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 ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2014

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2014	2013	**Change**
(in RMB'000)			%
Revenue [(1)]	**692,159**	548,240	26.3%
– Live social video platform	**630,703**	528,430	19.4%
– Games & Others	**61,456**	19,810	210.2%
Gross Profit	**586,851**	480,095	22.2%
Gross margin	**84.8%**	87.6%	
Loss Attributable to Equity Holders of the Company	**(107,503)**	(92,602)	16.1%
Adjusted net profit[(2)]	**267,214**	206,253	29.6%
Adjusted Net Margin	**38.6%**	37.6%	
Adjusted EPS[(3)] *(expressed in RMB per share)*			
– basic	**0.29**	0.32	
– diluted	**0.23**	0.22	
Adjusted EBITDA[(4)]	**319,355**	251,881	26.8%
Adjusted EBITDA margin	**46.1%**	45.9%	

(in RMB'000)	As at December 31, 2014	December 31, 2013	Change %
Total Assets	**2,262,591**	844,386	168.0%
Total Liabilities	**174,103**	928,045	-81.2%

Notes:

(1) For the period after June 1, 2014, revenues are recorded net of 6% VAT tax.

(2) Adjusted net profit is not defined under IFRS, and is 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.

(3) Adjusted basic earnings per share ("**EPS**") is calculated by dividing the adjusted net 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 adjusted diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of Series B convertible redeemable preferred shares (if applicable) and to assume share options granted to employees under 2008 Global Share Option Plan and restricted share units ("**RSUs**") granted to employees under Pre-IPO Restricted Share Unit Scheme have been fully vested and exercised with no impact on the non-IFRS adjusted earnings.

(4) Adjusted EBITDA, as presented, represents operating profit, adjusted to exclude non-cash share-based compensation expenses, listing expenses, depreciation and amortization.

ANNUAL RESULTS

The board of directors (the "**Directors**" or the "**Board**") of Tian Ge Interactive Holdings Limited (the "**Company**", "**We**" or "**Tian Ge**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2014 with comparative figures for the preceding financial year ended December 31, 2013 prepared under International Financial Reporting Standards ("**IFRS**") and audited by PricewaterhouseCoopers, the auditor of the Company. In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Overview and Outlook

Live Social Community Business

During the period under review, the Group continued to deliver robust and stable profitability, return on equity and free cash flow yield growth, thanks to our core "many-to-many" live social business segment. Our live social video revenues increased by 19.4% for the year ended December 31, 2014, contributed to our strong gross profit growth of 22.2% for the same period. The strong and consistent profit margins of our core business support continued investments in our newer mobile and online to offline ("**O2O**") business.

We also see an increasing dominance and market share in the "many-to-many" market, with plans on further strengthening our market leadership position through industrial consolidation of smaller platforms in the market. Our live social platform's accumulated registered users increased by over 30.9% from 205.1 million as of December 31, 2013 to 268.5 million as of December 31, 2014. Average monthly active users ("**MAUs**") increased from approximately 10.8 million in 2013 to 13.9 million in 2014, and average monthly paying users ("**MPUs**") increased from approximately 270,000 to 347,000 during the same period.

Key catalyst of user growth in 2014 has been derived from our investment in mobile, including the launch of IOS and android versions of our various live social video communities. We enabled mobile payments in late 2013, and continued to expand the number of mobile payment channels in 2014, resulting in MPU growth faster than our MAU growth in 2014. Approximately 10% of our MAUs in the second half of 2014 entered our platform via mobile devices, more than twice the amount in the first half of 2014.

Games, Mobile Applications & Other

We continue to leverage our R&D capabilities to innovate and develop new products that expand our business and extend our reach in entertainment and live social video. With the rising number of hardcore gamers within our new core user base, we have officially entered into the mobile games market through our first mobile game "Three Kingdoms" in early 2014. Recently, leveraging our existing hosts system and virtual economies, we have added a new live social embedded function into this game, to improve user experience, achieve higher monetization, increase user engagement, lower user acquisition risk and extend users' life cycles. In addition, the Group has initiated the soft launch of "Power Pets", the 2nd RPG style mobile game licensed from third party developer, in third quarter of 2014.

In total, the Group plans to launch 3 to 4 mobile games per year, with approximately 6 to 8 self-developed and third-party developed mobile games in total through 2015, several of which could enable interactive live social functionality. In the long run, we consider to leverage our innovative live social embedded strategy to help smaller game companies to remain competitive despite of the tough conditions against other market players in the industry.

In addition to games, we are also developing new mobile applications, extending into new verticals, and testing new emerging businesses that leverage our large audience and establish capabilities in live social entertainment. Currently, the revenue contribution from these new businesses is minimal as compared to the total revenue of the Group. We plan to launch more new smaller mobile applications in 2015.

O2O Entertainment business

In 2014, we launched our first investment in O2O entertainment with 49% equity investment in Sun's Catering & Entertainment Management (Hangzhou) Co., Ltd. as disclosed in our global offering prospectus (the "**Prospectus**") dated June 25, 2014. The joint venture does not contribute to our revenue growth, although the operations is supported by our R&D and operations. Currently, we have 3 pilot testing centers in Hangzhou and have begun to see solid results from the initial periods of short operation. Given the results, we are actively evaluating opportunities to expand with potential chain karaoke operator partners on a regional or national scale. By leveraging our live social video know-how, virtual monetization strategy, sophisticated host economy and technological capabilities, we believe our new O2O product offers users an unique and revolutionary O2O karaoke experience including real-time video interaction and gamification amongst users at physical karaoke venues and across the Group's live social online platform.

2. Operating Information

The following table sets forth certain quarterly 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				
	December 31, 2014	December 31, 2013	Year-on-year change	September 30, 2014	Quarter-on-quarter change
Live Social Video Community					
Monthly Active Users *(in'000)*	**15,773**	12,020	31.2%	14,352	9.9%
% of mobile MAUs	***13.9%***	*6.7%*		*10.0%*	
Monthly Paying Users *(in'000)*	**398**	339	17.4%	335	18.8%
Monthly Average Revenue Per User *(RMB)*	**143**	134	6.7%	161	-11.2%
Number of Rooms *(in'000)*	**28**	26	7.7%	30	-6.7%
Number of Hosts *(in'000)*	**40**	35	14.3%	39	2.6%
Mobile Game & Other					
Monthly Active Users *(in'000)*	**817**	150	444.7%	345	136.8%
Number of Games	**2**	1		2	

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

- The number of MAUs for Tian Ge's live social platforms was approximately 15.8 million for the three months ended December 31, 2014, representing an increase of approximately 31.2% from the three months ended December 31, 2013 and representing an increase of approximately 9.9% from the three months ended September 30, 2014.

- The number of MPUs for Tian Ge's live social platforms was approximately 398,000 for the three months ended December 31, 2014, representing an increase of approximately 17.4% from the three months ended December 31, 2013 and representing an increase of approximately 18.8% from the three months ended September 30, 2014.

- The Monthly Average Revenue Per User ("**ARPU**") of Tian Ge's live social platforms for the three months ended December 31, 2014 increased by 6.7% to RMB143 from the three months ended December 31, 2013 and representing a decrease of approximately 11.2% from the three months ended September 30, 2014, primarily due to the significant increase in our mobile paying user base.

- Number of rooms on our live social platforms experienced a slight quarter-on-quarter decline as compared to the three months ended September 30, 2014, mainly because we began consolidating rooms and increasing the average room size of popular rooms in recent quarters, to meet growing popularity for larger rooms, especially among our growing number of new mobile users.

- Number of users on air on our live social platforms also experienced a slight sequential decline as compared to the previous quarter, primarily due to the recent increase in the percentage of mobile users from single digits into double digits and we are experiencing a growing preference of our users to participate in channels solely through viewing and chatting, and less as a percentage of active users through live video interaction.

- The percentage users on air over total MAUs on the live social platforms also slightly declined to 4.0% for the year ended December 31, 2014, as compared to 5.0% for the immediately preceding year.

- The total registered users of Tian Ge as at December 31, 2014 were 268.5 million, as compared to 205.1 million as at December 31, 2013.

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

	Year ended		Year-
	December 31, 2014	December 31, 2013	on-year change
Live Social Video Community			
Monthly Active Users *(in'000)*	**13,931**	10,819	28.8%
Monthly Paying Users *(in'000)*	**347**	270	28.5%
Monthly Average Revenue Per User *(RMB)*	**151**	163	-7.4%

3. Financial Information

Revenue

Revenue increased by 26.3% year-on-year to RMB692.2 million for the year ended December 31, 2014 from the corresponding period in 2013. After the implementation of 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 effective from June 1, 2014 ("**VAT reform**"), our revenue is recorded as net off 6% VAT tax from June 1, 2014. Excluding this effect, our revenue for the year ended December 31, 2014 increased approximately 30.4% year-on-year comparing with the corresponding period of 2013. The following table sets forth the Company's revenue by line for the year/period presented below:

	Year ended		**Unaudited Three months ended**	
(in RMB'000)	**December 31, 2014**	December 31, 2013	**December 31, 2014**	December 31, 2013
Revenue Mix				
Live social video	**630,703**	528,430	**152,734**	136,154
% of total revenue	**91.1%**	96.4%	**87.4%**	91.5%
Games & Others	**61,456**	19,810	**22,082**	12,637
% of total revenue	**8.9%**	3.6%	**12.6%**	8.5%
Total Revenue	**692,159**	548,240	**174,816**	148,791

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

- Revenue from our live social video platform was approximately RMB630.7 million for the year ended December 31, 2014, representing an increase of approximately 19.4% from the corresponding period in 2013. Excluding the VAT reform effect as mentioned above, the increase rate should reach 23.2%.
- Revenue from games and others was approximately RMB61.5 million for the year ended December 31, 2014, representing an increase of approximately 210.2% from the corresponding period in 2013.
- The Company currently does not break down revenue into segments, as it currently evaluates the business as one segment.

Cost of Revenue

Cost of revenue increased by 54.5% to RMB105.3 million for the year ended December 31, 2014 as compared with the corresponding period of 2013. The increase in cost of revenue for the year ended December 31, 2014 was primarily due to the increase of commission charges related to the launch and operation of our mobile games.

Selling and Marketing Expenses

Selling and marketing expenses increased by 27.4% to RMB212.4 million for the year ended December 31, 2014 from the corresponding period of 2013. The increase in selling and marketing expenses for the year ended December 31, 2014 was primarily due to the increase of promotion and advertising expenses of: (a) our existing live social video platforms, including to promote our live social mobile traffic; (b) our newly launched mobile games and beta-testing soft launched live social video embedded games, and an increase in share-based compensation.

Administrative Expenses

Administrative expenses increased by 155.2% year-on-year to RMB136.0 million for the year ended December 31, 2014, primarily due to the increase of: (a) approximately RMB41.5 million in share-based compensation expenses in connection with the share options and RSUs we have granted to our employees and (b) approximately RMB40.1 million listing expenses incurred in relation to our global offering and listing in July 2014.

Research and Development Expenses

Research and development expenses increased by 24.5% year-on-year to RMB86.0 million for the year ended December 31, 2014, primarily due to the increase in employee cost.

Other Gains, Net

We recorded other gains, net of RMB58.6 million for the year ended December 31, 2014, compared to other gains, net of RMB35.4 million for the corresponding period of 2013. Other gains mainly consist of investment income of RMB31.1 million from the structured deposits (2013: RMB11.0 million) and government grants of RMB28.4 million (2013: RMB24.6 million).

Finance Income, Net

We recorded finance income, net of RMB5.7 million for the year ended December 31, 2014 and finance income, net of RMB0.4 million in the corresponding period of 2013. Finance income for the year ended December 31, 2014 mainly represents interest income on our cash and cash equivalents.

Income tax expense

Income tax expense remained stable at approximately RMB36.2 million for the year ended December 31, 2014. The income tax expense consists of (a) current corporate income tax of RMB44.5 million (2013: RMB27.6 million) and reversal of temporary differences of RMB8.4 million (2013: origination of temporary differences of RMB8.6 million). The increase of current year income tax expenses reflected an increase in operating profit before income tax.

Impact of Convertible Redeemable Preferred Shares

As disclosed and discussed in our Prospectus and in accordance with IFRS, we incurred a fair value loss of convertible redeemable preferred shares of RMB283.6 million and RMB283.3 million for the year ended December 31, 2014 and 2013, respectively. The loss and changes in fair value are the result of the continued increase in the equity value of the Company. Upon completion of the initial public offering ("**IPO**") on July 9, 2014, these convertible redeemable preferred shares were automatically converted into ordinary shares on a one-to-one basis and there will be no fair value gain or loss associated with these shares to be recognized in periods afterwards.

Loss attributable to equity holders of the Company

Loss attributable to equity holders of the Company was mainly caused by the fair value loss of convertible redeemable preferred shares of RMB283.6 million, share-based compensation expenses in connection with the share options and RSUs we have granted to our employees of RMB51.2 million and listing expenses associated with our global offering of RMB40.1 million. The loss increased by 16.1% year-on-year to RMB107.5 million for the year of 2014, mainly due to the increase of share-based compensation expenses of RMB45.6 million and listing expenses of RMB33.0 million, which are offset by the increase of operating profit.

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, adjusted net profit 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:

	Year ended		**Unaudited Three months ended**	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
(in RMB'000)				
Non-IFRS Financial Data				
Non-IFRS EBITDA	**319,355**	251,881	**79,970**	68,954
Non-IFRS EBITDA margin	***46.1%***	*45.9%*	***45.7%***	*46.3%*
Non-IFRS Net Income	**267,214**	206,253	**63,876**	56,166

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

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, 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 year/period presented:

	Year ended		Unaudited Three months ended	
(in RMB'000)	**December 31, 2014**	December 31, 2013	**December 31, 2014**	December 31, 2013
Operating Profit	**211,098**	226,465	**56,728**	57,335
Share-based compensation expense	**51,200**	5,555	**18,160**	1,627
Listing expense *(Note i)*	**40,056**	7,013	**–**	7,013
Depreciation and amortization expense	**17,001**	12,848	**5,082**	2,979
Non-IFRS EBITDA	**319,355**	251,881	**79,970**	68,954

Note:

(i) Listing expenses related to those legal and professional services fees associated with our global offering. As the result, the listing expenses are no longer effective from the fourth quarter of 2014 and onwards.

Non-IFRS Net Income and Earnings Per Share

Non-IFRS net income eliminates the effect of non-cash share-based compensation expenses, non-cash fair value change of convertible redeemable preferred shares and redeemable ordinary 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.

Non-IFRS earnings per share and non-IFRS diluted earnings per share are not defined under IFRS. Non-IFRS earnings per share is defined as adjusted net profit attributable to the equity holders of the Company divided by weighted average number of ordinary shares outstanding. The denominator for computing the adjusted diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of series B convertible redeemable preferred shares (if applicable) and to assume share options granted to employees under 2008 Global Share Option Plan and RSUs granted to employees under Pre-IPO Restricted Share Unit Scheme have been fully vested and exercised with no impact on the non-IFRS adjusted earnings. The number of ordinary shares outstanding during the corresponding period has been adjusted retroactively for the proportional changes in the number of preferred shares, share options and RSUs outstanding as a result of the issuance of bonus shares for the corresponding period. The numerator of adjusted diluted EPS is adjusted net profit attributable to the equity holders of the Company.

The following tables set forth the reconciliations of the Company's net profit to non-IFRS net income for the year/period presented:

(in RMB'000)	Year ended		Unaudited Three months ended	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
Reconciliation to non-IFRS Net Income				
Net Profit/(Loss)	**(107,601)**	(92,609)	**45,716**	29,693
Share-based compensation expense	**51,200**	5,555	**18,160**	1,627
Listing expense	**40,056**	7,013	**–**	7,013
Gain on repurchase of preferred shares	**–**	(32,284)	**–**	–
Dividend appropriation to preferred shareholders	**–**	35,280	**–**	(489)
Fair value loss of convertible redeemable preferred shares and redeemable ordinary shares	**283,559**	283,298	**–**	18,322
Non-IFRS Net Income	**267,214**	206,253	**63,876**	56,166

4. Liquidity and Financial Resources

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

Cash and cash equivalents consist of cash at bank and cash on hand, and as at December 31, 2014 and December 31, 2013 amounted to RMB289.1 million and RMB171.9 million, respectively. All cash in bank balances as of these dates were demand deposits and term deposits with initial term of less than three months. Since there are no cost-effective hedges against the fluctuation of Renminbi ("**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 restricted deposits held at bank as a pledge for the bank borrowings. As at December 31, 2014, all the restricted cash had been released after the repayment of bank borrowings (2013: RMB120 million).

The Group had current available-for-sale financial assets of RMB313.0 million and RMB278.1 million as at December 31, 2014 and December 31, 2013, respectively. Current available-for-sale financial assets typically consist of RMB-denominated principal-protected structured deposits with floating interest rates ranging from 3.0% to 6.0% per annum with maturity periods within one year or with an ongoing term offered by large state-owned commercial banks in China.

The group had financial assets at fair value through profit or loss of RMB109.5 million (2013: Nil). Financial assets at fair value through profit or loss mainly represent investments in certain principal-protected structure deposits issued by national commercial banks in the PRC and reputable international financial institutions in Hong Kong. They have an initial term ranging from six months to one year, and were classified as fair value through profit or loss upon initial recognition.

The Group had term deposits with initial term of over three months of RMB1,082.8 million and RMB21.9 million as at December 31, 2014 and December 31, 2013, respectively.

Bank Loans and Other Borrowings

As at December 31, 2014, the Company had repaid all outstanding short-term and long-term borrowings. No bank loans and other borrowings are outstanding as at December 31, 2014 (2013: RMB109.8 million).

Gearing Ratio

The gearing ratio as at December 31, 2014 is 0%, as compared with 23.6% as at December 31, 2013. The gearing ratio is calculated by dividing total borrowings with equity/adjusted equity, where adjusted equity is total deficits plus convertible redeemable preferred shares as set out in the consolidated balance sheet.

Capital Expenditures

For the year ended December 31, 2014, our capital expenditures were approximately RMB98.7 million, including approximately RMB45.0 million related to the purchase of platform licenses, approximately RMB15.0 million related to the purchase of our new office space located in Shanghai, which had transferred to our fixed assets in August 2014; approximately RMB16.0 million related to the pre-payment of new office space located in Beijing, approximately RMB8.7 million related to decorations of our newly purchased office space in Hangzhou and approximately RMB14.0 million related to servers and other office equipment, etc.

Significant Investment

The Company did not make any significant investments for the year ended December 31, 2014. Regarding the future development and outlook of the Group, please refer to the section headed "Business Outlook" in this announcement.

Merger and Acquisition

Except for the acquisition of 34.47% equity interest in Hangzhou Xi He Technology Co., Ltd ("**Hangzhou Xi He**") in March 2015, the Group had no material acquisition or disposal of subsidiary and associated company during the year under review.

Contingent Liabilities

For the year ended December 31, 2014, the Group did not have any significant contingent liabilities.

Foreign Exchange Risk

Most of our subsidiaries' functional currencies are RMB, as the majority of the revenues of these companies are derived from our operations in mainland China. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets as at December 31, 2014. We do not hedge against any fluctuation in foreign currency.

5. Corporate Information

Staff

The Company had 872 full time employees as at December 31, 2014. Tian Ge'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.

Relevant staff cost was RMB166.8 million for the year ended December 31, 2014, while our staff cost was RMB102.0 million for the year ended December 31, 2013. The Group's remuneration policies are formulated according to the duty, experience, ability and performance of individual employees and are reviewed annually. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and discretionary incentive.

The Company's employees have not formed any employee union or association. Tian Ge 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 (collectively, the "**Schemes**"). The purpose of the Schemes is 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 year of 2014 is RMB51.2 million, as compared to RMB5.6 million for the corresponding period in 2013.

6. Business Outlook

To further strengthen the Group's leading position as China's largest "many-to-many" live social platforms, the Group will endeavor to work best at investing and developing new content genre and expanding the live social platform communities. While the Group expands by attracting new hosts, users and creating new rooms, it also invests in consolidating other smaller platforms to increase its market share and strengthen its market leader position in the "many-to-many" market.

The Group is working to expand mobile offerings and cross-device capabilities to give users the flexibility to access the content anytime and anywhere. Additionally, the Group plans to significantly expand its presence in the mobile and online games market following the recent launches of our live social embedded games to improve user experience, achieve higher monetization, increase user engagement, lower user acquisition risk and extend users' life cycles.

In December 2014, the Group's operating entity Jinhua Xingxiu Cultural Communication Co, Ltd. has entered into a share transfer agreement with one of the shareholders of Hangzhou Xi He, marking the important first step of vertical integration. In addition, the Group has successfully introduced and tested its new O2O karaoke product in three Hangzhou locations. The next step in 2015 includes identifying key partners to commercially launch our revolutionary product on a national scale.

The Group will continue to do its best to deliver the most sought-after real-time social interactive entertainment and experiences for its expanding users, and passionately committed to driving sustainable, profitable growth for its shareholders.

CONSOLIDATED BALANCE SHEET
(AS AT DECEMBER 31, 2014)

	Note	As of December 31, **2014** *RMB'000*	2013 *RMB'000*
Assets			
Non-current assets			
Property and equipment		**142,280**	16,736
Intangible assets		**49,002**	5,864
Investment accounted for using equity method		**3,863**	4,900
Available-for-sale financial assets	*5*	**26,776**	2,300
Prepayments and other receivables		**40,744**	110,737
Deferred income tax assets		**32,466**	24,348
Term deposits with initial term over 3 months		**479,869**	–
Restricted cash		**–**	87,000
		775,000	251,885
Current assets			
Trade receivables	*4*	**14,049**	20,804
Prepayments and other receivables		**159,032**	66,788
Available-for-sale financial assets	*5*	**313,029**	278,140
Financial assets at fair value through profit or loss	*6*	**109,481**	–
Term deposits with initial term over 3 months		**602,917**	21,873
Cash and cash equivalents		**289,083**	171,896
Restricted cash		**–**	33,000
		1,487,591	592,501
Total assets		**2,262,591**	844,386
Equity and liabilities			
Equity attributable to Shareholders of the Company			
Share capital	*7*	**779**	42
Share premium	*7*	**2,381,529**	139,703
Shares held for RSU Scheme	*7*	**(19)**	–
Other reserves		**122,473**	65,705
Accumulated deficits		**(421,073)**	(294,006)
		2,083,689	(88,556)
Non-controlling interests		**4,799**	4,897
Total equity/(deficits)		**2,088,488**	(83,659)

	Note	As of December 31, 2014 RMB'000	2013 RMB'000
Liabilities			
Non-current liabilities			
Borrowings		**–**	79,260
Convertible redeemable preferred shares		**–**	548,471
Deferred income tax liabilities		**361**	595
Other non-current liabilities		**1,389**	–
		1,750	628,326
Current liabilities			
Trade payables	*9*	**24,278**	13,883
Other payables and accruals		**52,530**	114,631
Income tax liabilities		**51,523**	42,532
Dividend payable		**–**	74,161
Borrowings		**–**	30,485
Customer advance and deferred revenue		**44,022**	24,027
		172,353	299,719
Total liabilities		**174,103**	928,045
Total equity and liabilities		**2,262,591**	844,386
Net current assets		**1,315,238**	292,782
Total assets less current liabilities		**2,090,238**	544,667

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
(FOR THE YEAR ENDED DECEMBER 31, 2014)

		Year ended December 31,	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Revenue	*10*	**692,159**	548,240
Cost of revenue	*11*	**(105,308)**	(68,145)
Gross profit		**586,851**	480,095
Selling and marketing expenses	*11*	**(212,363)**	(166,665)
Administrative expenses	*11*	**(135,955)**	(53,268)
Research and development expenses	*11*	**(86,047)**	(69,096)
Other gains, net	*12*	**58,612**	35,399
Operating profit		**211,098**	226,465
Finance income	*13*	**8,219**	37,101
Finance costs	*13*	**(2,549)**	(36,699)
Finance income, net	*13*	**5,670**	402
Fair value loss of convertible redeemable preferred shares		**(283,559)**	(283,298)
Share of loss of investment accounted for using the equity method		**(4,659)**	–
Loss before income tax		**(71,450)**	(56,431)
Income tax expense	*14*	**(36,151)**	(36,178)
Loss for the year		**(107,601)**	(92,609)
Other comprehensive income/(loss):			
Currency translation differences		**(13,996)**	14,577
Total comprehensive loss for the year		**(121,597)**	(78,032)

	Note	Year ended December 31, **2014** *RMB'000*	2013 *RMB'000*
Loss attributable to:			
– Shareholders of the Company		**(107,503)**	(92,602)
– Non-controlling interests		**(98)**	(7)
		(107,601)	(92,609)
Total comprehensive loss attributable to:			
– Shareholders of the Company		**(121,499)**	(78,025)
– Non-controlling interests		**(98)**	(7)
		(121,597)	(78,032)
Loss per share *(expressed in RMB per share)*			
– Basic	*15*	**(0.116)**	(0.145)
– Diluted	*15*	**(0.116)**	(0.145)
Dividends		**–**	88,512

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(FOR THE YEAR ENDED DECEMBER 31, 2014)

		Equity attributable to Shareholders of the Company							
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Shares held for RSU Scheme *RMB'000*	Other reserves *RMB'000*	Accumulated deficits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total Equity/ (Deficits) *RMB'000*
Balance at January 1, 2013		42	228,215	–	44,515	(200,346)	72,426	–	72,426
Comprehensive loss									
Loss for the year		–	–	–	–	(92,602)	(92,602)	(7)	(92,609)
Other comprehensive income									
Currency translation differences		–	–	–	14,577	–	14,577	–	14,577
Total comprehensive loss		–	–	–	14,577	(92,602)	(78,025)	(7)	(78,032)
Share-based compensation		–	–	–	5,555	–	5,555	–	5,555
Appropriation of dividend		–	(88,512)	–	–	–	(88,512)	–	(88,512)
Non-controlling interests arising from establishment of a subsidiary		–	–	–	–	–	–	4,904	4,904
Profit appropriations to statutory reserves		–	–	–	1,058	(1,058)	–	–	–
Total transactions with Shareholders of the Company, recognised directly in equity		–	(88,512)	–	6,613	(1,058)	(82,957)	4,904	(78,053)
Balance at December 31, 2013		42	139,703	–	65,705	(294,006)	(88,556)	4,897	(83,659)
Balance at January 1, 2014		**42**	**139,703**	**–**	**65,705**	**(294,006)**	**(88,556)**	**4,897**	**(83,659)**
Comprehensive loss									
Loss for the year		**–**	**–**	**–**	**–**	**(107,503)**	**(107,503)**	**(98)**	**(107,601)**
Other comprehensive loss									
Currency translation differences		**–**	**–**	**–**	**(13,996)**	**–**	**(13,996)**	**–**	**(13,996)**
Total comprehensive loss		**–**	**–**	**–**	**(13,996)**	**(107,503)**	**(121,499)**	**(98)**	**(121,597)**
Share-based compensation		**–**	**–**	**–**	**51,200**	**–**	**51,200**	**–**	**51,200**
Issuance of shares held for RSU Scheme	7	**4**	**–**	**(4)**	**–**	**–**	**–**	**–**	**–**
Conversion of convertible redeemable preferred shares to ordinary shares	7	**12**	**836,801**	**–**	**–**	**–**	**836,813**	**–**	**836,813**
Effect of bonus share issuance	7	**508**	**(467)**	**(41)**	**–**	**–**	**–**	**–**	**–**
Issuance of ordinary shares	7	**215**	**1,415,874**	**–**	**–**	**–**	**1,416,089**	**–**	**1,416,089**
Repurchase and cancellation of ordinary shares	7	**(2)**	**(10,356)**	**–**	**–**	**–**	**(10,358)**	**–**	**(10,358)**
Vest and transfer of RSUs	7	**–**	**(26)**	**26**	**–**	**–**	**–**	**–**	**–**
Profit appropriations to statutory reserves		**–**	**–**	**–**	**19,564**	**(19,564)**	**–**	**–**	**–**
Total transactions with Shareholders of the Company, recognised directly in equity		**737**	**2,241,826**	**(19)**	**70,764**	**(19,564)**	**2,293,744**	**–**	**2,293,744**
Balance at December 31, 2014		**779**	**2,381,529**	**(19)**	**122,473**	**(421,073)**	**2,083,689**	**4,799**	**2,088,488**

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW

(FOR THE YEAR ENDED DECEMBER 31, 2014)

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Net cash generated from operating activities	**235,140**	176,349
Net cash used in investing activities	**(1,298,408)**	(158,396)
Net cash generated from financing activities	**1,179,778**	15,617
Net increase in cash and cash equivalents	**116,510**	33,570
Cash and cash equivalents at beginning of year	**171,896**	136,637
Exchange gain on cash and cash equivalents	**677**	1,689
Cash and cash equivalents at end of year	**289,083**	171,896

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(FOR THE YEAR ENDED DECEMBER 31, 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 Squares, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

On July 9, 2014, the Company completed its initial public offering (the "**IPO**") on the Main Board of The Stock Exchange of Hong Kong Limited.

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

In August 2008, the Company established Week8 Holdings (HK) Limited ("**Week8 HK**"), a wholly-foreign owned subsidiary of the Company, under the laws of the Hong Kong, as an investment holding company.

In November 2008, Week8 HK established Tiange Technology (Hangzhou) Co., Ltd. ("**Hangzhou Tiange**"), a wholly-foreign owned subsidiary, under the laws of the PRC in Hangzhou, China.

In September 2009, Week8 HK established Zhejiang Tiange Information and Technology Co., Ltd. ("**Zhejiang Tiange**"), a wholly-foreign owned subsidiary, under the laws of the PRC in Jinhua, China.

In November 2010, Week8 HK established Star Power Culture Media (Beijing) Co., Ltd. ("**Star Power**"), a wholly-foreign owned subsidiary, under the laws of the PRC in Beijing, China.

As the business of the Group is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. As a result, the business of the Group was, is and will continue to be carried out by the several PRC entities, namely, Hangzhou Han Tang Cultural Communication Co., Ltd. ("**Hantang**"), Jinhua 9158 Network Science and Technology Co., Ltd. ("**Jinhua 9158**"), Jinhua 99 Information Technology Co., Ltd. ("**Jinhua 99**"), Jinhua Xingxiu Cultural Communication Co., Ltd. ("**Xingxiu**"), Jinhua Tianchuang Investment Management Co., Ltd. ("**Tianchuang**") and Jinhua Tianxiang Investment Management Co., Ltd. ("**Tianxiang**") (collectively "**the PRC Operating Entities**"). The Group does not have any equity interest in PRC Operating Entities. The business of the Group was put under the effective control of Hangzhou Tiange and Zhejiang Tiange, and ultimately, the Company, through a series of contractual arrangements (the "**Contractual Arrangements**"). Pursuant to the Contractual Arrangements, Hangzhou Tiange and Zhejiang Tiange, and ultimately, the Company are entitled to economic benefits generated by the PRC Operating Entities. Accordingly, the PRC Operating Entities have been subsidiaries of Hangzhou Tiange and Zhejiang Tiange and the consolidated financial statements of the Group have been prepared on a consolidated basis and are presented of the companies comprising the Group including the PRC Operating entities.

In August 2013, Jinhua 9158 entered into a series of arrangements with Beijing Star World Technology Co., Ltd. for the establishment of Jinhua Tianhu Network Technology Co., Ltd. ("**Tianhu**") pursuant to which Jinhua 9158 owns 51% of Tianhu's total equity and has effective control over Tianhu. Accordingly, the Company regards Tianhu as an indirect subsidiary under IFRS and has included the financial position and results of Tianhu in the consolidated financial statements for all the years presented.

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. These consolidated financial statements of the Group have been approved for issue by the Board of Directors (the "**Board**") on March 30, 2015.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, available-for-sale financial assets, and convertible redeemable preferred shares, which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The Group has adopted the following new/revised standards for the first time for the consolidated financial statements.

– Amendment to IAS 32, "Financial instruments: Presentation on offsetting financial assets and financial liabilities"

– Amendments to IFRS 10, 12 and IAS 27

– Amendments to IAS 36, "Impairment of assets"

– Amendment to IAS 39, "Financial instruments: Recognition and measurement"

– IFRIC 21, "Levies"

The adoption of the above new/revised standards had no significant financial effect on the consolidated financial statements.

The following new and revised standards and amendments to existing standards have been issued and are relevant to the Group, but are not effective for the financial year beginning January 1, 2014 and have not been early adopted.

– Amendment to IAS 19 regarding defined benefit plans: employee contributions

– IFRS 8, "Operating segments"

– IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets"

– IAS 24, "Related Party Disclosures"

– IFRS 13, "Fair value measurement"

– Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation

– IFRS 5, "Non-current assets held for sale and discontinued operations"

– IFRS 7, "Financial instruments: Disclosures"

– IAS 19, "Employee benefits"

– IFRS 9, "Financial Instruments"

3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "**CODM**"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that its business, as a whole, falls into one segment.

4 TRADE RECEIVABLES

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

	As of December 31,	
	2014	2013
	RMB'000	*RMB'000*
0-90 days	**12,215**	14,741
91-180 days	**1,180**	4,931
181-365 days	**200**	275
Over 1 year	**454**	857
	14,049	20,804

5 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As of December 31,	
	2014	2013
	RMB'000	*RMB'000*
Non-current		
At beginning of the year	**2,300**	2,000
Additions *(Note b)*	**24,610**	300
Exchange difference	**(134)**	–
At end of the year	**26,776**	2,300
Current *(Note a)*		
At beginning of the year	**278,140**	144,402
Additions	**2,226,535**	2,247,387
Repayment	**(2,191,646)**	(2,113,649)
At end of the year	**313,029**	278,140

Notes:

(a) The fair value of the current available-for-sale financial assets approximated its carrying amount. The Group's current available-for-sale financial assets refer to RMB-denominated principal protected structured deposits with floating interest rates ranging from 3% to 6% per annum and maturity period within 1 year or revolving term. These structured deposits are offered by large state-owned commercial banks in the PRC.

(b) In September 2014, the Company subscribed shares in certain venture fund at a cash consideration of US$4 million (equivalent to approximately RMB24,610,000). The Company is a limited partner in the Fund and does not have control or significant influence on the Fund. The directors classified the investment as available-for-sale financial assets. This Fund is set up to invest in internet companies, and obtain capital appreciation and investment income. The directors consider that there was no significant change in the fair value up to December 31, 2014 as the Fund is still in pre-operating stage.

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of December 31	
	2014	2013
	RMB'000	*RMB'000*
Included in current assets		
– Quoted investments	**–**	–
– Non-quoted investments	**109,481**	–
	109,481	–

Financial assets at fair value through profit or loss of the Group mainly represent principal protected investments in certain structure deposit products issued by national commercial banks in the PRC and reputable international financial institutions in Hong Kong. They have an initial term ranging from six months to one year, and were classified as fair value through profit or loss upon initial recognition. Changes in fair values of these financial assets had been recognised in "other gains, net" in the consolidated statement of comprehensive loss.

The fair values of publicly traded investments were based on quoted market prices. The fair values of non-publicly traded investments were based on the quotations or statements provided by the counterparties. The directors of the Company believe that the estimated fair values based on the quotations or statements provided by the counterparties were reasonable and that they were the most appropriate values at the end of each reporting period.

7 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME

	Number of Shares	**Nominal Value of Shares**	**Equivalent Nominal Value of Share**	**Share premium**	**Shares held for RSU Scheme**
		US$'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2014	64,000,000	6.40	42	139,703	–
Issuance of shares held for RSU Scheme *(Note (a))*	7,280,000	0.73	4	–	(4)
Conversion of convertible redeemable preferred shares to ordinary shares *(Note (b))*	20,000,000	2.00	12	836,801	–
Effective of bonus shares issuance *(Note (c))*	821,520,000	82.15	508	(467)	(41)
Issuance of ordinary shares *(Note (d))*	349,907,000	34.99	215	1,415,874	–
Repurchase and cancellation of ordinary shares *(Note (e))*	(3,306,000)	(0.33)	(2)	(10,356)	–
Vest and transfer of RSUs	–	–	–	(26)	26
At December 31, 2014	**1,259,401,000**	**125.94**	**779**	**2,381,529**	**(19)**
At January 1 and December 31, 2013	64,000,000	6.40	42	139,703	–

Notes:

(a) On June 19, 2014, the Company issued 7,280,000 ordinary shares to an independent trust nominee for the purpose of granting Pre-IPO RSUs to the participants under Pre-IPO RSU Scheme. The ordinary shares held for Pre-IPO RSU scheme was deducted from shareholder's equity.

(b) On July 9, 2014, upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company's 20,000,000 outstanding convertible redeemable preferred shares were converted into ordinary shares and were then derecognised from liability and transferred to share capital and share premium accordingly. The conversion rate for the convertible redeemable preferred shares to ordinary shares was 1:1.

(c) On July 9, 2014, upon the Company's IPO on the 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 840,000,000 on a one-to-ten basis.

    As of July 9, 2014, all the options and RSUs granted in respect of 8,838,875 shares and 7,280,000 Pre-IPO RSUs, respectively, were adjusted to 88,388,750 shares and 72,800,000 Pre-IPO RSUs on a one-to-ten basis, upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited.

(d) On July 9, 2014, upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued a total of 349,907,000 new ordinary shares at par value of US$0.0001 per share for cash consideration of HK$5.28 per share.

(e) In December 2014, the Company repurchased 3,306,000 ordinary shares of the Company through purchases on The Stock Exchange of Hong Kong Limited. All the repurchased ordinary shares had been cancelled as of December 31, 2014.

8 SHARE-BASED PAYMENTS

(a) Share options

On December 9, 2008, the Board of the Company approved the establishment of Global Share Option Plan that provides for granting options to eligible directors and employees (collectively, the "**Grantees**") to acquire ordinary shares of the Company at an exercise price as determined by the Board at the time of grant. Upon the Global Share Option Plan, the Board authorized and reserved 11,000,000 ordinary shares for the issuance.

The Global Share Option Plan was amended on October 21, 2011 to increase the aggregate number of ordinary shares available for issuance thereunder by 2,000,000 ordinary shares from 11,000,000 ordinary shares to 13,000,000 ordinary shares.

(i) On January 14, 2009, the Company granted 2,050,000 and 3,950,000 ordinary share options (Trench I Option) to its directors and employees at an exercise price of US$0.001 and US$0.10 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested upon closing of Series B Preferred Shares financing on January 14, 2009. Since then, these options were vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(ii) On July 23, 2009, the Company granted 680,000 and 970,000 ordinary share options (Trench II Option) to its directors and employees at an exercise price of US$0.21 and US$0.30 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on June 9, 2010. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(iii) On June 17, 2010, the Company granted 331,000 ordinary share options (Trench III Option) to its directors and employees at an exercise price of US$0.60. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on May 5, 2011. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(iv) On September 6, 2010, the Company granted 3,000,000 and 196,000 ordinary share options (Trench IV Option) to its directors and employees at an exercise price of US$0.35 and US$0.60 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on September 6, 2011. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(v) On December 20, 2010, the Company granted 20,000, 1,000,000 and 425,000 ordinary share options (Trench V Option) to its directors and employees at an exercise price of US$0.30, US$0.35 and US$0.60 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on December 20, 2011. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(vi) On December 26, 2011, the Company granted 200,000, 185,000, and 277,000 ordinary share options (Trench VI Option) to its directors and employees at an exercise price of US$0.60, US$1.0 and US$1.20 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on December 26, 2012. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(vii) On October 14, 2012, the Company granted 990,000 ordinary share options (Trench VII Option) to its directors and employees at an exercise price of US$1.50. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on June 30, 2013. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(viii) On September 14, 2013, the Company granted 255,000 ordinary share options (Trench VIII Option) to its directors and employees at an exercise price of US$2.00. Subject to the Grantee continuing to be a service provider, 25% of these options will be vested on September 14, 2014. Since then, these options will be vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(ix) On May 22, 2014, the Company granted 1,185,000 ordinary share options (Trench IX Option) to its directors and employees at an exercise price of US$3.5 each. 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.

(x) On May 22, 2014, the Global 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 Global Share Option Plan were replaced by the same number of RSUs under the Pre-IPO RSU 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 share 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$953,125, of which US$832,821 (approximately RMB5,118,000) charged to consolidated statement of comprehensive loss for the year ended December 31, 2014.

On July 9, 2014, the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited. Upon the consummation of the IPO, all the then outstanding share options granted under the Global Share Option Plan are adjusted on a one-to-ten basis.

All the share options authorised by the Global Share Option Plan are only exercisable until the occurrence of the earliest of any of the trigger events ("**Trigger Event**") (A) the Initial Public Offering, (B) a Change in Control in which the successor entity has equity securities publicly traded on an internationally-recognised stock exchange, and (C) upon such date that the Option may be legally exercised pursuant to Applicable Law, as evidenced by a legal opinion provided to and approved by the Board. All share options granted will be expired after 10 years from the vesting commencement date.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

Movements in the number of outstanding share options, retroactively reflecting the one-to-ten basis bonus shares, are as follows:

	Average Exercise Price in US$ per Share Option	Number of Share Options
At January 1, 2014		**119,965,100**
Granted	**US$0.3500**	**11,850,000**
Cancelled	**US$0.0973**	**(2,480)**
Forfeited	**US$0.2305**	**(1,291,300)**
Replaced by the Pre-IPO Restricted Share Unit Scheme	**US$0.0281**	**(42,800,000)**
At December 31, 2014		**87,721,320**
At January 1, 2013		118,419,380
Granted	US$0.2000	2,550,000
Cancelled	US$0.1258	(155,520)
Forfeited	US$0.0711	(848,760)
At December 31, 2013		119,965,100

As of December 31, 2014, out of the 87,721,320 outstanding share options, 72,902,250 share options were exercisable.

None of the above granted share options were exercised during the years ended December 31, 2014 and 2013.

(b) Restricted share units

On May 22, 2014, the Board of the Company approved the establishment of the Pre-IPO RSU Scheme. Pursuant to the resolution, 7,280,000 Pre-IPO RSUs, which includes the 4,280,000 Pre-IPO RSUs granted to partially replace the options granted under the Global Share Option Plan, have been granted to 17 grantees, including two executive Directors, three senior management members, one connected person of the Group and 11 other employees.

The Pre-IPO Restricted Share Unit Scheme will be valid and effective for a period of 10 years, commencing from May 22, 2014.

Apart from the 4,280,000 RSUs granted for replacement of certain then existing share options as described in Note (a) above, the Group newly granted 3,000,000 additional RSUs to its employees and directors with below different vesting schedules:

(i) 500,000 RSUs: 25% shall vest 6 months after the IPO, and 25% shall vest every year thereafter over the next three years after the first vesting date.

(ii) 85,000 RSUs: 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) 2,415,000 RSUs: 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.

On July 9, 2014, the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited. Upon the consummation of the IPO, all the then outstanding RSUs granted under the Pre-IPO RSU Scheme are adjusted on a one-to-ten basis.

Movements in the number of outstanding RSUs, retroactively reflecting the one-to-ten basis bonus shares, are as follows:

	Number of Pre-IPO RSUs
At January 1, 2014	**–**
Granted	**30,000,000**
Granted to replace the share options	**42,800,000**
Vested and transferred	**(41,456,250)**
At December 31, 2014	**31,343,750**
Shares vested but not transferred to the grantees as of December 31, 2014	**–**

(c) Fair value of share options and RSUs

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 fair value of RSUs was determined by directors based on the fair value of underlying ordinary shares 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 and RSUs. 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 and RSUs. Dividend yield is based on management estimation at the grant date.

(d) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the shares options (the "**Expected Retention Rate**") in order to determine the amount of share-based compensation expenses charged to the statement of comprehensive income. As at December 31, 2014, the Expected Retention Rate was assessed to be 100% (2013: 100%).

(e) **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 Pre-IPO RSU Scheme and the RSU Nominee shall hold the shares underlying the Pre-IPO 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 Pre-IPO RSU Scheme.

On July 9, 2014, upon the Company's IPO on the 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 7,280,000 ordinary shares of the Company underlying the RSUs were adjusted to 72,800,000 ordinary shares on a one-to-ten basis.

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

9 TRADE PAYABLES

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

	As of December 31,	
	2014	2013
	RMB'000	*RMB'000*
0-90 days	**10,424**	3,261
91-180 days	**5,336**	3,159
181-365 days	**2,976**	2,933
Over 1 year	**5,542**	4,530
	24,278	13,883

10 REVENUE

Details of the revenue for the years ended December 31, 2014 and 2013 are as follows:

	Year Ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Live social video platform	**630,703**	528,430
Games and others	**61,456**	19,810
Total revenue	**692,159**	548,240

11 EXPENSES BY NATURE

	Year Ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Employee benefit expenses (including share-based compensation expenses)	**166,797**	101,964
Promotion and advertising expenses *(Note (a))*	**152,731**	96,613
Professional and consultancy fees *(Note (b))*	**42,821**	3,713
Commission charges by platforms and game developers	**38,994**	–
Bandwidth and server custody fees	**31,606**	29,236
Business tax and related surcharges *(Note (c))*	**21,389**	36,129
Game development costs	**21,039**	23,819
Travelling and entertainment expenses	**15,757**	16,080
Depreciation of property and equipment	**13,396**	11,225
Utilities and office expenses	**11,096**	9,825
Operating lease rentals in respect of office buildings	**7,364**	9,430
Auditors' remuneration	**5,434**	4,091
Payment handling costs	**5,290**	4,336
Amortisation of intangible assets	**3,605**	1,623
Others	**2,354**	9,090
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**539,673**	357,174

Notes:

(a) Promotion and advertising expenses primarily consist of expenses for the promotion of the Group's business through different online and mobile channels which are settled based on the effective download and installation times.

(b) Included in expenses were legal and professional services fees incurred during the preparation of IPO of the Company.

(c) Business tax and related surcharges that are applicable to the Group are as follows:

Category	**Tax Rate**	**Basis of Levies**
Business Tax ("**BT**")	3% prior to June 1, 2014	Revenue from operation of live social video platforms and games
Value-added tax ("**VAT**")	6% since June 1, 2014	Revenue from operation of live social video platforms and games
	6%	Other revenue
City construction tax	7%	Actual BT and VAT Payable
Educational surcharges	3% for educational surcharges and 2% for local educational surcharges	Actual BT and VAT Payable
Foundation for water works	0.1%	Total revenue

12 OTHER GAINS, NET

	Year Ended December 31, 2014 RMB'000	2013 RMB'000
Investment Interest	**31,118**	10,959
Financial assets at fair value through profit or loss		
– Fair value losses	**(936)**	–
– Fair value gains	**400**	–
Government grants *(Note (a))*		
– Tax based subsidy *(Note (a)(i))*	**12,994**	11,037
– Technology award *(Note (a)(ii))*	**13,149**	7,581
– Scientific project fund *(Note (a)(iii))*	**2,223**	6,010
Loss on disposal of property and equipment, net	**(272)**	(67)
Others	**(64)**	(121)
	58,612	35,399

Notes:

(a) For the years ended December 31, 2014 and 2013, government grants primarily consist of:

i). Tax based subsidies amounted to RMB12,994,000 and RMB11,037,000, respectively, were granted by local government authorities in Hangzhou and Jinhua to incentivise the Group's business growth;

ii). Technology award amounted to RMB13,149,000 and RMB7,581,000, respectively, were granted by the local government authorities in Hangzhou and Jinhua to reward the Group's achievement and support the Group's development in information service industries;

iii). Scientific project fund amounted to RMB2,223,000 and RMB6,010,000, respectively, were granted by local government authorities in Hangzhou and Jinhua to fund the Group's qualified technology research projects.

13 FINANCE INCOME, NET

	Year Ended December 31, 2014 RMB'000	2013 RMB'000
Finance income:		
– Exchange gain on financing activities	**545**	1,689
– Interest income on cash and cash equivalents	**7,674**	3,128
– Gain on repurchase of preferred shares	**–**	32,284
	8,219	37,101
Finance cost:		
– Dividend appropriation to preferred shareholders	**–**	(35,280)
– Interest expenses on bank borrowings	**(2,549)**	(1,419)
	(2,549)	(36,699)
Finance income, net	**5,670**	402

14 INCOME TAX EXPENSE

The income tax expense of the Group for the years ended December 31, 2014 and 2013 are analysed as follows:

	Year Ended December 31, 2014	2013
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	**44,503**	27,601
Deferred income tax:		
– Origination and reversal of temporary differences	**(8,352)**	8,577
	36,151	36,178

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax for all the years presented. It has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended December 31, 2014 and 2013, respectively.

(c) PRC enterprise income tax ("EIT")

For all the years presented, the Group's subsidiaries and the PRC Operating Entities are subject to EIT on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law ("**EIT Law**"). Pursuant to the EIT Laws, the Group's subsidiaries and the PRC Operating Entities are generally subject to EIT at the statutory rate of 25%.

Zhejiang Tiange and Star Power qualified as "Software Enterprise" under the EIT Law in 2011. Consequently, these entities are entitled to a two-year EIT exemption followed by a three-year 50% EIT rate reduction commencing from the first year of commercial operation or the first year with tax profit after the qualification.

Hangzhou Tiange qualified as "New High-tech Enterprise" under the EIT Law in 2014. Consequently, Hangzhou Tiange is entitled to a preferential EIT rate of 15%.

The following table sets out applicable EIT rate of Group's subsidiaries and the PRC Operating Entities in the PRC for the year ended December 31, 2014:

Name	**Applicable EIT rate in 2014**
Hangzhou Tiange	15%
Zhejiang Tiange	12.5%
Star Power	12.5%
Hantang	25%
Jinhua 9158	25%
Jinhua 99	25%
Xingxiu	25%
Tianchuang	25%
Tianxiang	25%
Tianhu	25%

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("**Super Deduction**"). The additional deduction of 50% of qualified research and development expenses can only be claimed directly in the annual EIT filing and subject to the approval from the relevant tax authorities. The Group has claimed such Super Deduction for all the years presented and booked the EIT amount upon approval.

(d) PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to losses of the consolidated entities as follows:

	Year Ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Loss before income tax	**(71,450)**	(56,431)
Tax calculated at a tax rate of 25%	**(17,863)**	(14,108)
Tax effects of:		
Different tax jurisdiction	**78,355**	72,341
Preferential income tax rates applicable to subsidiaries	**(30,235)**	(23,240)
Reversal of withholding tax for appropriation of dividend upon approval of reduced WHT rate	**(6,223)**	–
Tax loss for which no deferred income tax assets was recognised	**32**	–
Super deduction for research and development expenses	**(1,740)**	(1,095)
Expenses not deducted for income tax purposes:		
– Share-based compensation	**12,800**	1,389
– Other permanent difference	**1,025**	891
Income tax expense	**36,151**	36,178

15 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.

	Year Ended December 31,	
	2014	2013
Loss attributable to shareholders of the Company *(RMB'000)*	**107,503**	92,602
Weighted average number of ordinary shares in issue *(i)* *(thousand shares)*	**927,972**	640,000
Basic loss per share *(in RMB/share)*	**0.116**	0.145

(i) Upon the Company's IPO 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 840,000,000 on a one-to-ten basis.

For the purpose of computing basic loss per share, the number of ordinary shares outstanding during each year has been adjusted retroactively for the proportional changes in the number of ordinary shares 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 years ended December 31, 2014 and 2013 are the same as basic loss per share in the respective years.

For the year ended December 31, 2013, the Company has two categories of dilutive potential ordinary shares, convertible redeemable preferred shares and share options granted to employees under Global Share Option Plan are assumed to have been fully vested and released from restrictions with no impact on earnings.

For the year ended December 31, 2014, the Company has three categories of dilutive potential ordinary shares, convertible redeemable preferred shares, share options granted to employees under Global Share Option Plan and restricted share units granted under 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 years ended December 31, 2014 and 2013, the convertible redeemable preferred shares, the share options and the restricted share units are anti-dilutive and, consequently, not included in the computation of diluted losses per share.

16 DIVIDENDS

(a) As approved by the shareholders at the extraordinary general meeting held on February 10, 2015, the Company announced the declaration and payment of a special dividend of HK$0.06 per ordinary share out of the Company's share premium account. On March 4, 2015, the special dividend has been paid out to the shareholders of the Company with a total amount of HK$75,209,715.

(b) No final dividend for the year ended December 31, 2014 was proposed by the board of Directors on March 30, 2015.

USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds from the global offering (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) amounted to approximately HK$1,725.0 million (equivalent to approximately RMB1,376.0 million). As at December 31, 2014, approximately HK$333.9 million (equivalent to approximately RMB263.4 million) had been used in investing in potential acquisitions, expanding our marketing and promotion activities and enhancing our research and development efforts. We have, and will continue to utilize the net proceeds from the IPO for the purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" contained in the Prospectus. The unutilized net proceeds has been deposited into term deposits in the bank account maintained by the Group as well as used in money markets principal protected instruments as classified under available-for-sale financial assets and financial assets at fair value through profit or loss in our consolidated balance sheet.

CORPORATE GOVERNANCE

Save as disclosed below, the Board is of the opinion that the Company has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") from the listing of the Company's shares on July 9, 2014 (the "**Listing Date**") to December 31, 2014 (the "**Relevant Period**"). Details of the corporate governance of the Company are set out in the annual report of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance since Listing Date and up to the date of this announcement. 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 during the Relevant Period.

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 chief executive officer 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 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 Prospectus. The Audit Committee of the Company 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 annual results for the year ended December 31, 2014.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set forth in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions since the Listing Date. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard set out in the Model Code during the Relevant Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the Relevant Period, the Company has repurchased a total of 3,306,000 shares listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with an aggregate amount of HK$13,129,670 in December 2014. As at the date of this announcement, all the above repurchased shares were cancelled. Details of shares repurchased during the Relevant Period are set out as follows:

Month of repurchases	Number of Shares purchased on the Stock Exchange	Price paid per Share Highest	Price paid per Share Lowest	Aggregate consideration paid
December 2014	3,306,000	HK$4.18	HK$3.80	HK$13,129,670

The Directors believe that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchase of shares would lead to an enhancement of the EPS.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Relevant Period.

POST-BALANCE SHEET EVENTS

As approved by the shareholders of the Company at the extraordinary general meeting held on February 10, 2015, the Company declared the payment of a special dividend of HK$0.06 per ordinary share out of the Company's share premium account. On March 4, 2015, the special dividend had been paid out to the shareholders of the Company with a total amount of HK$75,209,715.

DIVIDEND

The Board has recommended that no final dividend for the year ended December 31, 2014 shall be distributed to the shareholders of the Company.

PUBLICATION OF ANNUAL REPORT

Pursuant to the requirements of the Listing Rules regarding the reporting period, the annual report of the Company for the year ended December 31, 2014 will set out all information disclosed in the annual results announcement for the year ended December 31, 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, March 30, 2015

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.