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, 2019

FINANCIAL HIGHLIGHTS

	Year ended December 31,		Change
(in RMB'000)	**2019**	2018	%
Revenue	**539,329**	751,933	-28.3%
– Online interactive entertainment service	**442,814**	634,159	-30.2%
– Advertising services	**72,144**	64,286	12.2%
– Others	**24,371**	53,488	-54.4%
Gross profit	**474,784**	686,643	-30.9%
Gross profit margin	**88.0%**	91.3%	
Net profit	**100,126**	215,662	-53.6%
Net profit margin	**18.6%**	28.7%	
Earnings per share *(expressed in RMB per share)*			
– basic	**0.075**	0.172	-56.4%
– diluted	**0.074**	0.168	-56.0%
Adjusted net profit(1)	**181,236**	342,471	-47.1%
Adjusted net profit margin(2)	**33.6%**	45.5%	
Adjusted EBITDA(3)	**298,949**	434,842	-31.3%
Adjusted EBITDA margin	**55.4%**	57.8%	
Total assets	**3,502,764**	3,156,540	11.0%
Total liabilities	**638,021**	312,370	104.3%

Notes:

(1) Adjusted net profit was derived from the 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.

(2) 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, impairment provision, amortisation of intangible assets arising from acquisitions and depreciation and amortization.

ANNUAL RESULTS

The board of directors (the "**Directors**") (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, 2019 with comparative figures for the preceding financial year ended December 31, 2018 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**") and this annual results announcement is based on the Group's audited consolidated financial statements for the year ended December 31, 2019 which have been agreed with the auditor of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Overview

In 2019, the mobile internet industry in the PRC entered into a new stage as the concentration rate of the industry increased and the platform economy gradually came into shape. Affected by market competition, government regulation and the year-on-year decline in smartphone sales, the growth of the live streaming industry slowed down and the industry entered into a stable period. In view of the development trend of the industry and the competition landscape in the market, Tian Ge effected a successful transformation and upgrade and entered into a stable development stage. The Group made great efforts in operating and developing its "live streaming + camera" platform for all Internet users by adhering to its core business and optimizing and upgrading its platforms with streamlined and innovative contents. In line with the development of Wuta Camera, Tian Ge kept launching commercial products with an aim to deeply cultivate the development of the "Beauty Economy" industrial chain. During the year, the Group spared no efforts to promote overseas market expansion and project implementation, with an aim to enhance its core competitiveness and boost the sustainable development of its businesses.

Overall Financial Performance

For the year ended December 31, 2019, Tian Ge's revenue decreased by 28.3% year-on-year to RMB539.3 million from RMB751.9 million in 2018. Revenue from online interactive entertainment service decreased by 30.2% year-on-year to RMB442.8 million from RMB634.2 million in 2018.

For the year ended December 31, 2019, profit attributable to equity holders of the Company was RMB93.8 million which decreased by 57.0% year-on-year; net profit was RMB100.1 million which decreased by 53.6% year-on-year; adjusted net profit was RMB181.2 million which decreased by 47.1% year-on-year; and adjusted EBITDA was RMB298.9 million which decreased by 31.3% year-on-year.

Business Highlights

"Mobile + PC" Dual Live Streaming

According to iMedia Research, in 2019, the number of online live streaming users in the PRC continued to maintain a growth momentum and increased to approximately 501.0 million, but the growth rate slowed down compared to previous years. As the growth of the number in live streaming users slowed down and the benefits of the booming Internet industry has gradually diminished, content innovation and diversification became the core driving forces for the development of the online live streaming industry.

As one of the pioneers in the live streaming industry of the PRC, Tian Ge has established a strong user base in the field of live streaming by leveraging its precise business positioning and extensive industry experience and maintained a leading position in the industry amidst fierce competition. In 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. It also continuously diversified the content on its platforms and enhanced content quality by, inter alia, incorporating functions such as "host PK" and "one-to-one audio/video chat" to improve user experience and interactivity, increase the number of platform users and, by maintaining a stable cash flow, bring its platforms into a virtuous business circle.

In addition, maintaining the stable development of products is essential to enhancing the competitiveness of the Group. As such, Tian Ge continued to promote the integration of live streaming services with camera applications, short videos, social interactive products and overseas products, resulting in more synergy among its products to further tap into the development potential of the Group's live streaming platform and promote the maximization of product value.

Wuta Camera

As one of the most popular beauty camera applications in the PRC, as of December 31, 2019, Wuta Camera's average monthly active users were approximately 30.1 million. As of the end of 2019, after continuous exploration of commercial development, we set a clear direction for the development of Wuta Camera and the commercialization of Wuta Camera will be further enhanced in the future. Wuta Marriage, a new application platform highly related to live streaming and camera users, has been launched and we believe that it will further increase the number of the Group's users in the future. Since the fourth quarter of 2018, Wuta Camera has been favored by a number of first-tier advertisers, and in 2019, the advertisement revenue of Wuta Camera recorded stable growth. Moreover, Wuta Camera was widely welcomed by overseas users, especially in Southeast Asia, where the number of Wuta Camera users has been continuously rising.

The Group believes that, with joint efforts from Sina Corporation and Tian Ge, the Group can further explore the development potential and value of Wuta Camera. The Group will also help Tian Ge to make a breakthrough in its "live streaming + camera" development strategy through continuous research and development of product updates.

Overseas Expansion

In 2019, Tian Ge further increased its pace of overseas expansion and made phased progress in its overseas expansion strategy. A number of project teams have been established in overseas areas and have achieved good progress and breakthroughs in terms of number of employees, businesses and users, especially in Vietnam and Thailand. During the reporting period, "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 to experience more traction among users in the Southeast Asian region.

The Group places great value in overseas expansion and constantly optimizes its products in overseas markets. During the reporting period, the Group launched live streaming, beauty camera, short videos and social interaction products in line with local culture and user habits to meet the demand of overseas users. Tian Ge believes that, with the increase of Internet penetration rates and economic growth in Southeast Asia, there are a large number of potential users to be explored in emerging markets and the number of users in mobile businesses such as live streaming and beauty cameras will witness substantial growth. The Group will continue to accelerate its pace of overseas market development, enhance its international market share and bring new growth momentum to the Group.

Real Estate Investments and Financial Technologies

During the year of 2019, the Group made financial investments in overseas markets and participated in fast-growing overseas real estate investment projects to maintain asset appreciation. The Group is optimistic with some real estate markets and is currently exploring opportunities for making investments in some real estate development projects in Southeast Asian region. However, the Group expects that such investments will not change the Group's core business which focuses on providing live streaming and social interaction services in China and overseas markets.

During the year, the Group obtained a financial license in Hong Kong and enhanced the rate of return on assets of the idle capital in the Group's accounts. In addition, artificial intelligence (AI) has emerged as a new financial technology industry. With the popularization of artificial intelligence, the demand for such technology in the market will increase. The Group is optimistic about the long term development of AI financial technology, which will help to generate stable revenue for the Group. As such, Tian Ge will continue to seek potential investment opportunities in accordance with laws and regulations.

Prospect and Future Outlook

In 2019, as the Ministry of Industry and Information Technology officially issued 5G commercial licenses to China Telecom, China Mobile and China Unicom, China has officially entered into the 5G era. 5G technologies will bring brand new innovations to the live streaming industry with higher definition, higher bandwidth and lower cost, and will even create new interactive scenarios such as VR live streaming and refresh the user experience of live streaming. 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 in the future.

Tian Ge will continue to implement its "live streaming + camera" dual-core strategy by continuously improving product content and innovation to enhance user experience and by integrating products with more commercial contents to attract more high-quality users with strong spending power and consolidate its competitiveness in the market. The Group will actively explore the social functions of Wuta Camera's products, promote the integration of live streaming, short video and information products and put more effort in marketing and expanding user coverage. Embracing new opportunities for development, the Group will continue to explore the "Beauty Economy" industry chain, and promote the synergetic development of the Group's businesses. Meanwhile, the Group will continue to cultivate its business in overseas markets, replicate its successful domestic business model in Southeast Asia and other regions and expand its international market share.

Tian Ge will make expansion and innovation in line with the development trend of the industry and its business, focus on its own advantages to promote the development of live streaming, Wuta Camera and overseas business, promote product integration and increase user traffic. Moreover, the Group will continue to seek breakthroughs and opportunities to strengthen its core competence, enhance its monetization capability and constantly create higher profit value for shareholders.

Impact of Novel Coronavirus Outbreak to the Group

Since the beginning of 2020, a novel coronavirus ("**COVID-19**") has continual outbreak throughout China and around the world. During the epidemic outbreak, the Group launched the online office system in a timely manner, thereby ensured that all tasks have been carried out in a normal and orderly manner. At the same time, as a representative Internet enterprise in Zhejiang province, the Company utilized its own advantages and resources to implement its corporate social responsibility by donating anti-epidemic supplies to medical teams and staffs who worked at the frontline combating the virus and thus contributed to the country's orderly fight against the epidemic.

As of the date of this results announcement, we did not notice any significant impact on our business and financial position caused by the COVID-19 outbreak. However, given that the epidemic situation is constantly changing, the impacts of the COVID-19 outbreak on the Group's customers' financial positions and the macro-economic conditions as a whole are still uncertain. The Group will pay close attention to the development of the epidemic situation, timely evaluate and actively respond to the impact of the epidemic situation to the Group's business operations and financial conditions. If the impact is subsequently predicted to be significant, an announcement will be published in due course.

2. Operating Information

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

	Three months ended				
	December 31, 2019	December 31, 2018	Year-on-year change	September 30, 2019	Quarter-on-quarter change
Total Monthly Active Users *(in'000)*	**45,684**	56,303	-18.9%	50,337	-9.2%
– Monthly Active Users of Beauty Camera and Video Business *(in'000)*	**30,077**	37,819	-20.5%	31,333	-4.0%
Quarterly Paying Users *(in'000)*	**473**	695	-31.9%	503	-6.0%
Quarterly Average Revenue Per User *(RMB)*	**199**	195	2.1%	219	-9.1%
Number of Rooms	**67,453**	72,027	-6.4%	68,829	-2.0%
Number of Hosts	**108,397**	122,223	-11.3%	116,209	-6.7%

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

- For the three months ended December 31, 2019, total number of monthly active users ("**MAUs**") of Tian Ge decreased by 18.9% as compared to the same period in 2018 and decreased by 9.2% as compared to the three months ended September 30, 2019. The quarter-on-quarter decrease in MAUs was mainly because we continued to optimize our key live streaming platforms such as cleaning up users who visited our platforms through HTML5 (mobile website), as most of these users are visitors and have relatively low conversion rate.

- Our mobile MAUs as at December 31, 2019 represents 97.0% of our total MAUs, while the percentage as at September 30, 2019 and December 31, 2018 were 96.7% and 89.3%, respectively.

- The number of quarterly paying users ("**QPUs**") for Tian Ge's online interactive entertainment service for the three months ended December 31, 2019 was approximately 473,000, decreased by approximately 6.0% and 31.9% as compared to the three months ended September 30, 2019 and December 31, 2018, respectively. The sequential decrease was mainly attributable to fierce competition in the online entertainment industry. The year-over-year decrease was mainly attributable to our continuous streamlining and optimization strategy during the year.

- Our mobile QPUs as at December 31, 2019 represented 81.5% of our total QPUs, while the percentages as at September 30, 2019 and December 31, 2018 were 74.7% and 80.7%, respectively.

- The quarterly average revenue per user ("**QARPU**") for Tian Ge's online interactive entertainment service for the three months ended December 31, 2019 was RMB199, representing a decrease of approximately 9.1% from the three months ended September 30, 2019 and representing an increase of 2.1% from the three months ended December 31, 2018.

- Number of virtual rooms for Tian Ge's online interactive entertainment service decreased by 2.0% as compared to the three months ended September 30, 2019 and decreased by 6.4% as compared to the three months ended December 31, 2018. Number of hosts for Tian Ge's online interactive entertainment service decreased by 6.7% as compared to the three months ended September 30, 2019 and representing a decrease of 11.3% as compared to the three months ended December 31, 2018. The decrease in the number of rooms and hosts was mainly due to that we rectified some rooms without performers and cleaned up some hosts that were inactive.

- The total number of registered users* of Tian Ge as at December 31, 2019 was 441.5 million, as compared to 407.0 million as at December 31, 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.

The following table sets forth certain annual operating statistics relating to the Company's online interactive entertainment service as at the dates and for the periods presented below:

	Year ended		
	December 31, 2019	December 31, 2018	Year-on-Year Change
Monthly Active Users *(in' 000)**	**51,443**	51,846	-0.8%
Quarterly Paying Users *(in' 000)*	**526**	996	-47.2%
Quarterly Average Revenue Per User (RMB)	**210**	159	32.1%

* Annual total monthly active users and annual total quarterly paying users are equal to their average of quarterly total users, respectively.

3. Financial Information

Revenue

Revenue generated from online interactive entertainment service was RMB442.8 million for the year ended December 31, 2019, mainly including revenue from live social video platforms and online games which decreased by 30.2% as compared to 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 year ended December 31, 2019 increased by 12.2% to RMB72.1 million from the corresponding period in 2018. The year-on-year increase was primarily due to the increased advertisement revenue contributed by Wuta Camera.

Revenue generated from "Others" mainly includes the revenue from software research and development and other services. Revenue generated from "Others" for the year ended December 31, 2019 decreased by 54.4% to RMB24.4 million from the corresponding period in 2018. The year-on-year decrease was primarily due to the decreased revenue from software research and development.

Cost of Revenue and Gross Profit Margins

Cost of revenue for the year ended December 31, 2019 remained stable from the corresponding period in 2018.

The gross profit margin for the year ended December 31, 2019 was 88.0%, compared with 91.3% for the corresponding period in 2018.

Selling and Marketing Expenses

Selling and marketing expenses experienced a decrease of 27.7% year-on-year to RMB119.1 million for the year ended December 31, 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 a decrease of 12.0% year-on-year to RMB96.9 million for the year ended December 31, 2019 from the corresponding period in 2018. The year-on-year decrease was primarily due to the decrease of impairment losses and partially offset by the increase of employee costs.

Research and Development Expenses

Research and development expenses experienced a decrease of 25.2% year-on-year to RMB71.8 million for the year ended December 31, 2019 from the corresponding period in 2018. The year-on-year decrease was primarily due to the decrease of employee costs and game related research cost.

Reversal of Impairment Losses/(Net Impairment Losses) on Financial Assets

Reversal of impairment losses on financial assets was RMB26.9 million for the year ended December 31, 2019 which was primarily due to the reversal of previous impairment on refundable prepayments for purchase of investments. Net impairment losses on financial assets were RMB101.8 million for the year ended December 31, 2018 which were attributable to impairment on refundable prepayments for purchase of investments.

Other Gains, Net

Other gains, net experienced a decrease of 89.9% year-on-year to RMB30.1 million for the year ended December 31, 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. The details are set out in note 12 to the consolidated financial statements.

Impairment of Investments Accounted for Using the Equity Method

Impairment of investments accounted for using the equity method for the year ended December 31, 2019 decreased by 77.8% to RMB33.1 million from the corresponding period of 2018, which was attributable to our investments in some associates which are principally engaged in operation of business promotion and trading via online female network community in mainland China, online health information service in mainland China, small loan lending overseas and operation of online casual games in mainland China after re-assessing the recoverable amount of the fair value.

Impairment of investments accounted for using the equity method was RMB149.3 million for the year ended December 31, 2018, which was attributable to our investments in an associate and a joint venture which are principally engaged in the operation of Internet finance service after re-assessing the recoverable amount of the fair value.

The details are set out in note 4 to the consolidated financial statements.

Income Tax Expense

Income tax expense decreased by 26.4% year-on-year to RMB105.8 million for the year ended December 31, 2019 from the corresponding period in 2018. For the year ended December 31, 2019, the income tax expense consisted of (a) enterprise income tax of RMB40.9 million (2018: RMB50.9 million), (b) PRC withholding tax of RMB41.3 million (2018: RMB13.7 million) included in current income tax expense and (c) origination of temporary differences of RMB23.6 million (2018: RMB79.1 million). The decrease of income tax expense was primarily due to the decrease of enterprise income tax and deferred income tax, and partially offset by the increase of PRC withholding tax. The increase in PRC withholding tax is primarily due to the withholding tax expenses accrued related to earnings of previous periods to be remitted from the subsidiaries in mainland China to its holding Company, Week8 (HK) Holdings Limited ("**Week8(HK)**").

Pursuant to the resolutions of the Board of Directors' meeting of the Company in 2019, the Group planned to remit the earnings of RMB109.8 million from the profit of several PRC subsidiaries for the year ended of December 31, 2019 and RMB900.0 million from the retained earnings of several PRC subsidiaries as of December 31, 2018, which in aggregate amounted to RMB1,009.8 million to Week8(HK) to expand its overseas business. Accordingly, the Group recognised withholding tax of RMB101.0 million at a 10% withholding tax rate, of which a withholding tax of RMB35.5 million was paid to tax authorities in mainland China when the declared dividend of RMB354.9 million was paid to Week8(HK) in 2019.

In November 2019, Week8(HK) was approved by Inland Revenue Department of Hong Kong Special Administrative Region as a resident of the Hong Kong Special Administrative region for 2018 and the two succeeding calendar years. Pursuant to such approval, the dividends distributed to Week8(HK) from the PRC subsidiaries from 2018 to 2020 would be subject to withholding tax rate of 5%. Therefore, the management reversed a withholding tax of RMB32.7 million for the unpaid dividend of RMB654.9 million.

Profits Attributable to Shareholders of the Company

Profits attributable to shareholders of the Company (the "**Shareholders**") experienced a decrease of 57.0% year-on-year to RMB93.8 million for the year ended December 31, 2019 from the corresponding period in 2018. The year-on-year decrease was primarily due to the decrease of gross profit, decrease of other gains, net and partially offset by the saving of operating expenses, decrease of impairment loss and decrease of income tax expense.

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 the 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 the management and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted EBITDA

Adjusted EBITDA for the year ended December 31, 2019 decreased by 31.3% year-on-year from the corresponding period in 2018. Adjusted EBITDA margin was 55.4% for the year ended December 31, 2019 and 57.8% 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, impairment provision, 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:

	Year ended	
(in RMB'000)	**December 31, 2019**	December 31, 2018
Operating Profit	**244,061**	510,287
Share-based compensation expense	**17,377**	12,106
Net losses/(gains) from investee companies[(a)]	**6,472**	(136,885)
Impairment provision[(b)]	**–**	23,012
Amortization of intangible assets arising from acquisition	**7,944**	7,461
Depreciation and amortization expense	**23,095**	18,861
Adjusted EBITDA	**298,949**	434,842

Adjusted Net Profit

Adjusted net profit for the year ended December 31, 2019 decreased by 47.1% 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:

(in RMB'000)	**Year ended December 31, 2019**	December 31, 2018
Net Profit	**100,126**	215,662
Share-based compensation expense	**17,377**	12,106
Net losses/(gains) from investee companies[(a)]	**6,472**	(136,885)
Impairment provision[(b)]	**33,098**	172,262
Amortization of intangible assets arising from acquisition	**7,944**	7,461
Income tax effects of non-IFRS adjustments	**16,219**	71,865
Adjusted Net Profit	**181,236**	342,471

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, intangible assets arising from acquisitions and capital surplus attributable to non-controlling interests of newly established subsidiaries.

4. Liquidity and Financial Resources

Cash and Cash Equivalents and Term Deposits

Cash and cash equivalents consist of cash at bank and cash on hand, and as at December 31, 2019 and December 31, 2018, such amounted to RMB1,033.0 million and RMB432.6 million, respectively. All cash at bank balances as of these dates were demand deposits and term deposits with initial terms of less than three months. The Group had term deposits with initial term of over three months of RMB106.4 million and RMB112.3 million as at December 31, 2019 and December 31, 2018, respectively.

Financial Assets at Fair Value through Profit or Loss

The Group's financial assets at fair value through profit or loss consist of seven main categories, namely (arranged in descending order based on their respective fair value amount) (i) purchase of wealth management products, (ii) equity investments in private unlisted companies ("**Private Investments**"), (iii) investments in venture capital funds ("**Fund Investments**"), (iv) investments in real estate income trust ("**REIT**") access fund, (v) investments in structured notes, (vi) income trust investment, and (vii) contingent consideration.

Financial assets at fair value through profit or loss decreased by 4.1% to RMB1,674.3 million as at December 31, 2019 compared to RMB1,746.4 million as at December 31, 2018. Such decrease was mainly attributable to a decrease of RMB146.5 million in purchase of wealth management products, a decrease of RMB36.4 million in contingent consideration, an increase of RMB42.0 million in REIT access fund, an increase of RMB37.9 million in Fund Investments, an increase of RMB19.3 million in Private Investments, an increase of RMB6.6 million in structured notes, an increase of RMB5.0 million in income trust investment. The following is a breakdown of the seven main categories as at the periods specified:

	As at December 31, 2019 *(RMB'000)*	As at December 31, 2018 *(RMB'000)*	Percentage increase/(decrease)
(i) Purchase of wealth management products	**725,410**	871,871	-16.8%
(ii) Private Investments	**491,122**	471,844	4.1%
(iii) Fund Investments	**394,243**	356,352	10.6%
(iv) REIT access fund	**41,973**	–	
(v) Structured notes	**16,525**	9,941	66.2%
(vi) Income trust investment	**5,000**	–	
(vii) Contingent consideration	**–**	36,404	-100.0%
Total	**1,674,273**	1,746,412	-4.1%

(i) Purchase of wealth management products

The Group regularly utilizes its idle funds to subscribe for wealth management products through Internet banking from commercial banks in order to earn interest. The fair value of the wealth management products subscribed by the Group decreased by 16.8% to RMB725.4 million as at December 31, 2019 compared to RMB871.9 million as at December 31, 2018. The fair value of the Group's wealth management products as at December 31, 2019 and as at December 31, 2018 represent about 21% and about 28% of the Group's total assets as at the corresponding dates respectively.

The wealth management products represent RMB-denominated wealth management products with interest rates ranging from 2.8% to 4.5% per annum and maturity period within 1 year or revolving terms. These wealth management products are offered by large state-owned or reputable financial institutions in the PRC. The underlying investments under the wealth management products differ product-by-product, but generally consist of investments in financial assets and financial instruments with high credit ratings and good liquidity in interbank and exchange markets, including but not limited to bonds, asset-backed securities, capital borrowing, reverse repurchase, bank deposits, and investment trust schemes, asset management schemes and other financial assets.

As at December 31, 2019 and December 31, 2018, the Group held 57 and 66 wealth management products respectively.

The Group's investment costs in the wealth management products were RMB712.6 million and RMB859.6 million as at December 31, 2019 and December 31, 2018, respectively.

For the year ended December 31, 2019, the Group's wealth management products recorded an aggregated gain of approximately RMB39.5 million (2018: RMB39.6 million), which included realized and unrealized gain. The aggregated fair value gain generated by wealth management products subscribed with China Merchants Bank amounted to RMB11.5 million (2018: RMB27.5 million) for year ended December 31, 2019. The carrying amount of the Group's wealth management products subscribed with China Merchants Bank amounted to 4.8% of the Group's total assets as at December 31, 2019 (2018: 8.8%). None of the carrying amount of wealth management products that the Group subscribed with certain commercial banks amounted to over 5% of the Group's total assets as at December 31, 2019 (2018: Except for China Merchants Bank, none of the carrying amount of wealth management products that the Group subscribed with other commercial banks amounted to over 5% of the Group's total asset as at December 31, 2018).

China Merchants Bank is a well-known national commercial bank in China. According to the most recent interim report of China Merchant Bank, its single largest shareholder is China Merchants Group Ltd.. China Merchants Group Ltd. is a state-owned enterprise under the direct control of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. To the best of the Directors' knowledge and based on information available in the public domain, China Merchants Bank and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

For further details, please refer to the announcements issued by the Company on January 7, 2019, January 25, 2019, February 21, 2019, April 4, 2019, July 10, 2019 and October 17, 2019.

(ii) Private Investments

Below is a summary of financial performance of the Private Investments during the relevant periods:

Investment Category	Historical transaction amount *(RMB'000)*	Percentage of equity interest	**Fair value of investments as of December 31, 2019** ***(RMB'000)***	Fair value of investments as of December 31, 2018 *(RMB'000)*	Percentage increase/ (decrease)
(i) 2 other entertainment and social live streaming companies (2018: 4) [(1)]	100,300	1.82%-19.87%	**100,000**	100,300	-0.3%
(ii) 5 online/mobile gaming companies (2018: 4), including:	122,815	3.5%-27%	**351,357**	313,932	11.9%
– Jinhua Yibo Network Technology Co., Ltd. ("**Yibo**") [(2)]	18,750	22.5%	**247,921**	245,147	1.1%
(iii) 2 real-estate and office building rental companies (2018: 0)	29,300	10%-20%	**29,300**	–	
(iv) 3 corporate/IT services companies (2018: 4)	48,359	19%-20%	**–**	39,949	-100.0%
(v) 1 financial technology company (2018: 7)	11,956	8%	**10,465**	17,663	-40.8%

Note:

(1) Including investments in Beijing Mijing Hefeng Technology Company Limited. Please refer to the Company's announcement issued on May 23, 2017.

(2) In December 2016, the Group acquired 27% equity interests of Jinhua Yibo Network Technology Co., Ltd. ("**Yibo**") and Yibo International (Macau) Co., Ltd. (collectively "**Yibo Group**"), an independent third party group engaged in operation of web-based and mobile casual games for a total consideration of RMB63.0 million. In May 2018, the Group, the founder and the other shareholders of Yibo (collectively "**Selling Shareholders**") entered into an agreement to dispose of 20% equity interest to a third party (the "**Buyer**"), including 4.5% equity interest in Yibo held by the Group (the "**Disposal**").

The Disposal was executed at a cash consideration of RMB40.5 million and an additional cash consideration of up to RMB253.6 million which may be received from 2019 to 2021. The additional consideration will be received in the event that i) certain pre-determined net profit of 2018, 2019 and 2020 is achieved by Yibo, or ii) in the event that the pre-determined net profit is not achieved, the Buyer exercises the option to ask the founder of Yibo to make the compensation to the Buyer and then continued the execution of the agreement, or request the founder and the other shareholders of Yibo to buy back all of the 20% equity interests at original purchase price and then terminate the agreement (the "**Option**"). The Group had no obiligation to buy back the 4.5% equity interest in Yibo.

The Group received the aforementioned cash consideration of RMB40.5 million and recognised a gain of RMB36.8 million upon completion of the Disposal. As of 31 December 2018, the fair value of the potential amount of all future cash collection was recognised as contingent consideration at the estimated amount to be RMB36.4 million by calculating the present value of future expected cash flows based on a discount rate and the probability of cash collection, including the probability of exercising the Option by the Buyer. The settlement date of the additional consideration from 2019 to 2021 was no later than 15 May each year. Yibo did not receive the 2018 net profit that was pre-determined in the original agreement. In May 2019, the Buyer and Selling Shareholders entered into an agreement to amend the settlement date of the additional consideration in 2019 from May 15, 2019 to December 15, 2019.

In December 2019, the Buyer decided to exercise the option to terminate the original agreement and required the founder and the other shareholders of Yibo (except the Group) to repurchase its 20% equity interest in Yibo. Upon termination of the agreement, the Group derecognised its contingent consideration and recognised a fair value loss of RMB36.4 million.

For the year ended December 31, 2019, the Group aggregately recognised a fair value gain of RMB2.8 million for the remaining 22.5% equity interest in Yibo (for the year ended December 31, 2018: a fair value gain of RMB186.7 million). The fair value of the Group's investment in Yibo Group was RMB247.9 million as at December 31, 2019 (December 31, 2018: RMB245.1 million).

The carrying amount of investment in Yibo Group as at December 31, 2018 and as at December 31, 2019 accounted for 7.8% and 7.1% of the Group's total consolidated assets as at December 31, 2018 and December 31, 2019, respectively. The Group did not receive any dividend from Yibo during the year ended December 31, 2018 and December 31, 2019, respectively.

The Group's investment in Yibo Group is in line with its strategy to expand its live streaming ecosystem, which includes beauty camera, short video and online games. And the Disposal is to optimize the Group's investment structure and realize/liquidate part of its investments at fair market value.

The underlying Private Investments are independent from each other. Save for its investment in Yibo, there is no single Private Investment whose carrying amount is over 5% of the Group's total assets as of December 31, 2019.

(iii) Fund Investments

As of December 31, 2019, the Group has investment interests in nine venture capital funds, of which its investments in Shanghai Yunqi Wangchuang Asset Management Center (Limited Partnership) (上海雲奇網創資產管理中心(有限合夥)), Yun Qi Partners I GP, Ltd. and Nanjing Yunzhou Venture Capital Investment Center (Limited Partnership) (南京雲周創業投資中心(有限合夥)) ("**Yunqi Investments**") constitute connected transactions to the Company. The principal investment objectives of these three funds include generating capital returns primarily through equity and equity-related investments in companies that operate TMT-related businesses in the PRC, including but not limited to, Internet financing, intelligent hardware, industrial internet and big data. For further details, please refer to the announcements issued by the Company on January 28, 2016, January 7, 2019 and January 22, 2019.

The historical aggregate investment amount in these nine venture capital funds was RMB272.6 million as at December 31, 2019. The fair value of these Fund Investments increased by 10.6% to RMB394.2 million as at December 31, 2019 compared to RMB356.4 million as at December 31, 2018.

Save for the Yunqi Investments, the general partners of the underlying Fund Investments are independent from each other. There is no single Fund Investment whose carrying amount is over 5% of the Company's total assets as of December 31, 2019.

(iv) REIT access fund

This represents the Group's investment in REIT access fund, which was offered by an internationally reputable financial institution for investors to indirectly invest in the world's largest real estate income trust. During the year ended December 31, 2019, the Group paid a total of US$6.0 million (approximately RMB42.1 million) on certain units of this fund and recognised a fair value gain of RMB0.1 million during the current reporting period.

(v) Structured notes

The fair value of the structured notes invested by the Company increased by 66.2% to RMB16.5 million as at December 31, 2019 compared to RMB9.9 million as at December 31, 2018 due to the Group's new acquisition of structured notes during the year. The structured notes were issued by a commercial bank in Hong Kong, which provide a potential return determined at the pre-determined interest rate or linked to the price of certain listed equity securities at the predetermined valuation day in future.

(vi) Income trust investment

This represents the Group's income trust investment with expected rate of return of 8.4% per annum and maturity period within 13 months. During the year ended December 31, 2019, the Group paid a total of RMB5.0 million on the units of the trust and recognised a fair value gain of RMB0.2 million. A cash payment of investment income amounting to RMB0.2 million had been received by the Group as at December 31, 2019.

(vii) Contingent consideration

The fair value of the contingent consideration was nil as at December 31, 2019 compared to RMB36.4 million as at December 31, 2018 related to Yibo investment. Please refer to note (2) of "4. Liquidity and Financial Resources – (ii) Private Investments" above for further details.

Deferred Income Tax Liabilities, Net

Deferred income tax liabilities, net was RMB94.5 million as at December 31, 2019 which increased by 32.0% as compared with the balance as at December 31, 2018. The increase was primarily due to the recognition of deferred income tax liabilities of RMB18.9 million arising from the withholding tax of dividend and the reversal of deferred income tax assets of RMB21.8 million arising from impairment losses and partially offset by the reversal of deferred income tax liability of RMB14.8 million from unrealised investment income and assets appreciation.

Redemption Liabilities

In January 2019, the Group entered into an agreement to sell 36% of the equity interests in Jinhua Ruian Investments Management Company Limited（金華睿安投資管理有限公司）, a company holding 80% equity interest in Shanghai Benqu Internet Technology Company Limited（上海本趣網絡科技有限公司）(“**Shanghai Benqu**”) as of the date of this announcement, to Beijing Weimeng Chuangke Investment Management Company Limited（北京微夢創科創業投資管理有限公司）(“**Beijing Weimeng**”), an associate of Sina Corporation, for a consideration of approximately RMB292.6 million. The transaction was completed on July 5, 2019.

Upon completion of the transaction with Beijing Weimeng, redemption liabilities of RMB335.7 million were recognised. As at December 31, 2019, redemption liabilities of RMB24.2 million were derecognised against other reserves as related options lapse unexercised or the estimated amount is revised.

The details are set out in note 17 to the consolidated financial statements.

Bank Loans and Other Borrowings

As at December 31, 2019 and December 31, 2018, the Company had no bank loans and other borrowings outstanding.

Gearing Ratio

The gearing ratio as at December 31, 2019 and December 31, 2018 were 0%.

Capital Expenditures

For the year ended December 31, 2019, the Group’s capital expenditures were approximately RMB9.7 million, mainly including approximately RMB8.0 million on the purchase of property, equipment and other non-current assets and RMB1.7 million on the purchase of intangible assets.

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, an associate of Sina Corporation, for a consideration of approximately RMB292.6 million. The transaction has been completed on July 5, 2019. For further details of this transaction, please refer to the announcements issued by the Company on April 30, 2019, April 29, 2019 and January 16, 2019.

In June 2018, Zhejiang Tonggu Software Technology Co., Ltd（浙江通古軟件科技有限公司）(“**Tonggu**”), one of the Company’s subsidiaries which is engaged in the development of real estate in mainland China, paid the government RMB55.6 million to purchase the use right of certain land in Gongshu District, Hangzhou. To guarantee timely completion of the Hangzhou Innovation Industrial Housing Project (the “**Project**”) on the land, the Group paid a deposit amounting to RMB5.6 million (10% of the total price) to the government. In June 2019, the Group obtained the certificate for state-owned land use right and transferred the prepayment of RMB55.6 million into land use right. In second half of 2019, the Group changed its original land development plan. In December 2019, the Group entered into a share transfer agreement with a third party to sell its 100% equity interest in Tonggu for a cash consideration of RMB67.2 million, resulting in a gain of RMB8.2 million. Accordingly, the land use right and the deposit were transferred to the buyer. As at December 31, 2019, RMB5.0 million was paid by the Group as a refundable deposit to the third party buyer to purchase certain property from it when the Project is completed. None of the applicable percentage ratios (as defined under the Listing Rules) in relation to the land use right purchase and the Tonggu disposal exceeds 5%.

Charges on Assets

As at December 31, 2019, the Group did not have any asset charges.

Contingent Liabilities

As at December 31, 2019, 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, 2019. We do not hedge against any fluctuation in foreign currency.

5. Corporate Information

Staff

The Company had 512 full time employees as at December 31, 2019. 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 talents. 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 RMB146.4 million for the year ended December 31, 2019, while our staff cost was RMB151.6 million for the year ended December 31, 2018. 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 year ended December 31, 2019.

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 year ended December 31, 2019 were RMB17.4 million, as compared to RMB12.1 million for the year ended December 31, 2018.

As at December 31, 2019, options representing a total of 18,791,335 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 31 December 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 December 31, 2019, the total number of shares underlying the Pre-IPO RSU Scheme and Post-IPO RSU Scheme represented approximately 2.41% of the total ordinary shares of the Company.

CONSOLIDATED BALANCE SHEET
(AS AT DECEMBER 31, 2019)

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Property and equipment		**165,598**	186,582
Right-of-use assets		**7,373**	–
Investment properties		**56,591**	46,512
Intangible assets		**285,826**	296,399
Investments accounted for using the equity method	4	**26,574**	55,305
Prepayments and other receivables		**29,919**	74,829
Financial assets at fair value through profit or loss	6	**927,338**	874,541
Deferred income tax assets	10	**19,403**	38,375
		1,518,622	1,572,543
Current assets			
Trade receivables	5	**27,068**	64,298
Prepayments and other receivables		**70,714**	102,922
Financial assets at fair value through profit or loss	6	**746,935**	871,871
Term deposits with initial term over 3 months		**106,419**	112,318
Cash and cash equivalents		**1,033,006**	432,588
		1,984,142	1,583,997
Total assets		**3,502,764**	3,156,540
Equity			
Equity attributable to Shareholders of the Company			
Share capital	7	**780**	789
Share premium	7	**1,760,719**	1,828,683
Treasury stock	7	**-**	(25,469)
Other reserves		**393,817**	510,665
Retained earnings		**599,641**	516,740
		2,754,957	2,831,408
Non-controlling interests		**109,786**	12,762
Total equity		**2,864,743**	2,844,170

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	*10*	**113,935**	109,966
Lease liabilities		**1,996**	–
Other non-current liabilities		**2,736**	2,633
		118,667	112,599
Current liabilities			
Trade payables	*9*	**2,477**	5,049
Other payables and accruals		**55,358**	71,192
Current income tax liabilities		**118,504**	90,560
Customer advance and deferred revenue		**27,635**	32,970
Lease liabilities		**3,929**	–
Redemption liabilities	*17*	**311,451**	–
		519,354	199,771
Total liabilities		**638,021**	312,370
Total equity and liabilities		**3,502,764**	3,156,540

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(FOR THE YEAR ENDED DECEMBER 31, 2019)

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**539,329**	751,933
Cost of revenue	*11*	**(64,545)**	(65,290)
Gross profit		**474,784**	686,643
Selling and marketing expenses	*11*	**(119,059)**	(164,633)
Administrative expenses	*11*	**(96,858)**	(110,055)
Research and development expenses	*11*	**(71,751)**	(95,985)
Reversal of impairment losses/(Net impairment losses) on financial assets		**26,892**	(101,849)
Other gains, net	*12*	**30,053**	296,166
Operating profit		**244,061**	510,287
Finance income	*13*	**4,844**	2,714
Finance costs	*13*	**(6,070)**	(2,193)
Finance (costs)/income, net		**(1,226)**	521
Share of losses of investments accounted for using the equity method	*4*	**(3,826)**	(2,134)
Impairment of investments accounted for using the equity method	*4*	**(33,098)**	(149,250)
Profit before income tax		**205,911**	359,424
Income tax expense	*14*	**(105,785)**	(143,762)
Profit for the year		**100,126**	215,662
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**13,814**	33,053
Items that will not be reclassified to profit or loss			
Change in fair value of owner-occupied property		**1,579**	–
Total comprehensive income for the year		**115,519**	248,715

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Profit/(Loss) attributable to:			
– Shareholders of the Company		**93,834**	218,276
– Non-controlling interests		**6,292**	(2,614)
		100,126	215,662
Total comprehensive income/(loss) attributable to:			
– Shareholders of the Company		**109,227**	251,404
– Non-controlling interests		**6,292**	(2,689)
		115,519	248,715
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share):			
– Basic earnings per share	*15*	**0.075**	0.172
– Diluted earnings per share	*15*	**0.074**	0.168

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(FOR THE YEAR ENDED DECEMBER 31, 2019)

		Attributable to Shareholders of the Company							Non-controlling interests	Total Equity
	Note	Share capital	Share premium	Shares held for RSU schemes	Treasury Stock	Other reserves	Retained earnings	Total		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019		789	1,828,683	–	(25,469)	510,665	516,740	2,831,408	12,762	2,844,170
Comprehensive income										
Profit for the year		–	–	–	–	–	93,834	93,834	6,292	100,126
Other comprehensive income										
Change in fair value of owner-occupied property		–	–	–	–	1,579	–	1,579	–	1,579
Currency translation differences		–	–	–	–	13,814	–	13,814	–	13,814
Total comprehensive income		–	–	–	–	15,393	93,834	109,227	6,292	115,519
Transactions with Shareholders in their capacity as owners										
Employees share option scheme and restricted share units ("**RSU**") schemes:										
– value of employee services		–	–	–	–	17,377	–	17,377	–	17,377
– proceeds from shares issued	7	2	863	–	–	–	–	865	–	865
– vest and transfer of RSUs	7	–	(7)	7	–	–	–	–	–	–
Issue of shares held for RSU schemes	7	7	–	(7)	–	–	–	–	–	–
Repurchase of ordinary shares	7	–	–	–	(43,369)	–	–	(43,369)	–	(43,369)
Cancellation of ordinary shares	7	(18)	(68,820)	–	68,838	–	–	–	–	–
Disposal of subsidiaries		–	–	–	–	(506)	–	(506)	(1)	(507)
Changes in ownership interests in subsidiaries without change of control		–	–	–	–	151,406	–	151,406	90,733	242,139
Recognition of redemption liabilities in respect of put options granted to non-controlling interests		–	–	–	–	(335,677)	–	(335,677)	–	(335,677)
Derecognition of redemption liabilities		–	–	–	–	24,226	–	24,226	–	24,226
Profit appropriations to statutory reserves		–	–	–	–	10,933	(10,933)	–	–	–
Total transactions with Shareholders in their capacity as owners		(9)	(67,964)	–	25,469	(132,241)	(10,933)	(185,678)	90,732	(94,946)
Balance at 31 December 2019		780	1,760,719	–	–	393,817	599,641	2,754,957	109,786	2,864,743

	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU schemes RMB'000	Treasury Stock RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
		Attributable to Shareholders of the Company								
Balance at 1 January 2018		787	1,952,499	(6)	–	569,960	193,935	2,717,175	11,582	2,728,757
Change in accounting policy		–	–	–	–	(124,892)	124,892	–	–	–
Restated total equity at 1 January 2018		787	1,952,499	(6)	–	445,068	318,827	2,717,175	11,582	2,728,757
Comprehensive income/(loss)										
Profit/(loss) for the year		–	–	–	–	–	218,276	218,276	(2,614)	215,662
Other comprehensive income/(loss)										
Currency translation differences		–	–	–	–	33,128	–	33,128	(75)	33,053
Total comprehensive income/(loss)		–	–	–	–	33,128	218,276	251,404	(2,689)	248,715
Transactions with Shareholders in their capacity as owners										
Employees share option scheme and RSU schemes:										
– value of employee services		–	–	–	–	12,106	–	12,106	–	12,106
– proceeds from shares issued	*7*	10	6,738	–	–	–	–	6,748	–	6,748
– vest and transfer of RSUs	*7*	–	(6)	6	–	–	–	–	–	–
Dividends provided for or paid	*7*	–	(74,537)	–	–	–	–	(74,537)	–	(74,537)
Repurchase of ordinary shares	*7*	–	–	–	(152,251)	–	–	(152,251)	–	(152,251)
Cancellation of ordinary shares	*7*	(16)	(126,766)	–	126,782	–	–	–	–	–
Step-acquisition of a subsidiary	*7*	8	70,755	–	–	–	–	70,763	7,152	77,915
Disposal of a subsidiary		–	–	–	–	–	–	–	(2,397)	(2,397)
Profit appropriations to statutory reserves		–	–	–	–	20,363	(20,363)	–	–	–
Appropriation of dividend to non-controlling interests		–	–	–	–	–	–	–	(886)	(886)
Total transactions with Shareholders in their capacity as owners		2	(123,816)	6	(25,469)	32,469	(20,363)	(137,171)	3,869	(133,302)
Balance at 31 December 2018		789	1,828,683	–	(25,469)	510,665	516,740	2,831,408	12,762	2,844,170

CONSOLIDATED STATEMENT OF CASHFLOW
(FOR THE YEAR ENDED DECEMBER 31, 2019)

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Net cash generated from operating activities	**187,977**	261,535
Net cash generated from investing activities	**170,194**	113,325
Net cash generated from/(used in) financing activities	**239,591**	(222,717)
Net increase in cash and cash equivalents	**597,762**	152,143
Cash and cash equivalents at beginning of year	**432,588**	273,652
Exchange gains on cash and cash equivalents	**2,656**	6,793
Cash and cash equivalents at end of year	**1,033,006**	432,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(FOR THE YEAR ENDED DECEMBER 31, 2019)

1. GENERAL INFORMATION

Tian Ge Interactive Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 28 July 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 Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands.

On 9 July 2014, the Company consummated 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, advertising and other services in the People's Republic of China (the "**PRC**").

Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting value-added telecommunications services. In order to make investments into the business of the Group, the Company established the subsidiaries, Tiange Technology (Hangzhou) Co., Ltd. ("**Hangzhou Tiange**") and Zhejiang Tiange Information Technology Co., Ltd. ("**Zhejiang Tiange**"), which are wholly foreign owned enterprises incorporated in the PRC in November 2008 and September 2009 respectively.

The wholly-owned subsidiaries, Hangzhou Tiange and Zhejiang Tiange, entered into the Contractual Arrangements with Hangzhou Han Tang Cultural Communication Co., Ltd. ("**Hantang**"), Jinhua9158 Network Science and Technology Co., Ltd. ("**Jinhua9158**"), Jinhua99 Information Technology Co., Ltd. ("**Jinhua99**"), Jinhua Xingxiu Cultural Communication Co., Ltd. ("**Xingxiu**") and their respective equity holders, which enables Hangzhou Tiange, Zhejiang Tiange and the Group to:

- exercise effective financial and operational control over the Hantang, Jinhua9158, Jinhua99 and Xingxiu;
- irrevocably exercise equity holders" voting rights of Hantang, Jinhua9158, Jinhua99 and Xingxiu;
- receive substantially all of the economic returns generated by Hantang, Jinhua9158, Jinhua99 and Xingxiu by way of business support, technical and consulting services provided by Hangzhou Tiange and Zhejiang Tiange;
- obtain an irrevocable and exclusive right to purchase the entire equity interest in Hantang, Jinhua9158, Jinhua99 and Xingxiu from the respective shareholders;
- obtain a pledge over the entire equity interest of Hantang, Jinghua9158, Jinhua99 and Xingxiu from their respective equity holders as collateral for all accounts payable by Hantang, Jinghua9158, Jinghua99 and Xingxiu to Hangzhou Tiange and Zhejiang Tiange and to secure performance of Hantang, Jinghua9158, Jinghua99 and Xingxiu"s obligations under the Contractual Arrangements.

The Group does not have any equity interest in Hantang, Jinghua9158, Jinghua99 and Xingxiu. As a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement in Hantang, Jinghua9158, Jinghua99 and Xingxiu and has the ability to affect those returns through its power over Hantang, Jinghua9158, Jinghua99 and Xingxiu, and is considered to control Hantang, Jinghua9158, Jinghua99 and Xingxiu. Consequently, the Company regards Hantang, Jinghua9158, Jinghua99 and Xingxiu as the structured entities under IFRSs.

Similar Contractual Arrangements were also executed for other PRC operating companies established by the Group. All these PRC operating companies are treated as structured entities of the Company and their financial statements have also been consolidated by the Company.

The Group has included the financial position and results of the PRC operating companies 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 26 March 2020.

2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, except for the following:

- Certain financial assets and liabilities (including derivative instruments) – measured at fair value

- Investment properties – measured at fair value

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

(c) New amendments and interpretation adopted by the Group in 2019

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019.

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rule but recognised the cumulative effect of initially applying the new standard on 1 January 2019. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Changes in accounting policies

Impact of the adoption of IFRS 16

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

3. SEGMENT INFORMATION

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.

(a) Description of segments and principal activities

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. The CODM considers the business primarily from product perspective.

In the year ended 31 December 2018, the Group had one reportable segment online interactive entertainment service and all other segments. Online interactive entertainment service of the Group mainly comprises provision of live social video platforms and provision of online games. Other segments of the Group mainly comprise provision of online advertising, software research and development and other services.

In view of the increased scale and business importance of advertising activities, and to help investors better understand the Group's revenue structure and margin trends, a new segment named "Advertising Service" has been separated from "Others" segment from the first quarter of 2019 onwards, both in the internal reports to the CODM and in the consolidated financial statements of the Group. As a result, segment information for the year ended 31 December 2018 for comparative purpose has been restated to conform to the new presentation. Management believes that the above changes in segment information better reflect current market trends, as well as resource allocation and future business development of the Group.

The CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses and general and administrative expenses are common costs incurred for the operating segments as a whole and therefore they are not included in the measure of the segments' performance which is used by the CODM as a basis for the purpose of resource allocation and assessment of segment performance. Interest income, other gains, net, finance income, net and income tax expense are also not allocated to individual operating segment.

There were no material inter-segment sales during the years ended 31 December 2019 and 2018. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated statement of comprehensive income.

Other information, together with the segment information, provided to CODM, is measured in a manner consistent with that applied in these financial statements. There were no segment assets and segment liabilities information provided to the CODM, as the CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

(b) Segment revenue and gross profit

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2019 is as follows:

	Year ended 31 December 2019			
	Online interactive entertainment service *RMB'000*	**Advertising service** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Revenue	**442,814**	**72,144**	**24,371**	**539,329**
Gross profit	**400,814**	**50,559**	**23,411**	**474,784**
– Depreciation, amortisation and impairment charges included in segment cost	**(5,491)**	**(1,000)**	**–**	**(6,491)**
Operating profit				**244,061**
Finance income				**4,844**
Finance costs				**(6,070)**
Shares of losses of investments accounted for using the equity method				**(3,826)**
Impairment of investments accounted for using the equity method				**(33,098)**
Profit before income tax				**205,911**

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2018 is as follows:

	Year ended 31 December 2018			
	Online interactive entertainment service	Advertising service	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	634,159	64,286	53,488	751,933
Gross profit	580,950	52,869	52,824	686,643
– Depreciation, amortisation and impairment charges included in segment cost	(5,010)	–	(7)	(5,017)
Impairment of goodwill	–	–	(6,219)	(6,219)
Operating profit				510,287
Finance income				2,714
Finance costs				(2,193)
Shares of losses of investments accounted for using the equity method				(2,134)
Impairment of investments accounted for using the equity method				(149,250)
Profit before income tax				359,424

A breakdown of the revenue derived from each revenue stream is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Live social video platforms	**434,551**	619,455
Game operation	**8,263**	14,704
Advertising	**72,144**	64,286
Software research and development	**22,480**	51,900
Others	**1,891**	1,588
	539,329	751,933

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC. For the years ended 31 December 2019 and 2018, the total geographic information on the revenue derived from each revenue stream is as follows:

	Year ended 31 December 2019		
	PRC (Excluding Hong Kong)	**Other regions**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue	**514,176**	**25,153**	**539,329**

	Year ended 31 December 2018		
	PRC (Excluding Hong Kong)	Other regions	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	730,599	21,334	751,933

The reconciliation of gross profit to profit before income tax is shown in the consolidated statement of comprehensive income.

Risk of Concentration

Management currently expects that the Company's operating results will, for the foreseeable future, continue to depend on the revenue directly from a relatively small number of distributors. All the revenue derived from any single user of the live social video platform was less than 10% of the Group's total revenue during the years ended 31 December 2019 and 2018.

(c) Revenue from contracts with customers

(i) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of services over time and at a point in time in the following major product lines:

	Live social video platforms	**Game operation**	**Advertising**	**Software research and development**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019						
Timing of revenue recognition						
At a point in time	**433,883**	**–**	**55,469**	**–**	**–**	**489,352**
Over time	**668**	**8,263**	**16,675**	**22,480**	**1,891**	**49,977**
	434,551	**8,263**	**72,144**	**22,480**	**1,891**	**539,329**
Year ended 31 December 2018						
Timing of revenue recognition						
At a point in time	619,130	–	29,308	–	–	648,438
Over time	325	14,704	34,978	51,900	1,588	103,495
	619,455	14,704	64,286	51,900	1,588	751,933

(ii) ***Revenue recognised in relation to contract liability***

The following table shows how much of the revenue recognised in the current reporting period related to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the period		
– Live social video platforms	**26,832**	28,135
– Game operation	**6,138**	14,475

(d) Segment assets

The Group's non-current assets other than deferred income tax assets and financial instruments, broken down by location of the assets, is shown as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
PRC (Excluding Hong Kong)	**414,925**	577,598
Other regions	**156,956**	82,029
	571,881	659,627

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Associates	**22,777**	53,307
Joint ventures	**3,797**	1,998
	26,574	55,305

The share of profit/(loss) recognised in the consolidated statement of comprehensive income are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Associates	**(558)**	(2,405)
Joint ventures	**(3,268)**	271
	(3,826)	(2,134)

(a) Interests in associates

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Beginning of the year	**53,307**	118,948
Additions (i)	**3,276**	11,870
Impairment (ii) (iii)	**(33,098)**	(43,231)
Disposals	**–**	(31,499)
Share of loss of investments accounted for using the equity method	**(558)**	(2,405)
Dividend received	**(670)**	(484)
Currency translation difference	**520**	108
End of the year	**22,777**	53,307

(i) During the year ended 31 December 2019, the Group made a capital injection of MYR2,000 thousand (approximately RMB3,276 thousand) to an associate engaged in small loan lending overseas.

(ii) During the year ended 31 December 2019, the Group carried out an impairment assessment on its investments in certain associates, which were engaged in business promotion and trading via online female network community in mainland China, online health information service in mainland China, small loan lending overseas and operation of online casual games in mainland China. Both external and internal sources of information of associates were considered in assessing whether there is any indication that the investments may be impaired, including but not limited to financial position, business performance. The Group carried out impairment assessments on those investments with impairment indications, and the respective recoverable amounts of investments are determined with reference to the higher of fair value less costs of disposal and value in use.

In respect of the recoverable amount arising from value in use calculation, the discounted cash flows calculation was based on cash flow projection estimated by management, and the key assumptions adopted in such cash flow projection included revenue growth rate, net profit margin and discount rate. The estimated sales growth rate within five years adopted in cash flows projection performed by management at the end of 2019 range from -23.2% to 11.0%, net profit margin range from -2.0% to 14.6%, and the discount rate adopted range from 17.4% to 23%.

As a result, the Group made an aggregate impairment provision of RMB33,098 thousand (2018: RMB43,231 thousand) against the carrying amount of the associates during the year ended 31 December 2019. The impairment losses mainly resulted from revisions of financial/business outlook of the associates and changes in the market environment of the underlying business.

(iii) During the year ended 31 December 2018, the operation of Wuhan Jiuxin Puhui Financial Information Services Co., Ltd. ("**Jiuxin Puhui**"), one of the Group's associates, which was principally engaged in the operation of an online peer-to-peer ("**P2P**") lending platform in mainland China, was affected by government's intensified regulations, which resulted into a serious shortage of funds and increasing bad debts of Jiuxin Puhui. The Group carried out the impairment assessment on Jiuxin Puhui and determined the recoverable amount of the investment based on the value in use calculation. In respect of the recoverable amount arising from value in use calculation, the discounted cash flows calculation was based on cash flow projection estimated by management, and the key assumptions adopted in such cash flow projection included revenue growth rate and bad debt ratio. The estimated sales growth rate within five years adopted in cash flows projection performed by management in the year of 2017 was from 10% to 31%. No future revenue was expected to be generated in cash flows projection performed by management in the year of 2018. The bad debt ratio increased from 2% in 2017 to 24% in 2018. As no positive cash inflow was expected to be generated with the cease of the operation and bad debt ratio was deteriorated, the Group made a full impairment provision of RMB43,231 thousand against the carrying amount of the associate. The impairment loss was recognised as impairment of investment accounted for using the equity method in the consolidated statement of comprehensive income for the year ended 31 December 2018.

(iv) Management has assessed the level of influence that the Group has on certain associates, and determined that it has significant influence even though the shareholding is below 20% because of the board representation or other arrangements. Consequently, these investments have been accounted for using the equity method and classified as associates. For the Group's other investments with shareholding above 20% but without board representation nor participation in the investee's policy-making process, management has concluded that the Group does not have significant influence over these investees and classified them as financial assets at fair value through profit or loss.

In the opinion of management, no investment in these associates was considered to be individually material to the Group as at 31 December 2019 and 2018. There were no material contingent liabilities relating to the Group's interests in the associates.

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Aggregate carrying amount of associates	**22,777**	53,307
Aggregate amounts of the Group's share of:		
Loss for the year	**(558)**	(2,405)
Total comprehensive loss	**(558)**	(2,405)

(b) Interests in joint ventures

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Beginning of the year	**1,998**	12,812
Additions (i)	**5,067**	105,384
Impairment (ii)	**–**	(106,019)
Disposals	**–**	(10,600)
Share of (loss)/profit of investments accounted for using the equity method	**(3,268)**	271
Currency translation difference	**–**	150
End of the year	**3,797**	1,998

(i) During the year ended 31 December 2019, the Group entered into an investment agreement with two third party companies to establish a joint venture in Singapore, which would engage in provision of online entertainment business in Vietnam. The Group subscribed for 49% of its equity interest in the joint venture at a consideration of USD1,470 thousand, of which, USD735 thousand (approximately RMB5,067 thousand) was paid by the Group as at 31 December 2019.

(ii) In 2017 the Group entered into an investment agreement with a third party company which is primarily engaged in operating P2P lending platform in mainland China, to subscribe for 37.28% of its equity interests to form Jinhua Lanyou Network Technology Co., Ltd., a joint venture, at a cash consideration of RMB105,384 thousand. As of 31 December 2017, the investment was recorded as the prepayments and other receivables as the transaction was yet to be consummated.

In January 2018, upon the completion of the restructuring of the third-party company, the subscription of equity interests transaction was completed and the investment was accounted for as interest in joint venture. With the enhanced regulatory environment affecting the P2P lending platform industry in mainland China, the joint venture's primary business changed to the operation of debt collection, provision of technical services to internet finance companies in mainland China (collectively "**PRC Business**"), and P2P lending platform overseas ("**Overseas Business**").

In December 2018, the PRC Business of the joint venture was affected by the government's intensified regulations and was terminated accordingly; and the financial/business outlook of the Overseas Business of the joint venture was not optimistic after revision. The Group carried out an impairment assessment on the joint venture and determined the recoverable amount of the investment based on the value in use calculation. In respect of the recoverable amount using value in use, the discounted cash flows calculations were based on cash flow projections estimated by management and the key assumptions adopted in such cash flow projections include revenue growth rate and the discounted rate. The estimated sales growth rate within five years adopted in cash flows projection performed by management at the beginning of 2018 ranged from -68% to 117% while the estimated sales growth rate within five years adopted in cash flows projection performed by management at the end of 2018 ranged from -94% to 25%. The discount rate adopted in the two cash flows projections performed by management was the same as 35%. As the Overseas Business was not optimistic and no positive operating cash inflow was expected, management determined the implied value in use of the joint venture to be zero. As a result, the Group made a full impairment provision of RMB106,019 thousand against the carrying amount of the joint venture. The impairment loss was recognised as impairment of investment accounted for using the equity method in the consolidated statement of comprehensive income for the year ended 31 December 2018.

(iii) Management has assessed the level of influence that the Group has on these investments, and determined that it has joint control even though the shareholding varies from 27% to 49% (2018: 27% to 36.11%) because unanimous consent is required from all parties to the agreements for all relevant activities. Consequently, these investments have been accounted for using the equity method and classified as joint ventures.

In the opinion of management, the joint ventures of the Group as at 31 December 2019, are not material to the Group. The joint venture have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

	2019	2018
	RMB'000	*RMB'000*
Aggregate carrying amount of joint ventures	**3,797**	1,998
Aggregate amounts of the Group's share of:		
(Loss)/profit for the year	**(3,268)**	271
Total comprehensive (loss)/income	**(3,268)**	271

5. TRADE RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Third parties	**28,000**	64,956
Less: allowance for impairment of trade receivables	**(932)**	(800)
Third parties, net	**27,068**	64,156
Amount due from related parties	**–**	142
	27,068	64,298

(a) Ageing analysis based on recognition date of the gross trade receivables at the respective balance sheet dates are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
0-90 days	**20,381**	62,617
91-180 days	**4,917**	1,269
181-365 days	**1,464**	230
Over 1 year	**1,238**	982
	28,000	65,098

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Included in non-current assets		
Financial assets at FVPL		
Unlisted equity investments (a)	**491,122**	471,844
Investments in venture capital funds (b)	**394,243**	356,352
Contingent consideration (a(iii))	**–**	36,404
Investments in REIT access fund (c)	**41,973**	–
Structured notes (d)	**–**	9,941
	927,338	874,541
Included in current assets		
Financial assets at FVPL		
Investments in wealth management products (e)	**725,410**	871,871
Structured notes (d)	**16,525**	–
Income trust investment (f)	**5,000**	–
	746,935	871,871
	1,674,273	1,746,412

(a) Unlisted equity investments

This represents the Group's investments in unlisted equity interests. Set out below are the movements of the Group's unlisted equity investments as at 31 December 2019 and 2018:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Opening balance as at 1 January	**471,844**	332,862
Additions (i)	**68,411**	30,936
Disposals	**(3,158)**	(58,951)
Disposal of a subsidiary	**(5,727)**	–
Dividend received	**(2,445)**	(2,059)
Fair value change recognised in profit or loss (ii)(iii)	**(40,748)**	148,210
Dividend income	**2,445**	2,059
Other change	**–**	18,228
Currency translation difference	**500**	559
Closing balance as at 31 December	**491,122**	471,844

(i) During the year ended 31 December 2014, the Group paid RMB70,000 thousand to subscribe for 5% equity interest of potential investment in certain unlisted company which was engaged in online games. The amount was recorded as a refundable prepayment for purchase of investments under "prepayments and other receivables". As of 31 December 2018, management performed impairment assessment on the refundable prepayments of investment, including the ageing of the refundable prepayment as well as probability of collection of the prepayment of the investments in the future. As a result, an impairment of RMB70,000 thousand against the refundable prepayment for investment was recognised mainly due to the inherent uncertainty of the future collection.

In June 2019, with the support from the selling shareholder and the invested company, the Group completed the shareholder registration of this investment and legally became the shareholder of 5% equity interest in the unlisted company. Therefore, the impairment of the refundable prepayment of the investment was reversed to the recoverable amount of RMB38,842 thousand and the prepayment was classified as financial asset at fair value through profit or loss at the fair value of RMB38,842 thousand.

In August 2019, the Group paid USD1,408 thousand (approximately RMB9,956 thousand) to subscribe for 20% equity interest of an overseas office building rental company. In September 2019, the Group entered into an agreement to subscribe for 10% equity interest of an overseas real-estate development company at a total consideration of approximately US$2,792 thousand. As at 31 December 2019, the Group had paid US$1,372 thousand (approximately RMB9,707 thousand), and the remaining consideration to be paid had been recognised as a liability of RMB9,906 thousand. Given that the Group was not involved in the management of these unlisted companies and the investments were solely for asset appreciation purpose, the Group does not consider it has significant influence over this company, therefore, the Group recognised these investments as financial assets at fair value through profit or loss.

(ii) During the year ended 31 December 2019, the Group disposed of certain unlisted equity investments, with a total loss of approximately RMB2,588 thousand. These unlisted companies were mainly engaged in investment management, online marketing and promotion, and provision of technical service in mainland China.

(iii) In December 2016, the Group acquired 27% equity interests of Jinhua Yibo Network Technology Co., Ltd. ("**Yibo**") and Yibo International (Macau) Co., Ltd. (collectively "**Yibo Group**"), an independent third party group engaged in operation of web-based and mobile casual games for a total consideration of RMB63,000 thousand. In May 2018, the Group, the founder and the other shareholders of Yibo (collectively "**Selling Shareholders**") entered into an agreement to dispose of 20% equity interest to a third party (the "**Buyer**"), including 4.5% equity interest in Yibo held by the Group (the "**Disposal**").

The Disposal was executed at a cash consideration of RMB40,500 thousand and an additional cash consideration of up to RMB253,575 thousand which may be received from 2019 to 2021. The additional consideration will be received i) in the event that certain pre-determined net profit of 2018, 2019 and 2020 is achieved by Yibo, or ii) in the event that the pre-determined net profit is not achieved, the Buyer exercise the option to ask the founder of Yibo to make the compensation to the Buyer and then continued the execution of the agreement, or request the founder and the other shareholders of Yibo to buy back all of the 20% equity interests at original purchase price and then terminate the agreement (the "**Option**"). The Group had no obiligation to buy back the 4.5% equity interest in Yibo.

The Group received the aforementioned cash consideration of RMB40,500 thousand and recognised a gain of RMB36,750 thousand upon completion of the disposal. As of 31 December 2018, the fair value of the potential amount of all future cash collection was recognised as contingent consideration at the estimated amount to be RMB36,404 thousand by calculating the present value of future expected cash flows based on a risk-adjusted discount rate and the probability of cash collection, including the probability of exercising the Option by the Buyer. The settlement date of the additional consideration from 2019 to 2021 was no later than 15 May each year. Yibo did not receive the 2018 net profit that was pre-determined in the original agreement. In May 2019, the Buyer and Selling Shareholders entered into an agreement to amend the settlement date of the additional consideration in 2019 from 15 May 2019 to 15 December 2019.

In December 2019, the Buyer decided to exercise the option to terminate the original agreement and required the founder and the other shareholders of Yibo (except the Group) to repurchase its 20% equity interest in Yibo. Upon the termination of the agreement, the Group derecognised its contingent consideration and recognised a fair value loss of RMB36,404 thousand.

For the year ended 31 December 2019, the Group aggregately recognised a fair value gain of RMB2,774 thousand for the remaining 22.5% equity interest in Yibo (for the year ended 31 December 2018: a fair value gain of RMB186,691 thousand). The fair value of the Group's investment in Yibo Group was RMB247,921 thousand as at 31 December 2019 (31 December 2018: RMB245,147 thousand).

An aggregate fair value loss of RMB40,934 thousand was recognised on the carrying amount of certain unlisted equity investments during the year ended 31 December 2019. These unlisted companies were principally engaged in the operation of mobile casual game, provision of technical service to financial companies, and computer software development. Management identified significant adverse changes in the financial/business outlook of these companies after revision, thus the fair value of these investments were determined based on the discounted cash flow, which are expected to be realised based on the financial status and business plans of the related investees.

(b) Investment in venture capital funds

This represents the Group's investments in certain venture capital funds as a limited partner. The Group holds interests ranging from 1.2% to 30% as passive investors in these funds.

The nature and purpose of these venture capital funds are to generate fees from managing assets on behalf of investors. These vehicles are financed through issuing units to investors.

The Group's maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

Set out below are the movements of the Group's investments in venture capital funds as at 31 December 2019 and 2018:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Opening balance as at 1 January	**356,352**	298,958
Additions (i)	**8,750**	59,575
Repayment of investments (ii)	**(12,508)**	(18,810)
Dividend received (ii)	**(429)**	(15,455)
Fair value change recognised in profit or loss	**37,453**	8,463
Dividend income (ii)	**429**	15,455
Currency translation difference	**4,196**	8,166
Closing balance as at 31 December	**394,243**	356,352

(i) During the year ended 31 December 2019, the Group entered into an agreement to subscribe for interests in certain venture capital fund at a cash consideration of RMB25,000 thousand as a limited partner. The Group didn't have control over or significant influence on the fund, and thus classified the investment as financial assets at fair value through profit or loss. The fund was established to invest in start-up companies mainly engaged in information technology industry and to obtain capital appreciation and investment income. As at 31 December 2019, the Group had paid RMB8,750 thousand to the fund.

(ii) During the year ended 31 December 2019, the Group received a cash payment of RMB12,937 thousand from certain venture capital funds, including the return of investment principal of RMB12,508 thousand and a dividend income of RMB429 thousand.

(c) Investment in REIT access fund

This represents the Group's investment in REIT access fund, which was offered by an internationally reputable financial institution for investors to indirectly invest in a real estate income trust. During the year ended 31 December 2019, the Group aggregately paid US$6,000 thousand (approximately RMB42,140 thousand) to purchase certain units of this fund and recognised a fair value gain of RMB117 thousand during this reporting period.

(d) Structured notes

This represents the Group's investments in structured notes. These financial assets provide a potential return determined at the pre-determined interest rate or linked to the price of certain listed equity securities at the predetermined valuation day in future. Set out below are the movements of the Group's structured notes as at 31 December 2019 and 2018:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Structured notes		
Opening balance as at 1 January	**9,941**	15,518
Additions	**14,098**	14,458
Disposals	**(8,584)**	(21,285)
Fair value gain/(loss) recognised in profit or loss	**951**	(251)
Currency translation difference	**119**	1,501
Closing balance as at 31 December	**16,525**	9,941

(e) Wealth management products

This represents RMB-denominated wealth management products with interest rates ranging from 2.8% to 4.5% per annum (2018: from 2.6% to 4.9% per annum) and maturity period within 1 year or revolving terms. These wealth management products are offered by large state-owned or reputable financial institutions in the PRC.

As at 31 December 2019, the Group held 57 (2018: 66) wealth management products, representing about 21% (2018: 28%) of the Group's total assets. The Group's investment costs in these wealth management products were RMB712,570 thousand (2018: RMB859,630 thousand).

For the year ended 31 December 2019, the Group recorded an aggregate gain of approximately RMB39,470 thousand (2018: RMB39,566 thousand), which included realised and unrealised gain. None of the carrying amount of wealth management products that the Group subscribed with certain commercial banks was over 5% of the Group's total assets as at 31 December 2019.

The Group's daily operation has been generating significant cash reserves. In line with the Group's treasury policy, the Group has the option of placing such funds into fixed term time deposits or similar form of wealth management products. For a long period of time, the Group has been utilising its idle funds to subscribe for wealth management products through internet banking from commercial banks in order to earn the gains from investments. Having considered that the wealth management products are offered by large state-owned or reputable financial institutions in the PRC and have low investment risk and are highly flexible in terms of withdrawal and purchase, management thought that the placement of idle funds into such products were entered into on normal commercial terms, in the ordinary course of the Group's business are in the interest of the Group and its Shareholders.

(f) Income trust investment

This represents the Group's income trust investment with expected rate of return of 8.4% per annum and maturity period within 13 months. During the year ended 31 December 2019, the Group aggregately paid RMB5,000 thousand to purchase the units of the trust and recognised a fair value gain of RMB167 thousand. A cash payment of investment income amounting to RMB167 thousand had been received by the Group by the end of the year.

7. SHARE CAPITAL, SHARE PREMIUM, SHARES HELD FOR RSU SCHEME AND TREASURY STOCK

	Number of Shares	Share capital		Share premium	Shares held for RSU Scheme	Treasury stock
		US$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	1,274,919,662	127.47	789	1,828,683	–	(25,469)
Employees share option scheme and restricted share units ("**RSU**") schemes:						
– proceeds from shares issued (a)	3,186,500	0.32	2	863	–	–
– vest and transfer of RSUs	–	–	–	(7)	7	–
Issue of shares held for RSU schemes	10,000,000	1.00	7	–	(7)	–
Repurchase of ordinary shares (b)	–	–	–	–	–	(43,369)
Cancellation of ordinary shares (b)	(28,996,000)	(2.90)	(18)	(68,820)	–	68,838
At 31 December 2019	1,259,110,162	125.89	780	1,760,719	–	–

	Number of Shares	Share capital		Share premium	Shares held for RSU Scheme	Treasury stock
		US$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	1,273,268,035	127.31	787	1,952,499	(6)	–
Employees share option scheme and RSU schemes:						
– proceeds from shares issued (a)	14,537,632	1.45	10	6,738	–	–
– vest and transfer of RSUs	–	–	–	(6)	6	–
Repurchase of ordinary shares (b)	–	–	–	–	–	(152,251)
Cancellation of ordinary shares (b)	(26,124,000)	(2.61)	(16)	(126,766)	–	126,782
Step-acquisition of a subsidiary	13,237,995	1.32	8	70,755	–	–
Appropriation of final dividends	–	–	–	(74,537)	–	–
At 31 December 2018	1,274,919,662	127.47	789	1,828,683	–	(25,469)

(a) Employees share option plan: options exercised during the year ended 31 December 2019 resulted in 3,186,500 ordinary shares being issued (2018: 14,537,632 ordinary shares), with exercise proceeds of approximately RMB865 thousand (2018: RMB6,748 thousand). The related weighted average price at the time of exercise was HK$2.15.

(b) During the year ended 31 December 2018, the Group repurchased a total of 34,882,000 ordinary shares from The Stock Exchange of Hong Kong Limited. The total amount paid to repurchase these ordinary shares was HK$177,179 thousand (approximately RMB152,251 thousand). As at 31 December 2018, 26,124,000 out of the repurchased ordinary shares had been cancelled and deducted from the share capital and share premium within shareholders' equity and the remaining 8,758,000 shares were recorded as treasury stock at the repurchase cost of RMB25,469 thousand.

During the year ended 31 December 2019, the Group repurchased a total of 20,238,000 ordinary shares from The Stock Exchange of Hong Kong Limited. The total amount paid to repurchase these ordinary shares was HK$49,985 thousand (approximately RMB43,369 thousand).

As at 31 December 2019, all of the repurchased ordinary shares had been cancelled and deducted from the share capital and share premium within shareholders' equity.

8. SHARE-BASED PAYMENTS

(a) Share options

Pre-IPO Share Option Scheme

On 9 December 2008, the Board of Directors of the Company approved Pre-IPO Share Option Scheme 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 Pre-IPO Share Option Scheme, the Board of Directors authorized and reserved 11,000,000 ordinary shares for the issuance.

The Pre-IPO Share Option Scheme was amended on 21 October 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.

On 22 May 2014, the Pre-IPO Share Options Scheme 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.

On 9 July 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 Pre-IPO Share Options Scheme are adjusted on a one-to-ten basis.

All the share options authorised by the Pre-IPO Share Option Scheme are only exercisable until the occurrence of the earliest of any of the trigger events ("**Trigger Event**"): the Initial Public Offering; a change in control in which the successor entity has equity securities publicly traded on an internationally-recognised stock exchange; and 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.

Subject to the Grantee continuing to be a service provider, 25% of these options were vested on the specified vesting commencement date or the first anniversary of the specified vesting commence date. Since then, the options were vested over 3 years in monthly equal proportion.

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

Post-IPO Share Option Scheme

On 16 June 2014, the Board of Directors of the Company approved Post-IPO Share Option Scheme 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. The Post-IPO Share Option Scheme will be valid and effective for a period of 10 years, commencing from 9 July 2014.

In respect of Post-IPO Option Scheme, the exercise price shall not be less than the higher of: (i) the closing price of the Shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheet on the Offer Date; (ii) the average closing price of the Shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the Shares. In addition, any Option shall be vested on an Option-holder immediately upon his acceptance of the offer of Options provided that if any vesting schedule and (or) conditions are specified in the offer of the Option, such Option shall only be vested on an Option-holder according to such vesting schedule and (or) upon the fulfillment of the vesting conditions, that is, to continue the employment for a certain period.

Upon the Post-IPO Share Option Scheme, the Board of Directors authorized and reserved 11,000,000 ordinary shares for the issuance.

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

	Average Exercise Price in US$ per Share Option	Number of Pre-IPO Share Options	Average Exercise Price in HK$ per Share Option	Number of Post-IPO Share Options	Total Number of Share Options
At 1 January 2019		**19,191,614**		**2,852,000**	**22,043,614**
Exercised	**US$0.0398**	**(3,186,500)**		**–**	**(3,186,500)**
Lapsed	**US$0.2790**	**(65,779)**		**–**	**(65,779)**
At 31 December 2019		**15,939,335**		**2,852,000**	**18,791,335**
At 1 January 2018		33,465,137		3,152,000	36,617,137
Exercised	US$0.0714	(14,237,632)	HK$3.5000	(300,000)	(14,537,632)
Lapsed	US$0.3500	(19,803)		–	(19,803)
Forfeited	US$0.3500	(16,088)		–	(16,088)
At 31 December 2018		19,191,614		2,852,000	22,043,614

During the years ended 31 December 2019 and 2018, no share option was granted.

As at 31 December 2019, 18,791,335 share options (2018: 22,043,614) were outstanding and exercisable. Options exercised in 2019 resulted in 3,186,500 shares (2018: 14,537,632 shares) being issued, and the weighted average price of the shares at the time these options were exercised was HK$2.1455 (2018: HK$4.1897) per share.

Details of the expiry dates, exercise prices and the respective numbers of Pre-IPO share options, retroactively reflecting the one-to-ten basis bonus shares, and of Post-IPO share options, which remained outstanding as at 31 December 2019 and 2018, are as follows:

			Number of share options	
Trench	**Expiry Date**	**Exercise price**	**31 December 2019**	**31 December 2018**
Trench I Option	10 years commencing from the date of grant of options since 14 January 2009	US$0.01	–	82,000
Trench II Option	10 years commencing from the date of grant of options since 23 July 2009	US$0.021	–	450,000
		US$0.03	–	2,161,540
Trench III Option	10 years commencing from the date of grant of options since 17 June 2010	US$0.06	1,122,380	1,223,380
Trench IV Option	10 years commencing from the date of grant of options since 6 September 2010	US$0.035	5,601,000	5,601,000
		US$0.06	79,000	79,000
Trench V Option	10 years commencing from the date of grant of options since 20 December 2010	US$0.03	–	–
		US$0.06	2,399,050	2,399,050
Trench VI Option	10 years commencing from the date of grant of options since 26 December 2011	US$0.06	1,300,000	1,300,000
		US$0.1	20,000	374,000
		US$0.12	566,110	572,110
Trench VII Option	10 years commencing from the date of grant of options since 14 October 2012	US$0.15	962,795	962,795
Trench VIII Option	10 years commencing from the date of grant of options since 14 September 2013	US$0.2	288,000	331,000
Trench IX Option	10 years commencing from the date of grant of options since 22 May 2014	US$0.35	3,601,000	3,655,739
Trench X Option	8 years and 10 months commencing from the date of grant of options since 22 September 2015	HK$3.5	2,852,000	2,852,000
			18,791,335	22,043,614
Weighted average remaining contractual life of options outstanding at the end of the period			2.29 years	2.94 years

(b) Restricted share units

Pre-IPO RSU Scheme

On 22 May 2014, the Board of Directors of the Company approved 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 Pre-IPO Share Option Scheme, have been granted to 17 grantees, including two executive Directors, three senior management members, one connected person of the Group and 11 other employees.

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

On 9 July 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.

Post-IPO RSU Scheme

On 16 June 2014, the Board of Directors of the Company approved the Post-IPO RSU Scheme. The Post-IPO RSU Scheme will be valid and effective for a period of 10 years commencing from 9 July 2014.

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

	Number of shares held for Pre-IPO RSU Scheme	Number of shares held for Post-IPO RSU Scheme	Total
At 1 January 2019	–	–	–
Granted (i)	–	10,000,000	10,000,000
Vested and transferred	–	(10,000,000)	(10,000,000)
At 31 December 2019	–	–	–
Shares vested but not transferred to the grantees as at 31 December 2019			–

	Number of shares held for Pre-IPO RSU Scheme	Number of shares held for Post-IPO RSU Scheme	Total
At 1 January 2018	3,305,205	6,781,294	10,086,499
Vested and transferred	(3,305,205)	(6,762,594)	(10,067,799)
Forfeited	–	(18,700)	(18,700)
At 31 December 2018	–	–	–
Shares vested but not transferred to the grantees as at 31 December 2018			–

(i) On 3 June 2019, the Board of Directors of the Company approved the resolution to grant a total of 10,000,000 Post-IPO RSUs to the Group's directors and employees, with a vesting schedule as below: 50% shall vest on 30 September 2019 and 50% shall vest on 31 December 2019. The fair value of Post-IPO RSUs granted was HK$1.95 per share (equivalent to approximately RMB1.70 per share).

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2019	2018
	RMB'000	*RMB'000*
Restricted share units granted under RSUs schemes	**17,377**	11,905
Options issued under share option schemes	**–**	201
	17,377	12,106

(d) Fair value of share options and RSUs

Before the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the directors have used the discounted cash flow method to determine the fair value of the underlying equity 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.

Upon the consummation of the IPO, the fair value of the underlying ordinary shares was calculated based on the market price of the Company's shares at the respective grant date.

Fair value of share options

The Directors used Binominal pricing model to determine the fair value of the share option granted, which is to be expensed over the vesting period.

Management estimated the risk-free interest rate based on the yield of Hong Kong government bond with a maturity life equal to the life of the share option. Volatility was estimated at grant date based on the average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

Fair value of RSUs

The fair value of RSUs was calculated based on the fair value of underlying ordinary shares as at the grant date.

(e) 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 31 December 2019, the Expected Retention Rate was assessed to be 100% (2018: 100%).

(f) Shares held for RSU Scheme

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

On 9 July 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.

As of 31 December 2019, no ordinary shares were held by the RSU Nominee for the benefit of the grantees pursuant to the RSU Scheme.

The above shares held for Pre-IPO RSU Scheme and Post-IPO RSU Scheme were regarded as treasury shares and had been deducted from shareholders' equity as the directors are of the view that such shares are within the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance.

9. TRADE PAYABLES

Trade payables were mainly due to commission charges by game developers.

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Third parties	**2,477**	5,049

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
0-90 days	**1,585**	3,150
91-180 days	**96**	1,661
181-365 days	**300**	203
Over 1 year	**496**	35
	2,477	5,049

10. DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered after more than 12 months	**16,750**	26,513
– to be recovered within 12 months	**2,653**	11,862
	19,403	38,375
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(79,115)**	(2,407)
– to be recovered within 12 months	**(34,820)**	(107,559)
	(113,935)	(109,966)
Deferred income tax liabilities – net	**(94,532)**	(71,591)

Movements	Year ended 31 December 2019 *RMB'000*	2018 *RMB'000*
At beginning of the year	**(71,591)**	30,838
Step-acquisition of a subsidiary	**–**	(5,056)
Disposal of a subsidiary	**932**	–
Recognised in the consolidated statement of comprehensive income	**(23,603)**	(79,126)
Recognised in changes of equity	**(279)**	–
Other change	**–**	(18,228)
Currency translation difference	**9**	(19)
At end of the year	**(94,532)**	(71,591)

As at 31 December 2019, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the undistributed profits of approximately RMB918,619 thousand (2018: RMB1,465,270 thousand). Such earnings are expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

11. EXPENSES BY NATURE

	Year ended 31 December 2019 *RMB'000*	2018 *RMB'000*
Employee benefit expenses (including share-based compensation expenses)	**146,379**	151,560
Promotion and advertising expenses (a)	**84,220**	116,816
Bandwidth and server custody fees	**24,633**	29,514
Impairment of goodwill	**–**	6,219
Travelling and entertainment expenses	**13,399**	15,234
Depreciation and impairment charges of property and equipment	**12,716**	13,792
Amortisation and impairment charges of intangible assets	**12,307**	25,759
Utilities and office expenses	**10,233**	9,917
Professional and consultancy fees	**9,335**	8,301
Commission charges by platforms and game developers	**6,282**	14,020
Auditors' remuneration		
– Audit services	**4,449**	6,080
– Non-audit services	**20**	20
Short-term lease rentals (2018: Operating lease rentals)	**842**	4,389
Game development costs	**4,416**	11,828
Depreciation of right-of-use assets	**4,384**	–
Provision for prepaid expenses	**–**	3,639
Others (b)	**18,598**	18,875
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**352,213**	435,963

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

(b) Others mainly includes tax surcharge expenses, payment handling cost and bank charges.

12. OTHER GAINS, NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Net fair value gains/(losses) on financial assets at fair value through profit or loss		
– Venture capital funds	**37,453**	8,463
– Wealth management products	**39,470**	39,566
– Contingent consideration	**(36,404)**	36,404
– Unlisted equity investments	**(40,748)**	148,210
– Structured notes	**951**	(251)
– Income trust investment	**167**	–
– REIT access fund	**117**	–
– Redeemable preferred shares	**–**	11,906
Dividend income	**2,874**	17,514
Interest income on term deposits with initial term over 3 months	**2,132**	4,281
Government grants (a)		
– Technology award	**9,166**	8,041
– Tax related subsidies	**12,351**	10,157
– Scientific project fund	**4,636**	500
Gain on disposal of subsidiaries	**8,001**	448
Fair value losses from revaluation of investment properties	**(5,138)**	(1,098)
Interest income on loans to third parties, related parties and employees	**3,025**	3,479
Gain on disposal of investments accounted for using the equity method	**500**	6,370
Loss on disposal of property and equipment, net	**(359)**	(43)
Foreign exchange (losses)/gains on non-financing activities	**(1,677)**	295
Gain on disposal of prepayments for potential investments	**–**	1,320
Others	**(6,464)**	604
	30,053	296,166

(a) For the years ended 31 December 2019 and 2018, government grants primarily consist of:

Technology award, amounting to RMB9,166 thousand (2018: RMB8,041 thousand) was 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;

Tax related subsidies, amounting to RMB12,351 thousand (2018: RMB10,157 thousand) were granted by local government authorities in Hangzhou and Jinhua to incentivise the Group's business development;

Scientific project fund, amounting to RMB4,636 thousand (2018: RMB500 thousand) was granted by local government authorities in Hangzhou and Jinhua to fund the Group's qualified technology research projects.

13. FINANCE (COSTS)/INCOME, NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Finance income:		
– Interest income on cash and cash equivalents	**4,640**	2,618
– Exchange gain on financing activities	**204**	96
	4,844	2,714
Finance costs:		
– Exchange loss on financing activities	**(5,787)**	(2,157)
– Interest charges for lease liabilities	**(155)**	–
– Other interest expenses	**(128)**	(36)
	(6,070)	(2,193)
Finance (costs)/income, net	**(1,226)**	521

14. TAX EXPENSE

14.1 Income tax expense

The income tax expense of the Group for the years ended 31 December 2019 and 2018 are analysed as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax:		
– Enterprise income tax	**40,882**	50,936
– PRC withholding tax	**41,300**	13,700
	82,182	64,636
Deferred income tax：		
– Decrease/(Increase) in deferred tax assets	**20,533**	(5,038)
– Increase in deferred tax liabilities	**3,070**	84,164
	23,603	79,126
Income tax expense	**105,785**	143,762

(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 31 December 2019 and 2018.

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

For all the years presented, the Group's subsidiaries and the PRC Operating Entities are subject to enterprise income tax ("**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 Law, the Group's subsidiaries and the PRC Operating Entities are generally subject to EIT at the statutory rate of 25%.

Hangzhou Tiange, Zhejiang Tiange and Shanghai Benqu qualified as 'New High-tech Enterprise' under the EIT Law in 2017. Star Power qualified as 'New High-tech Enterprise' under the EIT Law in 2015 and renewed in 2018. Accordingly, they were entitled to a preferential EIT rate of 15% for a three-year period since the qualification day. The applicable EIT rate of these entities was 15% in 2019.

An entity qualifies as 'Software Enterprise' is entitled to an income tax exemption for two years and a 50% reduction to an EIT rate of 12.5% for the subsequent three years. And an entity that qualifies as 'Key National Software Enterprise' is entitled to a further reduced preferential income tax rate of 10%. Zhejiang Tianyue qualified as "Software Enterprise" in 2016. Hangzhou Tiange, other than its qualification as a New High-tech Enterprise, was also approved in 2019 as a Key National Software Enterprise for the year ended 31 December 2018. Enterprises wishing to enjoy the status of a Software Enterprise or a Key National Software Enterprise must file required supporting documents with the tax authorities before using the preferential EIT rates. The filing record will be subject to verification by relevant government authorities. Accordingly, income tax for Zhejiang Tianyue and Hangzhou Tiange has been provided for at a tax rate of 25% and 15%, respectively, during the year and corresponding tax adjustments in relation to the change in applicable tax rate will be accounted for in the period upon the verification process is completed.

The following table sets out applicable EIT rate of Group's subsidiaries and the PRC Operating Entities in the PRC for the year ended 31 December 2019:

Name	**Applicable EIT rate**
Hangzhou Tiange	15%
Zhejiang Tiange	15%
Star Power	15%
Hantang	25%
Jinhua9158	25%
Jinhua99	25%
Xingxiu	25%
Tianhu	25%
Tianyue	25%
Shanghai Benqu	15%

Pursuant to laws and regulations newly promulgated by the State Administration of Tax of the PRC and the Ministry of Finance, effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their qualified research and development expenses so incurred as tax deductible expenses. The additional deduction of 75% of qualified research and development expenses can be directly claimed in the annual EIT filing without the approval from the relevant tax authorities. Therefore, management has made its best estimation for the Group's entities in ascertaining their assessable profits for the years ended 31 December 2019 and 2018.

(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 1 January 2008 are generally subject to a 10% withholding tax rate. 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%.

(e) *Numerical reconciliation of income tax expense to prima facie tax payable*

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 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax expense	**205,911**	359,424
Tax calculated at a tax rate of 25%	**51,478**	89,856
Tax effects of:		
Different tax jurisdiction	**(3,410)**	(1,594)
Preferential income tax benefits applicable to subsidiaries in China	**(41,642)**	(57,157)
Withholding tax of appropriation of dividend (i)	**68,231**	27,514
Refund of withholding tax of dividend (ii)	**(8,000)**	–
Super deduction for research and development expenses	**(5,657)**	(9,879)
Tax losses and temporary differences for which no deferred tax assets was recognised	**23,523**	83,244
Expenses not deducted for/Income not subject to income tax purposes	**13,914**	11,778
Transferring equity interest of subsidiaries to non-controlling interests	**7,348**	–
Income tax expense	**105,785**	143,762

(i) As at 31 December 2018, management anticipated to remit the earnings of RMB 275,140 thousand from the profit for the year ended of 31 December 2018 of several PRC subsidiaries to Week8 (HK) Holdings Limited, ("**Week8(HK)**") which was subjected to a 10% withholding tax at a total amount of RMB 27,514 thousand. The remaining undistributed profits of the year ended 31 December 2018 was expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on management's estimation.

Pursuant to the resolutions of the Board of Directors' meeting of the Company in 2019, the Group planned to remit the earnings of RMB109,757 thousand from the profit of several PRC subsidiaries for the year ended 31 December 2019 and RMB900,000 thousand from the profit of several PRC subsidiaries from the retained earnings as of 31 December 2018, which in aggregate amounted to RMB1,009,757 thousand to Week8(HK) to expand its overseas business. Accordingly, the Group recognised withholding tax of RMB100,976 thousand at a 10% withholding tax rate, of which a withholding tax of RMB35,486 thousand was paid to tax authorities in mainland China when the declared dividend of RMB354,860 thousand was paid to Week8(HK) in 2019.

In November 2019, Week8(HK) was approved by Inland Revenue Department of Hong Kong Special Administrative Region as a resident of the Hong Kong Special Administration for 2018 and the two succeeding calendar years. Pursuant to such approval, the dividends distributed to Week8(HK) from the PRC subsidiaries from 2018 to 2020 would be subject to withholding tax rate of 5%. Therefore, management reversed a withholding tax of RMB32,745 thousand for the unpaid dividend of RMB654,897 thousand.

(ii) In December 2019, the Group received a refunded withholding tax of RMB8,000 thousand, which was in association with the dividends paid in 2018 and 2019, from Jinhua Municipal Bureau of State Administration of Taxation, and recorded it as a reversal of withholding tax expense during the year ended 31 December 2019.

14.2 Tax losses

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Unused tax losses for which no deferred tax asset has been recognised	**70,248**	31,037
Potential tax benefit calculated at a tax rate of 25%	**17,562**	7,759

The unused tax losses were incurred by subsidiaries that are not likely to generate taxable income in the foreseeable future. The losses can be carried forward and will expire from 2020 to 2024.

14.3 Value-added tax ("VAT")

The operation of the Group in the PRC primarily applies VAT as follows:

Category	**Tax Rate**	**Basis of Levies**
VAT	6%	Revenue from operation of live social video platforms and games
	6%	Revenue from advertising service
	6%	Other revenue

15. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Year ended 31 December	
	2019	2018
Profit attributable to shareholders of the Company (RMB'000)	**93,834**	218,276
Weighted average number of ordinary shares in issue (thousand shares)	**1,255,495**	1,272,110
Basic earnings per share (in RMB/share)	**0.075**	0.172

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the effect of all dilutive potential ordinary shares.

The Company has two categories of dilutive potential ordinary shares, share options granted to employees under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme and RSUs granted to employees under Pre-IPO Restricted Share Unit Scheme and Post-IPO Restricted Share Unit Scheme. The share options and RSUs are assumed to have been fully vested and released from restrictions with no impact on earnings.

	Year ended 31 December	
	2019	2018
Profit attributable to shareholders of the Company (RMB'000)	**93,834**	218,276
Weighted average number of ordinary shares in issue (thousand shares)	**1,255,495**	1,272,110
Adjustments for share based compensation – share options (thousand shares)	**10,932**	26,774
Adjustments for share based compensation – RSUs (thousand shares)	**4,521**	3,415
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	**1,270,948**	1,302,299
Diluted earnings per share (in RMB/share)	**0.074**	0.168

16. DIVIDENDS

	Year Ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Dividends paid by the Company	**–**	74,537

The dividends paid by the Company during the years ended 31 December 2019 and 2018 were nil and RMB74,537 thousand (HK$0.07 per share) respectively.

17. REDEMPTION LIABILITIES

Subsequent to the business combination with Shanghai Benqu in April 2018, in January 2019, the Group, Jinhua Ruian Investment Management Company Limited ("**Jinhua Ruian**"), a subsidiary of the Group holding 80% equity interest of Shanghai Benqu, and the other shareholders of Shanghai Benqu (the "**Other Selling Shareholder**") entered into a Share Transfer Agreement with Beijing Weimeng (the "**Purchaser**"). Pursuant to the agreement, the Group transferred its 36% equity interests in Jinhua Ruian to the Purchaser at a cash consideration of approximately RMB292,608 thousand and the Other Selling Shareholder transferred its 6% equity interest in Shanghai Benqu to the Purchaser at a consideration of RMB60,960 thousand. As of December 31, 2019, the Group has received all the purchase consideration of RMB292,608 thousand.

Pursuant to the Share Transfer Agreement, the Purchaser was entitled to put option rights to request the Group and the Other Selling Shareholders to repurchase its sold shares in Shanghai Benqu. The put options are contingent on the event of the resignation of the founder of Shanghai Benqu or any significant breach of shareholders' statement and shareholders' duty within 3 years (the "**Redemption Events**") upon the closing of the transaction on 5 July 2019. The put options have different exercise price depending on the occurrence of different Redemption Events. The redemption amount that the Group would be obliged to pay the Purchaser at each period end during the contract period was determined based on the evaluation of the maximum amount that the Group is obliged to pay under different Redemption Events according to the redemption clauses stipulated in the Share Transfer Agreement. Therefore, redemption liabilities of RMB335,677 thousand were recognised at the redemption amount the Group would be obliged to pay to the Purchaser if the options were exercised immediately after the transaction, with a corresponding charge directly to other reserves. Subsequently, in the event that options expire unexercised or the Group revises its estimation of payments, the Group adjusts the carrying amount of the redemption liabilities against other reserves. If options are exercised, related redemption liabilities are offset by the cash payment.

Up to the end of 31 December 2019, redemption liabilities of RMB24,226 thousand were derecognised against other reserves as related options lapse unexercised and the estimated amount is revised.

CORPORATE GOVERNANCE

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 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**") as its own code of corporate governance. During the year ended December 31, 2019, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for the code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Fu Zhengjun (傅政軍) is our Chairman and 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 incorporations. 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-caliber 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended December 31, 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended December 31, 2019, the Company has repurchased a total of 20,238,000 ordinary shares listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with an aggregate amount of HK$49,984,510. As at the date of this announcement, all repurchased shares were cancelled. Details of shares repurchased during the year ended December 31, 2019 are set out as follows:

Month of repurchases	Number of shares repurchased on the Stock Exchange	Price paid per share Highest (HKD)	Price paid per share Lowest (HKD)	Aggregate consideration paid (HKD)
January 2019	2,517,000	3.16	2.85	7,603,620
March 2019	1,836,000	3.18	2.97	5,619,970
April 2019	7,188,000	3.39	2.78	21,271,150
June 2019	2,529,000	1.91	1.75	4,640,120
July 2019	3,118,000	1.92	1.69	5,592,400
August 2019	112,000	1.67	1.63	184,340
September 2019	2,938,000	1.88	1.64	5,072,910

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 year ended December 31, 2019.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended December 31, 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the right to attend and vote at the forthcoming annual general meeting of the Company to be held on June 18, 2020 (the "**AGM**"), the register of members of the Company will be closed from June 15, 2020 to June 18, 2020 (both day inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on June 12, 2020.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed the annual results of the Group for the year ended December 31, 2019. The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flow and the related notes thereto for the year ended December 31, 2019 as set out in the preliminary announcement have been agreed by the external auditor of the Company, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

Pursuant to the requirements of the Listing Rules, the 2019 annual report of the Company will set out all information disclosed in the annual results announcement for the year 2019 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 26, 2020

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