenues increased to RMB14.7 million for the second quarter of 2014 as compared to RMB13.1 million the first quarter of 2014.
- The Company currently evaluates the business as one segment.

Cost of Revenue

Cost of revenues increased by 78.9% to RMB54.1 million in the first half of 2014 as compared with the corresponding period in 2013. The increase in cost of revenue for the first half of 2014 was primarily due to the increase of commission charges related to the launch and operation of our mobile game "Three Kingdoms".

In addition, cost of revenues in the second quarter of 2014 decreased by 2.3% to RMB26.7 million as compared with the immediate preceding quarter, primarily due to decrease of business tax and related surcharges. Pursuant to the Circular on the Pilot Practice of Levying VAT in Place of Business Tax for the Telecommunication Industry (Caishui No.43, 2014) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenue from operation of live social video communities, interactive social video games was subject to VAT since June 1, 2014, and the applicable tax rate is 6%. After that, majority revenue of the Company is subject to VAT instead of business tax, which would have a positive effect on our cost of revenues.

Selling and Marketing Expenses

Selling and marketing expenses increased by 23.2% to RMB94.8 million for the first half of 2014 from the corresponding period in 2013. The increase in selling and marketing expenses for the first half of 2014 was primarily due to the increase of promotion and advertising expenses.

In addition, selling and marketing expenses decreased by 10.4% for the second quarter of 2014 as compared to the immediately preceding quarter, primarily due to the decrease of promotion and advertising expenses.

Administrative Expenses

Administrative expenses increased by 221.2% year-on-year to RMB69.6 million for the first half of 2014, primarily due to the listing fees related to the IPO and increase of share-based compensation expenses. Administrative expenses increased by 85.0% to RMB45.2 million for the second quarter of 2014, as compared to the immediate preceding quarter, primarily due to the listing fees related to IPO and increase of share-based compensation expenses.

Research and Development Expenses

Research and development expenses increased by 7.6% year-on-year to RMB34.0 million for the first half of 2014, primarily due to the increase in share-based compensation expenses. In addition, research and development expenses increased by 24.6% in the second quarter of 2014, as compared to the immediately preceding quarter, primarily due to the increase in game development outsourcing cost.

Other Gains, Net

We recorded other gains, net of RMB14.1 million for the first half of 2014, compared to other gains, net of RMB12.9 million for the corresponding period of year 2013. Moreover, we recorded other gains, net of RMB8.1 million for the second quarter of 2014, compared to other gains, net of RMB6.0 million for the immediate preceding quarter.

Finance Income/(Costs), Net

Finance income consists of: (i) gains from repurchase of our preferred shares in the second quarter of 2013, representing the difference between the repurchase price and the fair value of the preferred shares on the repurchase date, and (ii) interest income on our cash and cash equivalents for the six months ended June 30, 2013 and 2014, respectively. Finance costs primarily consists of: (i) dividends appropriated to our preferred shareholders in the first quarter of 2013, and (ii) interest expenses on our bank borrowings for the six months ended June 30, 2013 and 2014, respectively.

We recorded finance income, net of RMB1.2 million for the first half of 2014 and finance loss, net of RMB1.2 million in the corresponding period of year 2013. We recorded finance income, net of approximately RMB644,000 for the second quarter of 2014, compared to finance income, net of RMB510,000 in the immediate preceding quarter.

Income tax expense

Income tax expense increased to RMB20.7 million for the first half of 2014 from RMB17.1 million in the first half of 2013. This primarily reflected an increase in profit before income tax.

Loss attributable to equity holders of the Company

Loss attributable to equity holders of the Company increased by 89.6% year-on-year to RMB174.4 million for the first half of 2014, mainly due to the fair value loss of convertible redeemable preferred shares. The significant increase in the fair value of convertible redeemable preferred shares in the second quarter of 2014 was primarily due to the continued increase in the equity values of the Company. Upon the completion of the Global Offering, the Company's convertible redeemable preferred shares had automatically converted into our Ordinary Shares on a one-to-one basis, and there will be no fair value gain or loss associated with our convertible redeemable preferred shares for any financial period after December 31, 2014.

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, adjusted net profit, adjusted earnings per share and adjusted EBITDA are used as additional financial measures. These financial measures are presented because they are used by management to evaluate operating performance. The Company also believes that these non-IFRS measures provide useful information to help investors and others understand and evaluate the Company's consolidated results of operations in the same manner as management and in comparing financial results across accounting periods and to those of our peer companies.

The following table sets forth the Company's non-IFRS financial data for the periods presented.

	Unaudited			
	Three months ended		**Six months ended**	
	30-Jun-14	31-Mar-14	**30-Jun-14**	30-Jun-13
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-IFRS Financial Data				
Non-IFRS EBITDA	**81,947**	76,761	**158,708**	121,836
Non-IFRS EBITDA margin	***47%***	*45%*	***46%***	*47%*
Non-IFRS Net Income	**68,641**	63,060	**131,701**	100,484
Non-IFRS Earnings Per Share				
Basic	**0.11**	0.10	**0.21**	0.16
Diluted	**0.07**	0.07	**0.14**	0.10

* Non-IFRS EBITDA margin is calculated by dividing adjusted EBITDA by revenues.

** Basic Non-IFRS EPS is calculated by dividing the Non-IFRS profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period which have been adjusted retroactively for the proportional changes in the number of ordinary shares outstanding as a result of the issuance of bonus shares.

*** The denominator for computing the diluted Non-IFRS EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of Series B convertible redeemable preferred shares and to assume stock options granted to employees under 2008 Global Share Option Plan and Pre-IPO Restricted Share Unit Scheme have been fully vested and exercised with no impact on the non-IFRS adjusted earning. The number of diluted ordinary shares outstanding during each interim period have been adjusted retroactively for the proportional changes in the number of preferred shares, options and restricted share units outstanding as a result of the issuance of bonus shares for each interim period. The numerator of diluted Non-IFRS EPS is Non-IFRS profit attributable to the equity holders of the Company.

Non-IFRS Adjusted EBITDA

Adjusted EBITDA, as presented, represents operating profit, adjusted to exclude share-based compensation expenses, listing expenses, depreciation and amortization. The use of adjusted EBITDA has certain limitations because it does not reflect all items of income and expenses that affect operations. Items excluded from adjusted EBITDA are significant components in understanding and assessing our operating and financial performance. Share based compensation expenses, listing expenses, depreciation and amortization have been and may continue to be incurred and are not reflected in the presentation of adjusted EBITDA. Each of these items should also be considered in the overall evaluation of the Company's results.

The following table reconciles our operating profit to our adjusted EBITDA for the periods presented.

	Unaudited			
	Three months ended		Six months ended	
	June 30, 2014	March 31, 2014	**June 30, 2014**	June 30, 2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Reconciliation to Non-IFRS EBITDA				
Operating Profit	**45,137**	60,728	**105,865**	112,268
Share-based compensation expense	**12,460**	1,050	**13,510**	2,997
Listing expense	**20,269**	11,596	**31,865**	–
Depreciation and amortization expense	**4,081**	3,387	**7,468**	6,571
Non-IFRS EBITDA	**81,947**	76,761	**158,708**	121,836

Non-IFRS Net Income

Non-IFRS net income eliminates the effect of non-cash share-based compensation expenses, non-cash fair value change of convertible redeemable preferred shares, non-cash gains on repurchase of preferred shares, dividend appropriation to preferred shareholders and listing expenses. The term of adjusted net profit is not defined under IFRS.

The following tables set forth the reconciliations of the Company's net profit to non-IFRS net income for the periods presented below.

	Unaudited			
	Three months ended		Six months ended	
	June 30, 2014	March 31, 2014	**June 30, 2014**	June 30, 2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Reconciliation to non-IFRS Net Income				
Net Profit/(Loss)	**(201,605)**	27,429	**(174,176)**	(91,940)
Share-based compensation expense	**12,460**	1,050	**13,510**	2,997
Listing expense	**20,269**	11,596	**31,865**	–
Gain on repurchase of preferred shares	**–**	–	**–**	(32,284)
Dividend appropriation to preferred shareholders	**–**	–	**–**	35,769
Fair value loss of convertible redeemable preferred shares and redeemable ordinary shares	**237,517**	22,985	**260,502**	185,942
Non-IFRS Net Income	**68,641**	63,060	**131,701**	100,484

4. Liquidity and Financial Resources

Cash and Cash Equivalent, Restricted Cash and Financial Assets/Term Deposits

Cash and cash equivalents consist of cash at bank and cash on hand, and as at June 30, 2014 and December 31, 2013 amounted to RMB65.6 million and RMB171.9 million, respectively. All cash in bank balances as of these dates were demand deposits and term deposits with initial terms of less than three months. Out of RMB65.6 million, approximately RMB40.3 million is denominated in RMB and approximately RMB25.3 million is denominated in other currencies (primarily US dollars). Since there are no cost-effective hedges against the fluctuation of RMB and no effective manner to generally convert a significant amount of non-RMB currencies into RMB, which is not a freely exchangeable currency, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits and investments.

Restricted cash are RMB-denominated restricted deposits held at bank as a pledge for the bank borrowings. As at June 30, 2014 and December 31, 2013, the Company had total restricted cash of RMB187.0 million and RMB120.0 million, respectively.

The Company had available-for-sale financial assets of RMB382.5 million and RMB278.1 million as at June 30, 2014 and December 31, 2013, respectively. Available-for-sale financial assets typically consist of RMB-denominated principal-protected structured deposits with floating interest rates ranging from 2.2% to 6.2% per annum with maturity periods within one year or with an ongoing term offered by large state-owned commercial banks in China.

The Company did not have any term deposits with initial terms of over three months in certain structured deposits as at June 30, 2014 (2013: RMB21.9 million).

Bank Loans and Other Borrowings

As of June 30, 2014, we had outstanding short-term borrowings of USD15.0 million (RMB92.3 million), as compared to USD5.0 million (RMB30.5 million) as at December 31, 2013.

The increase in short-term borrowing balance was mainly reflected by the repaying of USD5.0 million borrowing in May 2014 to Industrial and Commercial Bank of China (Europe) S.A. Amsterdam Branch and a new borrowing of USD15.0 million also in May 2014 from Industrial and Commercial Bank of China Limited Paris Branch. The maturity date of this loan is November 12, 2014 and the interest rate is the three month US dollar LIBOR interest rate plus 2.9%. This loan is guaranteed by Hangzhou Tiange in the form of a RMB100.0 million investment pledged as collateral with Industrial and Commercial Bank of China Limited Zhejiang Branch from May 20, 2014 to November 30, 2014 with an annualized interest rate of 3.9%.

Adjusted Gearing Ratio

The adjusted gearing ratio as at June 30, 2014 is 30.6%, as compared to 23.6% as at December 31, 2013. The adjusted gearing ratio is calculated by dividing total borrowings with adjusted equity, where adjusted equity is total deficits plus convertible redeemable preferred shares as set out in the consolidated balance sheet.

Significant Investment

The Company did not make any significant investments or material acquisitions/disposals for the six months ended June 30, 2014.

Capital Expenditure

For the six months ended June 30, 2014, our capital expenditure amounted to approximately RMB63.0 million (June 30, 2013: approximately RMB34.2 million). The capital expenditure mainly includes purchasing of platform licenses which amounted to approximately RMB45.0 million, decorations of our office space which amounted to approximately RMB6.0 million, pre-payment of new office space located in Shanghai which amounted to approximately RMB8.0 million and other office equipment, servers, etc. which amounted to approximately RMB4.0 million, all of which were funded using cash flow generated from our operations.

Contingent Liabilities

As of June 30, 2014, the Group did not have any material contingent liabilities, guarantees or any litigation against us.

Charges on Assets

As of June 30, 2014, there were no charges on the Group's assets.

Treasury Policies

As of June 30, 2014, the Group adopts conservative treasury policies in cash and financial management. The Group does not use any financial instruments for hedging purpose.

5. Corporate Information

Staff

The Company had 847 full time employees as at June 30, 2014. The Company's success depends on its ability to attract, retain and motivate qualified personnel. The Company adopts high standards in recruitment with strict procedures to ensure the quality of new hiring and use various methods for recruitment, including campus recruitment, online recruitment, internal recommendation and recruiting through hunting firms or agents, to satisfy the demand for different types of talent. Moreover, the Company provides a robust training program for new employees in order to effectively equip them with the skill sets and work ethics which are necessary to succeed at Tian Ge.

As required by the PRC laws, we participate in mandatory employee social insurance plans that are organized by municipal and provincial governments for our employees, including pension insurance, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing provident funds. Both the Company and the employee should bear costs for the social security plan in proportion to the specified percentage. We are required under the PRC law to make contributions to employee social insurance plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

The Company's employees have not formed any employee union or association. The Company believes that it maintains a good working relationship with its employees and the Company did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the period under review.

Share Option Schemes

The Company has adopted the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme, the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme (the "**Schemes**"). The purposes of the Schemes are to reward the participants defined under the Schemes for their past contribution to the success of the Group and to provide incentives to them to further contribute to the Group.

The share-based compensation expenses for the first half of 2014 is RMB13.5 million, as compared to RMB3.0 million in the corresponding period in 2013.

6. Use of Proceeds from Global Offering

The shares of the Company were listed on the main board of the Stock Exchange on July 9, 2014 with net proceeds from the global offering of approximately HK$1,725.0 million (after the exercise of the over-allotment option and after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the global offering). The net proceeds will be used in the following manner:

Proposed Use of Net Proceeds	Percentage	Amount of Net Proceeds
Enhancing our research and development efforts, including improving our existing platform's functionality, developing new social video communities, investing in technology infrastructure and improving network maintenance and safety	20%	HK$345.0 million
Developing our mobile business related to our live social video platform and a multi-platform, cross-device user experience, which involves hiring experienced personnel in the mobile sector and increased research and development efforts	20%	HK$345.0 million
Developing our mobile games business, including for additional research and development efforts in developing our own mobile games, outsourcing of game development and licensing of third-party games	10%	HK$172.5 million
Expanding our marketing and promotion activities, including organizing additional sales and promotional events both online and offline and hiring additional sales and marketing personnel	20%	HK$345.0 million
Investing in potential acquisitions of technologies and complementary online businesses, such as in the live social video market and mobile games market, partnerships and licensing opportunities	20%	HK$345.0 million
Funding for our working capital and other general corporate purposes	10%	HK$172.5 million
	100%	HK$1,725.0 million

The net proceeds from the initial public offering had not yet been utilized and all of the net proceeds has been deposited into bank accounts maintained by the Group. The Company will start utilizing the net proceeds from the global offering in the manner as set out in the prospectus of the Company dated June 25, 2014.

CORPORATE GOVERNANCE

The Company's shares were not listed on the Stock Exchange as at June 30, 2014, the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") was not applicable to the Company for the period under review. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance since the listing of the Company's shares on July 9, 2014. The Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for the code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Fu Zhengjun (傅政軍), is our Chairman and has been a Director of our Board since July 28, 2008. He was designated to our Board as an executive Director on March 11, 2014. Mr. Fu is the founder of our Group and has served as the chief executive officer of all our wholly foreign owned enterprises and PRC operating entities since their respective incorporation. With extensive experience in the internet industry, Mr. Fu is responsible for the overall strategic planning, management and operation of our Group and is instrumental to our growth and business expansion since our establishment in 2008. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-calibre individuals. Our Board currently comprises two executive Directors (including Mr. Fu), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Company's shares were not listed on the Stock Exchange as at June 30, 2014, the "Model Code for Securities Transactions by Directors of Listed Issuer" contained in Appendix 10 to the Listing Rules (the "**Model Code**") was not applicable to the Company for the period under review. The Company has adopted the Model Code as its code of conduct for directors' securities transactions since the listing of the Company's shares on July 9, 2014.

The compositions of the Board, the audit committee, the nomination committee and the remuneration committee of the Company remain the same as set out in the Company's prospectus dated June 25, 2014. The audit committee of the Company (the "**Audit Committee**") comprises our three independent non-executive Directors, namely Ms. Yu Bin (chairman of the Audit Committee), Mr. Wu Chak Man and Mr. Chan Wing Yuen Hubert. The Audit Committee has reviewed (i) the accounting principles and practices adopted by the Group, and (ii) the auditing, internal control and financial reporting matters, including the review of the interim results for the six months ended June 30, 2014.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended June 30, 2014 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2014.

INTERIM DIVIDEND

The Board did not propose any interim dividend for the six months ended June 30, 2014.

PUBLICATION OF INTERIM REPORT

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2014 interim report of the Company will set out all information disclosed in the interim results announcement for the first half of 2014 and will be despatched to the shareholders and uploaded on the websites of the Company (http://www.tiange.com) and the Stock Exchange (http://www.hkexnews.hk) in due course.

By order of the Board
Tian Ge Interactive Holdings Limited
Fu Zhengjun
Chairman and Chief Executive Officer

Hong Kong, 26 August 2014

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. Mao Chengyu and Mr. Herman Cheng-Chun, Yu; and the independent non-executive Directors are Ms. Yu Bin, Mr. Wu Chak Man and Mr. Chan Wing Yuen Hubert.