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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1980)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

FINANCIAL HIGHLIGHTS

(the below financial information, except for total assets and liabilities, are from continuing operations)

(in RMB'000)	**Year ended December 31,** **2020**	2019	**Change** %
Revenue	**329,639**	483,498	-31.8%
– Online interactive entertainment service	**327,877**	442,814	-26.0%
– Advertising services	**–**	16,321	-100.0%
– Others	**1,762**	24,363	-92.8%
Gross profit	**302,711**	440,538	-31.3%
Gross profit margin	**91.8%**	91.1%	
Net profit	**67,985**	79,826	-14.8%
Net profit margin	**20.6%**	16.5%	
Earnings per share *(expressed in RMB per share)*			
– basic	**0.057**	0.064	-10.9%
– diluted	**0.057**	0.063	-9.5%
Adjusted net profit(1)	**113,522**	155,880	-27.2%
Adjusted net profit margin(2)	**34.4%**	32.2%	
Adjusted EBITDA(3)	**138,080**	272,442	-49.3%
Adjusted EBITDA margin	**41.9%**	56.3%	
Total assets	**3,545,968**	3,502,764	1.2%
Total liabilities	**633,130**	638,021	-0.8%

Notes:

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

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

(3) Adjusted EBITDA was derived from the operating profit from continuing operations for the year, excluding the effect of non-cash share-based compensation expenses, net losses from investee companies, amortization of intangible assets arising from acquisitions and depreciation and amortization.

ANNUAL RESULTS

The board of directors (the "**Directors**") (the "**Board**") of Tian Ge Interactive Holdings Limited (the "**Company**", "**We**" or "**Tian Ge**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2020 with comparative figures for the preceding financial year ended December 31, 2019 prepared under International Financial Reporting Standards ("**IFRS**") and audited by PricewaterhouseCoopers, the auditor of the Company. In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**") and this annual results announcement is based on the Group's audited consolidated financial statements for the year ended December 31, 2020 which have been agreed with the auditor of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Overview

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 factors such as fierce competition, 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. In active response to the industry trends and market competition, Tian Ge has stuck to its core business and streamlined its platform. The Company has announced the sale of its equity interest in Wuta Camera and has disposed of certain private investments in relation to gaming business, made efforts to expand overseas markets and promote the sustainable development of the Group's business.

In December 2020, the Group entered into an agreement (the "**Disposal agreement**") with Beijing Weimeng Chuangke Investment Company Limited* (北京微夢創科創業投資管理有限公司) ("**Beijing Weimeng**") to sell its remaining 64% of equity interest in Jinhua Rui'an Investment Management Co., Limited* (金華睿安投資管理有限公司) ("**Jinhua Rui'an**"), so as to dispose of (the "**Disposal**") the operation of Wuta Camera (無他相機), which was engaged in advertising business (the "**Discontinued Operation**"). The transaction was not completed as at December 31, 2020. In accordance with International Financial Reporting Standard 5, the subsidiaries were reported as a discontinued operation in the current period with comparative figures for the year ended 31 December 2019 been restated, and its underlying assets and liabilities as of 31 December 2020 have been classified as "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale". For details of the Disposal, please refer to the Company's announcement dated December 15, 2020 and the circular of the Company dated February 26, 2021.

Overall Financial Performance

For the year ended December 31, 2020, the Company and its subsidiaries (excluding the disposal entities) engaged in online interactive entertainment and others (the "**Continuing Group**") recorded a revenue of RMB329.6 million, representing a 31.8% decrease from RMB483.5 million in 2019. Revenue from online interactive entertainment service decreased by 26.0% year-on-year to RMB327.9 million from RMB442.8 million in 2019. The year-on-year decrease was primarily due to the decreasing number of platform paying users caused by the intensified industry competition. Profit attributable to owners of the Company from continuing operations was RMB72.2 million which decreased by 10.1% year-on-year; net profit from continuing operations was RMB68.0 million which decreased by 14.8% year-on-year; adjusted net profit was RMB113.5 million which decreased by 27.2% year-on-year; and adjusted EBITDA was RMB138.1 million which decreased by 49.3% year-on-year.

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. For the year ended December 31, 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 a continuous and stable cash flow.

Overseas Expansion

Overseas expansion has always been an important business segment of the Group. Although the overseas epidemic situation is still grim, Tian Ge still vigorously promotes the development of overseas business. In 2020, the Group's overseas business and various products had been developing well, especially in Southeast Asia. Among the products, "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 be well received by users in the Southeast Asian market.

During the year, the Group continuously launched and optimized various live broadcasting, short video and social interaction products according to the usage habits of overseas users, and its overseas business has entered a good momentum of development.With a huge potential user scale, geographic advantage and small cultural differences, there is considerable market development space in Southeast Asia. Tian Ge will continue to seize the opportunity to accelerate overseas business expansion and capture more overseas market share.

Overseas Financial Investments

During the year, 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. On March 2, 2020, the Company has authorized Forshine Asset Management Limited ("**Forshine**") to invest an amount of RMB419.5 million. On November 24, 2020, the Company has authorized Forshine to manage an investment of RMB592.2 million. This kind of investment has achieved good investment income in 2020. On December 28, 2020, Tian Ge subscribed for an investment of about RMB6.53 million in Yun Qi Partners III GP, Ltd. ("**Yun Qi III**"). The Group is optimistic towards the development of telecommunications, high-tech and consumption industries and actively participates in the investment in these industries, believing that it will bring great benefits to the Group.

Prospect and Future Outlook

With the rapid popularization of 5G technology and the extensive development of short video, the development of live broadcasting industry will enter a new stage of development. The empowerment of 5G technology not only can greatly improve the definition of image and the network traffic flow of the live streaming, but is also 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 communication technology and new directions of online business. The Group will increase its emphasis on the overseas business and replicate its successful business model to Southeast Asia, so as to get closer to the needs of users in different 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.

Meanwhile, with years of investment in fintech and intelligent calculus, the Company holds an optimistic attitude towards the overseas financial market. Financial bills are one of the effective ways to achieve stable and sustainable returns on the Company's assets.

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.

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				
	December 31, 2020	December 31, 2019	Year-on-year change	September 30, 2020	Quarter-on-quarter change
Total Monthly Active Users *(in'000)**	**9,483**	15,607	-39.2%	9,576	-1.0%
Quarterly Paying Users *(in'000)*	**248**	473	-47.6%	277	-10.5%
Quarterly Average Revenue Per User *(RMB)*	**271**	199	36.2%	277	-2.2%
Number of Rooms	**38,927**	67,453	-42.3%	42,434	-8.3%
Number of Hosts	**83,182**	108,397	-23.3%	96,465	-13.8%

* Since Wuta Camera has been announced for sale, the monthly active users are the number of live-streaming users, not including the number of beauty camera and video users.

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

- For the three months ended December 31, 2020, the total number of monthly active users ("**MAUs**") for Tian Ge was approximately 9.5 million, representing a decrease of approximately 39.2% from the same period in 2019 and representing a decrease of approximately 1.0% from the three months ended September 30, 2020. The quarter-on-quarter decrease in MAUs was mainly attributable to the reduction of promotional activities on live-streaming webpages, which led to the decrease of new users and activities.

- Our mobile MAUs as at December 31, 2020 represented 97.9% of our total MAUs, while the percentage as at September 30, 2020 and December 31, 2019 were 97.2% and 91.3%, respectively.

- The number of quarterly paying users ("**QPUs**") for Tian Ge's online interactive entertainment service for the three months ended December 31, 2020 was approximately 248,000, decreased by approximately 10.5% and 47.6% as compared to the three months ended September 30, 2020 and December 31, 2019, respectively. This was primarily due to the increased industry competition which led to a decrease in the number of platform paying users.

- Our mobile QPUs as at December 31, 2020 represented 83.3% of our total QPUs, while the percentages as at September 30, 2020 and December 31, 2019 were 84.1% and 81.5%, respectively.

- The quarterly average revenue per user ("**QARPU**") for Tian Ge's online interactive entertainment service for the three months ended December 31, 2020 was RMB271, representing a decrease of approximately 2.2% from the three months ended September 30, 2020 and representing an increase of 36.2% from the three months ended December 31, 2019.

- Number of virtual rooms for Tian Ge's online interactive entertainment service decreased by 8.3% as compared to the three months ended September 30, 2020 and decreased by 42.3% as compared to the three months ended December 31, 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 13.8% from the three months ended September 30, 2020 and representing a decrease of 23.3% as compared to the three months ended December 31, 2019.

- The total number of registered users* of Tian Ge as at December 31, 2020 was 456 million, as compared to 422.5 million as at December 31, 2019.

* Registered users refer to accumulated number of users who have registered an account on our live social video platform, and duplicated accounts were not excluded. Since Wuta Camera has been announced for sale, the number of registered users does not include the number of registered users for beauty camera and video.

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

	Year ended		
	December 31, 2020	December 31, 2019	Year-on-Year Change
Monthly Active Users *(in'000)**	**12,352**	18,406	-32.9%
Quarterly Paying Users *(in'000)*	**345**	526	-34.4%
Quarterly Average Revenue Per User *(RMB)*	**243**	210	15.7%

* Annual total monthly active users and annual total quarterly paying users are equal to their average of quarterly total users, respectively. Since Wuta Camera has been announced for sale, the monthly active users are the number of live-streaming users, not including the number of beauty camera and video users.

3. Financial Information

Revenue

The Continuing Group's revenue generated from online interactive entertainment service was RMB327.9 million for the year ended December 31, 2020, mainly including revenue from live social video platforms, which decreased by 26.0% as compared to the corresponding period in 2019. The year-on-year decrease was primarily due to the increased industry competition which led to a decrease in the number of platform paying users.

The Continuing Group's revenue generated from advertising services was nil for the year ended December 31, 2020 compared with RMB16.3 million for the corresponding period in 2019. The year-on-year decrease was primarily due to the Company's strategic decision to cease the provision of advertising services in mainland China, while focusing on live social video platforms service as its core business.

The Continuing Group's revenue generated from "Others" mainly includes the revenue from technical supporting and other services. Revenue generated from "Others" for the year ended December 31, 2020 decreased by 92.8% to RMB1.8 million from the corresponding period in 2019. The year-on-year decrease was primarily due to the Company's strategic decision to reduce the provision of technical supporting service in mainland China and actively expand the overseas business, while focusing on live social video platforms service as its core business.

Cost of Revenue and Gross Profit Margins

The Continuing Group's cost of revenue experienced a decrease of 37.3% year-on-year to RMB26.9 million for the year ended December 31, 2020 from 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 Continuing Group's gross profit margin for the year ended December 31, 2020 was 91.8%, compared with 91.1% for the corresponding period in 2019.

Selling and Marketing Expenses

The Continuing Group's selling and marketing expenses for the year ended December 31, 2020 remained stable as compared with the corresponding period in 2019. The fierce industry competition led to the increasing difficulty in acquiring customers in mainland China and the relevant revenue and promotion expenses decreased accordingly. Meanwhile, the Group was vigorously promoting the development of its overseas business which resulted in an increase in overseas promotion expenses.

Administrative Expenses

The Continuing Group's administrative expenses for the year ended December 31, 2020 remained stable as compared with the corresponding period in 2019, among which the expenses arising from share-based payment (the "**Share-based expenses**") was RMB9.2 million (2019: RMB16.8 million). Except for the Share-based expenses, the administrative expenses experienced an increase of 11.3% compared with the corresponding period in 2019. The year-on-year increase was primarily due to the increase in operational costs and professional and consultancy fees related to overseas business expansion.

Research and Development Expenses

The Continuing Group's research and development expenses for the year ended December 31, 2020 remained stable as compared with the corresponding period in 2019, among which the Share-based expenses were RMB9.2 million (2019: RMB0.2 million). Except for the Share-based expenses, the research and development expenses experienced a decrease of 12.5% compared with the corresponding period in 2019. The year-on-year decrease was primarily due to the decreased employee costs.

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

The Continuing Group's net impairment losses on financial assets were RMB18.4 million for the year ended December 31, 2020 which was primarily due to the impairment loss on other receivables and impairment loss on loans.

The Continuing Group's reversal of impairment losses on financial assets was RMB26.9 million for the year ended December 31, 2019 which was primarily due to the reversal of previous impairment on refundables prepayments for purchase of investments.

Other Gains, Net

The Continuing Group's other gains, net experienced an increase of 33.0% year-on-year to RMB37.0 million for the year ended December 31, 2020 from the corresponding period in 2019. The year-on-year increase was primarily due to the increase of net fair value gains on financial assets and foreign exchange gains on non-financing activities, and partially offset by the decrease of government grants. The details are set out in note 17 to the consolidated financial statements.

Finance Income/(Costs), Net

The Continuing Group's finance income, net was RMB6.4 million for the year ended December 31, 2020 compared with finance costs, net of RMB1.2 million for the year ended December 31, 2019, which was primarily due to the decrease of exchange loss on financing activities and the increase of interest income.

Impairment of Investments Accounted for Using the Equity Method

The Continuing Group's impairment of investments accounted for using the equity method was nil for the year ended December 31, 2020.

The Continuing Group's impairment of investments accounted for using the equity method was RMB33.1 million for the corresponding period of 2019, which was attributable to our investments in some associates which are principally engaged in operation of business promotion and trading via online female network community in mainland China, online health information service in mainland China, small loan lending overseas and operation of online casual games in mainland China after re-assessing the recoverable amount of the fair value.

Income Tax (Credit)/Expense

The Continuing Group's income tax credit for the year ended December 31, 2020 was RMB8.8 million compared with income tax expenses of RMB106.9 million for the corresponding period in 2019. The significant year-on-year decrease of income tax was mainly due to the decrease of the enterprise income tax of RMB57.2 million as a result of the decline of profit before tax, and the decrease of the withholding tax ("**WHT**") by RMB58.5 million in relation to the earnings distributable from the Company's certain PRC subsidiaries to its overseas subsidiary. The decrease of the WHT was mainly due to: i) the decrease of RMB425.4 million in distributable earnings to be remitted compared with the corresponding period in 2019; and ii) a reversal of income tax expense upon the receipt of the refunded WHT of RMB27.5 million during the year ended December 31, 2020 in relation to the dividend paid in 2018 and 2019.

Comprehensive (Loss)/Income

The Continuing Group's comprehensive loss was RMB62.6 million for the year ended December 31, 2020 compared with comprehensive income of RMB95.2 million for the corresponding period in 2019. The loss was primarily due to other comprehensive loss arising from the depreciation of United States Dollars ("**USD**") against Renminbi during the second half of 2020, as the Group held significant investments and other assets which are denominated in USD.

Profits Attributable to Owners of the Company

Profits attributable to owners of the Company from continuing operations experienced a decrease of 10.1% year-on-year to RMB72.2 million for the year ended December 31, 2020 from the corresponding period in 2019. The year-on-year decrease was primarily due to the decrease of gross profit, increase of net impairment losses on financial assets, and partially offset by the increase of other gains, net, finance income, net and income tax credit.

Non-IFRS Presentation

To supplement our consolidated financial statements which are presented in accordance with IFRS, the adjusted financial information including discontinued operations is used as additional disclosure to enable investors and others to understand and evaluate the Company's consolidated results of operations as a whole and in a consistent way as presented in previous quarters when the subsidiaries were yet to be disposed.

ADJUSTED CONDENSED CONSOLIDATED STATEMENT OF PROFIT
(FOR THE YEAR ENDED DECEMBER 31, 2020)

	Continuing operations Year ended December 31,		Discontinued operations Year ended December 31,		Total Year ended December 31,	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**329,639**	483,498	**50,660**	55,831	**380,299**	539,329
Cost of revenue	**(26,928)**	(42,960)	**(22,461)**	(21,585)	**(49,389)**	(64,545)
Gross profit	**302,711**	440,538	**28,199**	34,246	**330,910**	474,784
Selling and marketing expenses	**(107,880)**	(110,644)	**(7,801)**	(8,415)	**(115,681)**	(119,059)
Administrative expenses	**(92,622)**	(91,820)	**(3,942)**	(5,038)	**(96,564)**	(96,858)
Research and development expenses	**(68,383)**	(67,895)	**(5,032)**	(3,856)	**(73,415)**	(71,751)
(Net impairment losses)/reversal of impairment losses on financial assets	**(18,426)**	26,892	**(130)**	–	**(18,556)**	26,892
Other gains, net	**36,960**	27,787	**2,815**	2,266	**39,775**	30,053
Operating profit	**52,360**	224,858	**14,109**	19,203	**66,469**	244,061
Finance income	**7,911**	4,830	**12**	14	**7,923**	4,844
Finance costs	**(1,558)**	(6,070)	**(5)**	–	**(1,563)**	(6,070)
Finance income/(costs), net	**6,353**	(1,240)	**7**	14	**6,360**	(1,226)
Share of profit/(losses) of investments accounted for using the equity method	**495**	(3,826)	**–**	–	**495**	(3,826)
Impairment of investments accounted for using the equity method	**–**	(33,098)	**–**	–	**–**	(33,098)
Profit before income tax	**59,208**	186,694	**14,116**	19,217	**73,324**	205,911
Income tax credit/(expense)	**8,777**	(106,868)	**2,370**	1,083	**11,147**	(105,785)
Profit for the period	**67,985**	79,826	**16,486**	20,300	**84,471**	100,126
Other comprehensive (loss)/income						
Items that may be reclassified to profit or loss						
Currency translation differences	**(130,600)**	13,814	**–**	–	**(130,600)**	13,814
Items that will not be reclassified to profit or loss						
Change in fair value of owner-occupied property	**–**	1,579	**–**	–	**–**	1,579
Total comprehensive (loss)/income for the year	**(62,615)**	95,219	**16,486**	20,300	**(46,129)**	115,519
Profit/(Loss) attributable to:						
– Owners of the Company	**72,172**	80,270	**8,445**	13,564	**80,617**	93,834
– Non-controlling interests	**(4,187)**	(444)	**8,041**	6,736	**3,854**	6,292
	67,985	79,826	**16,486**	20,300	**84,471**	100,126

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 year ended December 31, 2020 decreased by 49.3% year-on-year from the corresponding period in 2019. Adjusted EBITDA margin was 41.9% for the year ended December 31, 2020 and 56.3% for the corresponding period in 2019.

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

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

	Year ended	
(in RMB'000)	**December 31, 2020**	December 31, 2019
Operating Profit	**52,360**	224,858
Share-based compensation expense	**18,311**	17,377
Net losses from investee companies[(a)]	**46,737**	6,472
Amortization of intangible assets arising from acquisitions	**234**	1,203
Depreciation and amortization expense	**20,438**	22,532
Adjusted EBITDA	**138,080**	272,442

Note:

(a) Including net 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 year ended December 31, 2020 decreased by 27.2% 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 losses from investee companies, impairment provision, amortisation of intangible assets arising from acquisitions and income tax effects of non-IFRS adjustments.

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

	Year ended	
(in RMB'000)	**December 31, 2020**	December 31, 2019
Net Profit	**67,985**	79,826
Share-based compensation expense	**18,311**	17,377
Net losses from investee companies[(a)]	**46,737**	6,472
Impairment provision[(b)]	**–**	33,098
Amortization of intangible assets arising from acquisitions	**234**	1,203
Income tax effects of non-IFRS adjustments	**(19,745)**	17,904
Adjusted Net Profit	**113,522**	155,880

Notes:

(a) Including net 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.

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 December 31, 2020 and December 31, 2019 amounted to RMB973.3 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 term of over three months of RMB263.6 million and RMB106.4 million as at December 31, 2020 and December 31, 2019, respectively.

Financial Assets at FVPL

The Group's financial assets at FVPL consist of seven main categories, namely (arranged in descending order based on their respective fair value amount) (i) investments in structured notes, (ii) investments in venture capital funds ("**Fund Investments**"), (iii) equity investments in private unlisted companies ("**Private Investment**"), (iv) other financial instruments, (v) purchase of wealth management products, (vi) listed equity securities and (vii) convertible promissory notes.

Financial assets at FVPL decreased by 9.1% to RMB1,521.7 million as at December 31, 2020 compared to RMB1,674.3 million as at December 31, 2019. Such decrease was mainly attributable to a decrease of RMB592.5 million in purchase of wealth management products, a decrease of RMB230.6 million in Private Investment, an increase of RMB485.1 million in investments in structured notes, an increase of RMB121.7 million in other financial instruments, an increase of RMB44.5 million in fund investments, an increase of RMB11.4 million in listed equity securities and an increase of RMB7.8 million in convertible promissory notes. The following is a breakdown of the seven main categories as at the periods specified:

		As at December 31, 2020 *(RMB'000)*	As at December 31, 2019 *(RMB'000)*	Percentage increase/ (decrease)
(i)	Investments in structured notes	**501,670**	16,525	2,935.8%
(ii)	Fund Investments	**438,745**	394,243	11.3%
(iii)	Private Investments	**260,487**	491,122	(47.0%)
(iv)	Other financial instruments	**168,659**	46,973	259.1%
(v)	Purchase of wealth management products	**132,950**	725,410	(81.7%)
(vi)	Listed equity securities	**11,390**	–	
(vii)	Convertible promissory notes	**7,820**	–	
Total		**1,521,721**	1,674,273	(9.1%)

Investments in structured notes

The fair value of the structured notes invested by the Group increased by 2,935.8% to RMB501.7 million as at December 31, 2020 compared to RMB16.5 million as at December 31, 2019, which was primarily due to the Group's new acquisition of structured notes during the year. The structured notes are issued by several world-class commercial banks, which provide a potential return determined at the pre-determined interest rate or linked to the price of certain listed equity securities at the predetermined valuation day in future. For the year ended December 31, 2020, the Group recognised a fair value gain of RMB28.8 million on these structured notes. For further details, please refer to the announcements issued by the Company on March 2, 2020 and September 3, 2020.

Fund Investments

As of December 31, 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)) 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 two 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 RMB263.1 million as at December 31, 2020. The fair value of these Fund Investments increased by 11.3% to RMB438.7 million as at December 31, 2020 compared to RMB394.2 million as at December 31, 2019, which was mainly due to net fair value gain of RMB60.1 million during the year ended December 31, 2020.

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 December 31, 2020.

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 December 31, 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	1.704%	**100,000**	100,000	–
(ii) 2 online/mobile gaming companies	41,627	3.5%-3.7966%	**94,852**	103,436	(8.3%)
(iii) 2 real-estate and office building rental companies	29,300	10%-20%	**27,405**	29,300	(6.5%)
(iv) 1 commercial bank company	7,627	19.3%	**11,000**	–	
(v) 3 financial technology companies	27,297	6%-19%	**27,201**	–	
(vi) 1 other company	–	1%	**29**	–	

Note:

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

The underlying Private Investments are independent from each other. There was no single Private Investment whose carrying amount was over 5% of the Group's total assets as of December 31, 2020.

Other financial instruments

The fair value of other financial instruments invested by the Group increased by 259.1% to RMB168.7 million as at December 31, 2020 compared to RMB47.0 million as at December 31, 2019.

This represents the Group's investments in other financial instruments, which were offered by several international financial institutions. For the year ended December 31, 2020, the Group recognised a fair value gain of RMB4.2 million (2019: RMB0.3 million) on these investments. For further details, please refer to the announcement issued by the Company on September 3, 2020.

The details are set out in note 7 to the consolidated financial statements.

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 year ended December 31, 2020, the Group reduced its investments in wealth management of RMB592.5 million so as to enhance the Company's cash reserves for new business expansion, which resulted in the overall fair value decreased by 81.7% to RMB133.0 million as at December 31, 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 2.74% to 3.5% per annum and maturity period within 1 year or revolving terms. These wealth management products are offered by large state-owned or reputable financial institutions in the PRC. The underlying investments under the wealth management products differ product-by-product, but generally consist of investments in financial assets and financial instruments with high credit ratings and good liquidity in interbank and exchange markets, including but not limited to bonds, asset-backed securities, capital borrowing, reverse repurchase, bank deposits, and investment trust schemes, asset management schemes and other financial assets.

As at December 31, 2020 and December 31, 2019, the Group held 14 and 57 wealth management products respectively.

The Group's investment costs in the wealth management products were RMB132.0 million and RMB712.6 million as at December 31, 2020 and December 31, 2019, respectively.

For the year ended December 31, 2020, the Group's wealth management products recorded an aggregated gain of approximately RMB10.8 million (2019: RMB39.5 million), which included realized and unrealized gain. None of the carrying amount of wealth management products that the Group subscribed for with certain commercial banks amounted to over 5% of the Group's total assets as at December 31, 2020 (2019: Nil).

Convertible promissory notes

During the year ended December 31, 2020, the Group entered into an agreement to purchase the convertible promissory notes issued by the banking services company (the "**Bank Company**") at a cash consideration of USD1.0 million (approximately RMB7.0 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.

In January 2021, the Group entered into an agreement to purchase the convertible promissory notes of the Bank Company at a cash consideration of USD2.0 million (approximately RMB13.0 million).

Intangible Assets

Intangible assets were RMB73.9 million as at December 31, 2020 which decreased by 74.2% as compared with the balance as at December 31, 2019. In December 2020, the Group entered into an agreement to dispose of a subsidiary. As this transaction was not completed as at December 31, 2020, the assets and liabilities of the subsidiary were classified as "assets classified as held for sale" and "liabilities directly associated with assets classified as held for sale" respectively in the balance sheet as of December 31, 2020, which resulted in the decrease of intangible assets of RMB213.3 million. The details of this transaction are set out in note 5 to the consolidated financial statements.

Deferred Income Tax Liabilities, Net

Deferred income tax liabilities, net was RMB20.6 million as at December 31, 2020 which decreased by 78.2% as compared with the balance as at December 31, 2019. The decrease was primarily due to the reversal of deferred income tax liabilities of RMB55.3 million and RMB16.8 million arising from unrealised investment income and withholding tax of dividend, respectively.

Redemption Liabilities

In January 2019, the Group entered into an agreement to sell 36% of the equity interests in Jinhua Rui'an, 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**") at that time, to 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.

During the year ended December 31, 2020, redemption liabilities of RMB72.7 million were derecognised as related options were lapsed and unexercised and the estimated amount was remeasured at RMB238.7 million as at December 31, 2020.

In December 2020, the Group entered into the Disposal Agreement to dispose of 64% of the equity interest of Jinhua Rui'an. The transaction was not completed as at December 31, 2020 and is reported in the current period as a discontinued operation. Upon completion, the Group would deconsolidate Jinhua Rui'an, and the redemption liabilities arising from transfer of 36% equity interests in Jinhua Rui'an to Beijing Weimeng would also be derecognised.

The details are set out in note 15 to the consolidated financial statements.

Bank Loans and Other Borrowings

The borrowings were RMB141.4 million as at December 31, 2020. During the year ended December 31, 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 is USD141.0 million, of which USD21.1 million and HKD4.0 million were drawn down as at December 31, 2020. These borrowings were secured by the Group's investments in financial assets. The borrowings were primarily used to invest in structured notes.

Gearing Ratio

The gearing ratio as at December 31, 2020 was 4.9% compared with nil as at December 31, 2019.

Capital Expenditures

For the year ended December 31, 2020, the Group's capital expenditures were approximately RMB7.0 million, mainly including approximately RMB4.6 million on the purchase of property, equipment and other non-current assets and RMB2.4 million on the purchase of intangible assets.

Major Investments and Disposals

On December 15, 2020, Jinhua Ruichi Investment Management Company Limited* (金華睿馳投資管理有限公司) (the "**Vendor**") (a wholly-owned subsidiary of a PRC operating entity of our Group), Beijing Weimeng (the "**Purchaser**"), Jinhua Rui'an (the "**Target Company**"), Jinhua99 Information Technology Co., Ltd* (金華玖玖信息技術有限公司) and Jinhua9158 Network Science and Technology Co., Ltd* (金華就約我吧網絡科技有限公司) (the "**Guarantors**") entered into Disposal Agreement pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 64% of the equity interest of the Target Company, which at that time was owned as to 64% by the Vendor and held 80% equity interest in Shanghai Benqu, for an aggregate consideration of approximately RMB256.0 million. Upon completion, the Target Company will be wholly-owned by the Purchaser. The transaction was approved by the shareholders in the extraordinary general meeting of the Company held on March 18, 2021. As at the date of the announcement, the transaction has not yet been completed. For further details, please refer to the announcement of the Company dated December 15, 2020 and the circular of the Company dated February 26, 2021.

On December 17, 2020, Jinhua9158 Investment Management Co., Ltd.* (金華就約我吧投資管理有限公司) (the "**Vendor**") (a wholly-owned subsidiary of a PRC operating entity of our Group) and Shaoxing Shangyuyihe Equity Interest Investment Co., Ltd.* (紹興上虞貽赫股權投資有限公司) (the "**Purchaser**") entered into an agreement pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 22.50% of the equity interest of Jinhua Yibo Network Technology Co., Ltd.* (金華市億博網絡科技有限公司) for a consideration of RMB151,875,000. Upon completion, the Group will no longer hold any equity interest in the Target Company. The transaction has been completed on December 22, 2020. For further details, please refer to the announcement of the Company on December 17, 2020 and note 7 to the consolidated financial statements.

Charges on Assets

As at December 31, 2020, the Group did not have any asset charges.

Contingent Liabilities

As at December 31, 2020, the Group did not have any significant contingent liabilities.

Foreign Exchange Risk

Most of our subsidiaries' functional currencies are RMB, as the majority of the revenues of these companies are derived from our operations in mainland China. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets as at December 31, 2020. We do not hedge against any fluctuation in foreign currency.

5. Corporate Information

Staff

The Company had 487 full time employees as at December 31, 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 RMB124.9 million for the year ended December 31, 2020, compared with staff cost of RMB135.8 million for the year ended December 31, 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 year ended December 31, 2020.

Share Option Schemes

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

The share-based compensation expenses for the year ended December 31, 2020 were RMB18.3 million, as compared to RMB17.4 million for the year ended December 31, 2019.

As at December 31, 2020, options representing a total of 9,474,720 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 0.73% as at December 31, 2020. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per share may be staggered over several years.

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 1.17% of the total ordinary shares of the Company as at December 31, 2020.

As of December 31, 2020, the total number of shares underlying the Pre-IPO RSU Scheme and Post-IPO RSU Scheme represented approximately 2.94% of the total ordinary shares of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(FOR THE YEAR ENDED DECEMBER 31, 2020)

		Year ended 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Continuing operations			
Revenue	*3*	**329,639**	483,498
Cost of revenue	*16*	**(26,928)**	(42,960)
Gross profit		**302,711**	440,538
Selling and marketing expenses	*16*	**(107,880)**	(110,644)
Administrative expenses	*16*	**(92,622)**	(91,820)
Research and development expenses	*16*	**(68,383)**	(67,895)
(Net impairment losses)/reversal of impairment losses on financial assets		**(18,426)**	26,892
Other gains, net	*17*	**36,960**	27,787
Operating profit		**52,360**	224,858
Finance income	*18*	**7,911**	4,830
Finance costs	*18*	**(1,558)**	(6,070)
Finance income/(costs), net	*18*	**6,353**	(1,240)
Share of profit/(losses) of investments accounted for using the equity method	*4*	**495**	(3,826)
Impairment of investments accounted for using the equity method	*4*	**–**	(33,098)
Profit before income tax		**59,208**	186,694
Income tax credit/(expense)	*19*	**8,777**	(106,868)
Profit from continuing operations		**67,985**	79,826
Discontinued operations			
Profit from discontinued operation	*9*	**16,486**	20,300
Profit for the period		**84,471**	100,126
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Currency translation differences		**(130,600)**	13,814
Items that will not be reclassified to profit or loss			
Change in fair value of owner-occupied property		**–**	1,579
Total comprehensive (loss)/income for the year		**(46,129)**	115,519

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Profit attributable to:			
– Owners of the Company		**80,617**	93,834
– Non-controlling interests		**3,854**	6,292
		84,471	100,126
Total comprehensive (loss)/income attributable to:			
– Owners of the Company		**(49,983)**	109,227
– Non-controlling interests		**3,854**	6,292
		(46,129)	115,519
Total comprehensive (loss)/income for the period attributable to owners of the Company arises from:			
Continuing operations		**(58,428)**	95,663
Discontinued operations		**8,445**	13,564
		(49,983)	109,227
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (expressed in RMB per share):			
– Basic earnings per share	*20*	**0.057**	0.064
– Diluted earnings per share	*20*	**0.057**	0.063
Earnings per share for profit attributable to the ordinary equity holders of the Company (expressed in RMB per share):			
– Basic earnings per share	*20*	**0.064**	0.075
– Diluted earnings per share	*20*	**0.064**	0.074

CONSOLIDATED BALANCE SHEET
(AS AT DECEMBER 31, 2020)

		As at 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property and equipment		**154,837**	165,598
Right-of-use assets		**14,371**	7,373
Investment properties		**28,126**	56,591
Intangible assets	*5*	**73,873**	285,826
Investments accounted for using the equity method	*4*	**23,999**	26,574
Prepayments and other receivables		**39,099**	29,919
Financial assets at FVPL	*7*	**824,427**	927,338
Deferred income tax assets	*14*	**14,358**	19,403
		1,173,090	1,518,622
Current assets			
Trade receivables	*6*	**6,013**	27,068
Prepayments and other receivables		**133,351**	70,714
Financial assets at FVPL	*7*	**697,294**	746,935
Derivative financial instruments		**3,632**	–
Term deposits with initial term over 3 months		**263,637**	106,419
Cash and cash equivalents		**973,253**	1,033,006
		2,077,180	1,984,142
Assets classified as held for sale	*9*	**295,698**	–
Total assets		**3,545,968**	3,502,764
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	*14*	**34,933**	113,935
Lease liabilities		**5,077**	1,996
Other non-current liabilities		**1,133**	2,736
		41,143	118,667

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Current liabilities			
Borrowings	*12*	**141,353**	–
Trade payables	*13*	**1,374**	2,477
Other payables and accruals		**73,860**	55,358
Current income tax liabilities		**103,135**	118,504
Customer advance and deferred revenue		**17,689**	27,635
Lease liabilities		**7,908**	3,929
Derivative financial instruments		**526**	–
Redemption liabilities		**238,729**	311,451
		584,574	519,354
Liabilities directly associated with assets classified as held for sale	*9*	**7,413**	–
		591,987	519,354
Total liabilities		**633,130**	638,021
Net assets		**2,912,838**	2,864,743
Equity			
Equity attributable to Owners of the Company			
Share capital	*10*	**795**	780
Share premium	*10*	**1,762,930**	1,760,719
Other reserves		**352,094**	393,817
Retained earnings		**682,414**	599,641
		2,798,233	2,754,957
Non-controlling interests		**114,605**	109,786
Total equity		**2,912,838**	2,864,743

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(FOR THE YEAR ENDED DECEMBER 31, 2020)

	Note	Attributable to Owners of the Company						Non-controlling interests	Total Equity
		Share capital	Share premium	Shares held for restricted share units schemes	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 year		–	–	–	–	80,617	80,617	3,854	84,471
Other comprehensive loss									
Currency translation differences		–	–	–	(130,600)	–	(130,600)	–	(130,600)
Total comprehensive (loss)/income		–	–	–	(130,600)	80,617	(49,983)	3,854	(46,129)
Transactions with Shareholders in their capacity as owners									
Employees share option scheme and restricted share units ("**RSU**") schemes:									
– value of employee services		–	–	–	18,311	–	18,311	–	18,311
– proceeds from shares issued	*10*	5	2,221	–	–	–	2,226	–	2,226
– vest and transfer of RSU	*10*	–	(10)	10	–	–	–	–	–
Issue of shares held for RSU schemes	*10*	10	–	(10)	–	–	–	–	–
Disposal of subsidiaries		–	–	–	(3,268)	3,268	–	(245)	(245)
Acquisition of subsidiaries		–	–	–	–	–	–	1,210	1,210
Derecognition of redemption liabilities		–	–	–	72,722	–	72,722	–	72,722
Profit appropriations to statutory reserves		–	–	–	1,112	(1,112)	–	–	–
Total transactions with Shareholders in their capacity as owners		15	2,211	–	88,877	2,156	93,259	965	94,224
Balance at 31 December 2020		795	1,762,930	–	352,094	682,414	2,798,233	114,605	2,912,838

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

CONSOLIDATED STATEMENT OF CASH FLOW
(FOR THE YEAR ENDED DECEMBER 31, 2020)

	Year Ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Net cash generated from operating activities	**20,523**	187,977
Net cash (used in)/ generated from investing activities	**(176,464)**	170,194
Net cash generated from financing activities	**147,435**	239,591
Net (decrease)/increase in cash and cash equivalents	**(8,506)**	597,762
Cash and cash equivalents at beginning of year	**1,033,006**	432,588
Exchange (losses)/gains on cash and cash equivalents	**(50,224)**	2,656
Cash and cash equivalents at end of year	**974,276**	1,033,006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(FOR THE YEAR ENDED DECEMBER 31, 2020)

1. GENERAL INFORMATION

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

On 9 July 2014, the Company consummated its initial public offering (the "**IPO**") on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The Company and its subsidiaries (collectively the "**Group**") are principally engaged in the operating of live social video platforms, mobile and online games, advertising and other services in the People's Republic of China (the "**PRC**").

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

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

– exercise effective financial and operational control over the Hantang, Jinhua9158, Jinhua99 and Xingxiu;

– irrevocably exercise equity holders' voting rights of Hantang, Jinhua9158, Jinhua99 and Xingxiu;

– receive substantially all of the economic returns generated by Hantang, Jinhua9158, Jinhua99 and Xingxiu by way of business support, technical and consulting services provided by Hangzhou Tiange and Zhejiang Tiange;

– obtain an irrevocable and exclusive right to purchase the entire equity interest in Hantang, Jinhua9158, Jinhua99 and Xingxiu from the respective shareholders;

– obtain a pledge over the entire equity interest of Hantang, Jinghua9158, Jinhua99 and Xingxiu from their respective equity holders as collateral for all accounts payable by Hantang, Jinghua9158, Jinghua99 and Xingxiu to Hangzhou Tiange and Zhejiang Tiange and to secure performance of Hantang, Jinghua9158, Jinghua99 and Xingxiu's obligations under the Contractual Arrangements.

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

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

The Group has included the financial position and results of the PRC operating companies in the consolidated financial statements for all the years presented.

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

These consolidated financial statements of the Group have been approved for issue by the Board of Directors (the "**Board**") on 30 March 2021.

2. BASIS OF PREPARATION

(a) Compliance with IFRS

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

(b) Historical cost convention

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

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

– Investment properties – measured at fair value

– Asset held for sale – measured at the lower of fair value less cost of sell and carrying amount

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

(c) New amendments and interpretation adopted by the Group in 2020

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

– Amendments to IFRS 16 Leases – Covid-19-Related Rent Concessions
– Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework
– Amendments to IAS 16 Property, Plant and Equipment (Proceeds before Intended Use)
– Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract)

The Group also elected to adopt the following amendments early.

– Annual improvements to IFRS Standards 2018 – 2020 Cycle

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and current period and is not expected to significantly affect future periods.

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "**CODM**"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

(a) Description of segments and principal activities

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions. The CODM considers the business primarily from product perspective.

The Group had following reportable segments for the year ended 31 December 2020:

– Online interactive entertainment service;
– Advertising Service;
– Others.

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

There were no material inter-segment sales during the years ended 31 December 2020 and 2019. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated statement of comprehensive income.

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

(b) Segment revenue and gross profit

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2020 is as follows:

	Continuing operations Year ended 31 December 2020		
	Online interactive entertainment service *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Revenue	**327,877**	**1,762**	**329,639**
Gross profit	**301,072**	**1,639**	**302,711**
– Depreciation, amortisation and impairment charges included in segment cost	**(4,222)**	**–**	**(4,222)**
Operating profit			**52,360**
Finance income			**7,911**
Finance costs			**(1,558)**
Share of profits of investments accounted for using the equity method			**495**
Profit before income tax			**59,208**

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

	Continuing operations Year ended 31 December 2019			
	Online interactive entertainment service *RMB'000*	Advertising service *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue	442,814	16,321	24,363	483,498
Gross profit	400,814	16,321	23,403	440,538
– Depreciation, amortisation and impairment charges included in segment cost	(5,491)	–	–	(5,491)
Operating profit				224,858
Finance income				4,830
Finance costs				(6,070)
Share of losses of investments accounted for using the equity method				(3,826)
Impairment of investments accounted for using the equity method				(33,098)
Profit before income tax				186,694

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Continuing operations		
Live social video platforms	**327,055**	434,551
Game operation	**822**	8,263
Advertising	**–**	16,321
Software research and development	**1,440**	22,480
Others	**322**	1,883
	329,639	483,498

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC. For the years ended 31 December 2020 and 2019, the total geographic information on the revenue derived from continuing operations is as follows:

	Year ended 31 December 2020		
	PRC (Excluding Hong Kong)	**Other regions**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Continuing operations	**309,499**	**20,140**	**329,639**

	Year ended 31 December 2019		
	PRC (Excluding Hong Kong)	Other regions	Total
	RMB'000	*RMB'000*	*RMB'000*
Continuing operations	458,345	25,153	483,498

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

Risk of Concentration

Management currently expects that the Company's operating results will, for the foreseeable future, continue to depend on the revenue directly from a relatively small number of distributors. All the revenue derived from any single user of the live social video platform was less than 10% of the Group's total revenue during the years ended 31 December 2020 and 2019.

(c) Revenue from contracts with customers

(i) Disaggregation of revenue from contracts with customers

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

	Continuing operations					
	Live social video platforms *RMB'000*	Game operation *RMB'000*	Advertising *RMB'000*	Software research and development *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2020						
Timing of revenue recognition						
At a point in time	**326,503**	**–**	**–**	**–**	**–**	**326,503**
Over time	**552**	**822**	**–**	**1,440**	**322**	**3,136**
	327,055	**822**	**–**	**1,440**	**322**	**329,639**
Year ended 31 December 2019						
Timing of revenue recognition						
At a point in time	433,883	–	–	–	–	433,883
Over time	668	8,263	16,321	22,480	1,883	49,615
	434,551	8,263	16,321	22,480	1,883	483,498

(ii) Revenue recognised in relation to contract liability

The following table shows how much of the revenue recognised in the current reporting period related to carried-forward contract liabilities.

	Year ended 31 December	
	2020 ***RMB'000***	2019 *RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the period		
– Live social video platforms	**27,635**	26,832
– Game operation	**–**	6,138

(d) Segment assets

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

	Year ended 31 December	
	2020 ***RMB'000***	2019 *RMB'000*
Continuing operations		
PRC (Excluding Hong Kong)	**212,150**	194,296
Other regions	**122,155**	156,956
	334,305	351,252

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Associates	**22,302**	22,777
Joint ventures	**1,697**	3,797
	23,999	26,574

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Associates	**992**	(558)
Joint ventures	**(497)**	(3,268)
	495	(3,826)

(a) Interests in associates

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Beginning of the year	**22,777**	53,307
Additions (i)	**–**	3,276
Disposals (ii)	**(965)**	–
Impairment (iii)	**–**	(33,098)
Share of profit/(losses)	**992**	(558)
Dividend received	**–**	(670)
Currency translation difference	**(502)**	520
End of the year	**22,302**	22,777

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

(ii) During the year ended 31 December 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 disposal loss of RMB15 thousand.

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

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

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

No impairment provision was provided during the year ended 31 December 2020 for the investments in associates as no impairment indicator was noted.

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

In the opinion of management, no investment in these associates was considered to be individually material to the Group as at 31 December 2020 and 2019. There were no material contingent liabilities relating to the Group's interests in the associates.

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Aggregate carrying amounts of associates	**22,302**	22,777
Aggregate amounts of the Group's share of:		
Profit/(loss) for the year	**992**	(558)
Total comprehensive income/(loss)	**992**	(558)

(b) Interests in joint ventures

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Beginning of the year	**3,797**	1,998
Additions (i)	**–**	5,067
Disposals	**(1,601)**	–
Share of loss	**(497)**	(3,268)
Currency translation difference	**(2)**	–
End of the year	**1,697**	3,797

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

(ii) Management has assessed the level of influence that the Group has on these investments, and determined that it has joint control even though the shareholding is 49% (2019: 27% to 49%) because unanimous consent is required from all parties to the agreements for all relevant activities. Consequently, these investments have been accounted for using the equity method and classified as joint ventures.

In the opinion of management, the joint ventures of the Group as at 31 December 2020 and 2019 are not material to the Group. The joint venture have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

	2020	2019
	RMB'000	*RMB'000*
Aggregate carrying amount of joint ventures	**1,697**	3,797
Aggregate amounts of the Group's share of:		
Loss for the year	**(497)**	(3,268)
Total comprehensive loss	**(497)**	(3,268)

5. INTANGIBLE ASSETS

	Goodwill	**Computer Software**	**Domain Name and Technology**	**Customer Resource**	**Platform License and Game License**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Year ended 31 December 2020						
Opening net book amount	**233,646**	**13,051**	**305**	**7,654**	**31,170**	**285,826**
Additions	**–**	**2,203**	**195**	**–**	**–**	**2,398**
Acquisition of a subsidiary	**6,420**	**–**	**–**	**–**	**4,800**	**11,220**
Amortisation charge	**–**	**(3,700)**	**(338)**	**(5,740)**	**(2,360)**	**(12,138)**
Classified as held for sale	**(210,166)**	**(1,215)**	**–**	**(1,914)**	**–**	**(213,295)**
Currency translation difference	**(139)**	**–**	**1**	**–**	**–**	**(138)**
Closing net book amount	**29,761**	**10,339**	**163**	**–**	**33,610**	**73,873**
At 31 December 2020						
Cost	**51,746**	**29,399**	**10,345**	**–**	**49,328**	**140,818**
Accumulated amortisation	**–**	**(19,060)**	**(10,182)**	**–**	**(15,718)**	**(44,960)**
Accumulated impairment	**(21,985)**	**–**	**–**	**–**	**–**	**(21,985)**
Net book amount	**29,761**	**10,339**	**163**	**–**	**33,610**	**73,873**

	Goodwill *RMB'000*	Computer Software *RMB'000*	Domain Name and Technology *RMB'000*	Customer Resource *RMB'000*	Platform License and Game License *RMB'000*	Total *RMB'000*
Year ended 31 December 2019						
Opening net book amount	233,611	15,277	720	13,394	33,397	296,399
Additions	–	1,597	100	–	–	1,697
Amortisation charge	–	(3,825)	(515)	(5,740)	(2,227)	(12,307)
Currency translation difference	35	2	–	–	–	37
Closing net book amount	233,646	13,051	305	7,654	31,170	285,826
At 31 December 2019						
Cost	255,631	32,419	10,507	17,221	44,528	360,306
Accumulated amortisation	–	(19,368)	(10,202)	(9,567)	(13,358)	(52,495)
Accumulated impairment	(21,985)	–	–	–	–	(21,985)
Net book amount	233,646	13,051	305	7,654	31,170	285,826

Amortisation was included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cost of revenue	**3,015**	4,060
Selling and marketing expenses	**134**	188
Administrative expenses	**182**	139
Research and development expenses	**1,011**	895
	4,342	5,282
Discontinued operations	**7,796**	7,025
Charged to the profit or loss	**12,138**	12,307

6. TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Third parties	**6,852**	28,000
Less: allowance for impairment of trade receivables	**(839)**	(932)
Third parties, net	**6,013**	27,068

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
0-90 days	**5,680**	20,381
91-180 days	**346**	4,917
181-365 days	**17**	1,464
Over 1 year	**809**	1,238
	6,852	28,000

7. FINANCIAL ASSETS AT FVPL

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Included in non-current assets		
Unlisted equity investments (a)	**260,487**	491,122
Investments in venture capital funds (b)	**438,745**	394,243
Other financial instruments (c)	**117,375**	41,973
Convertible promissory notes (a)	**7,820**	–
	824,427	927,338
Included in current assets		
Structured notes (d)	**501,670**	16,525
Investments in wealth management products (e)	**132,950**	725,410
Other financial instruments (c)	**51,284**	5,000
Listed equity securities	**11,390**	–
	697,294	746,935
	1,521,721	1,674,273

(a) Unlisted equity investments

This represents the Group's investments in unlisted equity interests. Set out below are the movements of the Group's unlisted equity investments for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Opening balance as at 1 January	**491,122**	471,844
Additions (i)	**34,953**	68,411
Disposals (ii)	**(162,412)**	(3,158)
Disposal of a subsidiary	**–**	(5,727)
Dividend received	**(8,584)**	(2,445)
Fair value change recognised in profit or loss (ii)(iii)	**(92,097)**	(38,303)
Currency translation difference	**(2,495)**	500
Closing balance as at 31 December	**260,487**	491,122

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

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

In August 2019, the Group paid USD1,408 thousand (approximately RMB9,956 thousand) to subscribe for 20% equity interest of an overseas office building rental company. In September 2019, the Group entered into an agreement to subscribe for 10% equity interest of an overseas real-estate development company at a total consideration of approximately US$2,792 thousand. As at 31 December 2019, the Group had paid US$1,372 thousand (approximately RMB9,707 thousand), and the remaining consideration of RMB9,906 thousand to be paid had been recognised as a liability, which was paid in January 2020. Given that the Group was not involved in the management of these unlisted companies and the investments were solely for asset appreciation purpose, the Group does not consider it has significant influence over this company, therefore, the Group recognised these investments as financial assets at FVPL.

During the second half of 2019, the Group paid in aggregate USD1,100 thousand (approximately RMB7,673 thousand) to purchase 19.3% Class-A common shares of the Bank Company, which was 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 (approximately RMB7,041 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 asset at FVPL.

In January 2021, the Group entered into an agreement to purchase the convertible promissory notes of the Bank Company at a cash consideration of USD2,000 thousand (approximately RMB13,050 thousand).

In November 2020, the Group paid USD1,499 thousand (approximately RMB9,999 thousand) to subscribe for 10% equity interest of an overseas non-banking financial companies. Given that the Group was not involved in the management of the unlisted company and the investment was solely for asset appreciation purpose, the Group didn't consider it had significant influence over this company, therefore, the Group recognised the investment as a financial asset at FVPL.

(ii) Acquisition and partial disposal of Yibo

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

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

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

Derecognition of the contingent consideration

In May 2019, the Buyer and Selling Shareholders entered into an agreement to amend the settlement date of the additional consideration in 2019 from 15 May 2019 to 15 December 2019.

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

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

Disposal of Yibo

In December 2020, the Group entered into a share transfer agreement with another third party to dispose the remaining 22.5% of equity interest in Yibo at a cash consideration of RMB151,875 thousand. Upon the completion of the transaction in December 2020, the Group recognised a loss of RMB96,046 thousand at the difference of the carrying amount of RMB247,921 thousand and the consideration of RMB151,875 thousand. The Group received RMB133,125 thousand in December 2020. The remaining RMB18,750 thousand included in other receivables as at 31 December 2020 was received in January and February 2021.

(iii) Besides the fair value loss from disposal of Yibo in 2020, the Group recognised a fair value gain of RMB3,949 thousand on the carrying amount of the Bank company during the year ended 31 December 2020. An aggregate fair value loss of RMB40,934 thousand was recognised on the carrying amount of certain unlisted equity investments during the year ended 31 December 2019. These unlisted companies were principally engaged in the operation of mobile casual game, provision of technical service to financial companies, and computer software development. Management identified significant adverse changes in the financial/business outlook of these companies after revision, thus the fair value of these investments were determined based on the discounted cash flow, which are expected to be realised based on the financial status and business plans of the related investees.

(b) Investment in venture capital funds

This represents the Group's investments in certain venture capital funds as a limited partner. The Group holds interests ranging from 1.2% to 30% as passive investors in these funds. The nature and purpose of these venture capital funds are to generate fees from managing assets on behalf of investors. These vehicles are financed through issuing units to investors. The Group's maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

Set out below are the movements of the Group's investments in venture capital funds for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Opening balance as at 1 January	**394,243**	356,352
Additions (i)	**19,720**	8,750
Repayment of investments (ii)	**(20,652)**	(12,937)
Fair value change recognised in profit or loss	**60,134**	37,882
Currency translation difference	**(14,700)**	4,196
Closing balance as at 31 December	**438,745**	394,243

(i) The Group reviews the performance of these venture capital funds and makes capital contributions to them from time to time. These funds were established to invest in start-up companies and to obtain capital appreciation and investment income.

(ii) During the year ended 31 December 2020, the Group received a cash payment of RMB20,652 thousand (2019: RMB12,937 thousand) from certain venture capital funds for the return of investment principal.

(c) Investment in other financial instruments

This represents the Group's investments in other financial instruments, which were offered by several international financial institutions. During the year ended 31 December 2020, the Group recognised a fair value gain of RMB4,225 thousand (2019: RMB284 thousand) on these investments.

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Included in current assets		
Exchange Traded Fund (i)	**4,990**	–
Other financing fund (ii)	**46,294**	–
Income trust investment	**–**	5,000
	51,284	5,000
Included in non-current assets		
Insurance policies (iii)	**63,641**	–
REIT access fund (iv)	**39,619**	41,973
Blackstone private credit access fund (v)	**6,525**	–
Other fund investments	**7,590**	–
	117,375	41,973
	168,659	46,973

(i) The balance represents the Group's investments in Exchange Traded Fund ("ETF") in the U.S. stock market. During the year ended 31 December 2020, the Group recognised a fair value loss of RMB624 thousand on the ETF investment.

(ii) The balance represents the Group's investments in certain funds, which mainly invested in debt instruments. During the year ended 31 December 2020, the Group recognised a fair value gain of RMB1,384 thousand on the fund investment.

(iii) In 2020, the Group entered into key management insurance policies with Sun Life Hong Kong Limited for a total cash consideration of USD9,650 thousand (approximately RMB64,444 thousand). The policies combined an investment arrangement with insurance of the life of the key management. The beneficiary of the insurance policies is the Group. As the policies do not contain significant insurance risk, the investment in the insurance policies was designated as financial asset at FVPL as a whole.

During the year ended 31 December 2020, a fair value change gain of RMB686 thousand was recognised in "other gains".

(iv) The Group's investment in REIT access fund was offered by an internationally reputable financial institution for investors to indirectly invest in the world's largest real estate income trust. For the year ended 31 December 2020, the Group recognised a fair value gain of RMB2,104 thousand on the fund investment (2019: RMB117 thousand).

(v) The balance represents the Group's investment in a Blackstone private credit access fund, which mainly invested in debt instruments. During the year ended 31 December 2020, the fair value change of the investment was nil.

(d) Structured notes

This represents the Group's investments in structured notes. These financial assets provide a potential return determined at the pre-determined interest rate or linked to the price of certain listed equity securities at the predetermined valuation day in future. Set out below are the movements of the Group's structured notes for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Structured notes		
Opening balance as at 1 January	**16,525**	9,941
Additions	**1,326,643**	14,098
Disposals	**(836,663)**	(8,584)
Fair value change recognised in profit or loss	**28,769**	951
Currency translation difference	**(33,604)**	119
Closing balance as at 31 December	**501,670**	16,525

(e) Wealth management products

This represents RMB-denominated wealth management products with interest rates ranging from 2.74% to 3.5% per annum (2019: from 2.8% to 4.5% per annum) and maturity period within 1 year or revolving terms. These wealth management products are offered by large state-owned or reputable financial institutions in the PRC.

As at 31 December 2020, the Group held 14 (2019: 57) wealth management products, representing about 4% (2019: 21%) of the Group's total assets. The Group's investment costs in these wealth management products were RMB132,000 thousand (2019: RMB712,570 thousand).

For the year ended 31 December 2020, the Group recorded an aggregate gain of approximately RMB10,754 thousand (2019: RMB39,470 thousand) on these products, which included realised and unrealised gain.

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

8. BUSINESS COMBINATION

In October 2020, the Group acquired 80.0% of the equity interest in Shenzhen Megaptera Networking Technology Co., Ltd. and Megaptera Game Co., Limited., (collectively "**Megaptera Group**"), which was principally engaged in developing and operating online games overseas, from a third party at a cash consideration of RMB11,250 thousand. The goodwill of RMB6,420 thousand arose from several factors including expected synergies through cooperation with the Group's other investee company overseas, growth potential, unrecognised assets such as workforce in game development, etc. The goodwill recognised is not expected to be deductible for income tax purposes.

The following table summarises the consideration paid for acquisition of Megaptera Group, and the amounts of the assets and liabilities acquired at the acquisition date.

	1 October 2020
	RMB'000
Consideration	
– Total cash consideration	11,250
Total consideration	11,250

Recognised amounts of identifiable assets acquired and liabilities assumed

Fair value

	1 October 2020
	RMB'000
Cash and cash equivalents	2,165
Trade receivables	356
Prepayment and other receivables	450
Property and equipment	13
Intangible assets (i)	
– Game license	4,800
Deferred income tax asset	710
Trade payables	(384)
Other payables and accruals	(870)
Deferred income tax liabilities	(1,200)
Total identifiable net assets	6,040
NCI (ii)	(1,210)
Goodwill	6,420
Total purchase consideration	11,250

The acquisition-related costs included in administrative expenses in the consolidated statement comprehensive income for the year ended 31 December 2020 is nil.

	1 October 2020
	RMB'000
Outflow of cash to acquire business, net of cash acquired	
– Cash consideration	11,250
– Cash and cash equivalents in subsidiary acquired	(2,165)
Net Cash outflow on acquisition	9,085

(i) *Fair value of acquired identifiable intangible assets*

The fair value of the acquired game license, amounting to RMB4,800 thousand is recognised upon the acquisition based on valuations for these assets. Deferred income tax liabilities of RMB1,200 thousand has been provided in relation to these fair value adjustments.

(ii) *NCI*

The Group has chosen to recognise the NCI at proportionate share of net assets for this acquisition.

(iii) *Revenue and profit contribution*

The acquired business contributed revenues of RMB860 thousand and net loss of RMB810 thousand to the Group for the period from the acquisition date to 31 December 2020.

9. DISCONTINUED OPERATION

(a) Description

In December 2020, the Group entered into an agreement to sell the remaining 64% equity interests in Jinhua Rui'an, a subsidiary of the Group holding 80% equity interests in Shanghai Benqu, for a total consideration of RMB256,000 thousand. As at 31 December 2020, the disposal was not completed, and the subsidiaries were reported as a discontinued operation in the current period. Accordingly, comparative figures for the year ended 31 December 2019 were restated, and the associated assets and liabilities were consequently presented as held for sale. The disposal gain will be recognised upon completion of the transaction. Financial information relating to the discontinued operation for the reporting periods is set out below.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the years ended 31 December 2020 and 2019.

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Discontinued operations		
Revenue	**50,660**	55,831
Cost of revenue	**(22,461)**	(21,585)
Gross profit from discontinued operations	**28,199**	34,246
Selling and marketing expenses	**(7,801)**	(8,415)
Administrative expenses	**(3,942)**	(5,038)
Research and development expenses	**(5,032)**	(3,856)
Other gains, net	**2,815**	2,266
Net impairment losses on financial assets	**(130)**	–
Operating profit	**14,109**	19,203
Finance income, net	**7**	14
Profit before income tax	**14,116**	19,217
Income tax	**2,370**	1,083
Profit for the year	**16,486**	20,300
Profit attributable to:		
– Shareholders of the Company	**8,445**	13,564
– NCI	**8,041**	6,736
	16,486	20,300
Net cash inflow from operating activities	**17,060**	4,123
Net cash outflow used in investing activities	**(22,308)**	(6,899)
Net cash inflow from financing activities	**609**	–
Net decrease in cash generated by the subsidiaries	**(4,639)**	(2,776)

(c) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2020:

	As at 31 December 2020
	RMB'000
Non-current assets	
Property, plant and equipment	**1,097**
Intangible assets (including goodwill)	**213,295**
Prepayments and other receivables	**150**
Term deposits over 3-months	**20,014**
Right-of-use assets	**147**
Current assets	
Trade receivables	**19,264**
Prepayments and other receivables	**4,651**
Financial assets at FVPL	**36,057**
Cash and cash equivalents	**1,023**
Total assets of disposal group held for sale	**295,698**
Liabilities directly associated with assets classified as held for sale	
Non-current liabilities	
Deferred income tax liabilities	**581**
Current liabilities	
Trade payables	**641**
Other payables and accruals	**6,043**
Lease liabilities	**148**
Total liabilities of disposal group held for sale	**7,413**

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

	Number of Shares	Share capital		Share premium	Shares held for RSU Scheme	Treasury stock
		US$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	**1,259,110,162**	**125.89**	**780**	**1,760,719**	**–**	**–**
Employees share option scheme and RSU schemes:						
– proceeds from shares issued (a)	**6,966,000**	**0.7**	**5**	**2,221**	**–**	**–**
– vest and transfer of RSUs	**–**	**–**	**–**	**(10)**	**10**	**–**
Issue of shares held for RSU schemes	**15,000,000**	**1.5**	**10**	**–**	**(10)**	**–**
At 31 December 2020	**1,281,076,162**	**128.09**	**795**	**1,762,930**	**–**	**–**

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

(a) Employees share option plan: options exercised during the year ended 31 December 2020 resulted in 6,966,000 ordinary shares being issued (2019: 3,186,500 ordinary shares), with exercise proceeds of approximately RMB2,226 thousand (2019: RMB865 thousand). The related weighted average price at the time of exercise was HK$1.01 (2019: HK$2.15).

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

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

11. SHARE-BASED PAYMENTS

(a) Share options

Pre-IPO Share Option Scheme

On 9 December 2008, the Board of Directors of the Company approved Pre-IPO Share Option Scheme that provides for granting options to eligible directors and employees (collectively, the "**Grantees**") to acquire ordinary shares of the Company at an exercise price as determined by the Board at the time of grant. Upon the Pre-IPO Share Option Scheme, the Board of Directors authorized and reserved 11,000,000 ordinary shares for the issuance.

The Pre-IPO Share Option Scheme was amended on 21 October 2011 to increase the aggregate number of ordinary shares available for issuance thereunder by 2,000,000 ordinary shares from 11,000,000 ordinary shares to 13,000,000 ordinary shares.

On 22 May 2014, the Pre-IPO Share Options Scheme was amended to decrease the aggregate number of ordinary share available for issuance thereunder by 4,154,425 ordinary shares from 13,000,000 ordinary shares to 8,845,575 ordinary shares.

On 9 July 2014, the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited. Upon the consummation of the IPO, all the then outstanding share options granted under the Pre-IPO Share Options Scheme are adjusted on a one-to-ten basis.

All the share options authorised by the Pre-IPO Share Option Scheme are only exercisable until the occurrence of the earliest of any of the trigger events ("**Trigger Event**"): the Initial Public Offering; a change in control in which the successor entity has equity securities publicly traded on an internationally-recognised stock exchange; and upon such date that the Option may be legally exercised pursuant to Applicable Law, as evidenced by a legal opinion provided to and approved by the Board. All share options granted will be expired after 10 years from the vesting commencement date.

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

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

Post-IPO Share Option Scheme

On 16 June 2014, the Board of Directors of the Company approved Post-IPO Share Option Scheme that provides for granting options to eligible directors and employees (collectively, the "**Grantees**") to acquire ordinary shares of the Company at an exercise price as determined by the Board at the time of grant. The Post-IPO Share Option Scheme will be valid and effective for a period of 10 years, commencing from 9 July 2014.

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

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

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

	Average Exercise Price in US$ per Share Option	Number of Pre-IPO Share Options	Average Exercise Price in HK$ per Share Option	Number of Post-IPO Share Options	Total Number of Share Options
At 1 January 2020		**15,939,335**		**2,852,000**	**18,791,335**
Exercised	**US$0.0475**	**(6,966,000)**	**N/A**	**–**	**(6,966,000)**
Lapsed	**US$0.0496**	**(2,350,615)**	**N/A**	**–**	**(2,350,615)**
At 31 December 2020		**6,622,720**		**2,852,000**	**9,474,720**
At 1 January 2019		19,191,614		2,852,000	22,043,614
Exercised	US$0.0398	(3,186,500)	N/A	–	(3,186,500)
Lapsed	US$0.2790	(65,779)	N/A	–	(65,779)
At 31 December 2019		15,939,335		2,852,000	18,791,335

During the years ended 31 December 2020 and 2019, no share option was granted.

As at 31 December 2020, 9,474,720 share options (2019: 18,791,335) were outstanding and exercisable. Options exercised in 2020 resulted in 6,966,000 shares (2019: 3,186,500 shares) being issued, and the weighted average price of the shares at the time these options were exercised was HK$1.0088 (2019: HK$2.1455) per share.

Details of the expiry dates, exercise prices and the respective numbers of Pre-IPO share options, retroactively reflecting the one-to-ten basis bonus shares, and of Post-IPO share options, which remained outstanding as at 31 December 2020 and 2019, are as follows:

			Number of share options	
Trench	**Expiry Date**	**Exercise price**	**31 December 2020**	31 December 2019
Trench III Option	10 years commencing from the date of grant of options since 17 June 2010	US$0.06	**–**	1,122,380
Trench IV Option	10 years commencing from the date of grant of options since 6 September 2010	US$0.035	**–**	5,601,000
		US$0.06	**–**	79,000
Trench V Option	10 years commencing from the date of grant of options since 20 December 2010	US$0.06	**–**	2,399,050
Trench VI Option	10 years commencing from the date of grant of options since 26 December 2011	US$0.06	**1,300,000**	1,300,000
		US$0.1	**20,000**	20,000
		US$0.12	**566,110**	566,110
Trench VII Option	10 years commencing from the date of grant of options since 14 October 2012	US$0.15	**962,795**	962,795
Trench VIII Option	10 years commencing from the date of grant of options since 14 September 2013	US$0.2	**258,000**	288,000
Trench IX Option	10 years commencing from the date of grant of options since 22 May 2014	US$0.35	**3,515,815**	3,601,000
Trench X Option	8 years and 10 months commencing from the date of grant of options since 22 September 2015	HK$3.5	**2,852,000**	2,852,000
			9,474,720	18,791,335
Weighted average remaining contractual life of options outstanding at the end of the period			**3.13 years**	2.29 years

(b) Restricted share units

Pre-IPO RSU Scheme

On 22 May 2014, the Board of Directors of the Company approved the Pre-IPO RSU Scheme. Pursuant to the resolution, 7,280,000 Pre-IPO RSUs, which includes the 4,280,000 Pre-IPO RSUs granted to partially replace the options granted under the Pre-IPO Share Option Scheme, have been granted to 17 grantees, including two executive Directors, three senior management members, one connected person of the Group and 11 other employees.

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

On 9 July 2014, the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited. Upon the consummation of the IPO, all the then outstanding RSUs granted under the Pre-IPO RSU Scheme are adjusted on a one-to-ten basis.

Post-IPO RSU Scheme

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

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

	Number of shares held for Pre-IPO RSU Scheme	**Number of shares held for Post-IPO RSU Scheme**	**Total**
At 1 January 2020	**–**	**–**	**–**
Granted (i)	**–**	**15,000,000**	**15,000,000**
Vested and transferred	**–**	**(15,000,000)**	**(15,000,000)**
At 31 December 2020	**–**	**–**	**–**

	Number of shares held for Pre-IPO RSU Scheme	Number of shares held for Post-IPO RSU Scheme	Total
At 1 January 2019	–	–	–
Granted (i)	–	10,000,000	10,000,000
Vested and transferred	–	(10,000,000)	(10,000,000)
At 31 December 2019	–	–	–

There were no shares vested but not transferred to the grantees as at 31 December 2020 and 2019.

(i) 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 year ended 31 December 2020 was HK$1.34 per share (equivalent to approximately RMB1.23 per share).

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

(c) Expenses arising from share-based payment transactions

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Restricted share units granted under RSUs schemes	**18,311**	17,377
	18,311	17,377

(d) Fair value of share options and RSUs

Before the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the directors have used the discounted cash flow method to determine the fair value of the underlying equity of the Company and adopted equity allocation method to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors with best estimates.

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

Fair value of share options

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

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

Fair value of RSUs

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

(e) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the shares options (the "**Expected Retention Rate**") in order to determine the amount of share-based compensation expenses charged to the statement of comprehensive income. As at 31 December 2020, the Expected Retention Rate was assessed to be 100% (2019: 100%).

(f) Shares held for RSU Scheme

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

On 9 July 2014, upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company's ordinary shareholders received nine bonus shares for every registered ordinary share that they already held. As a result, the 7,280,000 ordinary shares of the Company underlying the RSUs were adjusted to 72,800,000 ordinary shares on a one-to-ten basis.

As of 31 December 2020, no ordinary shares were held by the RSU Nominee for the benefit of the grantees pursuant to the RSU Scheme.

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

12. BORROWINGS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Included in current liabilities		
USD bank borrowings, secured	**137,969**	–
HKD bank borrowings, secured	**3,384**	–
	141,353	–

During the year ended 31 December 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 USD141,000 thousand, of which USD21,145 thousand and HKD4,021 thousand were drawn down as at 31 December 2020. The borrowings were secured by the Group's investments in financial assets.

The aggregate principal amounts of bank borrowings and applicable interest rates as at 31 December 2020 are as follows:

	As at 31 December 2020	
	Amount	**Interest rate**
	(thousand)	*(per annum)*
US$ bank borrowings, secured	USD21,145	LIBOR + 50bps~65bps
HK$ bank borrowings, secured	HKD4,021	HIBOR + 50bps~65bps

13. TRADE PAYABLES

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Third parties	**1,374**	2,477

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
0-90 days	**648**	1,585
91-180 days	**–**	96
181-365 days	**–**	300
Over 1 year	**726**	496
	1,374	2,477

14. DEFERRED INCOME TAX

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered after more than 12 months	**13,347**	16,750
– to be recovered within 12 months	**1,011**	2,653
	14,358	19,403
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(1,167)**	(79,115)
– to be recovered within 12 months	**(33,766)**	(34,820)
	(34,933)	(113,935)
Deferred income tax liabilities, net	**(20,575)**	(94,532)

	Year ended 31 December	
	2020	2019
Movements	***RMB'000***	*RMB'000*
At beginning of the year	**(94,532)**	(71,591)
Acquisition of a subsidiary	**(340)**	–
Disposal of a subsidiary	**462**	932
Recognised in the consolidated statement of comprehensive income	**73,254**	(23,603)
Recognised in changes of equity	**–**	(279)
Classified as held for sale	**581**	–
Currency translation difference	**–**	9
At end of the year	**(20,575)**	(94,532)

As at 31 December 2020, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the undistributed profits of approximately RMB336,332 thousand (2019: RMB918,619 thousand). Such earnings are expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

15. TRANSACTION WITH NON-CONTROLLING INTEREST ("NCI") OF JINHUA RUI'AN AND REDEMPTION LIABILITIES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Liabilities in relation to put options granted to NCI of subsidiaries	**238,729**	311,451

In December 2017, the Group acquired 13.6% of the equity interest in Shanghai Benqu Internet Technology Company Limited ("**Shanghai Benqu**"), a company principally engaged in developing and operating mobile applications of photo and video in the PRC and developing platforms for simultaneous video retouching features ("**Wuta Application**"), which was accounted for as a financial asset at FVPL as the equity interests can be redeemed if an initial public offering of Shanghai Benqu cannot be achieved within five years since the investment date, at a cash consideration of RMB19,590 thousand. In April 2018, the Group further acquired 66.4% of the equity interests of Shanghai Benqu at a consideration of RMB136,142 thousand in cash and 13,237,995 ordinary shares that were issued on 20 April 2018. In addition, the redeemable equity interest was converted into ordinary shares as the Group obtained the control of Shanghai Benqu. As a result, the Group held 80% of the equity interest in Shanghai Benqu. The goodwill of RMB210,166 thousand arose from a number of factors including expected synergies through combining mobile application of photo and video, growth potential, unrecognised assets such as workforce in research and development, daily active users, etc.

In January 2019, the Group, Jinhua Rui'an Investment Management Company Limited ("**Jinhua Rui'an**"), a subsidiary of the Group holding 80% equity interest of Shanghai Benqu, and the other shareholders of Shanghai Benqu (the "**Other Selling Shareholder**") entered into a Share Transfer Agreement with a related party, Beijing Weimeng Chuangke Investment Management Co., Ltd (the "**Purchaser**"). Pursuant to the agreement, the Group transferred its 36% equity interests in Jinhua Rui'an to the Purchaser at a cash consideration of approximately RMB292,608 thousand and the Other Selling Shareholder transferred its 6% equity interest in Shanghai Benqu to the Purchaser at a consideration of RMB60,960 thousand. As of 31 December 2019, the Group has received all the purchase consideration of RMB292,608 thousand and repaid the deposit of RMB8,500 thousand to the Purchaser.

Upon completion of the transaction, the Group 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 Rui'an of RMB90,733 thousand. The excess of RMB201,875 thousand between the consideration of RMB292,608 thousand received and the addition of NCI of RMB90,733 thousand was recognised in other reserves. Income tax of RMB50,469 thousand in relation to the transaction with NCI was recognised in its equity while the other income tax effect of RMB7,348 thousand was recognised in profit or loss.

Pursuant to the Share Transfer Agreement, the Purchaser was entitled to put option rights to request the Group and the Other Selling Shareholders to repurchase its sold shares in Shanghai Benqu. The put options are contingent on the event of the resignation of the founder of Shanghai Benqu or any significant breach of shareholders' statement and shareholders' duty within 3 years (the "**Redemption Events**") upon the closing of the transaction on 5 July 2019. The put options have different exercise price depending on the occurrence of different Redemption Events. The redemption amount that the Group would be obliged to pay the Purchaser at each period end during the contract period was determined based on the evaluation of the maximum amount that the Group is obliged to pay under different Redemption Events according to the redemption clauses stipulated in the Share Transfer Agreement. Therefore, redemption liabilities of RMB335,677 thousand were recognised at the redemption amount the Group would be obliged to pay to the Purchaser if the options were exercised immediately after the transaction, with a corresponding charge directly to other reserves. Subsequently, in the event that 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. During the year ended 31 December 2020, redemption liabilities of RMB72,722 thousand (2019: RMB24,226 thousand) were derecognised against other reserves as related options lapsed unexercised and the estimated amount was revised.

16. EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Employee benefit expenses (including share-based compensation expenses)	**124,861**	135,820
Promotion and advertising expenses (a)	**77,323**	73,977
Bandwidth and server custody fees	**20,428**	21,768
Travelling and entertainment expenses	**14,146**	12,199
Depreciation and impairment charges of property and equipment	**10,780**	12,436
Amortisation of intangible assets	**4,342**	5,282
Utilities and office expenses	**9,705**	9,434
Professional and consultancy fees	**11,132**	7,478
Commission charges by platforms and game developers	**–**	6,282
Auditors' remuneration	**4,050**	4,469
– Audit services	**4,030**	4,449
– Non-audit services	**20**	20
Short-term lease rentals	**1,300**	309
Game development costs	**2,931**	2,968
Depreciation of right-of-use assets	**6,150**	4,384
Others (b)	**8,665**	16,513
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**295,813**	313,319

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

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

17. OTHER GAINS, NET

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Net fair value gains/(losses) on financial assets at FVPL		
– Venture capital funds	**60,134**	37,882
– Wealth management products	**9,297**	38,613
– Contingent consideration	**–**	(36,404)
– Unlisted equity investments	**(92,097)**	(38,303)
– Structured notes	**28,769**	951
– Convertible promissory notes	**1,309**	–
– Listed equity securities	**3,556**	–
– Other financial instruments	**4,225**	284
Net fair value loss on derivative financial instruments	**(6,242)**	–
Interest income on term deposits with initial term over 3 months	**6,745**	2,132
Government grants (a)		
– Technology award	**4,157**	9,070
– Tax related subsidies	**2,013**	11,990
– Scientific project fund	**3,049**	3,806
– Others	**1,505**	–
Gains on disposal of subsidiaries	**1,204**	8,001
Fair value losses from revaluation of investment properties	**(6,926)**	(5,138)
Interest income on loans to third parties, related parties and employees	**5,192**	3,025
Foreign exchange gains/(losses) on non–financing activities	**5,780**	(1,677)
(Losses)/gains on disposal of investments accounted for using the equity method	**(15)**	500
Losses on disposal of property and equipment	**(332)**	(359)
Others	**5,637**	(6,586)
	36,960	27,787

(a) For the years ended 31 December 2020 and 2019, government grants primarily consist of:

- Technology award, amounting to RMB4,157 thousand (2019: RMB9,070 thousand) was granted by the local government authorities in Hangzhou and Jinhua to reward the Group's achievement and support the Group's development in information service industries;

- Tax related subsidies, amounting to RMB2,013 thousand (2019: RMB11,990 thousand) were granted by local government authorities in Hangzhou and Jinhua to incentivise the Group's business development;

- Scientific project fund, amounting to RMB3,049 thousand (2019: RMB3,806 thousand) was granted by local government authorities in Hangzhou and Jinhua to fund the Group's qualified technology research projects.

18. FINANCE INCOME/(COSTS), NET

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Finance income:		
– Interest income on cash and cash equivalents	**7,910**	4,626
– Exchange gain on financing activities	**1**	204
	7,911	4,830
Finance costs:		
– Exchange loss on financing activities	**–**	(5,787)
– Interest charges for lease liabilities	**(383)**	(155)
– Other interest expenses	**(1,175)**	(128)
	(1,558)	(6,070)
Finance income/(costs), net	**6,353**	(1,240)

19. TAX EXPENSE

Income tax (credit)/expense

The income tax expense of the Group for the years ended 31 December 2020 and 2019 are analysed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current income tax:		
– Enterprise income tax	**43,607**	40,882
– PRC withholding tax	**18,500**	41,300
	62,107	82,182
Deferred income tax:		
– Decrease in deferred tax assets	**1,632**	20,533
– (Decrease)/increase in deferred tax liabilities	**(74,886)**	3,070
	(73,254)	23,603
Income tax (credit)/expense	**(11,147)**	105,785
Income tax (credit)/expense is attributable to:		
Profit from continuing operations	**(8,777)**	106,868
Profit from discontinued operation	**(2,370)**	(1,083)
	(11,147)	105,785

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands, and accordingly is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax for all the years presented. It has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2020 and 2019.

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

For all the years presented, the Group's subsidiaries and the PRC Operating Entities are subject to enterprise income tax ("**EIT**") on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law ("**EIT Law**"). Pursuant to the EIT Law, the Group's subsidiaries and the PRC Operating Entities are generally subject to EIT at the statutory rate of 25%.

Hangzhou Tiange, Zhejiang Tiange and Shanghai Benqu qualified as "New High-tech Enterprise" under the EIT Law in 2017 and renewed in 2020. Star Power qualified as "New High-tech Enterprise" under the EIT Law in 2015 and renewed in 2018. Accordingly, they were entitled to a preferential EIT rate of 15% for a three-year period since the qualification day. The applicable EIT rate of these entities was 15% in 2020.

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

The following table sets out applicable EIT rate of Group's subsidiaries and the PRC Operating Entities in the PRC for the year ended 31 December 2020:

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

Pursuant to laws and regulations newly promulgated by the State Administration of Tax of the PRC and the Ministry of Finance, effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their qualified research and development expenses so incurred as tax deductible expenses. The additional deduction of 75% of qualified research and development expenses can be directly claimed in the annual EIT filing without the approval from the relevant tax authorities. Therefore, management has made its best estimation for the Group's entities in ascertaining their assessable profits for the years ended 31 December 2020 and 2019.

(d) PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax rate. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. 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 a withholding tax rate of 5%.

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

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to losses of the consolidated entities as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit before income tax expense from:		
– continuing operations	**59,208**	186,694
– discontinued operation	**14,116**	19,217
	73,324	205,911
Tax calculated at a tax rate of 25%	**18,331**	51,478
Tax effects of:		
Different tax jurisdiction	**(11,530)**	(3,410)
Preferential income tax benefits applicable to subsidiaries in China	**(20,865)**	(41,642)
WHT of appropriation of dividend (i)	**29,215**	68,231
Refund of WHT of dividend (ii)	**(27,500)**	(8,000)
Super deduction for research and development expenses	**(6,241)**	(5,657)
Tax losses and temporary differences for which no deferred tax assets were recognised	**7,886**	23,523
(Expenses not deducted for)/Income not subject to income tax purposes	**(4,468)**	13,914
Transferring equity interest of subsidiaries to NCI	**4,025**	7,348
Income tax (credit)/expense	**(11,147)**	105,785

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

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

In 2020, the Company revised its estimation and decided to remit 100% of the earnings of its WFOEs to Week8(HK). Accordingly, a 5% WHT of RMB29,215 thousand was recognised during the year ended 31 December 2020 for the WFOEs' remaining retained earnings of RMB506,920 thousand as of 31 December 2019 with no WHT provided in the past and all the WFOEs' profit of RMB77,387 thousand generated for the year ended 31 December 2020 at a tax rate of 5%.

(ii) During the year ended 31 December 2020, the Group received a refunded WHT of RMB27,500 thousand (2019: RMB8,000 thousand), which was in association with the dividends paid in 2018 and 2019, and recorded it as a reversal of WHT expense.

Tax losses

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Unused tax losses for which no deferred tax asset has been recognised	**72,198**	70,248
Potential tax benefit calculated at a tax rate of 25%	**18,049**	17,562

The unused tax losses were incurred by subsidiaries that are not likely to generate taxable income in the foreseeable future. The losses can be carried forward and will expire from 2021 to 2025.

Value-added tax ("VAT")

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

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

20. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Year ended 31 December	
	2020	2019
Total profit attributable to owners of the Company (RMB'000) from:		
Continuing operations	**72,172**	80,270
Discontinued operation	**8,445**	13,564
	80,617	93,834
Weighted average number of ordinary shares in issue (thousand shares)	**1,268,985**	1,255,495
Basic earnings per share (in RMB/share) attributable to the ordinary equity holders of the Company arises from:		
Continuing operations	**0.057**	0.064
Discontinued operation	**0.007**	0.011
	0.064	0.075

(b) Diluted earnings per share

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

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

	Year ended 31 December	
	2020	2019
Total profit attributable to owners of the Company (RMB'000) from:		
Continuing operations	**72,172**	80,270
Discontinued operation	**8,445**	13,564
	80,617	93,834
Weighted average number of ordinary shares in issue (thousand shares)	**1,268,985**	1,255,495
Adjustments for share based compensation – share options (thousand shares)	**5,280**	10,932
Adjustments for share based compensation – RSUs (thousand shares)	**2,480**	4,521
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	**1,276,745**	1,270,948
Diluted earnings per share (in RMB/share) attributable to the ordinary equity holders of the Company arises from:		
Continuing operations	**0.057**	0.063
Discontinued operation	**0.007**	0.011
	0.064	0.074

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. During the year ended December 31, 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. During the period from January 1, 2020 to June 25, 2020, Mr. Fu Zhengjun (傅政軍) was 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. Mr. Fu Zhengjun was in breach of Rule A.3 and B.8 of the Model Code in August 2020 for one transaction involving 1,000,000 shares of the Company due to an inadvertent mistake involving miscommunication with his trustee. Except for this one instance, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended December 31, 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 year ended December 31, 2020.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended December 31, 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the right to attend and vote at the forthcoming annual general meeting of the Company to be held on June 11, 2021 (the "**AGM**"), the register of members of the Company will be closed from June 8, 2021 to June 11, 2021 (both day inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on June 7, 2021.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed the annual results of the Group for the year ended December 31, 2020. The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flow and the related notes thereto for the year ended December 31, 2020 as set out in the preliminary announcement have been agreed by the external auditor of the Company, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

Pursuant to the requirements of the Listing Rules, the 2020 annual report of the Company will set out all information disclosed in the annual results announcement for the year ended December 31, 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, March 30, 2021

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. Xiong Xiangdong and Ms. Cao Fei; and the independent non-executive Directors are Mr. Lam Yiu Por, Mr. Yang Wenbin and Mr. Chan Wing Yuen Hubert.

* *for identification purposes only*