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Tian Ge Interactive Holdings Limited

天 鴿 互 動 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1980)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

FINANCIAL HIGHLIGHTS

(the below financial information are from continuing operations)

| (in RMB'000) | Unaudited | | Year-on- Year ⁽¹⁾ Change |
|--|------------------|------------------|---|
| | June 30, 2021 | June 30, 2020 | |
| Revenue | 116,404 | 185,146 | -37.1% |
| – Online interactive entertainment service | 113,409 | 184,020 | -38.4% |
| – Others | 2,995 | 1,126 | 166.0% |
| Gross Profit | 105,196 | 171,088 | -38.5% |
| Gross Profit Margin | 90.4% | 92.4% | |
| Net Profit | 122,138 | 31,394 | 289.0% |
| Net Profit Margin | 104.9% | 17.0% | |
| Earnings per share (expressed in RMB per share) | | | |
| – basic | 0.097 | 0.026 | 273.1% |
| – diluted | 0.096 | 0.026 | 269.2% |
| Adjusted Net Profit ⁽²⁾ | 34,461 | 48,524 | -29.0% |
| Adjusted Net Profit Margin ⁽³⁾ | 29.6% | 26.2% | |
| Adjusted EBITDA ⁽⁴⁾ | 49,292 | 63,521 | -22.4% |
| Adjusted EBITDA Margin | 42.3% | 34.3% | |

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

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

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

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

INTERIM RESULTS

The board of directors (the “**Directors**”) (the “**Board**”) of Tian Ge Interactive Holdings Limited (the “**Company**”, “**We**” or “**Tian Ge**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2021 (the “**Reporting Period**”). These interim results have been reviewed by PricewaterhouseCoopers, the auditor of the Company, and the audit committee of the Company (the “**Audit Committee**”).

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Overview and Outlook

During the first half of 2021, due to the continuous influence of the novel coronavirus (“**COVID-19**”) all over the world, the macro-economy and various industries have been impacted with varying degrees of severity. Meanwhile, with the intensified roll-out of regulatory measures and policies for the standardisation and healthy development of the mobile Internet industry in the PRC, the fierce competition and strict supervision in the mobile Internet industry continued, and the development of live streaming business tended to slow down. In the face of the industry development trend and the competition in the market, Tian Ge adhered to its core business, optimised its platform with innovative contents and strove to expand into overseas markets to promote the sustainable development of the business of the Group.

Overall Financial Performance

In the first half of 2021, the Company and its subsidiaries (excluding the disposal entities) engaged in online interactive entertainment and others (the “**Continuing Group**”) recorded a revenue which decreased by 37.1% year-on-year to RMB116.4 million from the corresponding period of 2020. Revenue derived from online interactive entertainment decreased by 38.4% year-on-year to RMB113.4 million from the corresponding period of 2020.

In the first half of 2021, profit attributable to owners of the Company from continuing operations increased by 272.5% year-on-year to RMB123.2 million; net profit from continuing operations increased by 289.0% year-on-year to RMB122.1 million; adjusted net profit decreased by 29.0% year-on-year to RMB34.5 million, and adjusted EBITDA decreased by 22.4% year-on-year to RMB49.3 million.

Business Highlights

“Mobile + PC” Dual Live Streaming

As one of the pioneers in the live streaming industry of the PRC, Tian Ge has continued to adhere to the development strategy of “Mobile + PC” dual live streaming. During the first half of 2021, the Group continued the optimization and development of its core platforms to improve user experience and interactivity, including the upgrade of functions such as “host PK” and “one-on-one audio/video chat”, which has further enhanced the richness and interactivity of the live streaming platforms, strengthened the innovative advantages of the products and contents, driven the growth of platform users.

Overseas Expansion

Overseas expansion is one of the Group's important development strategies. During the Reporting Period, Tian Ge has pushed ahead with its overseas development despite the severe epidemic situation overseas. The Group continued to maintain a clear overseas market expansion strategy by replicating and promoting the successful domestic business models to overseas markets. During the Reporting Period, the Group's overseas business and various products had been developing well. 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.

Financial Investments

Structured Notes Investments

During the first half of 2021, 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 rate of return on international structured notes investment. The Group continues to monitor the market trends and seek potential investment opportunities. The structured notes investment has achieved good investment gain of RMB47 million in the first half of 2021.

Venture Capital and Private Equity Funds

The Group also closely tracks the development of intelligent hardware, self-driving car, industrial internet, intelligent wearable devices, SQL database, multi-channel Network and actively invests in venture capital and private equity funds which invest in these industries, which resulted in significant investment gain with amount of RMB110 million in the first half of 2021.

Prospect and Future Outlook

According to the China Internet Development Report (2021), by the end of 2021, the number of Internet users in the PRC will be 989 million, the Internet penetration rate will reach 70.4% and the total number of mobile Internet users will exceed 1.6 billion; the number of 5G network users will exceed 160 million, accounting for approximately 89% of the total number of 5G users worldwide. With the accelerated development of 5G and the gradual improvement of the technology platform ecology such as VR, the technology of high-speed and low-latency empowers the live streaming industry with more room for development and imagination.

Looking ahead, Tian Ge will build on its core business and leverage on the development of 5G and VR technologies to empower the new direction of its live streaming business, and actively focus on optimising and generating revenue from its core business to further improve the user experience. The Company will also continue to deepen its expansion efforts in overseas markets and continuously optimise and adjust its business strategies overseas to enhance the revenue-raising capabilities of the Group and its competitiveness in the market.

In the meantime, the Group remains optimistic about the development of overseas financial markets. With our years of experience in investing in financial technology and related industries, the Company will continue to identify investments with high value returns and believes that the overseas financial markets will bring substantial returns to the Company.

The Group will spare no effort in optimising its structure, continuously grasp new opportunities, solidify the leading position and core strengths of the Group, maximise the core strengths and revenues of the Group, and continuously seek new investment opportunities to create sustainable profits for shareholders.

Changes since December 31, 2020

Save as disclosed in this interim results announcement, there were no other significant changes in the Group's financial position or from the information disclosed under management discussion and analysis in the annual report of the Company for the year ended December 31, 2020.

2. Operating Information

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

| | Three months ended | | | | |
|---|---------------------------|-------------------|----------------------------------|------------------|----------------------------|
| | June 30, 2021 | March 31, 2021 | Quarter- on-quarter change | June 30, 2020 | Year-on- year change |
| Total Monthly Active Users (<i>in '000</i>)* | 4,790 | 8,604 | -44.3% | 14,809 | -67.7% |
| Quarterly Paying Users (<i>in '000</i>) | 217 | 263 | -17.5% | 407 | -46.7% |
| Quarterly Average Revenue Per User (<i>RMB</i>) | 247 | 223 | 10.8% | 214 | 15.4% |
| Number of Rooms | 35,177 | 39,042 | -9.9% | 46,472 | -24.3% |
| Number of Hosts | 63,729 | 83,381 | -23.6% | 106,006 | -39.9% |

* Since Wuta Camera has been announced for sale, the amount of monthly active users reflects the number of live streaming users, which excludes 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 June 30, 2021, the total number of monthly active users (“MAUs”) for Tian Ge was approximately 4.8 million, representing a decrease of approximately 44.3% from the three months ended March 31, 2021 and representing a decrease of approximately 67.7% from the three months ended June 30, 2020. The decrease was mainly due to the streamlining of the live-streaming platforms and the reduction of promotional activities on the live-streaming websites.
- Our mobile MAUs as at June 30, 2021 represented 96.1% of our total MAUs, while the percentage as at March 31, 2021 and June 30, 2020 were 97.7% and 97.0% respectively.
- The number of quarterly paying users (“QPU”) for Tian Ge's online interactive entertainment service for the three months ended June 30, 2021 was approximately 217,000, representing a decrease of approximately 17.5% from the three months ended March 31, 2021 and representing a decrease of approximately 46.7% from the three months ended June 30, 2020. 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 June 30, 2021 represented 83.1% of our total QPUs, while the percentage as at March 31, 2021 and June 30, 2020 were 81.6% and 80.5%, respectively.

- The quarterly average revenue per user (“QARPU”) for Tian Ge’s online interactive entertainment service for the three months ended June 30, 2021 was RMB247, representing an increase of approximately 10.8% from the three months ended March 31, 2021 and represented an increase of approximately 15.4% from the three months ended June 30, 2020.
- Number of virtual rooms for Tian Ge’s online interactive entertainment service decreased by 9.9% as compared to the three months ended March 31, 2021 and decreased by 24.3% from the three months ended June 30, 2020. 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 23.6% as compared to the three months ended March 31, 2021 and representing a decrease of 39.9% from the three months ended June 30, 2020.
- The total number of registered users* of Tian Ge as at June 30, 2021 was 466 million, as compared to 459 million as at June 30, 2020.

* Registered users refer to the cumulative number of users who have registered accounts on our live social video platform, and do not exclude repeated registered users.

3. Financial Information

Revenue

The Continuing Group’s revenue generated from online interactive entertainment service decreased by 38.4% to RMB113.4 million for the six months ended June 30, 2021 from RMB184.0 million for the corresponding period in 2020. The year-on-year decrease was primarily due to the intensified industry competition which led to a decrease in the number of platform paying users.

The Continuing Group’s revenue generated from “Others” mainly includes the revenue from technical supporting services and other services. Revenue generated from “Others” for the six months ended June 30, 2021 increased by 166.0% to RMB3.0 million from the corresponding period in 2020 which was primarily due to the increased revenue from technical supporting services related to overseas live streaming business.

Cost of Revenue and Gross Profit Margins

The Continuing Group’s cost of revenue experienced a decrease of 20.3% for the six months ended June 30, 2021 from the corresponding period in 2020. The year-on-year decrease was primarily due to the reduction of bandwidth and server custody fees.

The Continuing Group’s gross margin for the six months ended June 30, 2021 was 90.4%, compared with 92.4% for the corresponding period in 2020.

Selling and Marketing Expenses

The Continuing Group’s selling and marketing expenses for the six months ended June 30, 2021 remained stable as compared with the corresponding period in 2020.

Administrative Expenses

The Continuing Group's administrative expenses for the six months ended June 30, 2021 remained stable as compared with the corresponding period in 2020.

Research and Development Expenses

The Continuing Group's research and development expenses for the six months ended June 30, 2021 remained stable as compared with the corresponding period in 2020.

Reversal of Impairment Losses/(impairment losses) on Financial Assets, Net

The Continuing Group's reversal of impairment losses on financial assets, net for the six months ended June 30, 2021 was RMB1.0 million which was primarily due to the reversal of previous impairment losses on receivables and loans.

The Continuing Group's net impairment losses on financial assets, net for the six months ended June 30, 2020 was RMB5.6 million which was primarily due to the impairment loss on other receivables and loans.

Other Gains, Net

The Continuing Group's other gains, net experienced an increase of 2,065.1% for the six months ended June 30, 2021 from the corresponding period in 2020. The year-on-year increase was primarily due to the substantial growth of fair value gains on venture capital and private equity funds and structured notes.

Income Tax Expense

The Continuing Group's income tax expense experienced a decrease of 13.2% for the six months ended June 30, 2021 from the corresponding period in 2020. The year-on-year decrease was primarily due to the decrease of enterprise income tax as a result of the decline of profit before tax from PRC subsidiaries.

Profit attributable to owners of the Company

The Continuing Group's profit attributable to owners of the Company experienced an increase of 272.5% for the six months ended June 30, 2021 from the corresponding period in 2020. The year-on-year increase was primarily due to the significant growth of net fair value gains on financial assets while be partially offset by the decrease of gross profit.

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 SIX MONTHS ENDED JUNE 30, 2021)

| | Continuing operations | | Discontinued operations | | Total | |
|--|--------------------------|----------|--------------------------|----------|--------------------------|----------|
| | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 116,404 | 185,146 | 17,641 | 23,886 | 134,045 | 209,032 |
| Cost of revenue | (11,208) | (14,058) | (8,969) | (10,201) | (20,177) | (24,259) |
| Gross profit | 105,196 | 171,088 | 8,672 | 13,685 | 113,868 | 184,773 |
| Selling and marketing expenses | (55,244) | (55,354) | (1,030) | (4,033) | (56,274) | (59,387) |
| Administrative expenses | (46,727) | (46,213) | (1,372) | (1,699) | (48,099) | (47,912) |
| Research and development expenses | (37,063) | (35,533) | (935) | (2,181) | (37,998) | (37,714) |
| Reversal of impairment losses/ (impairment losses) on financial assets, net | 1,024 | (5,601) | – | – | 1,024 | (5,601) |
| Other gains, net | 167,316 | 7,728 | 1,169 | 967 | 168,485 | 8,695 |
| Operating profit | 134,502 | 36,115 | 6,504 | 6,739 | 141,006 | 42,854 |
| Finance income | 1,866 | 6,421 | 5 | 10 | 1,871 | 6,431 |
| Finance costs | (2,348) | (483) | (2) | – | (2,350) | (483) |
| Finance income/(costs), net | (482) | 5,938 | 3 | 10 | (479) | 5,948 |
| Share of profit/(losses) of investments accounted for using the equity method | (409) | 2,566 | – | – | (409) | 2,566 |
| Profit before income tax | 133,611 | 44,619 | 6,507 | 6,749 | 140,118 | 51,368 |
| Income tax expense | (11,473) | (13,225) | (613) | (1,186) | (12,086) | (14,411) |
| Profit after income tax | 122,138 | 31,394 | 5,894 | 5,563 | 128,032 | 36,957 |
| Gain on disposal of subsidiary after income tax | – | – | 45,747 | – | 45,747 | – |
| Profit for the period | 122,138 | 31,394 | 51,641 | 5,563 | 173,779 | 36,957 |
| Other comprehensive income | | | | | | |
| Items that may be reclassified to profit or loss | | | | | | |
| Currency translation differences | (20,164) | 18,997 | – | – | (20,164) | 18,997 |
| Total comprehensive income for the year | 101,974 | 50,391 | 51,641 | 5,563 | 153,615 | 55,954 |
| Profit attributable to: | | | | | | |
| – Owners of the Company | 123,163 | 33,066 | 48,764 | 2,848 | 171,927 | 35,914 |
| – Non-controlling interests | (1,025) | (1,672) | 2,877 | 2,715 | 1,852 | 1,043 |
| | 122,138 | 31,394 | 51,641 | 5,563 | 173,779 | 36,957 |

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 decreased by 22.4% year-on-year for the six months ended June 30, 2021 from the corresponding period in 2020. Adjusted EBITDA margin was 42.3% for the six months ended June 30, 2021, compared to 34.3% for the corresponding period in 2020.

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

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

| <i>(in RMB'000)</i> | Unaudited | |
|---|----------------------|----------------------|
| | June 30, 2021 | June 30, 2020 |
| Operating Profit | 134,502 | 36,115 |
| Share-based compensation expense | 8,139 | 15,320 |
| Net (gains)/losses from investee companies ^(a) | (104,059) | 2,643 |
| Amortization of intangible assets arising from acquisitions | 400 | 100 |
| Depreciation and amortization expense | 10,310 | 9,343 |
| Adjusted EBITDA | 49,292 | 63,521 |

Note:

- (a) Represents net gains or losses from disposal of the investments accounted for using equity method and fair value change of certain financial assets measured at fair value through profit or loss, including investments in venture capital and private equity funds, unlisted equity investments and convertible promissory notes.

Adjusted Net Profit

Adjusted net profit decreased by 29.0% year-on-year for the six months ended June 30, 2021 from the corresponding period in 2020.

Adjusted net profit is not defined under IFRS, and eliminates the effect of non-cash share-based compensation expenses, net gains or losses from investee companies, amortization of intangible assets arising from acquisitions and income tax effects of non-IFRS adjustments.

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

| <i>(in RMB'000)</i> | Unaudited | |
|---|----------------------|----------------------|
| | June 30, 2021 | June 30, 2020 |
| Net Profit from continuing operations | 122,138 | 31,394 |
| Share-based compensation expense | 8,139 | 15,320 |
| Net (gains)/losses from investee companies ^(a) | (104,059) | 2,643 |
| Amortization of intangible assets arising from acquisitions | 400 | 100 |
| Income tax effects of the non – IFRS adjustments | 7,843 | (933) |
| Adjusted Net Profit | <u>34,461</u> | <u>48,524</u> |

Notes:

- (a) Represents net gains or losses from disposal of the investments accounted for using equity method and fair value change of certain financial assets measured at fair value through profit or loss, including investments in venture capital and private equity funds, unlisted equity investments and convertible promissory notes.

4. Liquidity and Financial Resources

Cash and Cash Equivalent, and Term Deposits

Cash and cash equivalents consist of cash at bank and cash on hand, and as at June 30, 2021 and December 31, 2020 amounted to RMB814.7 million and RMB973.3 million, respectively. All cash at bank balances as of these dates were demand deposits and term deposits with initial terms of less than three months. The Group had term deposits with initial terms of over three months of RMB42.0 million and RMB263.6 million as at June 30, 2021 and December 31, 2020, respectively.

Financial Assets at fair value through profit or loss (“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) structured notes, (ii) other financial instruments, (iii) investments in venture capital and private equity funds (“**Fund Investments**”), (iv) equity investments in private unlisted companies (“**Private Investments**”), (v) investments in wealth management products, (vi) convertible promissory notes and (vii) listed equity securities.

Financial assets at FVPL increased by 56.8% to RMB2,386.7 million as at June 30, 2021 compared to RMB1,521.7 million as at December 31, 2020. Such increase was mainly attributable to an increase of RMB414.3 million in investments in other financial instruments, an increase of RMB241.0 million in investments in structured notes, an increase of RMB138.2 million in Fund Investments, an increase of RMB29.9 million in Private Investments, an increase of RMB23.8 million in purchase of wealth management products, an increase of RMB13.0 million in convertible promissory notes and an increase of RMB4.8 million in listed equity securities. The following is a breakdown of the seven main categories as at the periods specified:

| | As at June 30, 2021 (RMB’000) | As at December 31, 2020 (RMB’000) | Percentage increase/ (decrease) |
|---|--|--|---------------------------------------|
| (i) Structured notes | 742,702 | 501,670 | 48.0% |
| (ii) Other financial instruments | 582,925 | 168,659 | 245.6% |
| (iii) Fund Investments | 576,928 | 438,745 | 31.5% |
| (iv) Private Investments | 290,411 | 260,487 | 11.5% |
| (v) Investments in wealth management products | 156,789 | 132,950 | 17.9% |
| (vi) Convertible promissory notes | 20,830 | 7,820 | 166.4% |
| (vii) Listed equity securities | 16,151 | 11,390 | 41.8% |
| Total | <u>2,386,736</u> | <u>1,521,721</u> | <u>56.8%</u> |

Structured notes

The fair value of the structured notes invested by the Group increased by 48.0% to RMB742.7 million as at June 30, 2021 compared to RMB501.7 million as at December 31, 2020, which was primarily due to the Group's new acquisition of structured notes, and net fair value gain of RMB47.0 million during the Reporting Period. The structured notes are issued by several world-class commercial banks, which provide a potential return determined at pre-determined interest rate or linked with the price of certain listed equity securities at predetermined valuation day in future.

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

Other financial instruments

The fair value of other financial instruments invested by the Group increased by 245.6% to RMB582.9 million as at June 30, 2021 compared to RMB168.7 million as at December 31, 2020.

The other financial instruments the Group invested were offered by several international financial institutions. For the six months ended June 30, 2021, the Group recognised a fair value gain of RMB17.6 million (2020: a fair value loss of RMB1.1 million) on these investments.

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

Fund Investments

As of June 30, 2021, the Group had investment interests in fourteen venture capital and private equity 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 intelligent hardware, SQL database, 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 fourteen venture capital and private equity funds was RMB301.9 million as at June 30, 2021. The fair value of these Fund Investments increased by 31.5% to RMB576.9 million as at June 30, 2021 compared to RMB438.7 million as at December 31, 2020, which was mainly due to the Group's new acquisition of RMB54.0 million and net fair value gain of RMB110.1 million during the Reporting Period.

Save for the Yunqi Investments, the general partners of the underlying Fund Investments are independent from each other. There was no single Fund Investment whose carrying amount was over 5% of the Group's total assets as of June 30, 2021.

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 (RMB'000) | Fair value of investments as of June 30, 2021 (RMB'000) | Fair value of investments as of December 31, 2020 | 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%-3.8% | 94,852 | 94,852 | – |
| (iii) 1 real-estate and office building rental company | 18,039 | 10% | 18,039 | 18,220 | (1.0%) |
| (iv) 1 commercial bank company | 7,106 | 19.3% | 13,636 | 11,000 | 24.0% |
| (v) 2 financial technology companies | 17,179 | 6%-19% | 17,179 | 17,200 | (0.1%) |
| (vi) 1 advertising company | 8,325 | 0.5% | 8,325 | – | – |
| (vii) 1 e-commerce company | 19,000 | 1.67% | 19,000 | – | – |
| (viii) 1 medicine development company | 19,380 | 0.46% | 19,380 | – | – |

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 is over 5% of the Group's total assets as of June 30, 2021.

Investments in wealth management products

The Group regularly utilizes its idle funds to subscribe for wealth management products through Internet banking from commercial banks in order to earn interest. The fair value of the wealth management products subscribed by the Group increased by 17.9% to RMB156.8 million as at June 30, 2021 compared to RMB133.0 million as at December 31, 2020.

The wealth management products represent RMB-denominated wealth management products with interest rates ranging from 2.14% to 3.70% 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.

Convertible promissory notes

The fair value of convertible promissory notes invested by the Group increased by 166.4% to RMB20.8 million as at June 30, 2021 compared to RMB7.8 million as at December 31, 2020 mainly due to the additional investment of RMB13.0 million. The convertible promissory notes were issued by a banking services company. The principal and interest of the notes shall be repayable within 24 months unless the Group chooses to convert it into equity investment at the pre-determined conversion price.

Redemption Liabilities

In January 2019, the Group entered into an agreement to sell 36% of the equity interests in Jinhua Rui'an Investment Management Company Limited*(金華睿安投資管理有限公司) (“**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 Chuangke Investment Management Co., Ltd*(北京微夢創科創業投資管理有限公司) (“**Beijing Weimeng**”), an associate of Sina Corporation, for a consideration of approximately RMB292.6 million. The transaction was completed on July 5, 2019.

Upon completion of the transaction with Beijing Weimeng, redemption liabilities of RMB335.7 million were recognized.

During the year ended 31 December 2020, redemption liabilities of RMB72.7 million were derecognised against other reserves as related options were lapsed and unexercised, and the estimated amount was revised.

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 completed on April 30, 2021.

During the four months ended April 30, 2021, redemption liabilities of RMB48.5 million were derecognised as related options were lapsed and unexercised and the estimated amount was remeasured at RMB190.2 million as at April 30, 2021. On April 30, 2021, the Group completed the disposal of the remaining 64% equity interests in Jinhua Rui'an to Beijing Weimeng with the put option rights terminated. Accordingly, the redemption liabilities of RMB190.2 million were derecognised against other reserves.

The details are set out in note 13 to the condensed consolidated financial information.

Bank Loans and Other Borrowings

Since 2020, the Group has entered into a few loan facilities with certain internationally reputable financial institutions for financing its investments in certain financial assets. The total available amount under the current facilities is USD143.3 million, of which USD61.5 million, HKD0.3 million and RMB0.1 million have been drawn down as at June 30, 2021. The borrowings were secured by the Group's investments in financial assets at FVPL.

Gearing Ratio

The gearing ratio as at June 30, 2021 was 12.6% compared with 4.9% as at December 31, 2020.

The Group's borrowings increased to RMB397.6 million as at June 30, 2021 compared to RMB141.4 million as at December 31, 2020, which resulted in the increase in gearing ratio. The purpose of the borrowing is for financing the Group's investments in certain financial assets.

Capital Expenditures

For the six months ended June 30, 2021, the Group's capital expenditures were approximately RMB15.9 million which were related to the purchase of and prepayment for property and equipment, intangible assets and other non-current 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 a 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. The transaction was completed on April 30, 2021. 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.

Charges on Assets

As at June 30, 2021, the Group did not have any asset charges.

Foreign Exchange Risk

Most of our subsidiaries' functional currencies are RMB, as the majority of the revenues of these companies are derived from our operations in the PRC. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets as at June 30, 2021. We do not hedge against any fluctuation in foreign currency.

5. Corporate Information

Staff

The Company had 373 full time employees as at June 30, 2021. Tian Ge's success depends on its ability to attract, retain and motivate qualified personnel. The Company adopts high standards in recruitment with strict procedures to ensure the quality of new hiring and use various methods for recruitment, including campus recruitment, online recruitment, internal recommendation and recruiting through hunting firms or agents, to satisfy the demand for different types of talents. Moreover, the Company provides a robust training program for new employees in order to effectively equip them with the skill sets and work ethics which are necessary to succeed at Tian Ge.

Relevant staff cost was RMB65.7 million for the six months ended June 30, 2021, compared with staff cost of RMB66.1 million for the six months ended June 30, 2020. 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 six months ended June 30, 2021.

Share Option and RSU Schemes

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

The share-based compensation expenses for the six months ended June 30, 2021 were RMB8.1 million, as compared to RMB15.3 million for the corresponding period in 2020.

As at June 30, 2021, options representing a total of 8,960,020 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 0.70% as at June 30, 2021. 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 March 31, 2021, the Company granted restricted share units in respect of a total of 25,200,000 ordinary shares of the Company of US \$0.0001 each to the grantees under the Post-IPO RSU Scheme, which represented approximately 1.99% of the total ordinary shares of the Company as at June 30, 2021.

As of June 30, 2021, the total number of shares underlying the Pre-IPO RSU Scheme and Post-IPO RSU Scheme represented approximately 4.45% of the total ordinary shares of the Company.

CONDENSED CONSOLIDATED BALANCE SHEET
(AS AT JUNE 30, 2021)

| | <i>Note</i> | Unaudited 30 June 2021 RMB'000 | Audited 31 December 2020 RMB'000 |
|---|-------------|---|---|
| Assets | | | |
| Non-current assets | | | |
| Property and equipment | | 159,596 | 154,837 |
| Right-of-use assets | | 10,490 | 14,371 |
| Investment properties | 9 | 14,750 | 28,126 |
| Intangible assets | | 71,669 | 73,873 |
| Investments accounted for using the equity method | 5 | 26,041 | 23,999 |
| Prepayments and other receivables | | 96,327 | 39,099 |
| Financial assets at fair value through profit or loss | 7 | 1,286,499 | 824,427 |
| Deferred income tax assets | 14 | 17,886 | 14,358 |
| | | <u>1,683,258</u> | <u>1,173,090</u> |
| Current assets | | | |
| Trade receivables | 6 | 5,833 | 6,013 |
| Prepayments and other receivables | | 151,740 | 133,351 |
| Financial assets at fair value through profit or loss | 7 | 1,100,237 | 697,294 |
| Derivative financial instruments | | 3,329 | 3,632 |
| Term deposits with initial term over 3 months | | 42,017 | 263,637 |
| Cash and cash equivalents | | 814,721 | 973,253 |
| | | <u>2,117,877</u> | <u>2,077,180</u> |
| Assets classified as held for sale | | – | 295,698 |
| | | <u>2,117,877</u> | <u>2,372,878</u> |
| Total assets | | <u>3,801,135</u> | <u>3,545,968</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | 14 | 30,215 | 34,933 |
| Lease liabilities | | 1,302 | 5,077 |
| Other non-current liabilities | | 1,112 | 1,133 |
| | | <u>32,629</u> | <u>41,143</u> |

| | <i>Note</i> | Unaudited 30 June 2021 RMB'000 | Audited 31 December 2020 RMB'000 |
|---|-------------|---|---|
| Current liabilities | | | |
| Borrowings | <i>11</i> | 397,643 | 141,353 |
| Trade payables | <i>12</i> | 1,267 | 1,374 |
| Other payables, accruals and other current liabilities | | 91,875 | 73,860 |
| Current income tax liabilities | | 101,961 | 103,135 |
| Customer advance and deferred revenue | | 12,205 | 17,689 |
| Lease liabilities | | 7,986 | 7,908 |
| Derivative financial instruments | | 991 | 526 |
| Redemption liabilities | <i>13</i> | – | 238,729 |
| | | 613,928 | 584,574 |
| Liabilities directly associated with assets classified as held for sale | | – | 7,413 |
| | | 613,928 | 591,987 |
| Total liabilities | | 646,557 | 633,130 |
| Net assets | | 3,154,578 | 2,912,838 |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 787 | 795 |
| Shares held for restricted share unit schemes | | (16) | – |
| Share premium | | 1,720,863 | 1,762,930 |
| Other reserves | | 576,300 | 352,094 |
| Retained earnings | | 856,839 | 682,414 |
| | | 3,154,773 | 2,798,233 |
| Non-controlling interests | | (195) | 114,605 |
| Total equity | | 3,154,578 | 2,912,838 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(For the six months ended June 30, 2021)

| | | Unaudited | |
|--|-------------|---------------------------------|----------------------|
| | | Six months ended 30 June | |
| | <i>Note</i> | 2021 | 2020 |
| | | RMB'000 | RMB'000 |
| Continuing operations | | | |
| Revenue | 4 | 116,404 | 185,146 |
| Cost of revenue | 15 | <u>(11,208)</u> | <u>(14,058)</u> |
| Gross profit | 15 | 105,196 | 171,088 |
| Selling and marketing expenses | 15 | (55,244) | (55,354) |
| Administrative expenses | 15 | (46,727) | (46,213) |
| Research and development expenses | | (37,063) | (35,533) |
| Reversal of impairment losses/(impairment losses) on financial assets, net | | 1,024 | (5,601) |
| Other gains, net | 16 | <u>167,316</u> | <u>7,728</u> |
| Operating profit | | 134,502 | 36,115 |
| Finance income | 17 | 1,866 | 6,421 |
| Finance costs | 17 | <u>(2,348)</u> | <u>(483)</u> |
| Finance (costs)/income, net | 17 | (482) | 5,938 |
| Share of (loss)/profit of investments accounted for using the equity method | 5 | <u>(409)</u> | <u>2,566</u> |
| Profit before income tax | | 133,611 | 44,619 |
| Income tax expense | 18 | <u>(11,473)</u> | <u>(13,225)</u> |
| Profit from continuing operations | | <u>122,138</u> | <u>31,394</u> |
| Discontinued operations | | | |
| Profit from discontinued operations | 8 | <u>51,641</u> | <u>5,563</u> |
| Profit for the period | | <u>173,779</u> | <u>36,957</u> |
| Other comprehensive income | | | |
| Items that may be reclassified to profit or loss | | | |
| Currency translation differences | | <u>(20,164)</u> | <u>18,997</u> |
| Total comprehensive income for the period | | <u>153,615</u> | <u>55,954</u> |

| | | Unaudited | |
|--|-------------|---------------------------------|----------------|
| | | Six months ended 30 June | |
| | <i>Note</i> | 2021 | 2020 |
| | | RMB'000 | RMB'000 |
| Profit attributable to: | | | |
| – Owners of the Company | | 171,927 | 35,914 |
| – Non-controlling interests | | <u>1,852</u> | <u>1,043</u> |
| | | <u>173,779</u> | <u>36,957</u> |
| Total comprehensive income attributable to: | | | |
| – Owners of the Company | | 151,763 | 54,911 |
| – Non-controlling interests | | <u>1,852</u> | <u>1,043</u> |
| | | <u>153,615</u> | <u>55,954</u> |
| Total comprehensive income for the period attributable to owners of the Company arises from: | | | |
| – Continuing operations | | 102,999 | 52,063 |
| – Discontinued operations | | <u>48,764</u> | <u>2,848</u> |
| | | <u>151,763</u> | <u>54,911</u> |
| 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 | <i>19</i> | 0.097 | 0.026 |
| – Diluted earnings per share | <i>19</i> | <u>0.096</u> | <u>0.026</u> |
| Earnings per share for profit attributable to the ordinary equity holders of the Company (expressed in RMB per share): | | | |
| Basic earnings per share | <i>19</i> | 0.135 | 0.028 |
| Diluted earnings per share | <i>19</i> | <u>0.134</u> | <u>0.028</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(For the six months ended June 30, 2021)

| | Unaudited | | | | | | Non-controlling interests | Total equity |
|---|---------------------------------------|---------------------------|------------------|----------------|-------------------|------------------|---------------------------|------------------|
| | Attributable to owners of the Company | | | | | | | |
| | Share capital | Share held for RSU scheme | Share premium | Other reserves | Retained earnings | Total | | |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| Balance at 1 January 2021 | 795 | - | 1,762,930 | 352,094 | 682,414 | 2,798,233 | 114,605 | 2,912,838 |
| Comprehensive income | | | | | | | | |
| Profit for the six months ended 30 June 2021 | - | - | - | - | 171,927 | 171,927 | 1,852 | 173,779 |
| Other comprehensive income | | | | | | | | |
| Currency translation differences | - | - | - | (20,164) | - | (20,164) | - | (20,164) |
| Total comprehensive income | - | - | - | (20,164) | 171,927 | 151,763 | 1,852 | 153,615 |
| Transactions with shareholders of the Company, recognised directly in equity | | | | | | | | |
| Employees share option scheme: | | | | | | | | |
| - proceeds from shares issued | - | - | 168 | - | - | 168 | - | 168 |
| Employees restricted share unit ("RSU") scheme: | | | | | | | | |
| - value of employee service | - | - | - | 8,139 | - | 8,139 | - | 8,139 |
| - shares issued for RSU scheme | 16 | (16) | - | - | - | - | - | - |
| - Repurchase and cancellation of ordinary shares | (24) | - | (42,235) | - | - | (42,259) | - | (42,259) |
| Derecognition of redemption liabilities | - | - | - | 238,729 | - | 238,729 | - | 238,729 |
| Disposal of subsidiaries | - | - | - | (2,498) | 2,498 | - | (116,652) | (116,652) |
| Total transactions with shareholders of the Company, recognised directly in equity | (8) | (16) | (42,067) | 244,370 | 2,498 | 204,777 | (116,652) | 88,125 |
| Balance at 30 June 2021 | 787 | (16) | 1,720,863 | 576,300 | 856,839 | 3,154,773 | (195) | 3,154,578 |

Unaudited

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW
(FOR THE SIX MONTHS ENDED JUNE 30, 2021)

| | Unaudited | |
|--|---------------------------------|-----------------------|
| | Six months ended 30 June | |
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Net cash generated used in operating activities | (87,302) | (3,885) |
| Net cash used in investing activities | (258,036) | (228,903) |
| Net cash generated from financing activities | 194,444 | 112,001 |
| Net decrease in cash and cash equivalents | (150,894) | (120,787) |
| Cash and cash equivalents at beginning of the period | 973,253 | 1,033,006 |
| Exchange (loss)/gain on cash and cash equivalents | (7,638) | 7,223 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of the period | <u>814,721</u> | <u>919,442</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(FOR THE SIX MONTHS ENDED JUNE 30, 2021)

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in the operation of live social video platforms, mobile and online games, advertising and other services in the People’s Republic of China (the “**PRC**”).

This condensed consolidated financial information is presented in Renminbi (the “**RMB**”), unless otherwise stated. This condensed consolidated financial information was approved by the board of directors of the Company for issue on 30 August 2021.

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

2. BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 ‘Interim Financial Reporting’. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with IFRS as set out in the 2020 annual report of the Company dated 30 March 2021.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings (Note 18) and the adoption of new and amended standards (Note 3.1) as set out below.

3.1 New and amended standards adopted by the Group

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

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

A number of new standards and amendments to standards have not come into effect for the financial year beginning 1 January 2021 and have not been early adopted by the Group in preparing the condensed consolidated financial information. None of these is expected to have a significant effect on the condensed consolidated financial information of the Group.

4. SEGMENT INFORMATION

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

The Group's continuing operation has following reportable segments for the six months ended 30 June 2021 and 2020:

- Online interactive entertainment service;
- Others.

The "Online interactive entertainment service" segment mainly comprises of the provision of service through the Group's live social video platform and online games (six months ended 30 June 2020: live social video platform). "Others" segment of the Group mainly comprises of the provision of software research and development and other services.

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

There were no material inter-segment sales during the six months ended 30 June 2021 and 2020. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the condensed consolidated statement of comprehensive income.

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

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2021 and 2020 is as follows:

| | Continuing operations | | | | | |
|--|---|---------------------------|--------------------------|---|---------------------------|--------------------------|
| | Six months ended 30 June 2021 | | | Six months ended 30 June 2020 | | |
| | Online interactive entertainment RMB'000 | Others RMB'000 | Total RMB'000 | Online interactive entertainment RMB'000 | Others RMB'000 | Total RMB'000 |
| Revenue | 113,409 | 2,995 | <u>116,404</u> | 184,020 | 1,126 | <u>185,146</u> |
| Gross profit | 103,826 | 1,370 | <u>105,196</u> | 170,048 | 1,040 | <u>171,088</u> |
| – Depreciation, amortisation and impairment charges included in segment cost | 1,801 | – | <u>1,801</u> | 1,886 | – | <u>1,886</u> |
| Operating profit | | | 134,502 | | | 36,115 |
| Finance income | | | 1,866 | | | 6,421 |
| Finance costs | | | (2,348) | | | (483) |
| Shares of (loss)/profit of investments accounted for using the equity method | | | <u>(409)</u> | | | <u>2,566</u> |
| Profit before income tax | | | <u>133,611</u> | | | <u>44,619</u> |

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | As at 30 June 2021 RMB'000 | As at 31 December 2020 RMB'000 |
|--------------------|---|---|
| Associates (a) | 25,269 | 22,302 |
| Joint ventures (b) | <u>772</u> | <u>1,697</u> |
| | <u>26,041</u> | <u>23,999</u> |

(a) Investment in associates

| | Six months ended | |
|----------------------------------|------------------|----------------|
| | 30 June 2021 | 30 June 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Opening balance as at 1 January | 22,302 | 22,777 |
| Additions (i) | 3,000 | – |
| Disposal (ii) | (148) | (965) |
| Share of profits | 517 | 3,167 |
| Currency translation differences | (402) | (50) |
| | <hr/> | <hr/> |
| Closing balance as at 30 June | 25,269 | 24,929 |

(i) During the six months ended 30 June 2021, the Group made a capital injection of RMB3,000 thousand to an associate engaged in real estate intermediary services.

(ii) During the six months ended 30 June 2021, the Group disposed of the entire equity interest in an associate, which was engaged in the operation of online casual game in the PRC, for a total cash consideration of RMB422 thousand, resulting in a gain of RMB274 thousand.

(b) Investment in joint ventures

| | Six months ended | |
|----------------------------------|------------------|----------------|
| | 30 June 2021 | 30 June 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Opening balance as at 1 January | 1,697 | 3,797 |
| Disposal | – | (1,601) |
| Share of losses | (926) | (601) |
| Currency translation differences | 1 | 2 |
| | <hr/> | <hr/> |
| Closing balance as at 30 June | 772 | 1,597 |

6. TRADE RECEIVABLES

| | As at 30 June 2021 <i>RMB'000</i> | As at 31 December 2020 <i>RMB'000</i> |
|---|--|--|
| Amount due from third parties | 5,872 | 6,852 |
| Less: allowance for impairment of trade receivables | (39) | (839) |
| | <u>5,833</u> | <u>6,013</u> |

At 30 June 2021 and 31 December 2020, the ageing analysis of the trade receivables based on recognition date of the gross trade receivables at the respective balance sheet dates were as follows:

| | As at 30 June 2021 <i>RMB'000</i> | As at 31 December 2020 <i>RMB'000</i> |
|--------------|--|--|
| 0-90 days | 5,852 | 5,680 |
| 91-180 days | 1 | 346 |
| 181-365 days | 7 | 17 |
| Over 1 year | 12 | 809 |
| | <u>5,872</u> | <u>6,852</u> |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 30 June 2021 <i>RMB'000</i> | As at 31 December 2020 <i>RMB'000</i> |
|---|--|--|
| Included in non-current assets | | |
| Unlisted equity investments (a) | 290,411 | 260,487 |
| Investments in venture capital and private equity funds (b) | 576,928 | 438,745 |
| Other financial instruments (e) | 398,330 | 117,375 |
| Convertible promissory notes (f) | 20,830 | 7,820 |
| | <u>1,286,499</u> | <u>824,427</u> |
| Included in current assets | | |
| Structured notes (c) | 742,702 | 501,670 |
| Investments in wealth management products (d) | 156,789 | 132,950 |
| Other financial instruments (e) | 184,595 | 51,284 |
| Listed equity securities | 16,151 | 11,390 |
| | <u>1,100,237</u> | <u>697,294</u> |
| | <u>2,386,736</u> | <u>1,521,721</u> |

- (a) This represents the Group's investments in unlisted equity interests. Set out below are the movements of the Group's unlisted equity investments for the six months ended 30 June 2021 and 2020:

| | Six months ended 30 June | |
|--|---------------------------------|-----------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Unlisted equity investments | | |
| Opening balance as at 1 January | 260,487 | 491,122 |
| Additions (i) | 46,768 | 7,656 |
| Disposals | (10,037) | (10,537) |
| Dividend received | – | (8,584) |
| Fair value loss recognised in consolidated statement of comprehensive income | (6,247) | 1,061 |
| Currency translation differences | (560) | 664 |
| | <u>290,411</u> | <u>481,382</u> |
| Closing balance as at 30 June | <u>290,411</u> | <u>481,382</u> |

- (i) During the first half of 2021, the Group paid RMB46,768 thousand to purchase certain equity interests of three unlisted companies engaged in the e-commerce overseas, advertising and medicine development. As the Group has preferential rights over these unlisted companies, they are accounted for as financial assets at FVPL.
- (b) This represents the Group's investments in certain venture capital and private equity funds as a limited partner. Set out below are the movements of the Group's investments in such funds as at 30 June 2021 and 2020:

| | Six months ended 30 June | |
|---|---------------------------------|-----------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Investments in venture capital and private equity funds | | |
| Opening balance as at 1 January | 438,745 | 394,243 |
| Additions (i) | 54,012 | 19,720 |
| Repayment of investments (ii) | (23,314) | (3,355) |
| Fair value gain/(loss) recognised in consolidated statement of comprehensive income | 110,122 | (4,928) |
| Currency translation difference | (2,637) | 3,166 |
| | <u>576,928</u> | <u>408,846</u> |
| Closing balance as at 30 June | <u>576,928</u> | <u>408,846</u> |

- (i) During the six months ended 30 June 2021, the Group paid approximately RMB54,012 thousand to subscribe for interests in certain venture capital and private equity funds (six months ended 30 June 2020: RMB19,720 thousand) as a limited partner. As the Group didn't have control or significant influence on these funds, the investments were classified as financial assets at FVPL. These funds were established to invest in unlisted companies and to obtain capital appreciation and investment income.
- (ii) During the six months ended 30 June 2021, the Group received a cash payment of RMB23,314 thousand (six months ended 30 June 2020: RMB3,355 thousand) from certain venture capital funds for the return of investment principal.

- (c) This represents the Group's investments in structured notes. These instruments provide a potential return determined at the pre-determined interest rate or linked to the price of certain listed equity securities at the pre-determined valuation day in future. Set out below are the movements of the Group's investments in structured notes for the six months ended 30 June 2021 and 2020:

| | Six months ended 30 June | |
|---|---------------------------------|-----------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Structured notes | | |
| Opening balance as at 1 January | 501,670 | 16,525 |
| Additions | 1,558,954 | 412,156 |
| Disposals | (1,359,433) | (133,880) |
| Fair value gain/(loss) recognised in consolidated statement of comprehensive income | 46,987 | (3,706) |
| Currency translation difference | (5,476) | 1,881 |
| | <u>742,702</u> | <u>292,976</u> |
| Closing balance as at 30 June | <u><u>742,702</u></u> | <u><u>292,976</u></u> |

- (d) This represents RMB-denominated wealth management products with interest rates ranging from 2.14% to 3.70% 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.
- (e) This represents the Group's investments in other financial instruments, which were offered by several international financial institutions. During the six months ended 30 June 2021, the Group recognised a fair value gain of RMB17,588 thousand (six months ended 30 June 2020: fair value loss of RMB1,062 thousand) on these investments.

| | As at | As at |
|---|-----------------------|-----------------------|
| | 30 June | 31 December |
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Included in current assets | | |
| Exchange Traded Fund (i) | 43,645 | 4,990 |
| Private investment fund (ii) | 134,993 | 40,320 |
| Other fund investments | 5,957 | 5,974 |
| | <u>184,595</u> | <u>51,284</u> |
| Included in non-current assets | | |
| Insurance policies (iii) | 103,034 | 63,641 |
| REIT access fund (iv) | 61,910 | 39,619 |
| Private investment fund (ii) | 218,821 | 7,590 |
| Blackstone Private Credit access fund (v) | 13,127 | 6,525 |
| Other fund investments | 1,438 | – |
| | <u>398,330</u> | <u>117,375</u> |
| | <u><u>582,925</u></u> | <u><u>168,659</u></u> |

- (i) The balance represents the Group's investments in Exchange Traded Fund ("ETF") in the U.S. stock market. During the six months ended 30 June 2021, the Group recognised a fair value gain of RMB3,119 thousand on the ETF investment.

- (ii) The balance represents the Group's private investment fund offered by several internationally reputable financial institutions which mainly invested in securities in the secondary market. During the six months ended 30 June 2021, the fair value gain of the investments was RMB5,088 thousand (six months ended 30 June 2020: RMB877 thousand).
- (iii) In October 2020, the Group entered into key management insurance policies with a insurance company for a total cash consideration of USD9,650 thousand (approximately RMB64,444 thousand). The policies combined investment arrangements with insurance of the life of the key management and the beneficiary of the insurance policies is the Group. As the policies do not contain significant insurance risk, the investments in the insurance policies were designated as financial assets at FVPL as a whole.

During the six months ended 30 June 2021, the Group entered into key management insurance policies with certain insurance companies for a total cash consideration of USD13,450 thousand (approximately RMB87,441 thousand). The Group has recognised USD5,530 thousand (approximately RMB36,276 thousand) as financials assets at FVPL and prepayment for future installment fee of USD7,920 thousand (approximately RMB51,165 thousand) as prepayments for purchase of investments.

During the six months ended 30 June 2021, a fair value gain of RMB4,300 thousand (six months ended 30 June 2020: nil) 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. During the six months ended 30 June 2021, the fair value gain of the investment was RMB4,338 thousand (six months ended 30 June 2020: fair value loss of RMB2,197 thousand).
 - (v) The balance represents the Group's investment in a Blackstone Private Credit access fund, which mainly invested in debt instruments. During the six months ended 30 June 2021, the fair value change of the investment was RMB339 thousand.
- (f) The balance represents the Group's investment in the convertible promissory notes issued by a banking services company. The principal and interest of the notes shall be repayable within 24 months unless the Group chooses to convert it into equity investment at the pre-determined conversion price. The management designated the notes as financial asset at FVPL.

8. DISCONTINUED OPERATIONS

(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 who held 80% equity interests in Shanghai Benqu, for a total consideration of RMB256,000 thousand. The transaction was completed on 30 April 2021. The subsidiaries were reported as discontinued operations in the condensed consolidated financial information for the six months ended 30 June 2021 and 2020. As this transaction was not completed on 31 December 2020, the associated assets and liabilities were presented as held for sale as of 31 December 2020. Financial information relating to the discontinued operations is set out below.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the four months ended 30 April 2021 and six months ended 30 June 2020.

| | Four months ended 30 April 2021 RMB'000 | Six months ended 30 June 2020 RMB'000 |
|---|--|--|
| Discontinued operations | | |
| Revenue | 17,641 | 23,886 |
| Cost of revenue | <u>(8,969)</u> | <u>(10,201)</u> |
| Gross profit from discontinued operations | 8,672 | 13,685 |
| Selling and marketing expenses | (1,030) | (4,033) |
| Administrative expenses | (1,372) | (1,699) |
| Research and development expenses | (935) | (2,181) |
| Other gains, net | <u>1,169</u> | <u>967</u> |
| Operating profit | 6,504 | 6,739 |
| Finance income, net | <u>3</u> | <u>10</u> |
| Profit before income tax | 6,507 | 6,749 |
| Income tax | <u>(613)</u> | <u>(1,186)</u> |
| Profit after income tax | 5,894 | 5,563 |
| Gain on disposal of subsidiary after income tax (see (c) below) | <u>45,747</u> | <u>–</u> |
| Profit from discontinued operations | 51,641 | 5,563 |
| Net cash inflow (used in)/from operating activities | (116) | 10,446 |
| Net cash outflow from/(used in) investing activities | 3,283 | (12,454) |
| Net cash inflow from financing activities | <u>–</u> | <u>609</u> |
| Net increase/(decrease) in cash generated by the subsidiaries | <u>3,167</u> | <u>(1,399)</u> |

(c) **Details of the disposal of the subsidiaries**

| | Four months ended 30 April 2021 RMB'000 |
|---|--|
| Consideration received | |
| Cash | 256,000 |
| Total disposal consideration | 256,000 |
| Carrying amount of net assets sold | (294,181) |
| Derecognition of non-controlling interest of the subsidiaries | 116,652 |
| Gain on disposal before income tax | 78,471 |
| Income tax expense on disposal | (32,724) |
| Gain on disposal after income tax | 45,747 |

The carrying amounts of the assets and liabilities of the subsidiaries as at the date of disposal were as follows:

| | As at 30 April 2021 RMB'000 |
|---|--|
| Non-current assets | |
| Property, plant and equipment | 1,146 |
| Intangible assets (including goodwill) | 213,295 |
| Prepayments and other receivables | 109 |
| Term deposits over 3 months | 20,221 |
| Right-of-use assets | 147 |
| Current assets | |
| Trade receivables | 21,914 |
| Prepayments and other receivables | 6,144 |
| Financial assets at fair value through profit or loss | 33,380 |
| Cash and cash equivalents | 4,190 |
| Total assets | 300,546 |
| Non-current liabilities | |
| Deferred income tax liabilities | 581 |
| Current liabilities | |
| Trade payables | 913 |
| Other payables and accruals | 4,796 |
| Lease liabilities | 75 |
| Total liabilities | 6,365 |
| Net assets of the discontinued operations | 294,181 |

(d) **Assets and liabilities of disposal group classified held for sale**

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

| | As at 31 December 2020 <i>RMB'000</i> |
|--|--|
| 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 fair value through profit or loss | 36,057 |
| Cash and cash equivalents | 1,023 |
| | <hr/> |
| Total assets of disposal group held for sale | 295,698 |
| | <hr/> <hr/> |
| 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 |
| | <hr/> |
| Total liabilities of disposal group held for sale | 7,413 |
| | <hr/> <hr/> |

9. **INVESTMENT PROPERTIES**

| | Six months ended 30 June | |
|---------------------------------------|---------------------------------|-----------------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| At fair value | | |
| Opening amount as at 1 January | 28,126 | 56,591 |
| Net losses from fair value adjustment | (5,569) | (971) |
| Disposal | (7,755) | – |
| Currency translation differences | (52) | 626 |
| | <hr/> | <hr/> |
| Closing amount as at 30 June | 14,750 | 56,246 |
| | <hr/> <hr/> | <hr/> <hr/> |

10. SHARE-BASED PAYMENTS

(a) Share Options

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

Movements in the number of outstanding share options are as follows:

| | Number of Pre-IPO Share Options | Number of Post-IPO Share Options | Total number of share options |
|--------------------------|--|---|--|
| At 1 January 2021 | 6,622,720 | 2,852,000 | 9,474,720 |
| Exercised | (363,000) | – | (363,000) |
| Lapsed | (151,700) | – | (151,700) |
| | <u>6,108,020</u> | <u>2,852,000</u> | <u>8,960,020</u> |
| At 30 June 2021 | 6,108,020 | 2,852,000 | 8,960,020 |
| | <u>6,108,020</u> | <u>2,852,000</u> | <u>8,960,020</u> |
| At 1 January 2020 | 15,939,335 | 2,852,000 | 18,791,335 |
| Exercised | (1,127,000) | – | (1,127,000) |
| Lapsed | (108,575) | – | (108,575) |
| | <u>14,703,760</u> | <u>2,852,000</u> | <u>17,555,760</u> |
| At 30 June 2020 | 14,703,760 | 2,852,000 | 17,555,760 |
| | <u>14,703,760</u> | <u>2,852,000</u> | <u>17,555,760</u> |

As at 30 June 2021, 8,960,020 share options were outstanding and exercisable (30 June 2020: 17,555,760).

During the six months ended 30 June 2021 and 2020, no share options were granted to any directors of the Company.

As a result of the options exercised during the six months ended 30 June 2021, 363,000 ordinary shares (six months ended 30 June 2020: 1,127,000 ordinary shares) were issued by the Company. The weighted average price of the shares at the time these options were exercised was HK\$1.2193 per share (six months ended 30 June 2020: HK\$1.6943 per share).

(b) Restricted share units

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

On 31 March 2021, the Company issued 25,200,000 ordinary shares to a third party agent 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 September 2021, and the remaining 50% shall vest in March 2022. The fair value of Post-IPO RSUs granted was HK\$0.89 per share (equivalent to approximately RMB0.74 per share).

Movements of the number of outstanding RSUs during the six months ended 30 June 2021 and 2020 are as follows:

| | Number of Post-IPO RSUs |
|--------------------------|--------------------------------|
| At 1 January 2021 | – |
| Granted | <u>25,200,000</u> |
| At 30 June 2021 | <u><u>25,200,000</u></u> |
| At 1 January 2020 | – |
| Granted | 15,000,000 |
| Vest and transfer | <u>(7,500,000)</u> |
| At 30 June 2020 | <u><u>7,500,000</u></u> |

(c) Fair value of share options and RSUs

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

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

Fair value of share options

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

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

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

Fair value of RSUs

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

(d) Shares held for RSU Scheme

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

11. BORROWINGS

| | As at 30 June 2021 RMB'000 | As at 31 December 2020 RMB'000 |
|--|---|---|
| Included in current liabilities | | |
| USD bank borrowings, secured | 397,249 | 137,969 |
| HKD bank borrowings, secured | 283 | 3,384 |
| RMB bank borrowings, secured | 111 | – |
| | <u>397,643</u> | <u>141,353</u> |

Since 2020, the Group has entered into a few loan facilities with certain internationally reputable financial institutions to finance its certain investments in financial assets. The total available amount under the current facilities is USD143,326 thousand, of which USD61,493 thousand, HKD340 thousand and RMB111 thousand have been drawn down as at 30 June 2021. The borrowings were secured by the Group's certain investments in financial assets at FVPL.

12. TRADE PAYABLES

| | As at 30 June 2021 RMB'000 | As at 31 December 2020 RMB'000 |
|---------------|---|---|
| Third parties | <u>1,267</u> | <u>1,374</u> |

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade payables based on recognition date was as follows:

| | As at 30 June 2021 RMB'000 | As at 31 December 2020 RMB'000 |
|--------------|---|---|
| 0-90 days | 443 | 648 |
| 181-365 days | 98 | – |
| Over 1 year | 726 | 726 |
| | <u>1,267</u> | <u>1,374</u> |

13. REDEMPTION LIABILITIES

| | As at 30 June 2021 RMB'000 | As at 31 December 2020 RMB'000 |
|--|-------------------------------------|---|
| Liabilities in relation to put options granted to non-controlling interest (“NCI”) of subsidiaries | – | 238,729 |

In January 2019, the Group, Jinhua Rui’an Investment Management Company Limited (“**Jinhua Rui’an**”), a subsidiary of the Group held 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 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 and recognised 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 were derecognised against other reserves as related options lapsed unexercised and the estimated amount was revised.

During the four months ended 30 April 2021, redemption liabilities of RMB48,534 thousand were derecognised as related options lapsed unexercised. On 30 April 2021, the Group sold the remaining 64% equity interests in Jinhua Rui’an to the Purchaser with the put option rights terminated. Accordingly, the total redemption liabilities of RMB190,195 thousand were derecognised against other reserves.

14. DEFERRED INCOME TAX

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

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Opening balance as at 1 January | (20,575) | (94,532) |
| Recognised in the consolidated statements of comprehensive income | 8,246 | 11,535 |
| Disposal of a subsidiary | – | 462 |
| | <hr/> | <hr/> |
| Closing balance as at 30 June | (12,329) | (82,535) |

As at 30 June 2021, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the undistributed profits of approximately RMB357,414 thousand (31 December 2020: RMB336,332 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. EXPENSES BY NATURE

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Employee benefit expenses (including share-based compensation expenses) | 65,745 | 66,106 |
| Promotion and advertising expenses | 32,179 | 41,002 |
| Bandwidth and server custody fees | 6,678 | 11,009 |
| Game and software development costs | 5,323 | 1,412 |
| Travelling and entertainment expenses | 12,974 | 5,886 |
| Amortisation of intangible assets | 2,184 | 1,873 |
| Depreciation and impairment of property and equipment | 4,608 | 5,384 |
| Utilities and office expenses | 3,554 | 4,760 |
| Professional and consultancy fee | 6,549 | 4,878 |
| Depreciation of right-of-use assets | 3,954 | 2,100 |
| Auditors' remuneration | 1,940 | 2,025 |
| Payment handling costs | 467 | 1,387 |
| Short-term operating leases | 902 | 547 |
| Others | 3,185 | 2,789 |
| | <hr/> | <hr/> |
| Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses | 150,242 | 151,158 |

16. OTHER GAINS, NET

| | Six months ended 30 June | |
|--|---------------------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Interest on term deposits with initial term over 3 months | 459 | 3,828 |
| Fair value (losses)/gains on financial assets at FVPL | | |
| – Unlisted equity investments | (6,247) | 1,061 |
| – Venture capital and private equity funds | 110,122 | (4,928) |
| – Wealth management products | 2,697 | 8,165 |
| – Structured notes | 46,987 | (3,706) |
| – Other financial instruments | 17,588 | (1,062) |
| – Listed equity securities | 2,582 | – |
| – Convertible promissory notes | 169 | (71) |
| Net fair value loss on derivatives held for trading | (12,066) | (2,877) |
| Government grants | 5,704 | 2,096 |
| Interest income on loans to third parties, related parties and employees | 2,556 | 2,573 |
| Gains on disposal of subsidiaries | – | 1,282 |
| Net losses from fair value adjustment of investment properties | (5,569) | (971) |
| Foreign exchange gains on non-financing activities | 1,310 | 172 |
| Others | 1,024 | 2,166 |
| | 167,316 | 7,728 |

17. FINANCE (COSTS)/INCOME, NET

| | Six months ended 30 June | |
|--|---------------------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Finance income: | | |
| – Interest income on cash and cash equivalents | 1,865 | 6,377 |
| – Exchange gain on financing activities, net | 1 | 44 |
| | 1,866 | 6,421 |
| Finance costs: | | |
| – Interest expenses on borrowings | (2,087) | (256) |
| – Interest expenses on lease liabilities | (261) | (111) |
| – Exchange loss on financing activities, net | – | (79) |
| – Other interest expenses | – | (37) |
| | (2,348) | (483) |
| Finance (costs)/income, net | (482) | 5,938 |

18. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---------------------|--------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Current income tax | 19,719 | 24,007 |
| Deferred income tax | (8,246) | (10,782) |
| | <u>11,473</u> | <u>13,225</u> |

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

(i) Enterprise income tax expense

The Group is not subject to taxation in the Cayman Islands.

Under the current Hong Kong Inland Revenue Ordinance, the Company's subsidiaries incorporated in Hong Kong are subject to a two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

The companies established and operated in the PRC are subject to PRC Enterprise Income Tax ("EIT") at a rate of 25% (2020: 25%), and certain Group's subsidiaries established in the PRC and PRC Operating Entities are entitled to preferential EIT rate of 15% (2020: 15%).

Enterprise income tax expense is recognised based on the management's estimate of the expected weighted average income tax rate for the full financial year. The estimated average annual tax rate used for companies established and operated in the PRC and Hong Kong for the year ending 31 December 2021 are 17.02% and 16.50%, respectively (the year ended 31 December 2020: 16.91% and 16.50%, respectively).

(ii) Withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax rate. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. In November 2019, Week8 (HK) Holdings Limited ("Week8(HK)") was approved by Inland Revenue Department of Hong Kong Special Administrative Region as a resident of the Hong Kong Special Administration Region for 2018 and the two succeeding calendar years. Pursuant to such approval, the dividends distributed to Week8(HK) from the PRC subsidiaries from 2018 to 2020 would be subject to withholding tax rate of 5%.

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

In April 2021, Week8(HK) submitted a request for renewing its resident of the Hong Kong Special Administration Region. As the management believe that it is highly probable that the request can be approved, the Group continues to accrue for the withholding tax at the rate of 5% for all the WFOEs' profit of RMB12,872 thousand generated for the six months ended 30 June 2021.

During the six months ended 30 June 2020, the Group received a refunded withholding tax of RMB27,500 thousand related to the dividends paid in 2018 and 2019, and recorded it as a reversal of income tax expense.

19. EARNINGS PER SHARE

(a) Basic

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

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2021 | 2020 |
| Total profit attributable to owners of the Company (RMB'000) from: | | |
| Continuing operations | 123,163 | 33,066 |
| Discontinued operations | 48,764 | 2,848 |
| | 171,927 | 35,914 |
| Weighted average number of ordinary shares in issue (thousand shares) | 1,273,022 | 1,261,064 |
| Basic earnings per share (in RMB/share) attributable to the ordinary equity holders of the Company arises from: | | |
| Continuing operations | 0.097 | 0.026 |
| Discontinued operations | 0.038 | 0.002 |
| | 0.135 | 0.028 |

(b) Diluted

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

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

| | Six months ended 30 June | |
|--|---------------------------------|------------------|
| | 2021 | 2020 |
| Total profit attributable to owners of the Company (RMB'000) from: | | |
| Continuing operations | 123,163 | 33,066 |
| Discontinued operations | 48,764 | 2,848 |
| | <u>171,927</u> | <u>35,914</u> |
| Weighted average number of ordinary shares in issue (thousand shares) | 1,273,022 | 1,261,064 |
| Adjustments for share based compensation – share options (thousand shares) | 747 | 7,984 |
| Adjustments for share based compensation – RSUs (thousand shares) | 6,254 | 3,056 |
| | <u>1,280,023</u> | <u>1,272,104</u> |
| Diluted earnings per share (in RMB/share) attributable to the ordinary equity holders of the Company arises from: | | |
| Continuing operations | 0.096 | 0.026 |
| Discontinued operations | 0.038 | 0.002 |
| | <u>0.134</u> | <u>0.028</u> |

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) as its own code of corporate governance. During the six months ended June 30, 2021, the Company has complied with all the applicable code provisions of the CG Code and adopted most of the best practices set out therein. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with 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. In the previous financial year, Mr. Fu Zhengjun was in breach of Rules A.3 and B.8 of the Model Code for one transaction involving 1,000,000 shares of the Company due to an inadvertent mistake involving miscommunication with his financial intermediary. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the six months ended June 30, 2021, the Company has repurchased a total of 39,725,000 shares on the Stock Exchange with an aggregate amount of HK\$51,256,840. As at the date of this announcement, all shares repurchased during the six months ended June 30, 2021 were cancelled. Details of shares repurchased during the six months ended June 30, 2021 are set out as follows:

| Month of repurchases | Number of Shares purchased on the Stock Exchange | Price paid per Share | | Aggregate consideration paid (HKD) |
|----------------------|--|----------------------|--------------|------------------------------------|
| | | Highest (HKD) | Lowest (HKD) | |
| April 2021 | 4,965,000 | 1.25 | 0.92 | 5,308,440.00 |
| May 2021 | 17,868,000 | 1.43 | 1.07 | 22,993,330.00 |
| June 2021 | 16,892,000 | 1.45 | 1.24 | 22,955,070.00 |

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities during the six months ended June 30, 2021.

DIVIDEND

The Board did not declare any interim dividend for the six months ended June 30, 2021.

REVIEW OF THE INTERIM RESULTS

The Audit Committee has reviewed (i) the accounting principles and practices adopted by the Group, and (ii) the auditing, internal control and financial reporting matters, including the review of the interim results of the Group for the six months ended June 30, 2021.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended June 30, 2021 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the interim financial information has not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PUBLICATION OF INTERIM REPORT

Pursuant to the requirements of the Listing Rules regarding the Reporting Period, the 2021 interim report of the Company will set out all information disclosed in the interim results announcement for the first half of 2021 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 (<http://www.hkexnews.hk>) in due course.

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

Hong Kong, August 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 purpose only*