Tian Ge Interactive Holdings Limited
天 鴿 互 動 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1980)

ANNOUNCEMENT OF UNAUDITED 2020 FIRST QUARTER RESULTS

The board of directors (the "**Directors**") (the "**Board**") of Tian Ge Interactive Holdings Limited (the "**Company**" or "**Tian Ge**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the three months ended March 31, 2020. These quarterly results have been reviewed by the Company's audit committee (the "**Audit Committee**"), comprising solely the independent non-executive Directors, one of whom chairs the Audit Committee.

FINANCIAL HIGHLIGHTS

	Unaudited Three months ended		
	March 31, 2020 *RMB'000*	March 31, 2019 *RMB'000*	Year-on-year Change %[1]
Revenue	**108,553**	136,787	-20.6%
– Online interactive entertainment service	**97,153**	117,486	-17.3%
– Advertising services	**10,272**	17,571	-41.5%
– Others	**1,128**	1,730	-34.8%
Gross Profit	**94,649**	123,505	-23.4%
Gross Profit Margin	**87.2%**	90.3%	
Net Profit	**36,918**	79,067	-53.3%
Net Profit Margin	**34.0%**	57.8%	
Earnings per share (expressed in RMB per share)			
– basic	**0.029**	0.062	-53.2%
– diluted	**0.029**	0.061	-52.5%
Adjusted Net Profit[2]	**36,313**	64,239	-43.5%
Adjusted Net Profit Margin[3]	**33.5%**	47.0%	
Adjusted EBITDA[4]	**24,829**	82,463	-69.9%
Adjusted EBITDA Margin	**22.9%**	60.3%	

Notes:

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

(2) Adjusted net profit was derived from the unaudited net profit for the period excluding the effect of net gains from investee companies, amortization of intangible assets arising from acquisitions and income tax effects of non-IFRS adjustments.

(3) Adjusted net profit margin is calculated by dividing adjusted net profit by revenue.

(4) Adjusted EBITDA represents operating profit, adjusted to exclude net gains from investee companies, amortisation of intangible assets arising from acquisitions and depreciation and amortization.

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(FOR THE THREE MONTHS ENDED MARCH 31, 2020)

	Unaudited Three months ended March 31,	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**108,553**	136,787
Cost of revenue	**(13,904)**	(13,282)
Gross profit	**94,649**	123,505
Selling and marketing expenses	**(26,569)**	(26,269)
Administrative expenses	**(19,990)**	(16,392)
Research and development expenses	**(15,324)**	(17,840)
Net impairment losses on financial assets	**(3,795)**	(2,565)
Other gains/(losses), net	**(8,608)**	30,888
Operating profit	**20,363**	91,327
Finance income	**5,877**	3,793
Finance costs	**(2,312)**	(200)
Finance income, net	**3,565**	3,593
Share of profit/(loss) of investment accounted for using the equity method	**1,595**	(338)
Profit before income tax	**25,523**	94,582
Income tax credit/(expense)	**11,395**	(15,515)
Profit for the period	**36,918**	79,067
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Currency translation differences	**21,597**	(18,487)
Total comprehensive income for the period	**58,515**	60,580

	Unaudited Three months ended March 31, 2020	2019
	RMB'000	*RMB'000*
Profit/(loss) attributable to:		
– Shareholders of the Company	**37,024**	77,778
– Non-controlling interests	**(106)**	1,289
	36,918	79,067
Total comprehensive income/(loss) attributable to:		
– Shareholders of the Company	**58,621**	59,291
– Non-controlling interests	**(106)**	1,289
	58,515	60,580
Earnings per share for profit attributable to owners of the Company		
(expressed in RMB per share)		
– Basic earnings per share	**0.029**	0.062
– Diluted earnings per share	**0.029**	0.061

A. BUSINESS OVERVIEW AND OUTLOOK

In 2020, the whole world is suffering from the widespread epidemic of novel coronavirus ("**COVID-19**"). It also has a continuous impact on the global economy and challenges the business development of Tian Ge. At the period when China's platform economy is gradually forming and affected by market competition, government regulation and the year-on-year decline in smartphone sales, the growth of the live streaming industry is slowing down and the industry's development has entered a stable period. Amidst the downward pressure of the global economy and the new development stage of the industry, Tian Ge consistently makes progress in its path of transformation and upgrade and has entered a stable development stage. With unwavering focus on its core business, the Group continues to make great efforts in operation and development of its "live streaming + camera" platform for all Internet users and optimize and upgrade its platforms through provision of streamlined and innovative content. Tian Ge keeps enriching the product portfolio with an aim to deeply cultivate the development of the "Beauty Economy" industrial chain.

During the period, Tian Ge closely monitored and assessed the development and impact of the epidemic, so as to adjust and implement business expansion and projects in overseas markets and foster the sustainable development of each of its business.

Overall Financial Performance

In the first quarter of 2020, revenue decreased by 20.6% year-on-year to RMB108.6 million from the corresponding period of 2019. Revenue from online interactive entertainment decreased by 17.3% year-on-year to RMB97.2 million from the corresponding period of 2019.

In the first quarter of 2020, profit attributable to equity holders of the Company decreased by 52.4% year-on-year to RMB37.0 million; net profit decreased by 53.3% year-on-year to RMB36.9 million; adjusted net profit decreased by 43.5% year-on-year to RMB36.3 million, and adjusted EBITDA decreased by 69.9% year-on-year to RMB24.8 million.

Business Highlights

"Mobile+PC" Dual Live Streaming

According to iMedia Research, during the first quarter of 2020 in the PRC, average time spent on Internet per visitor in a day amounted to 4.34 hours, 52 minutes longer year-on-year. The growth in time spent was more notable in the pan-entertainment and information sectors for their recreational and stress-relieving nature. It is estimated that online live streaming users in the PRC will reach 526 million in 2020. With technological advancement of virtual reality (VR), artificial intelligence (AI) and etc., there will be more and more innovations in products and content of "Live Streaming+" and "Live Streaming + E-Commerce" is on the fast track to flourishing.

As one of the pioneers in the live streaming industry of the PRC, Tian Ge always adheres to the development strategy of "Mobile + PC" dual live streaming. During the period, the Group concentrated on optimization and development of its core platforms. It also continuously diversified the content on its platforms and enhanced content quality. Functions such as "host PK" and "one-to-one audio/video chat" were upgraded. By sharpening its edges through innovation in products and content and enhancement of user experience and interactivity, the number of its platform users was boosted and the virtuous business circle of its platforms could also be maintained.

In addition, Tian Ge generated synergy effects among various products through integration of live streaming services with camera applications, short videos, social interactive products and overseas products of the Group, facilitated the stable development of its products, the maximization of the product value and consolidation of its core competitiveness in live streaming business.

Wuta Camera

As one of the most popular beauty camera applications in the PRC, as of March 31, 2020, Wuta Camera's average monthly active users were approximately 30.4 million. The Group continues to promote the commercial development of Wuta Camera and continuously updates its product to gain users' favor. Moreover, Wuta Camera was also widely welcomed by overseas users, especially in Southeast Asian region, where the number of its users was continuously rising.

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

Overseas Expansion

Currently, the Group has made a significant progress in its overseas expansion. Several projects have successfully entered to those local markets. Among which, "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, are enthusiastically welcomed by users in Southeast Asian region. COVID-19 outbreak spread out across the globe which in turn affected the Group's overseas market operation to a certain extent during the period, but the Group's strategy of expansion into overseas markets remains definite and clear. The Group will continue to replicate and promote its domestically successful business models into overseas markets. While closely monitoring the development of the epidemic, timely adjustment of its tactics in overseas expansion will be done with an aim to extend our reach in foreign countries and keep injecting growth momentum into the Group.

Tian Ge believes that emerging markets, which enjoy a continuous economic growth, have a lot of potentials, and they will bring material revenue to the Group. As a result, the Group puts great emphasis on overseas markets and constantly optimizes its products in those markets. The Group has launched live streaming, beauty camera, short videos and social interactive products in line with their local culture and user habits to meet the demand of overseas users and enhance its international market share.

Real Estate Investments and Financial Technologies

In the first quarter of 2020, the Group continued to seek financial investment opportunities in overseas markets to sustain value appreciation in its asset portfolio. Although the continuous outbreak of COVID-19 is a blow to the global economy, the Group remains optimistic about the long-term development of the real estate market in Southeast Asian region. However, the Group expects that such investments will not change the Group's focus on providing live streaming and social interactive services in China and overseas markets as they are its core business.

Since the Group has obtained a financial license in Hong Kong in 2019, higher return on assets can be derived from the idle capital in the Group's accounts. In addition, the Group considers AI financial technology is promising. The increasing demand for AI in the market will help to generate stable revenue for the Group.

Prospect and Future Outlook

In 2020, the adoption and popularization of high-speed, low-latency 5G technology will bring an innovative look to the live streaming industry. According to the "2019-2020 China Online Live Streaming Industry Research Report" released by iMedia Research, the application of technology can bring down costs, and the improvement of user experience helps enhance the loyalty of live broadcast platforms, while the further development of live broadcast content and form can make the ecology of live broadcast industry show more business models. In the future, the Group will actively grasp the new opportunities brought by 5G.

Tian Ge will continue to implement its "live streaming+camera" core strategy, focus on optimizing the user platforms and create more diversified product content, and intensify the development of the e-commerce live streaming which can be closer to the user demand, increase the experience and viscosity of users, further enhance the level of product commercialization, in order to attract more high-quality users with high consumption ability to consolidate market competitiveness. The Group will also continue to explore the functions of Wuta Camera's socialized products, and integrate live streaming, short videos, information products, etc., and explore the "Beauty Economy" industry chain. At the same time, it will also deepen the strategic layout of overseas markets, copy domestic successful business models to Southeast Asian and other regions, and expand its international market share.

The COVID-19 outbreak has a great impact on the global economy. According to the arrangements for epidemic prevention and control measures overseas, the Group's projects in overseas markets have also been adjusted accordingly. The Group will pay close attention to the development of the epidemic situation, and make timely assessment and response plans to ensure that the Group's business operations and financial conditions remain stable. The Group believes that after the epidemic, the global economy will recover, and Tian Ge's "live streaming + camera" operation development will continue to be further improved under the guidance of 5G. The Group actively expands and innovates, using its own advantages to promote the development of online live streaming, Wuta Camera and overseas business, driving the convergence of products and increasing user traffic.

Meanwhile, the Group will continue to seek new breakthroughs and opportunities, enhance the Group's core competitiveness, consolidate the market's leading position, strengthen its liquidity, and continue to create higher profit returns for its shareholders.

B. OPERATING INFORMATION

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

	Three months ended				
	March 31, 2020	December 31, 2019	Quarter-on-Quarter change	March 31, 2019	Year-on-year change
Total Monthly Active Users *(in '000)*	**45,895**	45,684	0.5%	55,921	-17.9%
– Monthly Active Users of Beauty Camera and Video Business *(in '000)*	**30,356**	30,077	0.9%	36,290	-16.4%
Quarterly Paying Users *(in '000)*	**449**	473	-5.1%	568	-21.0%
Quarterly Average Revenue Per User *(RMB)*	**216**	199	8.5%	207	4.3%
Number of Rooms	**69,409**	67,453	2.9%	71,307	-2.7%
Number of Hosts	**112,533**	108,397	3.8%	119,779	-6.0%

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

- For the three months ended March 31, 2020, total number of monthly active users ("**MAUs**") of Tian Ge decreased by 17.9% as compared to the same period in 2019 and increased by 0.5% as compared to the three months ended December 31, 2019. The quarter-on-quarter increase was mainly due to the increase in the number of users who use Wuta Camera.

- Our mobile MAUs as at March 31, 2020 represents 97.3% of our total MAUs, while the percentage as at December 31, 2019 and March 31, 2019 were 97.0% and 90.2%, respectively.

- The number of quarterly paying users ("**QPUs**") for Tian Ge's online interactive entertainment service for the three months ended March 31, 2020 was approximately 449,000, which decreased by 5.1% as compared to the three months ended December 31, 2019 and decreased by 21.0% as compared to the three months ended March 31, 2019, respectively.

- Our mobile QPUs as at March 31, 2020 represents 82.6% of our total QPUs, while the percentages as at December 31, 2019 and March 31, 2019 were 81.5% and 78.4%, respectively.

- The quarterly average revenue per user ("**QARPU**") for Tian Ge's online interactive entertainment service for the three months ended March 31, 2020 was RMB216, representing an increase of approximately 8.5% from the three months ended December 31, 2019 and representing an increase of 4.3% from the three months ended March 31, 2019. The increase was primarily due to our continuous streamlining and optimization strategy.

- Number of virtual rooms for Tian Ge's online interactive entertainment service increased by 2.9% as compared to the three months ended December 31, 2019 and decreased by 2.7% as compared to the three months ended March 31, 2019. Number of hosts for Tian Ge's online interactive entertainment service increased by 3.8% as compared to the three months ended December 31, 2019 and representing a decrease of 6.0% as compared to the three months ended March 31, 2019.

- The total number of registered users* of Tian Ge as at March 31, 2020 was 456.9 million, as compared to 416.5 million as at March 31, 2019.

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

C. FINANCIAL INFORMATION

Revenue

Revenue generated from online interactive entertainment service was RMB97.2 million for the three months ended March 31, 2020, mainly including revenue from live social video platforms and online games which decreased by 17.3% compared to the corresponding period in 2019. The year-on-year decrease was primarily due to the decrease of QPUs and partially offset by the increase of QARPU.

Revenue generated from advertising services for the three months ended March 31, 2020 decreased by 41.5% from the corresponding period of 2019.

Revenue generated from "Others" mainly includes the revenue from technical supporting services and other services. Revenue generated from "Others" for the three months ended March 31, 2020 decreased by 34.8% from the corresponding period in 2019.

Cost of Revenue and Gross Profit Margins

Cost of revenue for the three months ended March 31, 2020 remained stable from the corresponding period in 2019.

The gross profit margin for the three months ended March 31, 2020 was 87.2%, compared with 90.3% for the corresponding period in 2019.

Selling and Marketing Expenses

Selling and marketing expenses for the three months ended March 31, 2020 remained stable from the corresponding period in 2019.

Administrative Expenses

Administrative expenses experienced an increase of 21.9% for the three months ended March 31, 2020 from the corresponding period in 2019. The year-on-year increase was primarily due to the increase of professional consultancy fees and employee costs.

Research and Development Expenses

Research and development expenses experienced a decrease of 14.1% for the three months ended March 31, 2020 from the corresponding period in 2019. The year-on-year decrease was primarily due to the decrease of employee costs.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets experienced an increase of 48.0% for the three months ended March 31, 2020 from the corresponding period in 2019. The year-on-year increase was primarily due to the increase of impairment on overseas loans caused by COVID-19 outbreak in the world.

Other Gains/(Losses), Net

Other losses, net was RMB8.6 million for the three months ended March 31, 2020 compared with other gains, net of RMB30.9 million for the corresponding period in 2019.

The other losses, net for the period was primarily caused by the decline of fair value of financial assets at fair value through profit or loss. Among them, a net fair value loss of RMB21.3 million of structure notes was caused primarily due to the fluctuations in the U.S. stock market at the end of the period caused by COVID-19 outbreak.

Income Tax Credit/(Expense)

Income tax credit was RMB11.4 million for the three months ended March 31, 2020 compared with income tax expense of RMB15.5 million for the corresponding period in 2019. The income tax credit for the period was primarily due to that a refunded withholding tax of RMB21.5 million was received in connection with dividend distribution in prior periods.

Profits attributable to shareholders of the Company

Profits attributable to shareholders of the Company experienced a decrease of 52.4% for the three months ended March 31, 2020 from the corresponding period in 2019. The year-on-year decrease was primarily due to the decrease of gross profit, increase of other losses, net and partially offset by the increase of income tax credit.

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 both the three months ended March 31, 2020 and the corresponding period in 2019 were RMB0.

As at March 31, 2020, options representing a total of 17,655,835 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 1.38% as at March 31, 2020. 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 March 31, 2020, the total number of shares underlying the Pre-IPO RSU Scheme and Post-IPO RSU Scheme represented approximately 2.40% of the total ordinary shares of the Company.

Non-IFRS Measures

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

Adjusted EBITDA

Adjusted EBITDA for the three months ended March 31, 2020 decreased by 69.9% year-on-year from the corresponding period in 2019. Adjusted EBITDA margin was 22.9% for the three months ended March 31, 2020, compared to 60.3% for the corresponding period in 2019.

Adjusted EBITDA represents operating profit adjusted to exclude net gains from investee companies, amortisation of intangible assets arising from acquisitions and depreciation and amortization.

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

	Unaudited Three months ended March 31, 2020 RMB'000	March 31, 2019 RMB'000
Operating Profit	**20,363**	91,327
Net gains from investee companies[a]	**(2,527)**	(16,124)
Amortization of intangible assets arising from acquisitions	**1,785**	1,986
Depreciation and amortization expense	**5,208**	5,274
Adjusted EBITDA	**24,829**	82,463

Adjusted Net Profit

Adjusted net profit for the three months ended March 31, 2020 decreased by 43.5% year-on-year from the corresponding period in 2019.

Adjusted net profit is not defined under IFRS, and eliminates the effect of net gains from investee companies, amortisation of intangible assets arising from acquisitions and income tax effects of non-IFRS adjustments.

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

	Unaudited Three months ended March 31, 2020 RMB'000	March 31, 2019 RMB'000
Net Profit	**36,918**	79,067
Net gains from investee companies[a]	**(2,527)**	(16,124)
Amortization of intangible assets arising from acquisitions	**1,785**	1,986
Income tax effects of non-IFRS adjustments	**137**	(690)
Adjusted Net Profit	**36,313**	64,239

Note:

(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.

Capital Expenditures

The Group did not have any significant capital expenditure for the three months ended March 31, 2020.

Major Investments and Disposals

The Group did not have any major investments and disposals for the three months ended March 31, 2020.

Dividend

The Board did not propose any dividend for the three months ended March 31, 2020.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the three months ended March 31, 2020.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiries of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the three months ended March 31, 2020.

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

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

Hangzhou, China, May 29, 2020

As at the date of this announcement, the executive Directors are Mr. Fu Zhengjun and Mr. Mai Shi'en; the non-executive Directors are Mr. Mao Chengyu and Ms. Cao Fei; and the independent non-executive Directors are Ms. Yu Bin, Mr. Yang Wenbin and Mr. Chan Wing Yuen Hubert.