天鸽 tianGe

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 THIRD QUARTER RESULTS

The board of directors (the "**Directors**") (the "**Board**") of Tian Ge Interactive Holdings Limited (the "**Company**" or "**Tian Ge**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the three and nine months ended September 30, 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		
	September 30, 2020 *RMB'000*	September 30, 2019 *RMB'000*	Year-on-year Change %[1]
Revenue	**88,849**	139,437	-36.3%
– Online interactive entertainment service	**76,810**	114,569	-33.0%
– Advertising services	**11,765**	17,502	-32.8%
– Others	**274**	7,366	-96.3%
Gross Profit	**76,790**	122,905	-37.5%
Gross Profit Margin	**86.4%**	88.1%	
Net Profit	**39,249**	24,272	61.7%
Net Profit Margin	**44.2%**	17.4%	
Earnings per share (expressed in RMB per share)			
– basic	**0.030**	0.018	67.7%
– diluted	**0.030**	0.017	76.5%
Adjusted Net Profit[2]	**38,152**	55,587	-31.4%
Adjusted Net Profit Margin[3]	**42.9%**	39.9%	
Adjusted EBITDA[4]	**37,635**	67,984	-44.6%
Adjusted EBITDA Margin	**42.4%**	48.8%	

Notes:

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

(2) Adjusted net profit was derived from the unaudited net profit for the period excluding the effect of non-cash share-based compensation expenses, net 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.

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020)

	Unaudited Three months ended September 30,		**Unaudited Nine months ended September 30,**	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**88,849**	139,437	**297,881**	419,588
Cost of revenue	**(12,059)**	(16,532)	**(36,318)**	(43,253)
Gross profit	**76,790**	122,905	**261,563**	376,335
Selling and marketing expenses	**(28,063)**	(30,376)	**(87,450)**	(86,385)
Administrative expenses	**(21,664)**	(29,769)	**(69,576)**	(69,470)
Research and development expenses	**(18,011)**	(18,230)	**(55,725)**	(55,056)
(Impairment losses)/ Reversal of impairment losses for financial assets, net	**(223)**	(9,430)	**(5,378)**	26,921
Other gains, net	**24,227**	3,299	**32,922**	58,211
Operating profit	**33,502**	38,399	**76,356**	250,556
Finance income/(costs), net	**867**	(5,256)	**6,815**	(2,399)
Share of profit/(loss) of investment accounted for using the equity method	**1,553**	367	**4,119**	(1,137)
Impairment of investment accounted for using the equity method	**–**	(287)	**–**	(23,538)
Profit before income tax	**35,922**	33,223	**87,290**	223,482
Income tax expense	**3,327**	(8,951)	**(11,084)**	(151,612)
Profit for the period	**39,249**	24,272	**76,206**	71,870

	Unaudited Three months ended September 30,		Unaudited Nine months ended September 30,	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other comprehensive (loss)/income				
Items that may be reclassified to profit or loss				
Currency translation differences	**(69,709)**	25,343	**(50,712)**	27,601
Total comprehensive (loss)/income for the period	**(30,460)**	49,615	**25,494**	99,471
Profit attributable to:				
– Shareholders of the Company	**38,486**	22,006	**74,400**	67,709
– Non-controlling interests	**763**	2,266	**1,806**	4,161
	39,249	24,272	**76,206**	71,870
Total comprehensive (loss)/income attributable to:				
– Shareholders of the Company	**(31,223)**	47,349	**23,688**	95,310
– Non-controlling interests	**763**	2,266	**1,806**	4,161
	(30,460)	49,615	**25,494**	99,471
Earnings per share attributable to owners of the Company (expressed in RMB per share)				
Basic earnings per share	**0.030**	0.018	**0.059**	0.054
Diluted earnings per share	**0.030**	0.017	**0.058**	0.053

A. BUSINESS OVERVIEW AND OUTLOOK

In 2020, the global economy has been under the great impact of the outbreak of the novel coronavirus ("**COVID-19**") and the concentration level in the mobile Internet industry in the PRC has been further enhanced, gradually forming a platform economy. Together with the factors such as the fierce competition, the government supervision and the saturation of smartphone users in the PRC, the growth of the live streaming industry has slowed down and the industry has entered a period of steady development. Tian Ge has actively responded to the industry trends and market competition, conducted a comprehensive optimization and integration of the live streaming business, promoted the content innovation on the core platforms and increased the efforts to expand to the overseas markets, in order to consolidate our core competitiveness and facilitate the sustainable development of the businesses of the Group.

Overall Financial Performance

In the third quarter of 2020, revenue decreased by 36.3% year-on-year to RMB88.8 million from the corresponding period of 2019. Revenue from online interactive entertainment decreased by 33.0% year-on-year to RMB76.8 million from the corresponding period of 2019.

In the third quarter of 2020, profit attributable to equity holders of the Company increased by 74.9% year-on-year to RMB38.5 million; net profit increased by 61.7% year-on-year to RMB39.2 million; adjusted net profit decreased by 31.4% year-on-year to RMB38.1 million, and adjusted EBITDA decreased by 44.6% year-on-year to RMB37.6 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. In the third quarter of 2020, the Group has continued to focus on its core business and has concentrated on developing its core live streaming platforms and enriching and optimizing its contents, including the iterative upgrade of functions such as "host PK" and "Many-to-Many audio/video chat", in order to further improve user experience and interactivity, enhance the competitiveness of the platform and create the continuous and stable cash flow.

Wuta Camera

As one of the most popular beauty camera applications in the PRC, as of September 30, 2020, Wuta Camera's average monthly active users were approximately 28.4 million. During the third quarter of 2020, the Group continued to optimize and upgrade Wuta Camera and continued to gain the attention of users at home and abroad and the favor of premium advertisers through the enrichment of content and the enhancement of the commercial value.

Overseas Expansion

Overseas expansion is an important development strategy and business segment of the Group. During the third quarter of 2020, the Group has continued to expand its overseas footprint and actively promoted the implementation of overseas projects. Meanwhile, the Group has conducted further optimization of the overseas team and business structure and has continued to enrich the product contents. When the order and operation progress in overseas markets returned to normal, the Group has managed to promote the successful domestic business models to overseas markets and has adjusted the product functions in line with local culture and user habits. The Group has launched various products in the overseas 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, have been widely sought after in the Southeast Asian market.

In order to further expand its overseas market share, the Group will continue to develop overseas live streaming and game platforms to enhance the international competitiveness. The Group will continue to expand into Southeast Asian markets such as Thailand and Vietnam, continue to develop new projects and products and further explore business opportunities in overseas markets.

Overseas Financial Investments

During the period, 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, grasp the potential investment opportunities, increase asset returns and continue to seek potential investment opportunities. On March 2, 2020, the Company has authorized Forshine Asset Management Limited ("**Forshine**") to invest an amount of RMB419.5 million, which achieved a gain of RMB13.8 million in the third quarter of 2020. On November 24, 2020, the Company has authorized Forshine to manage an investment of RMB592.2 million.

Prospect and Future Outlook

As mobile phones adapted to 5G technology become available on the market, the implementation process of 5G communication networks has entered a new stage. The empowerment of 5G technology not only can greatly improve the definition of image and the network traffic flow of the live streaming, but also is expected to give birth to new technologies such as real-time interaction, which will further boost the live streaming experience. The continuous expansion of the 5G ecosystem has brought new growth momentum to the live streaming industry.

Looking to the future, Tian Ge will continue to adhere to its core business, focus on optimizing user platforms and creating more diversified content, and pay close attention to the development of the live streaming industry, such as marriage and relationship social networking and e-commerce live streaming. The Group will increase efforts in the overseas business to get closer to user demands in various regions, 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 the international market share. Meanwhile, the years of investment of the Company on financial technology and intelligent algorithms has achieved certain gains in the overseas finance market, especially the bill market. The Company has gained more diversified choices and potential profitability for its cash management.

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 its product development and innovation capabilities and push Tian Ge into a new stage of development, in order to create sustainable profit for shareholders.

B. OPERATING INFORMATION

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

	Three months ended				
	September 30, 2020	June 30, 2020	Quarter-on-quarter change	September 30, 2019	Year-on-Year change
Total Monthly Active Users *(in '000)*	**38,001**	43,915	-13.5%	50,337	-24.5%
– Monthly Active Users of Beauty Camera and Video Business *(in '000)*	**28,425**	29,106	-2.3%	31,333	-9.3%
Quarterly Paying Users *(in '000)*	**277**	407	-31.9%	503	-44.9%
Quarterly Average Revenue Per User *(RMB)*	**277**	214	29.4%	219	26.5%
Number of Rooms	**42,434**	46,472	-8.7%	68,829	-38.3%
Number of Hosts	**96,465**	106,006	-9.0%	116,209	-17.0%

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

- For the three months ended September 30, 2020, the total number of monthly active users ("**MAUs**") for Tian Ge was approximately 38.0 million, representing a decrease of approximately 13.5% from the three months ended June 30, 2020 and representing a decrease of approximately 24.5% from the three months ended September 30, 2019. The decrease was primarily due to the reduction of promotional activities on live-streaming webpages, which led to the decrease of new users and activity.

- Our mobile MAUs as at September 30, 2020 represents 96.8% of our total MAUs, while the percentage as at June 30, 2020 and September 30, 2019 were 97.0% and 96.7%, respectively.

- The number of quarterly paying users ("**QPUs**") for Tian Ge's online interactive entertainment service for the three months ended September 30, 2020 was approximately 277,000, representing a decrease of approximately 31.9% from the three months ended June 30, 2020 and representing a decrease of approximately 44.9% from the three months ended September 30, 2019. The reason for the decline was that increased industry competition had led to a decrease in the number of platform paying users.

- Our mobile QPUs as at September 30, 2020 represents 84.1% of our total QPUs, while the percentage as at June 30, 2020 and September 30, 2019 were 80.5% and 74.7%, respectively.

- The quarterly average revenue per user ("**QARPU**") for Tian Ge's online interactive entertainment service for the three months ended September 30, 2020 was RMB277, representing an increase of approximately 29.4% from the three months ended June 30, 2020, and representing an increase of 26.5% from the three months ended September 30, 2019. The increase was primarily due to the reason that our Company focused on the experience of core users, and the decline in revenue was lower than the one in the number of paying users.

- Number of virtual rooms for Tian Ge's online interactive entertainment service decreased by 8.7% as compared to the three months ended June 30, 2020 and decreased by 38.3% from the three months ended September 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 9.0% as compared to the three months ended June 30, 2020 and representing a decrease of 17.0% from the three months ended September 30, 2019.

- The total number of registered users* of Tian Ge as at September 30, 2020 was 465.0 million, as compared to 424.9 million as at September 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.

C. FINANCIAL INFORMATION

Revenue

Revenue generated from online interactive entertainment service was RMB76.8 million for the three months ended September 30, 2020, mainly including revenue from live social video platforms, which decreased by 33.0% year-on-year from RMB114.6 million for the corresponding period in 2019. The year-on-year decrease was primarily due to the decrease of MAUs and QPUs.

Revenue generated from advertising services for the three months ended September 30, 2020 decreased by 32.8% 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 September 30, 2020 decreased by 96.3% from the corresponding period of 2019.

Cost of Revenue and Gross Profit Margins

Cost of revenue experienced a decrease of 27.1% for the three months ended September 30, 2020 as 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 margin for the three months ended September 30, 2020 was 86.4%, compared with 88.1% for the corresponding period in 2019.

Selling and Marketing Expenses

Selling and marketing expenses experienced a decrease of 7.6% for the three months ended September 30, 2020 from the corresponding period in 2019. The year-on-year decrease was primarily due to the decrease of employee costs and promotion fee.

Administrative Expenses

Administrative expenses experienced a decrease of 27.2% for the three months ended September 30, 2020 from the corresponding period in 2019. The year-on-year decrease was primarily due to the reduction of non-cash shared-based compensation expense.

Research and Development Expenses

Research and development expenses experienced a decrease of 1.2% for the three months ended September 30, 2020 from the corresponding period in 2019.

(Impairment Losses)/Reversal of Impairment Losses for Financial Assets, net

(Impairment losses)/reversal of impairment losses for financial assets, net experienced a decrease of 97.6% for the three months ended September 30, 2020 from the corresponding period in 2019. The year-on-year decrease was primarily due to an impairment loss of RMB9.4 million for certain loan receivables and refundable prepayments were recognised during the three months ended September 30, 2019 while no such situation existed during the reporting period.

Other Gains, Net

Other gains, net experienced an increase of 634.4% for the three months ended September 30, 2020 from the corresponding period in 2019. The year-on-year increase was primarily because the fair value gain from the Group's structured notes increased due to US stock market's good performance during the reporting period, while the increase in fund investments' valuation also helped raise the investment gains.

Income Tax Expenses

Income tax expenses experienced a decrease of 137.2% for the three months ended September 30, 2020 from the corresponding period in 2019. The year on year decrease was mainly because the one-off income tax expenses of RMB735 million were recognised for the disposal of equity interests in certain subsidiaries in corresponding period of 2019, while the decreasing profit subject to enterprise income tax is also an important factor. Furthermore, a write down of income tax expense of RMB990 million (the three months ended September 30, 2019: RMB907 million) was recognized since some PRC subsidiaries have obtained the qualification for favorable tax rate in the reporting period.

Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company experienced an increase of 81.5% for the three months ended September 30, 2020 from the corresponding period in 2019. The year-on-year increase was primarily due to the increase of other gains and the decrease of income tax expense, while partially offset by the decrease of gross profit.

Share Option Schemes

The Company has adopted the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme, the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme (collectively, the "**Schemes**"). The purposes of the Schemes are to reward the participants defined under the Schemes for their past contribution to the success of the Group and to provide incentives to them to further contribute to the Group.

The share-based compensation expenses for the three months ended September 30, 2020 were RMB3.0 million, as compared to RMB10.3 million for the corresponding period in 2019.

As at September 30, 2020, options representing a total of 11,860,760 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 0.92% as at September 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.

As of September 30, 2020, the total number of shares underlying the Pre-IPO RSU Scheme and Post-IPO RSU Scheme represented approximately 3.28% of the total ordinary shares of the Company.

Non-IFRS Measures

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

Adjusted EBITDA

Adjusted EBITDA for the three months ended September 30, 2020 decreased by 44.6% year-on-year from the corresponding period in 2019. Adjusted EBITDA margin was 42.4% for the three months ended September 30, 2020, compared to 48.8% for the corresponding period in 2019.

Adjusted EBITDA represents operating profit adjusted to exclude non-cash share-based compensation expenses, amortization of intangible assets arising from acquisitions and depreciation and amortization.

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

	Unaudited Three months ended	
	September 30, 2020	September 30, 2019
	RMB'000	*RMB'000*
Operating Profit	**33,502**	38,399
Share-based compensation expense	**2,991**	10,285
Net (gains)/losses from investee companies[(a)]	**(6,248)**	11,888
Amortization of intangible assets arising from acquisitions	**1,685**	1,986
Depreciation and amortization expense	**5,705**	5,426
Adjusted EBITDA	**37,635**	67,984

Notes:

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

Adjusted Net Profit

Adjusted net profit for the three months ended September 30, 2020 decreased by 31.4% year-on-year 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 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	
	Three months ended	
	September 30, 2020	September 30, 2019
	RMB'000	*RMB'000*
Net Profit	**39,249**	24,272
Share-based compensation expense	**2,991**	10,285
Net (gains)/losses from investee companies[a]	**(6,248)**	11,888
Impairment provision[b]	**–**	287
Amortization of intangible assets arising from acquisitions	**1,685**	1,986
Income tax effects of non-IFRS adjustments	**475**	6,869
Adjusted Net Profit	**38,152**	55,587

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.

Capital Expenditures

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

Major Investments and Disposals

The Group did not have any major investments and disposals for the three months ended September 30, 2020.

Dividend

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

Hangzhou, China
November 26, 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. Xiong Xiangdong and Ms. Cao Fei; and the independent non-executive Directors are Ms. Yu Bin, Mr. Yang Wenbin and Mr. Chan Wing Yuen Hubert.