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 UNAUDITED 2019 THIRD QUARTER RESULTS

The board of directors (the "**Directors**") (the "**Board**") of Tian Ge Interactive Holdings Limited (the "**Company**" or "**Tian Ge**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the three and nine months ended September 30, 2019. These quarterly results have been reviewed by the Company's audit committee (the "**Audit Committee**"), comprising solely the independent non-executive Directors, one of whom chairs the Audit Committee.

FINANCIAL HIGHLIGHTS

	Unaudited Three months ended		
	September 30, 2019	September 30, 2018	Year-on-Year Change %[1]
	RMB'000	*RMB'000*	
Revenue	**139,437**	179,011	-22.1%
– Online interactive entertainment service	**114,569**	140,860	-18.7%
– Advertising services	**17,502**	23,343	-25.0%
– Others	**7,366**	14,808	-50.3%
Gross Profit	**122,905**	159,547	-23.0%
Gross Profit Margin	**88.1%**	89.1%	
Net Profit	**24,272**	94,619	-74.3%
Net Profit Margin	**17.4%**	52.9%	
Earnings per share (expressed in RMB per share)			
– basic	**0.018**	0.072	-75.0%
– diluted	**0.017**	0.071	-76.1%
Adjusted Net Profit[2]	**55,587**	78,719	-29.4%
Adjusted Net Profit Margin[2]	**39.9%**	44.0%	
Adjusted EBITDA[3]	**67,984**	100,460	-32.3%
Adjusted EBITDA Margin	**48.8%**	56.1%	

Notes:

(1) Year-on-year change represents a comparison between the current reporting period and the corresponding period of last year.

(2) Adjusted net profit was derived from the unaudited net profit for the period excluding the effect of non-cash share-based compensation expenses, net losses/(gains) from investee companies, impairment provision, amortization of intangible assets arising from acquisitions and income tax effects of non-IFRS adjustments.

Adjusted net profit margin is calculated by dividing adjusted net profit by revenue.

(3) Adjusted EBITDA represents operating profit, adjusted to exclude non-cash share-based compensation expenses, net losses/(gains) from investee companies, amortisation of intangible assets arising from acquisitions and depreciation and amortization.

This announcement is made pursuant to the disclosure obligation under Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The unaudited condensed consolidated statement of comprehensive income of the Group is listed below:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019)

	Unaudited Three months ended September 30,		**Unaudited Nine months ended September 30,**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**139,437**	179,011	**419,588**	568,668
Cost of revenue	**(16,532)**	(19,464)	**(43,253)**	(51,870)
Gross profit	**122,905**	159,547	**376,335**	516,798
Selling and marketing expenses	**(30,376)**	(36,137)	**(86,385)**	(133,789)
Administrative expenses	**(29,769)**	(19,736)	**(69,470)**	(86,775)
Research and development expenses	**(18,230)**	(23,895)	**(55,056)**	(74,050)
(Impairment losses)/ reversal of impairment losses for financial assets, net	**(9,430)**	–	**26,921**	–
Other gains, net	**3,299**	33,970	**58,211**	312,119
Operating profit	**38,399**	113,749	**250,556**	534,303
Finance income/(costs), net	**(5,256)**	(3,020)	**(2,399)**	670
Share of profit/(loss) of investment accounted for using the equity method	**367**	(309)	**(1,137)**	(54)
Impairment of investment accounted for using the equity method	**(287)**	–	**(23,538)**	(43,231)
Profit before income tax	**33,223**	110,420	**223,482**	491,688
Income tax expense	**(8,951)**	(15,801)	**(151,612)**	(124,496)
Profit for the period	**24,272**	94,619	**71,870**	367,192

	Unaudited Three months ended September 30,		Unaudited Nine months ended September 30,	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other comprehensive income				
Items that may be reclassified to profit or loss				
Currency translation differences	**25,343**	28,157	**27,601**	35,646
Total comprehensive income for the period	**49,615**	122,776	**99,471**	402,838
Profit/(loss) attributable to:				
– Shareholders of the Company	**22,006**	93,201	**67,709**	368,101
– Non-controlling interests	**2,266**	1,418	**4,161**	(909)
	24,272	94,619	**71,870**	367,192
Total comprehensive income/(loss) attributable to:				
– Shareholders of the Company	**47,349**	121,472	**95,310**	403,822
– Non-controlling interests	**2,266**	1,304	**4,161**	(984)
	49,615	122,776	**99,471**	402,838
Earnings per share attributable to owners of the Company (expressed in RMB per share)				
Basic earnings per share	**0.018**	0.072	**0.054**	0.288
Diluted earnings per share	**0.017**	0.071	**0.053**	0.281

A. BUSINESS OVERVIEW AND OUTLOOK

In the third quarter of 2019, affected by the industry adjustment brought by market competition and government regulation, the development of mobile internet industry in the PRC was constrained, and the industry entered into a stable development period. Facing new situations and challenges, Tian Ge will actively explore and continuously develop its "live streaming + camera" platform for all Internet users, deeply cultivate the "Beauty Economy" industry chain, adhere to its core business, optimize and upgrade its platforms, promote overseas market expansion and project implementation, and enrich its product portfolio, in order to consolidate its core competitiveness, and promote the sustainable development of the Company's various businesses.

Overall Financial Performance

In the third quarter of 2019, revenue decreased by 22.1% year-on-year to RMB139.4 million from the corresponding period of 2018. Revenue from online interactive entertainment decreased by 18.7% year-on-year to RMB114.6 million from the corresponding period of 2018. In the third quarter of 2019, profit attributable to equity holders of the Company decreased by 76.4% year-on-year to RMB22.0 million; net profit decreased by 74.3% year-on-year to RMB24.3 million; adjusted net profit decreased by 29.4% year-on-year to RMB55.6 million, and adjusted EBITDA decreased by 32.3% year-on-year to RMB68.0 million.

Business Highlights

"Mobile + PC" Dual Live Streaming

According to Annual Comprehensive Analysis of China's Entertainment Live Market reported by Analysys, during the period from July 2018 to July 2019, the live entertainment users' average single-day starts of live entertainment applications increased from 5.8 times to 6.2 times, however, the average daily usage time decreased from 59.4 minutes to 55.2 minutes. The demand of users for live broadcasts is growing while there is still a relative shortage of content with high quality, which led to the decrease of the daily usage time. In the context where the advantages derived from massive number of mobile Internet users gradually disappear, relying on content innovation and differentiation to attract users will become the main competitiveness of the development of the online live streaming industry.

During the third quarter of 2019, Tian Ge continued to adhere to the development strategy of "Mobile + PC" dual live streaming by concentrating on optimization and development of its core platforms, and continuously diversified its live streaming content. For example, we incorporated functions such as "host PK" and "one-to-one audio/video chat" to improve user experience and interactivity, as well as enhance user stickiness.

In addition, Tian Ge actively promoted the integration of live streaming services with camera applications, short videos, social interactive products and overseas products, and brought into play the synergy between products to further tap into the development potential of the Group's live streaming platform, maximize the value of its product, and enhance its core competitiveness.

Wuta Camera

As a popular beauty camera and short video application in China, as of September 30, 2019, Wuta Camera's monthly active users were approximately 31.3 million. Since the fourth quarter of 2018, Wuta Camera continued to gain popularity from a number of first-tier advertisers. During the third quarter of 2019, advertisement revenue generated from Wuta Camera remained stable, and Wuta Camera was favored by users in the overseas market, especially in Southeast Asia, and the number of overseas users grew.

On July 5, 2019, an associate of Sina Corporation has officially become a strategic shareholder of Shanghai Benqu Internet Technology Company Limited (上海本趣網絡科技有限公司) ("**Shanghai Benqu**"). The parties explored and implemented cross-platform cooperation to facilitate the socialization and popularization of the Group's products. Wuta Camera will expand its marketing efforts through Sina Weibo and other channels, and will explore its development potential and value through continuous research and development on products updates. The Group believes that Wuta Camera, endowed with assistance from its strategic shareholders, will help to make a breakthrough in the "live streaming + camera" development strategy of Tian Ge.

Overseas Expansion

In the third quarter of 2019, Tian Ge continued to actively promote its overseas expansion strategy. The Company's business expansion in Thailand, Taiwan, Vietnam and other regions were progressing smoothly. "Mlive", the overseas version of Tian Ge's flagship product – "Miao Broadcasting", and "Bunny Live", a new live streaming platform mainly targeting the Vietnamese market, began witnessing traction among users in the Southeast Asia region. Moreover, our live streaming business further expanded into the Middle East and other regions. During the third quarter of 2019, the Group continued to promote live streaming, beauty camera, short videos and social interaction products to be more in line with local culture and user habits, and cater for user needs. Tian Ge places great value in overseas expansion. Replicating and promoting domestic successful business model to overseas market will allow Tian Ge to enhance its international market share. Tian Ge believes that, with the increase of Internet penetration rates and economic growth in Southeast Asia, the number of users in mobile businesses such as live streaming and beauty cameras will witness substantial growth, and business development in overseas markets will become a new engine of growth in user base and revenue for the Group.

Moreover, the Company's expansion into the aforementioned overseas market provided access and inspiration to the Company to participate in their fast-growing real estate markets. The Company is optimistic about certain real estate markets and is currently exploring opportunities to invest in real estate development projects in certain Southeast Asia regions. However, the Company does not expect any such investment will materially change its core business focus of providing live streaming social interaction services in China and overseas.

Prospect and Future Outlook

With the issuance of 5G licenses, China has officially entered the 5G era. According to Annual Comprehensive Analysis of China's Entertainment Livestreaming Market reported by Analysys, the ultra-high-definition technology, low latency technology and high bandwidth technology brought by 5G will refresh experience of live streaming users by eliminating stuttering and enhancing picture quality. In addition, the future development of Ultra HD live streaming will also achieve phased progress, in line with the rapid improvement of 5G mobile phone configuration. The realization of new technologies will contribute to new growth and breakthroughs in online broadcasting, and the Group will actively capture the new opportunities presented by 5G.

Tian Ge will continue to implement the "live streaming + camera" dual-core strategy by developing differentiated content and enhancing user experience, which will attract more Internet users and transform more high-quality users with spending power. Following the introduction of strategic shareholder to Shanghai Benqu, Wuta Camera will actively explore social functions of its products and promote the integration with live streaming, short video and information products, to increase marketing efforts and user coverage. Embracing new opportunities for development, the Company will continue to explore "Beauty Economy" industry chain, and promote the synergy between Wuta Camera and the Group's core businesses. Meanwhile, on the back of continuous overseas expansion of the Group, successful domestic business model will be gradually replicated in other regions of Southeast Asia.

Going forward, Tian Ge will continue to follow the industry trend, focusing on its own advantages to promote the development of live streaming, Wuta Camera and overseas business, promoting product integration and increasing user traffic. We will continue to strengthen the core competence of the Group, enhance our monetization capability, and constantly create higher profit value for shareholders.

B. OPERATING INFORMATION

The following table sets forth certain quarterly operating statistics relating to the Company's internet platforms operated in PRC as of the dates and for the periods presented below:

	Three months ended				
	September 30, 2019	June 30, 2019	Quarter-on-quarter change	September 30, 2018	Year-on-Year change
Total Monthly Active Users *(in '000)*	**50,337**	53,828	-6.5%	63,346	-20.5%
– Monthly Active Users of Beauty Camera and Video Business *(in '000)*	**31,333**	34,203	-8.4%	39,440	-20.6%
Quarterly Paying Users *(in '000)*	**503**	559	-10.0%	907	-44.5%
Quarterly Average Revenue Per User *(RMB)*	**219**	205	6.8%	155	41.3%
Number of Rooms	**68,829**	70,594	-2.5%	72,755	-5.4%
Number of Hosts	**116,209**	118,581	-2.0%	124,717	-6.8%

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

- For the three months ended September 30, 2019, total number of Monthly Active Users ("**MAUs**") for Tian Ge was approximately 50.3 million, representing a decrease of approximately 6.5% from the three months ended June 30, 2019 and representing a decrease of approximately 20.5% from the three months ended September 30, 2018. The decrease was mainly due to decrease in MAUs of Wuta Camera resulted from intensifying competition in beauty camera and video markets.

- Our mobile MAUs as at September 30, 2019 represents 96.7% of our total MAUs, while the percentage as at June 30, 2019 and September 30, 2018 were 92.5% and 86.5%, respectively.

- The live streaming industry in China has become fiercely competitive, especially with the rise of certain short video players who focus on live-streaming as a way to monetize their services, which to some extent affect paying users of our live streaming business. For the three months ended September 30, 2019, the number of quarterly paying users ("**QPUs**") for Tian Ge's online interactive entertainment service was approximately 503,000 for the three months ended September 30, 2019, representing a decrease of approximately 10.0% from the three months ended June 30, 2019 and a decrease of approximately 44.5% from the three months ended September 30, 2018.

- Our mobile QPUs as at September 30, 2019 represents 74.7% of our total QPUs, while the percentage as at June 30, 2019 and September 30, 2018 were 71.5% and 82.6%, respectively.

- For the three months ended September 30, 2019, the quarterly average revenue per user ("**QARPU**") for Tian Ge's online interactive entertainment service was RMB219, representing an increase of approximately 6.8% from the three months ended June 30, 2019, and an increase of 41.3% from the three months ended September 30, 2018. The increase was primarily because we continuously focused on improving consumption power of our core paying users during the third quarter of 2019.

- Number of virtual rooms for Tian Ge's online interactive entertainment service decreased by 2.5% as compared to the three months ended June 30, 2019 and decreased by 5.4% from the three months ended September 30, 2018. Number of hosts for Tian Ge's online interactive entertainment service decreased by 2.0% as compared to the three months ended June 30, 2019 and representing a decrease of 6.8% from the three months ended September 30, 2018.

- The total number of registered users* of Tian Ge as at September 30, 2019 was 424.9 million, as compared to 401.6 million as at September 30, 2018.

  * Registered users refer to accumulated number of users who have registered an account on our live social video platform, online games or beauty camera and short video app, and duplicated accounts were not excluded.

C. FINANCIAL INFORMATION

Revenue

Revenue generated from online interactive entertainment service was RMB114.6 million for the three months ended September 30, 2019, mainly including revenue from live social video platforms and online games, which decreased by 18.7% year-on-year from RMB140.9 million for the corresponding period in 2018. The year-on-year decrease was primarily due to the decrease of QPUs and partially offset by the increase of QARPU.

Revenue generated from advertising services for the three months ended September 30, 2019 decreased by 25.0% from the corresponding period of 2018.

Revenue generated from "Others" mainly includes the revenue from technical supporting and other services. Revenue generated from "Others" for the three months ended September 30, 2019 decreased by 50.3% from the corresponding period of 2018.

Cost of Revenue and Gross Profit Margins

Cost of revenue experienced a decrease of 15.1% for the three months ended September 30, 2019 as compared with the corresponding period in 2018. The year-on-year decrease was primarily due to the decreased bandwidth and server custody fees and the decrease of costs related to advertising service.

The gross margin for the three months ended September 30, 2019 was 88.1%, compared with 89.1% for the corresponding period in 2018.

Selling and Marketing Expenses

Selling and marketing expenses experienced a decrease of 15.9% for the three months ended September 30, 2019 from the corresponding period in 2018. The year-on-year decrease was primarily due to the decrease of promotion expenses and employee costs.

Administrative Expenses

Administrative expenses experienced an increase of 50.8% for the three months ended September 30, 2019 from the corresponding period in 2018. The year-on-year increase was primarily due to the increase of employee costs related to share-based compensation expense.

Research and Development Expenses

Research and development experienced a decrease of 23.7% for the three months ended September 30, 2019 from the corresponding period in 2018. The year-on-year decrease was primarily due to the decrease of employee costs.

Impairment Losses for Financial Assets, Net

Impairment losses for financial assets, net was RMB9.4 million for the three months ended September 30, 2019 which was attributable to the bad debt provided for loans and the bad debt provided for recoverable prepayments for potential investments.

Other Gains, Net

Other gains, net experienced a decrease of 90.3% for the three months ended September 30, 2019 from the corresponding period in 2018. The year-on-year decrease was primarily due to the decrease of net fair value gain of financial assets at fair value through profit or loss.

Income Tax Expenses

Income tax expenses experienced a decrease of 43.4% for the three months ended September 30, 2019 from the corresponding period in 2018. The year-on-year decrease was primarily due to the decrease of the profit before income tax, decrease of withholding tax of appropriation of dividend and partially offset by the income tax expense arising from disposal of a portion of equity interest in a subsidiary.

Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company experienced a decrease of 76.4% for the three months ended September 30, 2019 from the corresponding period in 2018. The year-on-year decrease was primarily due to the decrease of gross profit and other gains, net and increase of impairment losses, and partially offset by the decrease of income tax expenses.

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 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 three months ended September 30, 2019 were RMB10.3 million, as compared to RMB0.2 million for the corresponding period in 2018.

As at September 30, 2019, options representing a total of 18,829,335 shares were outstanding. If all such options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are exercised, there would be a dilution effect on the shareholdings of our shareholders of approximately 1.47% as at September 30, 2019. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per share may be staggered over several years.

As of September 30, 2019, the total number of shares underlying the Pre-IPO RSU Scheme and Post-IPO RSU Scheme represented approximately 2.66% of the total ordinary shares of the Company.

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.

Adjusted EBITDA

Adjusted EBITDA for the three months ended September 30, 2019 decreased by 32.3% year-on-year from the corresponding period in 2018. Adjusted EBITDA margin was 48.8% for the three months ended September 30, 2019, compared to 56.1% for the corresponding period in 2018.

Adjusted EBITDA represents operating profit adjusted to exclude non-cash share-based compensation expenses, net losses/(gains) from investee companies, amortisation of intangible assets arising from acquisitions and depreciation and amortization.

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

	Unaudited Three months ended	
	September 30, 2019	September 30, 2018
	RMB'000	*RMB'000*
Operating Profit	**38,399**	113,749
Share-based compensation expense	**10,285**	170
Net losses/(gains) from investee companies[a]	**11,888**	(20,122)
Amortization of intangible assets arising from acquisitions	**1,986**	1,986
Depreciation and amortization	**5,426**	4,677
Adjusted EBITDA	**67,984**	100,460

Adjusted Net Profit

Adjusted net profit for the three months ended September 30, 2019 decreased by 29.4% year-on-year from the corresponding period in 2018.

Adjusted net profit is not defined under IFRS, and eliminates the effect of non-cash share-based compensation expenses, net losses/(gains) from investee companies, impairment provision, amortisation of intangible assets arising from acquisitions and income tax effects of non-IFRS adjustments.

The following table sets forth the reconciliations of the Group's net profit to adjusted net profit for the periods presented below:

	Unaudited Three months ended	
	September 30, 2019	September 30, 2018
	RMB'000	*RMB'000*
Net Profit	**24,272**	94,619
Share-based compensation expense	**10,285**	170
Net losses/(gains) from investee companies[(a)]	**11,888**	(20,122)
Impairment provision[(b)]	**287**	–
Amortization of intangible assets arising from acquisitions	**1,986**	1,986
Income tax effects of non-IFRS adjustments	**6,869**	2,066
Adjusted Net Profit	**55,587**	78,719

Notes:

(a) Including net gains or losses on deemed disposals/disposals of investee companies, fair value changes arising from investee companies, other expenses in relation to equity transactions of investee companies and provisions for receivables in relation to investee companies.

(b) Including impairment provisions for associates, joint ventures and intangible assets arising from acquisitions.

Capital Expenditures

The Group did not have any significant capital expenditure for the three months ended September 30, 2019.

Major Investments and Disposals

In January 2019, the Group entered into an agreement to sell 36% of the equity interests in Jinhua Ruian Investments Management Company Limited, a company holding 80% equity interest in Shanghai Benqu as of the date of this announcement, to Beijing Weimeng Chuangke Investment Management Company Limited, an associate of Sina Corporation, for a consideration of approximately RMB292.6 million. The transaction has been completed on July 5, 2019.

Dividend

The Board did not propose any dividend for the nine months ended September 30, 2019.

Purchase, Sale or Redemption of the Company's Listed Securities

During the three months ended September 30, 2019, the Company has repurchased a total of 6,168,000 shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with an aggregate amount of HK$10,849,650.00. As at the date of this announcement, all shares repurchased during the three months ended September 30, 2019 were cancelled. Details of shares repurchased during the three months ended September 30, 2019 are set out as follows:

Month of repurchases	Number of shares purchased on the Stock Exchange	Price paid per share Highest (HKD)	Lowest (HKD)	Aggregate consideration paid (HKD)
July 2019	3,118,000	1.92	1.69	5,592,400.00
August 2019	112,000	1.67	1.63	184,340.00
September 2019	2,938,000	1.88	1.64	5,072,910.00

Save 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 three months ended September 30, 2019.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiries of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the three months ended September 30, 2019.

This announcement contains forward-looking statements relating to the business outlook, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Company and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond the Company's control. These forward-looking statements may prove to be incorrect and may not be realized in future. Underlying the forward-looking statements is a large number of risks and uncertainties. Further information regarding these risks and uncertainties is included in the Company's other public disclosure documents available on the corporate website.

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

Hangzhou, China
November 21, 2019

As at 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 Ms. Cao Fei; and the independent non-executive Directors are Ms. Yu Bin, Mr. Yang Wenbin and Mr. Chan Wing Yuen Hubert.