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Tian Ge Interactive Holdings Limited

天 鵠 互 動 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1980)

ANNOUNCEMENT OF UNAUDITED 2014 THIRD QUARTER RESULTS

The board of directors (the “**Directors**”) (the “**Board**”) of Tian Ge Interactive Holdings Limited (the “**Company**” or “**Tian Ge**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three and nine months ended September 30, 2014. These quarterly results have been reviewed by (i) the Company’s audit committee (the “**Audit Committee**”), comprising solely the independent non-executive Directors, one of whom chairs the Audit Committee, and (ii) the Company’s external auditors, PricewaterhouseCoopers.

FINANCIAL HIGHLIGHTS

	Unaudited		
	Three months ended		Year-on
	September 30,		year
	2014	2013	Change %
<i>(RMB’000, unless specified)</i>			
Revenue	173,086⁽¹⁾	139,672	23.9%
– Live social video platform	161,473⁽¹⁾	138,276	16.8%
– Games & Other	11,613⁽¹⁾	1,396	731.9%
Gross profit	153,100	121,290	26.2%
<i>gross margin</i>	88.5%	86.8%	
Profit/(Loss) attributable to equity holders of the Company	20,582	(30,180)	
Adjusted net profit ⁽²⁾	71,637	49,603	44.4%
<i>Adjusted Net Margin</i>	41.4%	35.5%	
Earnings/(Loss) per share (expressed in RMB per share)			
– basic	0.018	(0.047)	
– diluted	0.016	(0.047)	
Adjusted EPS ⁽³⁾ (expressed in RMB per share)			
– basic	0.063	0.078	
– diluted	0.054	0.052	
Number of ordinary shares (thousand shares)	1,262,707	64,000	
Adjusted EBITDA ⁽⁴⁾	80,677	61,091	32.1%
<i>Adjusted EBITDA margin</i>	46.6%	43.7%	

	Unaudited		
	Nine months ended		Year-on
	September 30,		year
	2014	2013	Change %
<i>(RMB'000, unless specified)</i>			
Revenue	517,343⁽¹⁾	399,449	29.5%
– Live social video platform	477,969⁽¹⁾	392,276	21.8%
– Games & Other	39,374⁽¹⁾	7,173	448.9%
Gross profit	443,303	350,856	26.3%
<i>gross margin</i>	85.7%	87.8%	
Loss attributable to equity holders of the Company	(153,771)	(122,120)	25.9%
Adjusted net profit ⁽²⁾	203,338	150,087	35.5%
<i>Adjusted Net Margin</i>	39.3%	37.6%	
Adjusted EPS ⁽³⁾ (expressed in RMB per share)			
– basic	0.252	0.235	
– diluted	0.187	0.157	
Number of ordinary shares (thousand shares)	1,262,707	64,000	
Adjusted EBITDA ⁽⁴⁾	239,385	182,927	30.9%
<i>Adjusted EBITDA margin</i>	46.3%	45.8%	

Note:

- (1) For the period after June 1, 2014, revenues are recorded net of 6% VAT tax.
- (2) Adjusted net profit is not defined under IFRS, and is derived from the unaudited profit for the period excluding the effect of non-cash share-based compensation expenses, non-cash fair value change of convertible redeemable preferred shares, gain on repurchase of preferred shares, dividend appropriation to preferred shareholders and listing expenses.
- (3) Adjusted basic earnings per share (“**EPS**”) is calculated by dividing the adjusted net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period which have been adjusted retroactively for the proportional changes in the number of ordinary shares outstanding as a result of the issuance of bonus shares. The denominator for computing the adjusted diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of Series B convertible redeemable preferred shares (if applicable) and to assume share options granted to employees under 2008 Global Share Option Plan and restricted share units granted to employees under Pre-IPO Restricted Share Unit Scheme have been fully vested and exercised with no impact on the non-IFRS adjusted earnings.
- (4) Adjusted EBITDA, as presented, represents operating profit, adjusted to exclude non-cash share-based compensation expenses, listing expenses, depreciation and amortization.

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

The unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated statement of financial position and unaudited condensed consolidated statement of cash flows of the Group are listed below:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014)

	Unaudited			
	Three months ended September 30, 2014		Nine months ended September 30, 2014	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	173,086	139,672	517,343	399,449
Cost of revenue	(19,986)	(18,382)	(74,040)	(48,593)
Gross profit	153,100	121,290	443,303	350,856
Selling and marketing expenses	(61,227)	(39,122)	(156,051)	(116,074)
Administrative expenses	(36,762)	(12,263)	(106,376)	(33,933)
Research and development expenses	(22,984)	(16,632)	(56,961)	(48,211)
Other gains, net	16,378	3,589	30,455	16,492
Operating profit	48,505	56,862	154,370	169,130
Finance income	3,325	1,307	6,318	35,931
Finance costs	(725)	(559)	(2,564)	(36,363)
Finance income/(costs), net	2,600	748	3,754	(432)
Fair value loss of convertible redeemable preferred shares	(23,057)	(79,034)	(283,559)	(264,976)
Profit/(loss) before income tax	28,048	(21,424)	(125,435)	(96,278)
Income tax expense	(7,189)	(8,938)	(27,882)	(26,024)
Profit/(loss) for the period	20,859	(30,362)	(153,317)	(122,302)
Other comprehensive income/(loss)				
Item that may be reclassified subsequently to profit or loss:				
Currency translation differences	(3,001)	3,213	(9,170)	12,134
Total comprehensive income/(loss) for the period	17,858	(27,149)	(162,487)	(110,168)

	Unaudited			
	Three months ended		Nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) attributable to:				
– Shareholders of the Company	20,582	(30,180)	(153,771)	(122,120)
– Non-controlling interests	277	(182)	454	(182)
	<u>20,859</u>	<u>(30,362)</u>	<u>(153,317)</u>	<u>(122,302)</u>
Total comprehensive income/(loss) attributable to:				
– Shareholders of the Company	17,581	(26,967)	162,941	(109,986)
– Non-controlling interests	277	(182)	454	(182)
	<u>17,858</u>	<u>(27,149)</u>	<u>162,487</u>	<u>(110,168)</u>
Earnings/(loss) per share (expressed in RMB per share)				
– Basic	<u>0.018</u>	<u>(0.047)</u>	<u>(0.190)</u>	<u>(0.191)</u>
– Diluted	<u>0.016</u>	<u>(0.047)</u>	<u>(0.190)</u>	<u>(0.191)</u>
Dividends	<u>–</u>	<u>–</u>	<u>–</u>	<u>89,739</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(AS AT SEPTEMBER 30, 2014)

	Unaudited September 30, 2014 RMB'000	Audited December 31, 2013 RMB'000
Assets		
Non-current assets		
Property and equipment	142,677	16,736
Restricted cash	–	87,000
Available-for-sale financial assets	26,910	2,300
Term deposits with initial term over 3 months	478,224	–
Prepayments and other receivables	27,173	110,737
Deferred income tax assets	23,319	24,348
Investment in associates	2,977	4,900
Intangible assets	48,210	5,864
	<u>749,490</u>	<u>251,885</u>
Current assets		
Cash and cash equivalents	386,812	171,896
Restricted cash	–	33,000
Available-for-sale financial assets	527,627	278,140
Term deposits with initial term over 3 months	485,631	21,873
Trade receivables	19,106	20,804
Prepayments and other receivables	55,894	66,788
	<u>1,475,070</u>	<u>592,501</u>
Total assets	<u><u>2,224,560</u></u>	<u><u>844,386</u></u>
Equity		
Equity attribute to Shareholders of the Company		
Share capital	781	42
Reserves	2,033,664	(88,598)
	<u>2,034,445</u>	<u>(88,556)</u>
Non-controlling interests	5,351	4,897
Total equity	<u><u>2,039,796</u></u>	<u><u>(83,659)</u></u>

	Unaudited September 30, 2014 <i>RMB'000</i>	Audited December 31, 2013 <i>RMB'000</i>
Liabilities		
Non-current liabilities		
Borrowings	–	79,260
Convertible redeemable preferred shares	–	548,471
Deferred income tax liabilities	422	595
Other non-current liabilities	1,400	–
	<hr/> 1,822 <hr/>	<hr/> 628,326 <hr/>
Current liabilities		
Borrowings	–	30,485
Trade payables	31,322	13,883
Customer advance and deferred revenue	33,593	24,027
Other payables and accruals	75,035	114,631
Income tax liabilities	42,992	42,532
Dividend payable	–	74,161
	<hr/> 182,942 <hr/>	<hr/> 299,719 <hr/>
Total liabilities	<hr/> 184,764 <hr/>	<hr/> 928,045 <hr/>
Total equity and liabilities	<hr/> 2,224,560 <hr/>	<hr/> 844,386 <hr/>
Net current assets	<hr/> 1,292,128 <hr/>	<hr/> 292,782 <hr/>
Total assets less current liabilities	<hr/> 2,041,618 <hr/>	<hr/> 544,667 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014)

	Unaudited	
	Nine months ended	
	September 30,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	202,059	132,072
Income tax paid	(26,565)	(16,231)
	<hr/>	<hr/>
Net cash generated from operating activities	175,494	115,841
	<hr/>	<hr/>
Net cash used in investing activities	(1,150,893)	(133,504)
	<hr/>	<hr/>
Net cash generated from financing activities	1,189,319	15,787
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	213,920	(1,876)
Cash and cash equivalents at beginning of period	171,896	136,637
Exchange gain on cash and cash equivalents	996	1,689
	<hr/>	<hr/>
Cash and cash equivalents at end of period	386,812	136,450
	<hr/> <hr/>	<hr/> <hr/>

NON-IFRS MEASUREMENT RECONCILIATION

	Unaudited			
	Three months ended		Nine months ended	
	September 30, 2014	2013	September 30, 2014	2013
<i>(in RMB'000)</i>				
Reconciliation to Adjusted EBITDA				
Operating Profit	48,505	56,862	154,370	169,130
Share-based compensation expenses	19,530	931	33,040	3,928
Listing expenses ⁽¹⁾	8,191	–	40,056	–
Depreciation and amortization expense	4,451	3,298	11,919	9,869
Adjusted EBITDA	80,677	61,091	239,385	182,927

	Unaudited			
	Three months ended		Nine months ended	
	September 30, 2014	2013	September 30, 2014	2013
<i>(in RMB'000)</i>				
Reconciliation to Adjusted Net Income				
Net Profit/(Loss)	20,859	(30,362)	(153,317)	(122,302)
Share-based compensation expenses	19,530	931	33,040	3,928
Listing expenses ⁽¹⁾	8,191	–	40,056	–
Gain on repurchase of preferred shares	–	–	–	(32,284)
Dividend appropriation to preferred shareholders	–	–	–	35,769
Fair value loss ⁽²⁾	23,057	79,034	283,559	264,976
Adjusted Net Income	71,637	49,603	203,338	150,087

Note:

- (1) Related to our Initial Public Offering (“IPO”) on July 9, 2014
- (2) Related to convertible redeemable preferred shares and redeemable ordinary shares. As all the Company’s outstanding Series B preferred shares were converted into ordinary shares on the IPO date of July 9, 2014, these expenses will no longer be recognized after the IPO date, and will not impact earnings in the fourth quarter of 2014 and beyond.

A. BUSINESS OVERVIEW AND OUTLOOK

In the third quarter of 2014, we continued to make significant progress in expanding and developing our overall business. The superior user experience we offer is grounded in our strong technological capabilities and infrastructure, that enables reliable and stable multiple video and audio interaction at minimal data usage requirements. Thanks to the improved functionality of our services and strong user activity on our platform, we achieved robust financial results for the third quarter of 2014.

We will continue to leverage the successful position we have fortified in the music and entertainment category to further expand and diversify into new content genres, such as finance, health and lifestyle, and e-commerce. In tandem with this multi-dimensional expansion into new content genres and media formats, we will continue to attract hosts, users-on-air and room managers to increase the stickiness on our social ecosystem.

Our mobile strategy aims to take full advantage of the technological and infrastructure improvements in China, including the ongoing recent rollout of 4G services, which will support high-quality video streams on mobile devices. Our mobile MAU in the third quarter of 2014 increased to 10.0% from 7.4% in the previous quarter.

We also launched an open beta version of our new live social video embedded role-playing-game (“RPG”) game, JS Beauty, in September 2014. Early results are encouraging as we are able to leverage our established host ecosystem and resources to attract new users, and our innovative socialization features could potentially increase monetization, user engagement and user life cycle. In addition, we initiated the soft launch of “Power Pets”, our second and newest RPG style mobile game licensed from a third party developer. In total, we expect to release 6 to 8 self-developed and third-party developed mobile games through 2015, several of which could enable interactive video functionality. The introduction and expansion of gaming on our platform allows us to leverage our large social video community, diversify our revenue mix and drive future growth. We believe that our large and rapidly growing user base elevates cross-promotion potential and lowers customer acquisition costs.

We plan to pursue business expansion by carefully considering partnerships, acquisitions and industrial consolidations with big industry players and/or potential partners. We will initially target companies with large user bases and similar interactive product offerings, or those in our upstream and downstream markets. We received strong interest for new vertical cooperation opportunities from our existing cornerstone investors and strategic partners. We aim to leverage our strong technological capabilities and infrastructure, large and loyal user base and established social ecosystem to successfully expand into new markets and sectors.

Lastly, we continue to test our O2O Karaoke software and platform across three locations in Hangzhou. Because early results have been positive, we are evaluating opportunities to possibly expand our testing with additional partners with regional or national scale. In addition, we are in discussions with hardware manufacturers to determine if we could leverage our innovation and software to entertainment applications and consumer electronics.

B. OPERATIONAL INFORMATION

The following table sets forth certain operating statistics relating to the company's Internet platforms and value-added services as of the dates and for the periods presented below:

	Three months ended				
	September 30, 2014	June 30, 2014	Quarter- on-quarter Change %	September 30, 2013	Year- on-year Change %
Live Social Video Platform					
Monthly Active Users (in '000)	14,352	13,428	6.9%	11,657	23.1%
% of mobile MAU users	10.0%	7.4%		5.2%	
Monthly Paying Users (in '000)	335	332	0.9%	256	30.9%
Monthly Average Revenue Per User (RMB)	161	158	1.9%	180	-10.6%
Number of Rooms	29,676	29,449	0.8%	26,710	11.1%
Number of Hosts	39,309	38,448	2.2%	32,493	21.0%
Mobile Game & Other					
Monthly Active Users (in '000)	345	319	8.2%		
Number of Games	2	1			

Note: JS Beauty, an open beta version of our new live social video embedded RPG game, launched in September 2014.

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

- Monthly Active Users (“MAU”) for Tian Ge’s Live Social Video Platform was approximately 14.4 million for the three months ended September 30, 2014, representing an increase of approximately 23.1% from the three months ended September 30, 2013 and representing an increase of 6.9% from the three months ended June 30, 2014.
- Monthly Paying Users (“MPU”) for Tian Ge’s Live Social Video Platform was approximately 335,000 for the three months ended September 30, 2014, representing an increase of approximately 30.9% from the three months ended September 30, 2013 and representing an increase of 0.9% from the three months ended June 30, 2014.
- The Monthly Average Revenue Per User (“ARPU”) of Tian Ge’s Live Social Video Platform experienced a moderate increase.
- Number of hosts on the Live Social Video Platform grew to 39,309 as at September 30, 2014, representing an increase of approximately 21.0% from the corresponding period of the year 2013 and an increase of approximately 2.2% from 38,448 in the previous quarter.
- Number of rooms on the Live Social Video Platform grew to 29,676 as at September 30, 2014, representing an increase of approximately 11.1% from the corresponding period of the year 2013 and an increase of approximately 0.8% from 29,449 in the previous quarter.

- Number of users on air on our Live Social Video Platform increased to approximately 638,000 for the three months ended September 30, 2014 from approximately 609,000 in the corresponding period of the year 2013.
- The percentage users on air over total MAU on the Live Social Video Platform decreased to 4.4% for the three months ended September 30, 2014, as compared to 4.8% in the immediately preceding quarter.
- The percentage our Live Social Video Platform's mobile MAU over total MAU grew to 10.0% for the three months ended September 30, 2014 from 5.2% in the corresponding period in 2013.
- The total registered users of Tian Ge Interactive Holdings Limited as at September 30, 2014 is 258.8 million, as compared to 245.0 million as at June 30, 2014.

C. FINANCIAL INFORMATION

Revenues

For the three months ended September 30, 2014, the Company registered 23.9% year-on-year growth in revenues to RMB173.1 million, driven by continued solid growth of our Live Social Video Platform, and from the continued success of Tian Ge's mobile game "Three Kingdoms". After the implementation of the Pilot Practice of Levying VAT in Place of Business Tax for the Telecommunication Industry (Caishui No.43, 2014) jointly issued by the Ministry of Finance and the State Administration of Taxation effective from June 1, 2014 ("VAT reform"), our revenue are recorded as net off 6% VAT tax from June 1, 2014. Excluding this effect, our revenues for the three months ended September 30, 2014 increased approximately 31.4% year-on-year comparing with the corresponding period of 2013. Revenues from our Live Social Video Platform was primarily led by an approximate 30.9% growth in our monthly paying users and partially offset by a 10.6% decline in our monthly ARPU.

The following is a summary of the comparative figures:

- Revenue from our Live Social Video Platform was approximately RMB161.5 million for the three months ended September 30, 2014, representing an increase of approximately 16.8% year-on-year. Excluding the VAT effect, the actual increase rate should reach 23.8% year-on-year comparing with the corresponding period of 2013.
- Games and other revenues was approximately RMB11.6 million for the three months ended September 30, 2014, representing an increase of approximately 731.9% year-on-year.
- The Company currently does not break down revenues into segments, as it currently evaluates the business as one segment.

Cost of Revenues and Gross Margins

Cost of revenues experienced a slight increase of 8.7% year-on-year to RMB20.0 million for the three months ended September 30, 2014 as compared with the corresponding period in 2013. The slight increase was primarily due to the higher costs related to launch and operation of our mobile game “Three Kingdoms” and offset by the saving of business tax and surcharges after the VAT reform as mentioned in the above section. As a result, gross margin for the three months ended September 30, 2014 was 88.5%, compared with 86.8% in the corresponding period in 2013.

Selling and Marketing Expenses

Selling and marketing expenses increased by 56.5% year-on-year to RMB61.2 million for the three months ended September 30, 2014 from RMB39.1 million in the corresponding period in 2013, primarily due to the increase of promotion and advertising expenses applied to (a) our existing Live Social Video Platforms, including to promote our live social mobile traffic; (b) our newly launched mobile games and beta-testing soft launched live social video-embedded games, and (c) an increase in share-based compensation.

Administrative Expenses

Administrative expenses increased by 199.2% year-on-year to RMB36.8 million for the three months ended September 30, 2014 from RMB12.3 million in the corresponding period in 2013, primarily due to an increase in share-based compensation of RMB17.0 million and listing expenses related to our IPO of RMB8.2 million. The increase is partially offset by the decrease of business tax and related surcharges of RMB3.8 million benefiting from the VAT reform effective from June 1, 2014.

Research and Development Expenses

Research and development expenses increased by 38.6% year-on-year to RMB23.0 million for the three months ended September 30, 2014 from RMB16.6 million in the corresponding period in 2013, primarily due to the increase in employee cost and new research and development investment in mobile games.

Operating Profit

Operating profit decreased by 14.7% year-on-year to RMB48.5 million for the three months ended September 30, 2014 from RMB56.9 million in the corresponding period in 2013, primarily due to (a) the increase in share-based compensation expenses to RMB19.5 million for the three months ended September 30, 2014 compared with RMB0.9 million for the corresponding period in 2013, largely related to “Pre-IPO RSU Scheme” adopted on May 22, 2014 as disclosed in our Global Offering prospectus dated June 25, 2014 and (b) the impact of RMB8.2 million of listing expenses related to our IPO. Excluding these effects, operating profit would have increased 31.8% YoY.

Impact of Convertible Redeemable Preferred Shares

As disclosed and discussed in our recent Global Offering prospectus dated June 25, 2014 and in accordance with IFRS reporting standards, we incurred a fair value loss of convertible redeemable preferred shares of RMB23.1 million and RMB79.0 million for the three months ended September 30, 2014 and 2013, respectively. The loss and changes in fair value are the result of the continued increase in the equity value of the Company. Upon completion of the IPO on July 9, 2014, these convertible redeemable preferred shares were automatically converted into Ordinary shares on a one-to-one basis and there will be no fair value gain or loss associated with these shares to be recognized in periods afterwards.

Share Option Schemes

The Company has adopted the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme, the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme (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 first nine months of 2014 was RMB33.0 million, as compared to RMB3.9 million in the corresponding period in 2013.

As of September 30, 2014, options representing a total of 87,958,470 Shares are outstanding. If all such options under the Pre-IPO Share Option Scheme are exercised, there would be a dilution effect on the shareholdings of our Shareholders of approximately 6.5% as of September 30, 2014. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per share may be staggered over several years.

As of September 30, 2014, the total number of shares underlying the Pre-IPO RSU Scheme represents approximately 5.6% of the total ordinary shares.

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, adjusted net profit, adjusted earnings per share 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 increased by 32.1% to RMB80.7 million for the three months ended September 30, 2014 from RMB61.1 million in the corresponding period of 2013. Adjusted EBITDA margin was 46.6% for the three months ended September 30, 2014, compared to 43.7% in the corresponding period of 2013. Adjusted EBITDA represents operating profit adjusted to exclude non-cash share-based compensation expenses, listing expenses, depreciation and amortization.

Adjusted Net Profit and Earnings Per Share

Adjusted net profit increased by 44.4% to RMB71.6 million for the three months ended September 30, 2014 from RMB49.6 million in the corresponding period of 2013. Adjusted diluted earnings per share is RMB0.054 for the three months ended September 30, 2014.

Adjusted net profit is not defined under IFRS, and eliminates the effect of non-cash fair value changes of convertible redeemable preferred shares, gains on repurchase of preferred shares, dividends related to redeemable preferred shares, listing expenses and non-cash share based compensation expenses.

Adjusted diluted earnings per share is not defined under IFRS. The denominator for computing the adjusted diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of Series B convertible redeemable preferred shares (if applicable) and to assume share options granted to employees under 2008 Global Share Option Plan and restricted share units granted to employees under Pre-IPO Restricted Share Unit Scheme have been fully vested and exercised with no impact on the non-IFRS adjusted earnings. The number of ordinary shares outstanding during the corresponding period has been adjusted retroactively for the proportional changes in the number of preferred shares, share options and restricted share units outstanding as a result of the issuance of bonus shares for the corresponding period. The numerator of adjusted diluted EPS is adjusted net profit attributable to the equity holders of the Company.

Balance Sheet

As of September 30, 2014, the Company had cash and cash equivalents, term deposits with initial terms over 3 months and RMB-denominated principal-protected structured deposits (recorded under current available-for-sale financial assets) in the aggregate amount of RMB1,878.3 million. The Company adopts conservative treasure policies in cash and financial management, and does not use any financial instruments for hedging purposes.

All bank borrowings had been repaid before September 30, 2014.

Capital Expenditures

For the three months ended September 30, 2014, our capital expenditures were approximately RMB24.4 million, including approximately RMB7.0 million related to the purchase of our new office space located in Shanghai, which had transferred to our fixed assets in August 2014 with total amount of approximately RMB15.0 million; approximately RMB8.9 million related to the pre-payment of new office space located in Beijing, and RMB8.5 million related to servers and other office equipment, etc.

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

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

Hangzhou, China, November 21, 2014

As of the date of this announcement, the executive Directors are Mr. Fu Zhengjun and Mr. Mai Shi'en; the non-executive Directors are Mr. Mao Chengyu and Mr. Herman Cheng-Chun, Yu; and the independent non-executive Directors are Ms. Yu Bin, Mr. Wu Chak Man and Mr. Chan Wing Yuen Hubert.