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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1980)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

FINANCIAL HIGHLIGHTS

(in RMB' 000)	**Unaudited Six months ended June 30, 2020**	June 30, 2019	Year-on-Year[1] Change
Revenue	**209,032**	280,151	-25.4%
– Online interactive entertainment service	**184,020**	232,301	-20.8%
– Advertising services	**23,886**	37,911	-37.0%
– Others	**1,126**	9,939	-88.7%
Gross Profit	**184,773**	253,430	-27.1%
Gross Profit Margin	**88.4%**	90.5%	
Net Profit	**36,957**	47,598	-22.4%
Net Profit Margin	**17.7%**	17.0%	
Earnings per share (expressed in RMB per share)			
– basic	**0.028**	0.036	-22.2%
– diluted	**0.028**	0.036	-22.2%
Adjusted Net Profit[2]	**56,615**	30,978	82.8%
Adjusted Net Profit Margin[3]	**27.1%**	11.1%	
Adjusted EBITDA[4]	**74,376**	165,570	-55.1%
Adjusted EBITDA Margin	**35.6%**	59.1%	

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

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

INTERIM RESULTS

The board of directors (the "**Directors**") (the "**Board**") of Tian Ge Interactive Holdings Limited (the "**Company**", "**We**" or "**Tian Ge**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2020 (the "**Reporting Period**"). These interim results have been reviewed by PricewaterhouseCoopers, the auditor of the Company, and the audit committee of the Company (the "**Audit Committee**").

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Overview And Outlook

During the first half of 2020, due to the outbreak of the novel coronavirus ("**COVID-19**") all over the world, the macro-economy and various industries have been impacted with varying degrees of severity and the global economy has experienced a certain degree of decline. Meanwhile, the fierce competition and strict supervision in the mobile Internet industry in the PRC continued to pose challenges to the business development of Tian Ge. However, on the other hand, the quarantine measures during the epidemic resulted in the rise of "Stay-at-Home Economic", which contributed new user traffic to the Internet industry. The application of emerging technologies such as 5G has also brought development opportunities to the live streaming industry. During the Reporting Period, the Group adhered to its core business, optimized the platforms with innovative contents and further expanded overseas business.

Overall Financial Performance

In the first half of 2020, revenue decreased by 25.4% year-on-year to RMB209.0 million from the corresponding period of 2019. Revenue from online interactive entertainment decreased by 20.8% year-on-year to RMB184.0 million from the corresponding period of 2019.

In the first half of 2020, profit attributable to equity holders of the Company decreased by 21.4% year-on-year to RMB35.9 million; net profit decreased by 22.4% year-on-year to RMB37.0 million; adjusted net profit increased by 82.8% year-on-year to RMB56.6 million, and adjusted EBITDA decreased by 55.1% year-on-year to RMB74.4 million.

Business Highlights

"Mobile + PC" Dual Live Streaming

As one of the pioneers in the live streaming industry of the PRC, Tian Ge has continued to adhere to the development strategy of "Mobile + PC" dual live streaming. During the first half of 2020, the Group continued the optimization and development of its core platforms to improve user experience and interactivity, including the upgrade of functions such as "host PK" and "one-on-one audio/video chat", which strengthened the innovative advantages of products and content, further enhanced the competitiveness of the platform, and brought a virtuous circle to the live streaming business. Meanwhile, Tian Ge has insight into the rapid development of "live streaming + e-commerce" and has vigorously promoted the development of the e-commerce live streaming business of the Group with its rich industry experience, so as to enrich the live streaming contents of the Group and bring sustainable growth momentum for Tian Ge.

Wuta Camera

As one of the most popular beauty camera applications in the PRC, as of June 30, 2020, Wuta Camera's average monthly active users were approximately 29.1 million. During the Reporting Period, the Group continued to promote the commercial development of Wuta Camera, and continued to gain the favor of users at home and abroad through product update and optimization.

Overseas Expansion

Overseas expansion is an important development strategy and business segment of the Group. During the Reporting Period, the Group further increased its expansion in overseas markets by optimizing and adjusting the management team and business structure. At the same time, with the gradual control of the epidemic in overseas regions, starting from the second quarter of 2020, various operations in overseas markets have returned to normal. The Group continued to maintain a clear overseas market expansion strategy by replicating and promoting the successful domestic business models to overseas markets. The Group also launched live streaming, short videos and social interaction products in line with local culture and user habits to meet the demand of overseas users. 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, continued to experience more traction among users in the Southeast Asian region, which demonstrated the Group's expansion strength in overseas markets. Meanwhile, the Group actively developed new projects and products in Southeast Asian markets such as Thailand and Vietnam to further expand business opportunities in overseas markets.

Overseas Investments and Real Estate Investments

During the first half of 2020, Tian Ge further used the idle capital of the Group to make overseas financial investments to maintain stable asset appreciation. The Group is optimistic about the stable rate of return on bill-type international financial investment instruments and financial technology. In the future, the Group will continue to pay attention to the market trends, increase asset returns, and continue to seek potential investment opportunities.

Meanwhile, the Group explored and invested in the real estate market in Southeast Asia, and continued to explore project business opportunities. 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.

Prospect and Future Outlook

2020 is the first year of the use of 5G technology. Three major telecom operators in China announced the launch of various supporting technologies and hardware equipment for commercial 5G and 5G mobile phones, marking that China has officially entered the 5G era. In future, the Group will actively capture the new opportunities presented by "5G+ live streaming".

Tian Ge will continue to adhere to its core business, focus on optimizing user platforms and creating more diversified content, and increase efforts in the e-commerce live streaming and overseas business to get closer to user demands, improve user experience and stickiness, and further enhance product commercialization, in order to attract more high-quality users with high spending power and consolidate its market competitiveness. In addition, Tian Ge has deepened its strategic layout in overseas markets, replicated the successful domestic business models to Southeast Asia and other regions, and expanded its share in the international market.

The novel coronavirus (COVID-19) has had a tremendous impact on the global economy. According to the arrangements for epidemic prevention and control measures in various overseas regions, the Group would adjust its projects in overseas markets accordingly. The Group will closely monitor the development of the epidemic, and make timely assessments and response plans to ensure that the business operations and financial conditions of the Group remain stable. The Group believes that after the epidemic, the global economy will recover, and the development of emerging technologies such as VR and AI, and the application of 5G technology will further promote the development of the Internet industry. The Group will also follow the development trend of the industry and optimize and innovate its business in a timely manner, so as to facilitate the breakthrough development of all the business.

Meanwhile, the Group will continue to seek new breakthroughs and opportunities to enhance the core competitiveness of the Group, consolidate its leading position in the market, strengthen the liquidity of its products and push Tian Ge into a new stage of development, in order to create sustainable profit returns for shareholders.

2. Operating Information

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

	Three months ended				
	June 30, 2020	March 31, 2020	Quarter-on-quarter Change	June 30, 2019	Year-on-year Change
Total Monthly Active Users *(in '000)*	**43,915**	45,895	-4.3%	53,828	-18.4%
– Monthly Active Users of Beauty Camera and Video Business *(in '000)*	**29,106**	30,356	-4.1%	34,203	-14.9%
Quarterly Paying Users *(in '000)*	**407**	449	-9.4%	559	-27.2%
Quarterly Average Revenue Per User *(RMB)*	**214**	216	-0.9%	205	4.4%
Number of Rooms	**46,472**	69,409	-33.0%	70,594	-34.2%
Number of Hosts	**106,006**	112,533	-5.8%	118,581	-10.6%

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

- For the three months ended June 30, 2020, the total number of monthly active users ("**MAUs**") for Tian Ge was approximately 43.9 million, representing a decrease of approximately 4.3% from the three months ended March 31, 2020 and representing a decrease of approximately 18.4% from the three months ended June 30, 2019. The decrease was mainly due to a decline in MAUs of Wuta Camera resulted from intensifying competition in the beauty camera and video markets.

- Our mobile MAUs as at June 30, 2020 represented 97.0% of our total MAUs, while the percentage as at March 31, 2020 and June 30, 2019 were 97.3% and 92.5% respectively.

- The number of quarterly paying users ("**QPUs**") for Tian Ge's online interactive entertainment service for the three months ended June 30, 2020 was approximately 407,000, representing a decrease of approximately 9.4% from the three months ended March 31, 2020 and representing a decrease of approximately 27.2% from the three months ended June 30, 2019.

- Our mobile QPUs as at June 30, 2020 represented 80.5% of our total QPUs, while the percentage as at March 31, 2020 and June 30, 2019 were 82.6% and 71.5%, respectively.

- The quarterly average revenue per user ("**QARPU**") for Tian Ge's online interactive entertainment service for the three months ended June 30, 2020 was RMB214, representing a decrease of approximately 0.9% from the three months ended March 31, 2020 and represented an increase of approximately 4.4% from the three months ended June 30, 2019. The increase was primarily due to the increase in the proportion of core users with high affordability.

- Number of virtual rooms for Tian Ge's online interactive entertainment service decreased by 33.0% as compared to the three months ended March 31, 2020 and decreased by 34.2% from the three months ended June 30, 2019. The decrease was primarily due to the cleanup of rooms without consumption and anchors. Number of hosts for Tian Ge's online interactive entertainment service decreased by 5.8% as compared to the three months ended March 31, 2020 and representing a decrease of 10.6% from the three months ended June 30, 2019.

- The total number of registered users* of Tian Ge as at June 30, 2020 was 459.0 million, as compared to 420.7 million as at June 30, 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 duplicated accounts were not excluded.

3. Financial Information

Revenue

Revenue generated from online interactive entertainment service was RMB184.0 million for the six months ended June 30, 2020, mainly including revenue from live social video platforms, which decreased by 20.8% compared with RMB232.3 million for the corresponding period in 2019. The year-on-year decrease was mainly due to the decrease of MAUs and QPUs while the Company's decision to quit from online game business so as to focus on live social video platforms service is a contribution factor.

Revenue generated from advertising services was RMB23.9 million for the six months ended June 30, 2020 which decreased by 37.0% compared with RMB37.9 million for the corresponding period in 2019.

Revenue generated from "Others" mainly included the revenue from technical supporting services and other services. Revenue generated from "Others" was RMB1.1 million for the six months ended June 30, 2020, which decreased by 88.7% from the corresponding period in 2019.

Cost of Revenue and Gross Profit Margins

Cost of revenue experienced a decrease of 9.2% for the six months ended June 30, 2020 compared with the corresponding period in 2019. The year-on-year decrease was primarily due to the decrease of employee costs and the ramp down of the online game business.

The gross profit margin for the six months ended June 30, 2020 was 88.4%, compared with 90.5% for the corresponding period in 2019.

Selling and Marketing Expenses

Selling and marketing expenses experienced an increase of 6.0% for the six months ended June 30, 2020 from the corresponding period in 2019. The year-on-year increase was primarily due to an increase of promotion expenses during the Reporting Period as a result of intense market competition.

Administrative Expenses

Administrative expenses experienced an increase of 20.7% for the six months ended June 30, 2020 from the corresponding period of 2019. The year-on-year increase was primarily due to non-cash share-based compensation expense with total amount of RMB7.6 million.

Research and Development Expenses

Research and development expenses experienced an increase of 2.4% for the six months ended June 30, 2020 from the corresponding period in 2019. The year-on-year increase was due to non-cash share-based compensation expense of RMB7.6 million, partially offset by employee cost cut-down resulted from R&D team restructuring.

Other Gains, Net

Other gains, net experienced a decrease of 84.2% for the six months ended June 30, 2020 from the corresponding period in 2019, which was primarily caused by the decrease of fair value of financial assets at fair value through profit or loss. The fair value of the Group's structured notes decreased mainly due to the adverse impact from COVID-19 on the underlying assets of the structured notes.

Income Tax Expense

Income tax expense decreased by 89.9% to RMB14.4 million for the six months ended June 30, 2020 from the corresponding period in 2019. The significant year-on-year decrease was mainly due to the decrease of the enterprise income tax by RMB30.7 million as a result of the decline of profit before tax, and the decrease of the withholding tax by RMB97.6 million in relation to the earnings distributable from the Company's certain PRC subsidiaries to its overseas subsidiary. The decrease of the withholding tax was mainly due to the net effect of: i) a lower applicable withholding tax rate of 5% for the six months ended June 30, 2020 compared with a rate of 10% for the corresponding period in 2019; ii) an additional withholding tax of RMB90.0 million recorded in the second quarter of 2019 related to additional earnings of RMB900.0 million anticipated to be remitted, and iii) a reversal of income tax expense upon the receipt of the refunded withholding tax of RMB27.5 million during the first half of 2020 in relation to the dividend paid in 2018 and 2019.

Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company experienced a decrease of 21.4% for the six months ended June 30, 2020 from the corresponding period in 2019. The year-on-year decrease was primarily due to the decrease in gross profit and other gains, while partially offset by the decrease of income tax expense.

Non-IFRS Measures

To supplement our condensed consolidated financial information which are presented in accordance with IFRS, adjusted net profit (excluding one-off withholding tax effect) and adjusted EBITDA are used as additional financial measures. These financial measures are presented because they are used by management to evaluate operating performance. The Company also believes that these non-IFRS measures provide useful information to help investors and others understand and evaluate the Company's condensed 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 decreased by 55.1% year-on-year for the six months ended June 30, 2020 from the corresponding period in 2019. Adjusted EBITDA margin was 35.6% for the six months ended June 30, 2020, compared to 59.1% for the corresponding period in 2019.

Adjusted EBITDA represents operating profit adjusted to exclude non-cash share based compensation expenses, net gains or losses from investee companies, impairment provision, amortization 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	
	Six months ended	
(in RMB'000)	**June 30, 2020**	June 30, 2019
Operating Profit	**42,854**	212,157
Share-based compensation expense	**15,320**	3,341
Net losses/(gains) from investee companies[(a)]	**2,644**	(65,613)
Amortization of intangible assets arising from acquisitions	**3,470**	3,972
Depreciation and amortization expense	**10,088**	11,713
Adjusted EBITDA	**74,376**	165,570

Adjusted Net Profit

Adjusted net profit increased by 82.8% for the six months ended June 30, 2020 from the corresponding period in 2019.

Adjusted net profit is not defined under IFRS, and eliminates the effect of non-cash share-based compensation expenses, net gains or losses from investee companies, impairment provision, amortization 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 Six months ended	
(in RMB'000)	**June 30, 2020**	June 30, 2019
Net Profit	**36,957**	47,598
Share-based compensation expense	**15,320**	3,341
Net losses/(gains) from investee companies[(a)]	**2,644**	(65,613)
Impairment provision[(b)]	**–**	23,251
Amortization of intangible assets arising from acquisitions	**3,470**	3,972
Income tax effects of non- IFRS adjustments[(c)]	**(1,776)**	18,429
Adjusted Net Profit	**56,615**	30,978

Notes:

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

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

(c) Income tax effect of non-IFRS adjustments.

4. Liquidity and Financial Resources

Cash and Cash Equivalent, and Term Deposits

Cash and cash equivalents consist of cash at bank and cash on hand, and as at June 30, 2020 and December 31, 2019 amounted to RMB919.4 million and RMB1,033.0 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 terms of over three months of RMB484.6 million and RMB106.4 million as at June 30, 2020 and December 31, 2019, respectively. The year-on-year increase was primarily due to strategic pre-arrangement for overseas business expansion in next few years.

Financial Assets at Fair Value through Profit or Loss

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

Financial assets at fair value through profit or loss decreased by 7.3% to RMB1,552.0 million as at June 30, 2020 compared to RMB1,674.3 million as at December 31, 2019. Such decrease was mainly attributable to a decrease of RMB439.2 million in purchase of wealth management products, an increase of RMB276.5 million in structured notes, an increase of RMB35.9 million in other fund investments and an increase of RMB7.0 million in convertible promissory notes. The following is a breakdown of the eight main categories as at the periods specified:

	As at June 30, 2020 ***(RMB'000)***	As at December 31, 2019 *(RMB'000)*	Percentage increase/ (decrease)
(i) Private Investments	**481,382**	491,122	(2.0)%
(ii) Fund Investments	**408,846**	394,243	3.7%
(iii) Purchase of wealth management products	**286,197**	725,410	(60.5)%
(iv) Investments in structured notes	**292,976**	16,525	1,672.9%
(v) REIT access fund	**39,627**	41,973	(5.6)%
(vi) Other fund investments	**35,949**	–	100%
(vii) Convertible promissory notes	**7,009**	–	100%
(viii) Income trust investment	**–**	5,000	–
Total	**1,551,986**	1,674,273	(7.3)%

(i) Private Investments

Below is a summary of financial performances 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 June 30, 2020** ***(RMB'000)***	Fair value of investments as of December 31, 2019 *(RMB'000)*	Percentage increase/ (decrease)
(i) 1 social live streaming company [(1)]	100,000	1.82%	**100,000**	100,000	–
(ii) 3 online/mobile gaming companies, including:	102,815	3.5%-22.5%	**342,773**	351,357	(2.4%)
– Jinhua Yibo Network Technology Co., Ltd. ("**Yibo**") [(2)]	18,750	22.5%	**247,921**	247,921	0%
(iii) 2 real-estate and office building rental companies	29,300	10%-20%	**29,734**	29,300	1.5%
(iv) 1 commercial bank company	7,627	19.3%	**8,846**	–	16.0%
(v) 1 other company	–	1%	**29**	–	100%

Notes:

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

(2) In May 2018, the Group entered into an agreement to dispose 4.5% out of 27% of its equity interest in Yibo. The transaction was completed in July 2018. As a result, a significant fair value gain was recognized from the aforementioned latest round of financing during the year ended December 31, 2018.

The underlying Private Investments are independent from each other. Save for its investment in Yibo, there was no single Private Investment whose carrying amount was over 5% of the Group's total assets as of June 30, 2020.

(ii) Fund Investment

As of June 30, 2020, the Group had 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 RMB291.0 million as at June 30, 2020. The fair value of these Fund Investments increased by 3.7% to RMB408.8 million as at June 30, 2020 compared to RMB394.2 million as at December 31, 2019, which was mainly due to an additional fund investment of RMB19.7 million and net fair value loss of RMB4.9 million during the Reporting Period.

Save for the Yunqi Investments, the general partners of the underlying Fund Investments are independent from each other. There was no single Fund Investment whose carrying amount was over 5% of the Company's total assets as of June 30, 2020.

(iii) 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. During the Reporting Period, the Group reduced its investments in wealth management of RMB439.2 million so as to enhance the Company's cashability for new business expansion, which resulted the overall fair value decreased by 60.5% to RMB286.2 million as at June 30, 2020 compared with RMB725.4 million as at December 31, 2019.

The wealth management products represent RMB-denominated wealth management products with interest rates ranging from 2.6% to 5.0% 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.

(iv) Structured Notes

The fair value of the structured notes invested by the Company increased by 1,672.9% to RMB293.0 million as at June 30, 2020 compared to RMB16.5 million as at December 31, 2019, which was primarily due to the Company's new acquisition of structured notes during the six month ended June 30, 2020. The structured notes are issued by several world-class commercial banks, which provide a potential return linked to the price of certain listed equity securities at the predetermined valuation day in future. For the six months ended June 30, 2020, the Group recognised a fair value loss of RMB3.7 million on these structured notes, which was primarily due to the negative impacts from COVID-19 on certain underlying assets of the structured notes. For further details, please refer to the announcement issued by the Company on March 2, 2020.

(v) 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. For the six months ended June 30, 2020, the Group recognized a fair value loss of RMB2.2 million on the fund investment.

(vi) Other fund investments

During the six months ended June 30, 2020, the Group decided to buy 5 callable bond investments issued by several investment companies at a cash consideration of USD5 million, with expected return rates ranging from 3.0% to 4.7% per annum and maturity period within revolving terms.

(vii) Convertible promissory notes

During the six months ended June 30, 2020, the Group entered into an agreement to purchase the convertible promissory notes issued by a commercial bank company of which the Group had 19.3% equity interests, at a cash consideration of USD1 million. Pursuant to the agreement, the principal and interest of the notes shall be repayable within 24 months unless the Group choose to convert it into equity investment at the pre-determined conversion price.

(viii) Income trust investments

This represents the Group's income trust investment with expected return rate of 8.4% per annum and maturity period within 13 months. During the six months ended June 30, 2020, the Group disposed the investment and received a cash payment of investment income amounting to RMB0.2 million.

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 recognized. As at December 31, 2019, redemption liabilities of RMB24.2 million were derecognised against other reserves as related options lapse unexercised and the estimated amount was revised.

During the six months ended June 30, 2020, redemption liabilities of RMB34.2 million were derecognised as related options lapsed unexercised and the estimated amount was remeasured at RMB277.3 million as at June 30, 2020.

The details are set out in Note 8 to the condensed consolidated financial information.

Bank Loans and Other Borrowings

During the six month ended June 30, 2020, the Group entered into loan facilities with certain internationally reputable financial institutions to finance its certain investments in financial assets. The total available amount under the facilities are USD130 million, of which USD15.6 million and HKD4.0 million were drawn down as at June 30, 2020. These borrowings were secured by the Group's investments in financial assets.

Gearing Ratio

The gearing ratio as at June 30, 2020 was 3.8% compared with nil as at December 31, 2019.

Capital Expenditures

The Group did not have any significant capital expenditure for the six months ended June 30, 2020.

Major Investments and Disposals

The Group did not have any major investments or disposals during the six months ended June 30, 2020.

Charges on Assets

As at June 30, 2020, the Group did not have any asset charges.

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 June 30, 2020. We do not hedge against any fluctuation in foreign currency.

5. Corporate Information

Staff

The Company had 491 full time employees as at June 30, 2020. 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.

Our staff cost was RMB72.5 million for the six months ended June 30, 2020, compared with staff cost of RMB65.2 million for the six months ended June 30, 2019. 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 Reporting Period.

Share Option and RSU 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 six months ended June 30, 2020 were RMB15.3 million, as compared to RMB3.3 million for the corresponding period in 2019.

During the Reporting Period, no option was granted to the grantees under the Post-IPO Option Scheme. As at June 30, 2020, options representing a total of 17,555,760 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 1.36% as at June 30, 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.

On April 28, 2020, the Company granted restricted share units in respect of a total of 15,000,000 ordinary shares of the Company of US $0.0001 each to certain employees under the Post-IPO RSU Scheme, which represented approximately 1.18% of the total ordinary shares of the Company as at June 30, 2020.

As of June 30, 2020, the total number of shares underlying the Pre-IPO RSU Scheme and Post-IPO RSU Scheme represented approximately 3.53% of the total ordinary shares of the Company.

CONDENSED CONSOLIDATED BALANCE SHEET
(AS AT JUNE 30, 2020)

	Note	**Unaudited 30 June 2020** *RMB'000*	Audited 31 December 2019 *RMB'000*
Assets			
Non-current assets			
Property and equipment		**161,614**	165,598
Right-of-use assets		**6,381**	7,373
Investment properties		**56,246**	56,591
Intangible assets		**281,116**	285,826
Investments accounted for using the equity method	*5*	**26,526**	26,574
Prepayments and other receivables		**21,820**	29,919
Financial assets at fair value through profit or loss ("**FVPL**")	*6*	**936,864**	927,338
Deferred income tax assets		**16,076**	19,403
		1,506,643	1,518,622
Current assets			
Trade receivables	*9*	**23,575**	27,068
Prepayments and other receivables		**121,495**	70,714
Financial assets at FVPL	*6*	**615,122**	746,935
Derivative financial instruments		**1,500**	–
Term deposits with initial term over 3 months		**484,605**	106,419
Cash and cash equivalents		**919,442**	1,033,006
		2,165,739	1,984,142
Total assets		**3,672,382**	3,502,764
Liabilities			
Non-current liabilities			
Lease liabilities		**1,002**	1,996
Deferred income tax liabilities	*11*	**98,611**	113,935
Other non-current liabilities		**1,155**	2,736
		100,768	118,667

	Note	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Current liabilities			
Borrowings	*18*	**114,042**	–
Trade payables	*10*	**2,469**	2,477
Other payables, accruals and other current liabilities		**101,140**	55,358
Current income tax liabilities		**79,096**	118,504
Lease liabilities		**4,086**	3,929
Derivative financial instruments		**927**	–
Redemption liabilities	*8*	**277,262**	311,451
Customer advance and deferred revenue		**22,160**	27,635
		601,182	519,354
Total liabilities		**701,950**	638,021
Net assets		**2,970,432**	2,864,743
Equity			
Equity attributable to shareholders of the Company			
Share capital		**791**	780
Shares held for restricted share unit scheme		**(5)**	–
Share premium		**1,761,185**	1,760,719
Other reserves		**459,055**	393,817
Retained earnings		**638,823**	599,641
		2,859,849	2,754,957
Non-controlling interests		**110,583**	109,786
Total equity		**2,970,432**	2,864,743

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(FOR THE SIX MONTHS ENDED JUNE 30, 2020)

		Unaudited	
		Six months ended 30 June	
	Note	**2020**	2019
		RMB'000	*RMB'000*
Revenue		**209,032**	280,151
Cost of revenue	*12*	**(24,259)**	(26,721)
Gross profit		**184,773**	253,430
Selling and marketing expenses	*12*	**(59,387)**	(56,009)
Administrative expenses	*12*	**(47,912)**	(39,701)
Research and development expenses	*12*	**(37,714)**	(36,826)
(Impairment)/reversal of impairment losses for financial assets, net		**(5,601)**	36,351
Other gains, net	*13*	**8,695**	54,912
Operating profit		**42,854**	212,157
Finance income	*14*	**6,431**	4,999
Finance costs	*14*	**(483)**	(2,142)
Finance income, net		**5,948**	2,857
Share of profit/(loss) of investments accounted for using the equity method	*5*	**2,566**	(1,504)
Impairment of investments accounted for using the equity method	*5*	**–**	(23,251)
Profit before income tax		**51,368**	190,259
Income tax expense	*15*	**(14,411)**	(142,661)
Profit for the period		**36,957**	47,598
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**18,997**	2,258
Total comprehensive income for the period		**55,954**	49,856

	Note	Unaudited Six months ended 30 June **2020** ***RMB'000***	 2019 *RMB'000*
Profit attributable to:			
– Shareholders of the Company		**35,914**	45,703
– Non-controlling interests		**1,043**	1,895
		36,957	47,598
Total comprehensive income attributable to:			
– Shareholders of the Company		**54,911**	47,961
– Non-controlling interests		**1,043**	1,895
		55,954	49,856
Earnings per share attributable to Shareholders of the Company (expressed in RMB per share)			
Basic earnings per share	*16*	**0.028**	0.036
Diluted earnings per share	*16*	**0.028**	0.036

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(FOR THE SIX MONTHS ENDED JUNE 30, 2020)

		Unaudited Equity attributable to shareholders of the Company						Non-controlling interests	Total equity
	Note	Share capital	Share held for RSU scheme	Share premium	Other reserves	Retained earnings	Total		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2020		**780**	**–**	**1,760,719**	**393,817**	**599,641**	**2,754,957**	**109,786**	**2,864,743**
Comprehensive income									
Profit for the six months ended 30 June 2020		**–**	**–**	**–**	**–**	**35,914**	**35,914**	**1,043**	**36,957**
Other comprehensive income									
Currency translation differences		**–**	**–**	**–**	**18,997**	**–**	**18,997**	**–**	**18,997**
Total comprehensive income		**–**	**–**	**–**	**18,997**	**35,914**	**54,911**	**1,043**	**55,954**
Transactions with shareholders of the Company, recognised directly in equity									
Employees share option scheme:									
– proceeds from shares issued		**1**	**–**	**471**	**–**	**–**	**472**	**–**	**472**
Employees restricted share unit ("**RSU**") scheme:									
– value of employee service		**–**	**–**	**–**	**15,320**	**–**	**15,320**	**–**	**15,320**
– shares issued for RSU scheme		**10**	**(10)**	**–**	**–**	**–**			
– shares vested and transferred		**–**	**5**	**(5)**	**–**	**–**	**–**	**–**	**–**
Derecognition of redemption liabilities	*8*	**–**	**–**	**–**	**34,189**	**–**	**34,189**	**–**	**34,189**
Disposal of subsidiaries		**–**	**–**	**–**	**(3,268)**	**3,268**	**–**	**(246)**	**(246)**
Total transactions with shareholders of the Company, recognised directly in equity		**11**	**(5)**	**466**	**46,241**	**3,268**	**49,981**	**(246)**	**49,735**
Balance at 30 June 2020		**791**	**(5)**	**1,761,185**	**459,055**	**638,823**	**2,859,849**	**110,583**	**2,970,432**

	Note	Unaudited Equity attributable to shareholders of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Treasury stock	Other reserves	Retained earnings	Total		
		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 six months ended 30 June 2019		–	–	–	–	45,703	45,703	1,895	47,598
Other comprehensive income									
Currency translation differences		–	–	–	2,258	–	2,258	–	2,258
Total comprehensive income		–	–	–	2,258	45,703	47,961	1,895	49,856
Transactions with shareholders of the Company, recognised directly in equity									
Employees share option scheme:									
– proceeds from shares issued		1	542	–	–	–	543	–	543
Employees RSU scheme:									
– value of employee service		–	–	–	3,341	–	3,341	–	3,341
Repurchase of ordinary shares		–	–	(33,698)	–	–	(33,698)	–	(33,698)
Cancellation of ordinary shares		(13)	(55,074)	55,087	–	–	–	–	–
Disposal of a subsidiary		–	–	–	–	–	–	(38)	(38)
Total transactions with shareholders of the Company, recognised directly in equity		(12)	(54,532)	21,389	3,341	–	(29,814)	(38)	(29,852)
Balance at 30 June 2019		777	1,774,151	(4,080)	516,264	562,443	2,849,555	14,619	2,864,174

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW
(FOR THE SIX MONTHS ENDED JUNE 30, 2020)

		Unaudited Six months ended 30 June	
	Note	**2020**	2019
		RMB'000	*RMB'000*
Net cash (used in)/generated from operating activities		**(3,885)**	115,090
Net cash used in investing activities		**(228,903)**	(22,826)
Net cash generated from financing activities		**112,001**	22,002
Net (decrease)/increase in cash and cash equivalents		**(120,787)**	114,266
Cash and cash equivalents at the beginning of the period		**1,033,006**	432,588
Exchange gain on cash and cash equivalents		**7,223**	2,578
Cash and cash equivalents at the end of the period		**919,442**	549,432

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(FOR THE SIX MONTHS ENDED JUNE 30, 2020)

1 GENERAL INFORMATION

Tian Ge Interactive Holdings Limited (the "**Company**"), was incorporated in the Cayman Islands on July 28, 2008 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands as an investment holding company. The address of the Company's registered office is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands.

The Company and its subsidiaries (collectively the "**Group**") are principally engaged in the operation of live social video platforms, advertising and other services in the People's Republic of China (the "**PRC**").

This condensed consolidated financial information is presented in Renminbi (the "**RMB**"), unless otherwise stated. This condensed consolidated financial information was approved by the board of directors of the Company for issue on 27 August 2020.

This condensed consolidated financial information has been reviewed, not audited.

2 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 'Interim Financial Reporting'. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS as set out in the 2019 annual report of the Company dated 26 March 2020.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings (Note 15) and the adoption of new and amended standards (Note 3.1) as set out below:

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, which did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

3.2 New standards and amendments to standards that have been issued but not effective

A number of new standards and amendments to standards have not come into effect for the financial year beginning 1 January 2020 and have not been early adopted by the Group in preparing the condensed consolidated financial information. None of these is expected to have a significant effect on the condensed consolidated financial information of the Group.

4 SEGMENT INFORMATION

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision maker (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.

The Group has following reportable segments for the six months ended 30 June 2020 and 2019:

– Online interactive entertainment service;

– Advertising;

– Others.

The "online interactive entertainment service" segment mainly comprises of the provision of service through the Group's live social video platform (six months ended 2019, it included both of live social video platform and online games). "Advertising" segment consists of online advertising business through self-owned beauty camera application and platform. "Others" segment of the Group mainly comprises of the provision of software research and development and other services.

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 six months ended 30 June 2020 and 2019. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the condensed 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 this condensed financial information. 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.

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2020 and 2019 is as follows:

	Six months ended 30 June 2020				Six months ended 30 June 2019			
	Online interactive entertainment *RMB'000*	**Advertising** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*	Online interactive entertainment *RMB'000*	Advertising *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue	**184,020**	**23,886**	**1,126**	**209,032**	232,301	37,911	9,939	280,151
Gross profit	**170,048**	**13,685**	**1,040**	**184,773**	213,650	30,552	9,228	253,430
– Depreciation, amortization and impairment charges included in segment cost	**1,886**	**500**	**–**	**2,386**	2,804	500	–	3,304
Operating profit				**42,854**				212,157
Finance income				**6,431**				4,999
Finance costs				**(483)**				(2,142)
Shares of profit/(loss) of investments accounted for using the equity method				**2,566**				(1,504)
Impairment on investments accounted for using the equity method				**–**				(23,251)
Profit before income tax				**51,368**				190,259

5 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Associates (a)	**24,929**	22,777
Joint ventures (b)	**1,597**	3,797
	26,526	26,574

(a) Investment in associates

	Six months ended 30 June 2020 *RMB'000*	30 June 2019 RMB'000
Opening balance as at 1 January	**22,777**	53,307
Additions (i)	**–**	3,276
Disposal (ii)	**(965)**	–
Share of gains/(losses)	**3,167**	(1,394)
Dividend received	**–**	(670)
Impairment (iii)	**–**	(23,251)
Currency translation differences	**(50)**	255
Closing balance as at 30 June	**24,929**	31,523

(i) During the six months ended 30 June 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 six months ended 30 June 2020, the Group disposed an associate, which was engaged in the operation of online casual game in mainland China, for a total cash consideration of RMB950 thousand, resulting in a loss of RMB15 thousand.

(iii) During the six months ended 30 June 2019, the Group carried out an impairment assessment on 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 and small loan lending overseas, based on value in use calculation, as the financial/business outlook of the associates were not optimistic after revision. The Group made an impairment provision of RMB23,251 thousand against the carrying amount of the associates.

(b) Investment in joint ventures

	Six months ended 30 June 2020 *RMB'000*	30 June 2019 *RMB'000*
Opening balance as at 1 January	**3,797**	1,998
Addition (i)	**–**	5,067
Disposal	**(1,601)**	–
Share of losses	**(601)**	(110)
Currency translation differences	**2**	–
Closing balance as at 30 June	**1,597**	6,955

(i) During the six months ended 30 June 2019, the Group entered into an investment agreement with two third party companies to establish a joint venture in Singapore, which was engaged in provision of online entertainment business overseas. The Group subscribed for 49% of equity interest in the joint venture at a consideration of USD1,470 thousand. As at 30 June 2019, USD735 thousand (approximately RMB5,067 thousand) had been paid by the Group.

6 FINANCIAL ASSETS AT FVPL

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Included in non-current assets		
Unlisted equity investments (a)	**481,382**	491,122
Investments in venture capital funds (b)	**408,846**	394,243
Convertible promissory notes (a)(i)	**7,009**	–
Investments in REIT access fund (e)	**39,627**	41,973
	936,864	927,338
Included in current assets		
Wealth management products (c)	**286,197**	725,410
Structured notes (d)	**292,976**	16,525
Other fund investments (f)	**35,949**	–
Income trust investment	**–**	5,000
	615,122	746,935
	1,551,986	1,674,273

(a) This represents the Group's investments in unlisted equity interests. Set out below are the movements of the Group's unlisted equity investments for the six month ended 30 June 2020 and 2019:

	Six months ended 30 June 2020 *RMB'000*	2019 *RMB'000*
Unlisted equity investments		
Opening balance as at 1 January	**491,122**	471,844
Additions (i)	**7,656**	38,842
Disposals	**(10,537)**	(1,722)
Reclassified as assets held for sale	**–**	(5,727)
Dividend received	**(8,584)**	(2,445)
Fair value loss recognized in consolidated statement of comprehensive income *(Note 13)*	**1,061**	(3,923)
Currency translation differences	**664**	62
Closing balance as at 30 June	**481,382**	496,931

(i) During the second half of 2019, the Group aggregately paid USD1,100 thousand (approximately RMB7,673 thousand) to purchase 19.3% Class-A common shares of an unlisted company (the "**Bank Company**") engaged in the provision of banking and financial services overseas, and recorded it as a refundable prepayment for investment as at 31 December 2019. Upon the completion of the transaction in March 2020, the prepayment was transferred into financial assets at FVPL as the Group was unable to exert control or any significant influence over the Bank Company. In April 2020, the Group entered into an agreement to purchase the convertible promissory notes issued by the Bank Company at a cash consideration of USD1,000 thousand. Pursuant to the agreement, the principal and interest of the notes shall be repayable within 24 months unless the Group choose to convert it into equity investment at the pre-determined conversion price. The management designated the notes as financial assets at FVPL.

During the year ended 31 December 2014, the Group paid RMB70,000 thousand to subscribe 5% equity interest of potential investment in certain unlisted company which was principally engaged in online games. The amount was recorded as refundable prepayments for purchase of investments in 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 due to the inherent uncertainty of the future collection was recognized.

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 FVPL at the fair value of RMB38,842 thousand.

(b) This represents the Group's investments in certain venture funds as a limited partner. Set out below are the movements of the Group's investments in such venture capital funds for the six month ended 30 June 2020 and 2019:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Investments in venture capital funds		
Opening balance as at 1 January	**394,243**	356,352
Additions (i)	**19,720**	8,750
Disposals	**(3,355)**	(6,676)
Dividend received	**–**	(429)
Fair value gain/(losses) recognized in consolidated statement of comprehensive income *(Note 13)*	**(4,928)**	41,516
Currency translation difference	**3,166**	935
Closing balance as at 30 June	**408,846**	400,448

(i) During the six months ended 30 June 2020, the Group paid approximately RMB19,720 thousand to subscribe for interests in certain venture capital funds (six months ended 30 June 2019: RMB8,750 thousand) as a limited partner. As the Group didn't control or had significant influence on the fund, the investments were classified as financial assets at FVPL. These funds were established to invest in start-up companies and to obtain appreciation and investment income.

(c) This represents RMB-denominated wealth management products with interest rates ranging from 2.60% to 5.00% 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.

(d) This represents the Group's investments in structured notes. These instruments provide a potential return determined at the pre-determined interest rate or linked to the price of certain listed equity securities at the pre-determined valuation day in future. Set out below are the movements of the Group's investments in structured notes as for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Structured notes		
Opening balance as at 1 January	**16,525**	9,941
Additions	**412,156**	–
Disposals	**(133,880)**	–
Fair value (loss)/gain recognized in consolidated statement of comprehensive income *(Note 13)* (i)	**(3,706)**	373
Currency translation difference	**1,881**	23
Closing balance as at 30 June	**292,976**	10,337

(i) The fair value loss recognised was primarily due to the negative impacts from the COVID-19's pandemic on certain underlying assets of the venture capital funds.

(e) 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 worlds largest real estate income trust. For the six months ended 30 June 2020, the Group recognised a fair value loss of RMB2,197 thousand on the fund investment.

(f) This represents the Group's other fund investments, which were offered by several international financial institutions. During the six months ended 30 June 2020, the Group aggregately paid USD5,000 thousand (approximately RMB35,265 thousand) to purchase the units of these funds and recognised a fair value gain of RMB877 thousand.

7 SHARE-BASED PAYMENTS

(a) Share options

The Company adopted two share option schemes, namely, the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, under which the directors of the Company may, at their discretion, grant options to any qualified participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein.

Movements in the number of 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 2020		**15,939,335**		**2,852,000**	**18,791,335**
Exercised	**US$0.0600**	**(1,127,000)**	**N/A**	**–**	**(1,127,000)**
Lapsed	**US$0.2182**	**(108,575)**	**N/A**	**–**	**(108,575)**
At 30 June 2020		**14,703,760**		**2,852,000**	**17,555,760**
At 1 January 2019		19,191,614		2,852,000	22,043,614
Exercised	US$0.0340	(1,437,500)	N/A	–	(1,437,500)
Lapsed	US$0.3500	(27,239)	N/A	–	(27,239)
At 30 June 2019		17,726,875		2,852,000	20,578,875

As at 30 June 2020, 17,555,760 share options were outstanding and exercisable (30 June 2019: 20,578,875).

During the six months ended 30 June 2020 and 2019, no share options were granted to any directors of the Company.

As a result of the options exercised during the six months ended 30 June 2020, 1,127,000 ordinary shares (six months ended 30 June 2019: 1,437,500 ordinary shares) were issued by the Company. The weighted average price of the shares at the time these options were exercised was HK$1.6943 per share (six month ended 30 June 2019: HK$2.3454 per share).

(b) Restricted share units

The Company adopted two RSU schemes, namely, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme, under which the directors of the Company may, at their discretion, grant RSUs to any qualifying participants, subject to the terms and conditions stipulated therein.

On 28 April 2020, the Company granted 15,000,000 ordinary shares to an independent trust nominee for the purpose of granting Post-IPO RSUs to certain employees under the Post-IPO RSU Scheme. Pursuant to the vesting schedule, 50% of these newly issued shares shall vest in May 2020, and the remaining 50% shall vest in July 2020. The fair value of Post-IPO RSUs granted during the six months ended 30 June 2020 was HK$1.34 per share (equivalent to approximately RMB1.23 per share).

Movements of the number of outstanding RSUs during the six months ended 30 June 2020 and 2019 are as follows:

	Number of Post-IPO RSUs	**Total**
At 1 January 2020	**–**	**–**
Granted	**15,000,000**	**15,000,000**
Vest and transfer	**(7,500,000)**	**(7,500,000)**
At 30 June 2020	**7,500,000**	**7,500,000**
At 1 January 2019	–	–
Granted	10,000,000	10,000,000
At 30 June 2019	10,000,000	10,000,000

As at 30 June 2020 and 2019, all vested shares had been transferred to the grantees.

(c) 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.

The 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.

Other than the exercise price mentioned above, significant estimates on parameters, such as risk free rate, dividend yield and expected volatility, made by the directors in applying the Binominal Model, are also taken into consideration.

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.

(d) Shares held for RSU Scheme

The 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 certain employees and hence are considered as treasury shares in substance.

8 REDEMPTION LIABILITIES

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Liabilities in relation to put options granted to non-controlling interest ("**NCI**") of subsidiaries	**277,262**	311,451

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 Internet Technology Company Limited ("**Shanghai Benqu**"), and the other shareholders of Shanghai Benqu (the "**Other Selling Shareholder**") entered into a Share Transfer Agreement with Beijing Weimeng Chuangke Investment Management Co., Ltd (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. In July 2019, the Group received the purchase consideration of RMB292,608 thousand.

Upon the closing of the transaction on 5 July 2019, the Group still retained its control over Shanghai Benqu. Therefore, the Group accounted for this transaction as equity transaction, recognising the addition of NCI at the NCI's proportionate share of the net assets of Jinhua Ruian.

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. 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 the 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 lapsed unexercised and the estimated amount was remeasured at RMB311,451 thousand.

During the six months ended 30 June 2020, redemption liabilities of RMB34,189 thousand were derecognised as related options lapsed unexercised and the estimated amount was remeasured at RMB277,262 thousand as at 30 June 2020.

9 TRADE RECEIVABLES

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Amount due from third parties	**24,507**	28,000
Less: allowance for impairment of trade receivables	**(932)**	(932)
	23,575	27,068

At 30 June 2020 and 31 December 2019, the ageing analysis of the trade receivables based on recognition date of the gross trade receivables at the respective balance sheet dates were as follows:

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
0-90 days	**18,467**	20,381
91-180 days	**3,398**	4,917
181-365 days	**1,701**	1,464
Over 1 year	**941**	1,238
	24,507	28,000

10 TRADE PAYABLES

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Third parties	**2,469**	2,477

As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade payables based on recognition date were as follows:

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
0-90 days	**1,638**	1,585
91-180 days	**102**	96
181-365 days	**99**	300
Over 1 year	**630**	496
	2,469	2,477

11 DEFERRED INCOME TAX

The movements of deferred income tax assets/(liabilities), net are as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Opening balance as at 1 January	**(94,532)**	(71,591)
Recognized in the consolidated statements of comprehensive income *(Note 15)*	**11,535**	(95,935)
Disposal of a subsidiary	**462**	
Reclassified to 'liabilities associated with assets held for sale'	**–**	932
Currency translation difference	**–**	9
Closing balance as at 30 June	**(82,535)**	(166,585)

As at 30 June 2020, no deferred income tax liability had been provided for the PRC withholding tax which would be payable on the undistributed profits of approximately RMB378,987 thousand (December 31, 2019, RMB918,619 thousand). Such earnings were expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future.

12 EXPENSES BY NATURE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses (including share-based compensation expenses)	**72,461**	65,210
Promotion and advertising expenses	**44,370**	38,555
Bandwidth and server custody fees	**12,188**	12,466
Commission charged by game developers	**–**	2,043
Game and software development costs	**2,044**	1,883
Travelling and entertainment expenses	**6,284**	6,270
Amortization of intangible assets	**5,892**	6,029
Depreciation of property and equipment	**5,567**	6,814
Utilities and office expenses	**5,501**	4,095
Professional and consultancy fee	**5,118**	4,506
Depreciation of right-of-use assets	**2,100**	1,690
Auditors' remuneration	**2,025**	2,400
Payment handling costs	**1,394**	624
Short-term operating leases	**869**	1,261
Others	**3,459**	5,411
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**169,272**	159,257

13 OTHER GAINS, NET

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Interest on term deposits with initial term over 3 months	**3,828**	713
Fair value gains/(losses) on financial assets at FVPL		
– Unlisted equity investments *(Note 6(a))*	**1,061**	(3,923)
– Venture capital funds *(Note 6(b))*	**(4,928)**	41,516
– Wealth management products *(Note 6(c))*	**8,787**	20,472
– Structured notes *(Note 6(d))*	**(3,706)**	373
– Investment in REIT access fund *(Note 6(e))*	**(2,197)**	–
– Other fund investments *(Note 6(f))*	**877**	–
– Income trust investment	**258**	–
– Convertible promissory notes *(Note 6(a(i)))*	**(71)**	–
– Contingent consideration	**–**	1,337
Net fair value loss on derivatives held for trading	**(2,877)**	
Government grants		
– Technology award	**1,917**	1,980
– Others	**442**	548
Interest income on loans to third parties and related parties and employees	**2,573**	957
Gains on disposal of subsidiaries	**1,282**	–
Net losses from revaluation of investment properties	**(971)**	–
Foreign exchange gains/(losses) on non-financing activities	**172**	(226)
Losses on remeasurement of assets classified as held for sale (i)	**–**	(1,684)
Others	**2,248**	(7,151)
	8,695	54,912

(i) In June 2019, the Group entered into an agreement with third parties to sell its 100% equity interest in a subsidiary at a consideration of RMB1,000 thousand. The associated assets and liabilities of the subsidiary was reclassified as held for sale and measured at the lower of their carrying amounts and fair value less costs to sell, resulting in a write-down of RMB1,684 thousand in "other gains, net" in the statement of comprehensive income.

14 FINANCE INCOME, NET

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Finance income:		
– Interest income on cash and cash equivalents	**6,386**	1,854
– Exchange gain on financing activities, net	**45**	3,145
	6,431	4,999
Finance costs:		
– Interest expenses on borrowings	**(256)**	–
– Interest expenses on lease liabilities	**(111)**	(35)
– Exchange loss on financing activities, net	**(79)**	(2,034)
– Other interest expenses	**(37)**	(73)
	(483)	(2,142)
Finance income, net	**5,948**	2,857

15 INCOME TAX EXPENSE

	Note	Six months ended 30 June	
		2020	2019
		RMB'000	*RMB'000*
Current income tax		**25,946**	46,726
Deferred income tax	*11*	**(11,535)**	95,935
		14,411	142,661

The Group's income tax expense includes enterprise income tax expense and withholding tax.

(i) Enterprise income tax expense

The Group is not subject to taxation in the Cayman Islands. Hong Kong profits tax has been provided for at a rate of 16.5% (2019: 16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. The companies established and operated in the PRC are subject to PRC Enterprise Income Tax ("**EIT**") at a rate of 25% (2019: 25%), and certain Group's subsidiaries established in the PRC and PRC Operating Entities are entitled to preferential EIT rate of 15% (2019: 15%).

Enterprise income tax expense is recognised based on the management's estimate of the expected weighted average income tax rate for the full financial year. The estimated average annual tax rate used for companies established and operated in the PRC and Hong Kong for the year ending 31 December 2020 are 16.91% and 16.50%, respectively (the year ended 31 December 2019: 16.2% and 16.5%, respectively).

(ii) Withholding tax

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%. In November 2019, Week8 (HK) Holdings Limited ("**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%. Prior to November 2019, the Group applied 10% withholding tax rate on dividends distributed to Week8 (HK). As a result, the applicable withholding tax rates for the six months ended 30 June 2020 and 2019 are 5% and 10%, respectively.

In the first half of 2019, the management anticipated to remit the earnings of RMB72,956 thousand from the profit for the six months ended 30 June 2019 of several PRC subsidiaries to Week8(HK), which was subject to a 10% withholding tax at a total amount of RMB7,296 thousand. In addition, due to the expansion of overseas business, management changed their estimation of overseas funding requirement and anticipated to remit an additional earnings of RMB900,000 thousand from the retained earnings of certain PRC subsidiaries to Week8(HK), which was subject to a 10% withholding tax at the amount of RMB90,000 thousand.

In the first half of 2020, the Company revised its estimation and decided to remit 100% of the earnings of its Wholly Foreign-Owned Enterprises ("**WFOEs**") to Week8(HK). Accordingly, a 5% withholding tax of RMB27,206 thousand was recognised during the six months ended 30 June 2020 for the WFOEs' remaining retained earnings of RMB506,920 thousand as of 31 December 2019 with no withholding tax provided before and all the WFOEs' profit of RMB37,210 thousand generated for the six months ended 30 June 2020.

During the six months ended 30 June 2020, the Group received refunded withholding taxes of RMB27,500 thousand in relation to the dividends paid in 2018 and 2019 from the local tax authorities as a result of the reduction of applicable withholding tax rate from 10% to 5%, and recorded it as a reversal of income tax expense.

16 EARNINGS PER SHARE

(a) Basic

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 interim period.

	Six months ended 30 June	
	2020	2019
Profit attributable to shareholders of the Company (RMB'000)	**35,914**	45,703
Weighted average number of ordinary shares in issue (thousand shares)	**1,261,064**	1,260,710
Basic earnings per share (in RMB/share)	**0.028**	0.036

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion 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.

	Six months ended 30 June	
	2020	2019
Profit attributable to Shareholders of the Company (RMB'000):	**35,914**	45,703
Weighted average number of ordinary shares in issue (thousand shares)	**1,261,064**	1,260,710
Adjustments for share based compensation – share options (thousand shares)	**7,984**	12,663
Adjustments for share based compensation – RSUs (thousand shares)	**3,056**	658
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	**1,272,104**	1,274,031
Diluted earnings per share (in RMB/share)	**0.028**	0.036

17 DIVIDENDS

The dividend declared and paid by the Company during the six month ended 30 June 2019 and the year ended 31 December 2019 were nil.

18 BORROWINGS

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Included in current liabilities		
USD bank borrowings, secured	**110,378**	–
HKD bank borrowings, secured	**3,664**	–
	114,042	–

During the six months ended 30 June 2020, the Group entered into loan facilities with certain internationally reputable financial institutions to finance its certain investments in financial assets. The total available amount under the facilities are USD130,000 thousand, of which USD15,591 thousand and HKD4,012 thousand were drawn down as at 30 June 2020. The borrowings were secured by the Group's investments in financial assets.

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 and the Corporate Governance Report (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 period from January 1, 2020 to June 25, 2020, 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 considered that vesting the roles of chairman and chief executive officer in the same person was beneficial to the management of our Group.

On June 26, 2020, Mr. Fu resigned from the position of chief executive officer of the Group and Mr. Zhao Weiwen has been appointed as the chief executive officer on the same day. Following the change of chief executive officer, the Company has complied with the code provision A.2.1 of the CG Code.

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 enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended June 30, 2020.

DIVIDEND

The Board did not declare any interim dividend for the six months ended June 30, 2020.

REVIEW OF THE INTERIM RESULTS

The Audit Committee has reviewed (i) the accounting principles and practices adopted by the Group, and (ii) the auditing, internal control and financial reporting matters, including the interim results of the Group for the six months ended June 30, 2020.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended June 30, 2020 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the interim financial information has not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PUBLICATION OF INTERIM REPORT

Pursuant to the requirements of the Listing Rules regarding the Reporting Period, the 2020 interim report of the Company will set out all information disclosed in the interim results announcement for the first half of 2020 and will be despatched to the shareholders of the Company and uploaded on the websites of the Company (http://www.tiange.com) and The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) in due course.

By order of the Board
Tian Ge Interactive Holdings Limited
Fu Zhengjun
Chairman

Hong Kong, August 27, 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.