天鴿 tianGe

Tian Ge Interactive Holdings Limited
天鴿互動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code：1980

ANNUAL REPORT 2014

CONTENTS

Company Overview

ABOUT TIAN GE

Tian Ge Interactive Holdings Limited ("**Tian Ge**" or the "**Company**") develops and operates innovative real-time video technologies that empower users to engage and interact with each other through video, voice, text and exchange of virtual items. The Company's mission is to bring optimism and joy to the masses through live social video interaction. Tian Ge was founded in Hangzhou, China in 2008 and went public on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in July 2014.

The Company currently operates more than 28,000 rooms across eight "many-to-many" live social video communities, including 9158 Video Community and Sina Show, the two primary communities; and one "one-to-many" community, Sina Showcase. Tian Ge's approximately 16 million monthly active users are able to meet and stay connected with others who share similar backgrounds, interests, cultures and dialects. Due to our diverse content and wide geographic coverage, our live social video communities are popular across a diverse mix of demographic groups who network and congregate according to room genres or community.

The Company's communities offer a diverse range of room genres including music, talk show, social networking, healthcare, finance and education. Users join and engage in real-time activities including karaoke, birthday parties, talent contests, and annual celebrations.

With the rapid expansion of the platform's user base, the Company has entered the online games market through the first and second RPG mobile game, "Three Kingdoms" and "Power Pets", as well as our live social embedded games "JS Beauty". Going forward, the Group plans to launch 3 to 4 mobile games per year, with approximately 6 to 8 self-developed and third-party developed mobile games in total through 2015, several of which could enable interactive live social functionality.

Corporate Information

BOARD OF DIRECTORS ("Board")

Executive Directors

Mr. Fu Zhengjun *(Chairman and chief executive officer)*
Mr. Mai Shi'en *(Chief operating officer)*

Non-executive Directors

Mr. Mao Chengyu
Mr. Herman Cheng-Chun Yu

Independent non-executive Directors

Ms. Yu Bin
Mr. Wu Chak Man
Mr. Chan Wing Yuen Hubert

BOARD COMMITTEES

Audit Committee

Ms. Yu Bin *(chairman)*
Mr. Wu Chak Man
Mr. Chan Wing Yuen Hubert

Remuneration Committee

Mr. Wu Chak Man *(chairman)*
Mr. Chan Wing Yuen Hubert
Mr. Mao Chengyu

Nomination Committee

Mr. Fu Zhengjun *(chairman)*
Ms. Yu Bin
Mr. Wu Chak Man

CHIEF FINANCIAL OFFICER

Mr. Keung Paul Hinsum

JOINT COMPANY SECRETARIES

Mr. Chen Shi
Ms. Ng Sau Mei

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

Kirkland & Ellis
26th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

COMPLIANCE ADVISOR

REORIENT Financial Markets Limited
11/F, Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

PRINCIPAL BANKS

China Merchants Bank
Offshore Banking Department
19/F, China Merchants Bank Tower
No. 7088 Shennan Boulevard
Shenzhen, Guangdong, PRC

China Merchants Bank
Hong Kong Branch
21/F, Bank of America Tower
12 Harcourt Road
Central, Hong Kong

Corporate Information

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
PO Box 2804
Grand Cayman KY1-1112
Cayman Islands

HEADQUARTERS

Room 3A09
Sunshine International Business Center
No. 186 South Hushu Road
Hangzhou, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR

Offshore Incorporations (Cayman) Limited
Floor 4, Willow House
Cricket Square
PO Box 2804
Grand Cayman KY1-1112
Cayman Islands

LISTING INFORMATION

Stock Code: 1980

COMPANY'S WEBSITE

www.tiange.com

INVESTOR RELATIONS

Telephone: +86 (571) 88323560
Fax: +86 (571) 85390396
Email: IR@tiange.com

Financial Highlights

(in RMB'000)	Year ended December 31, 2014	2013	Change %
Revenue [1]	692,159	548,240	26.3%
– Live social video platform	630,703	528,430	19.4%
– Games & Others	61,456	19,810	210.2%
Gross Profit	586,851	480,095	22.2%
Gross margin	84.8%	87.6%	
Loss Attributable to Equity Holders of the Company	(107,503)	(92,602)	16.1%
Adjusted net profit[2]	267,214	206,253	29.6%
Adjusted Net Margin	38.6%	37.6%	
Adjusted EPS[3] (expressed in RMB per share)			
– basic	0.29	0.32	
– diluted	0.23	0.22	
Adjusted EBITDA[4]	319,355	251,881	26.8%
Adjusted EBITDA margin	46.1%	45.9%	

(in RMB'000)	As at December 31, 2014	December 31, 2013	Change %
Total Assets	2,262,591	844,386	168.0%
Total Liabilities	174,103	928,045	-81.2%

Notes:

(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 ("**RSUs**") 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.

Chairman's Statement

Dear Shareholders,

I am pleased to present the first audited annual results of Tian Ge for the year ended December 31, 2014 since our successful listing debut in the Main Board of the Stock Exchange in July 2014. As this is my first letter to shareholders after Tian Ge becomes a public company, I would like to thank you for considering investing in our company. To understand what drives us at Tian Ge, I want to briefly share with you our history as I believe it will demonstrate a consistency in how we approach our business.

OUR MISSION – "讓天下人笑口常開" (TO BRING OPTIMISM AND JOY TO THE MASSES)

When we launched our first "many to many" live social video community in 2008, we were inspired to solve a simple societal problem. As urbanization was uprooting a large and growing population from smaller towns and cities, more people were living away from home. However, there was a lack of affordable mainstream entertainment options. People lacked a means to meet and stay connected, and we leveraged China's fast growing Internet to build China's first dynamic, real-time, interactive video community.

Our first live social community, 9158.com ("就約我吧") was an instant hit with PC users across both urban and rural China. We empower users to share with others of common backgrounds, interests, culture and regional dialects. We measured our achievement from the smiles and engagement of our users. On average per month, 1 in 25 active users will turn on the video camera function to either perform or share.

Tian Ge was not the product of technology breakthroughs or innovation that extended the boundaries of video technology. We harnessed technology to encourage and deliver confidence in live video interaction, while also making it simple, convenient and free for anyone. We were one of the first companies in China to offer free real-time beautification software (Virtual Video or "虛擬視頻") and users may modify face, body and background to enhance video streams.

Karaoke singing is China's single most important past time, and we were among the early pioneers to successfully virtualize the karaoke experience, which is the key attraction to our "many to many" live social video rooms. Since then, we have reached more than 260 million users, and built a vibrant ecosystem that features more than 28,000 live video rooms with room sizes ranging from 50 to 1,000. Karaoke singing among user groups is the most popular activity across our communities, and users of all ages participate.

OUR ECOSYSTEM BASED BUSINESS MODEL

We began our mission by focusing on the user, one room at a time, yet our vision was always to build an open, collaborative, and prosperous ecosystem. Based in Hangzhou and at the epicenter of China's ecommerce ecosystem, we capitalized on our regional advantages to attract and aggregate participants to build our live social community. Leveraging our technology and understanding of virtual goods and currencies, we created a unique ecosystem based on symbiotic relationships within the many to many live social video rooms.

Chairman's Statement

We believed early on that a successful ecosystem for 9158.com was necessary to further scale our business. In 2010, we acquired the Sina Show brand and its integration was defining moment for Tian Ge. We had an opportunity to extend our "many to many" product to more genres, to expand our age groups, and its success led to the launch of additional live social video communities. Today, we have eight independent "many to many" branded communities that are evolving to develop its own unique identity and user base. In fact, virtual currencies and items are unique to each community, and users do not exchange or use virtual items across different communities.

The building blocks of our ecosystem include 16 million monthly active users who spend more than 20 hours per month across nine communities, more than 40,000 hosts who not only interact directly with users but also encourage interaction between users, and more than 1,500 sales agents and entrepreneurs who develop live video rooms and partner with hosts to sell virtual currency to users. Most of the user spending is not retained by the Company. Typically, more than 60% to 70% of the user spending is redistributed amongst room managers, hosts and sales agents within each community's ecosystem.

VISION FOR OUR FUTURE

Our successful and highly profitable ecosystem based business remains highly dependent on the PC interface for user interaction today. As we head into 2015, we continue to see resilience in our PC users, and long-term sustainability of the business model, but we also realize that the next generation of users will seek new forms of live social video products on new mobile devices and other smart technologies.

That's why the expansion of our ecosystem continues to be one of our top priorities going into 2015 and beyond. This starts with understanding the user needs of our nine communities and creating innovative tools to motivate and inspire live social interaction.

We enter 2015 with several major initiatives to grow our business, to add the vibrancy and strength of our ecosystem.

MOBILE

We live in a digital world that is rapidly adopting mobile technology. Our users and hosts expect Tian Ge to be as digitally connected as they are. They demand free and easy access, real-time socialization, and personalized feedback on their performance and video interaction. Increasing adoption of our mobile applications and attracting more mobile users will be a major push in 2015. As of December 31, 2014, nearly 14% of Tian Ge's MAUs access our products through mobile devices, more than a two-fold increase over the prior year. Rising adoption of next generation smart phones coupled with the recent rollout of 4G LTE services support a potential tipping point in the coming years for user growth of our "many to many" live social video applications.

LIVE SOCIAL EMBEDDED GAMES

To further expand our ecosystem and attract new target audience, we are developing "live social embedded games" that leveraged on our live video and real-time chat API, integrates our large ecosystem of hosts and sales agents, and our understanding of virtual item economies. We launched our first mobile game "Three Kingdoms" in early 2014, and two more RPG games, "JS Beauty" and "Power Pets" later in the year. Each of these online or mobile games will offer either real-time audio or video interaction, virtual item exchange, and an ecosystem based social interaction. If we are successful in building a portfolio of live social embedded games, we could form yet another live social interactive platform for participants to collaborate and earn mutually rewarding incentives.

ONLINE TO OFFLINE ("O2O") KARAOKE

Our live social interactive ecosystem goes beyond the online services we provide. It also includes how we create additional "many to many" interactive experiences with our users in the offline world. Our users find our online Karaoke experiences more fun and rewarding, and we are extending those features into the traditional Karaoke facilities. In 2014, we successfully introduced and tested our new product in three Hangzhou locations. Our cloud-based software solution has successfully expanded the user demographic and increased the offline asset's yield through the introduction of online to offline promotions, gamification, virtual gifting and virtual economies, and other innovative features. Our next step in 2015 includes identifying key partners to commercially launch our revolutionary product on a national scale. We believe the addressable market for our O2O product is massive, and could potentially generate outsized shareholder returns.

Across these initiatives we will remain obsessed with delivering most sought-after real-time social interactive entertainment and experiences for our expanding users and passionately committed to driving sustainable, profitable growth for you, our shareholders.

Our vision for live social video applications does not stop with these initiatives. We are also exploring and investing in exciting and new opportunities such as mobile healthcare and ecommerce, as well extending our platform and technology into new geographies overseas.

On behalf of the Board, I would like to thank our shareholders and stakeholders for their full and continued confidence and support. I also wish to extend my appreciation to our staff at every level and our committed management team for their contributions in delivering the remarkable success.

Zhengjun Fu
Chairman, Executive Director and Chief Executive Officer
Tian Ge Interactive Holdings Limited

March 30, 2015

1. BUSINESS OVERVIEW AND OUTLOOK

Live Social Community Business

During the period under review, the Group continued to deliver robust and stable profitability, return on equity and free cash flow yield growth, thanks to our core "many-to-many" live social business segment. Our live social video revenues increased by 19.4% for the year ended December 31, 2014, contributed to our strong gross profit growth of 22.2% for the same period. The strong and consistent profit margins of our core business support continued investments in our newer mobile and online to offline ("**O2O**") business.

We also see an increasing dominance and market share in the "many-to-many" market, with plans on further strengthening our market leadership position through industrial consolidation of smaller platforms in the market. Our live social platform's accumulated registered users increased by over 30.9% from 205.1 million as of December 31, 2013 to 268.5 million as of December 31, 2014. Average monthly active users ("**MAUs**") increased from approximately 10.8 million in 2013 to 13.9 million in 2014, and average monthly paying users ("**MPUs**") increased from approximately 270,000 to 347,000 during the same period.

Key catalyst of user growth in 2014 has been derived from our investment in mobile, including the launch of IOS and android versions of our various live social video communities. We enabled mobile payments in late 2013, and continued to expand the number of mobile payment channels in 2014, resulting in MPU growth faster than our MAU growth in 2014. Approximately 10% of our MAUs in the second half of 2014 entered our platform via mobile devices, more than twice the amount in the first half of 2014.

Games, Mobile Applications & Other

We continue to leverage our R&D capabilities to innovate and develop new products that expand our business and extend our reach in entertainment and live social video. With the rising number of hardcore gamers within our new core user base, we have officially entered into the mobile games market through our first mobile game "Three Kingdoms" in early 2014. Recently, leveraging our existing hosts system and virtual economies, we have added a new live social embedded function into this game, to improve user experience, achieve higher monetization, increase user engagement, lower user acquisition risk and extend users' life cycles. In addition, the Group has initiated the soft launch of "Power Pets", the 2nd RPG style mobile game licensed from third party developer, in third quarter of 2014.

In total, the Group plans to launch 3 to 4 mobile games per year, with approximately 6 to 8 self-developed and third-party developed mobile games in total through 2015, several of which could enable interactive live social functionality. In the long run, we consider to leverage our innovative live social embedded strategy to help smaller game companies to remain competitive despite of the tough conditions against other market players in the industry.

In addition to games, we are also developing new mobile applications, extending into new verticals, and testing new emerging businesses that leverage our large audience and establish capabilities in live social entertainment. Currently, the revenue contribution from these new businesses is minimal as compared to the total revenue of the Group. We plan to launch more new smaller mobile applications in 2015.

1. BUSINESS OVERVIEW AND OUTLOOK (continued)

O2O Entertainment business

In 2014, we launched our first investment in O2O entertainment with 49% equity investment in Sun's Catering & Entertainment Management (Hangzhou) Co., Ltd. as disclosed in our global offering prospectus (the "**Prospectus**") dated June 25, 2014. The joint venture does not contribute to our revenue growth, although the operations is supported by our R&D and operations. Currently, we have 3 pilot testing centers in Hangzhou and have begun to see solid results from the initial periods of short operation. Given the results, we are actively evaluating opportunities to expand with potential chain karaoke operator partners on a regional or national scale. By leveraging our live social video know-how, virtual monetization strategy, sophisticated host economy and technological capabilities, we believe our new O2O product offers users an unique and revolutionary O2O karaoke experience including real-time video interaction and gamification amongst users at physical karaoke venues and across the Group's live social online platform.

2. OPERATING INFORMATION

The following table sets forth certain quarterly 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				
	December 31, 2014	December 31, 2013	Year-on-year change	September 30, 2014	Quarter-on-quarter change
Live Social Video Community					
Monthly Active Users (in '000)	**15,773**	12,020	31.2%	14,352	9.9%
% of mobile MAUs	***13.9%***	*6.7%*		*10.0%*	
Monthly Paying Users (in '000)	**398**	339	17.4%	335	18.8%
Monthly Average Revenue Per User (RMB)	**143**	134	6.7%	161	-11.2%
Number of Rooms (in '000)	**28**	26	7.7%	30	-6.7%
Number of Hosts (in '000)	**40**	35	14.3%	39	2.6%
Mobile Game & Other					
Monthly Active Users (in '000)	**817**	150	444.7%	345	136.8%
Number of Games	**2**	1		2	

2. OPERATING INFORMATION (continued)

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

- The number of MAUs for Tian Ge's live social platforms was approximately 15.8 million for the three months ended December 31, 2014, representing an increase of approximately 31.2% from the three months ended December 31, 2013 and representing an increase of approximately 9.9% from the three months ended September 30, 2014.

- The number of MPUs for Tian Ge's live social platforms was approximately 398,000 for the three months ended December 31, 2014, representing an increase of approximately 17.4% from the three months ended December 31, 2013 and representing an increase of approximately 18.8% from the three months ended September 30, 2014.

- The Monthly Average Revenue Per User ("**ARPU**") of Tian Ge's live social platforms for the three months ended December 31, 2014 increased by 6.7% to RMB143 from the three months ended December 31, 2013 and representing a decrease of approximately 11.2% from the three months ended September 30, 2014, primarily due to the significant increase in our mobile paying user base.

- Number of rooms on our live social platforms experienced a slight quarter-on-quarter decline as compared to the three months ended September 30, 2014, mainly because we began consolidating rooms and increasing the average room size of popular rooms in recent quarters, to meet growing popularity for larger rooms, especially among our growing number of new mobile users.

- Number of users on air on our live social platforms also experienced a slight sequential decline as compared to the previous quarter, primarily due to the recent increase in the percentage of mobile users from single digits into double digits and we are experiencing a growing preference of our users to participate in channels solely through viewing and chatting, and less as a percentage of active users through live video interaction.

- The percentage users on air over total MAUs on the live social platforms also slightly declined to 4.0% for the year ended December 31, 2014, as compared to 5.0% for the immediately preceding year.

- The total registered users of Tian Ge as at December 31, 2014 were 268.5 million, as compared to 205.1 million as at December 31, 2013.

2. OPERATING INFORMATION (continued)

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

	Year ended		Year-on-year
	December 31, 2014	December 31, 2013	change
Live Social Video Community			
Monthly Active Users (in '000)	**13,931**	10,819	28.8%
Monthly Paying Users (in '000)	**347**	270	28.5%
Monthly Average Revenue Per User (RMB)	**151**	163	-7.4%

3. FINANCIAL INFORMATION

Revenue

Revenue increased by 26.3% year-on-year to RMB692.2 million for the year ended December 31, 2014 from the corresponding period in 2013. 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 is recorded as net off 6% VAT tax from June 1, 2014. Excluding this effect, our revenue for the year ended December 31, 2014 increased approximately 30.4% year-on-year comparing with the corresponding period of 2013. The following table sets forth the Company's revenue by line for the year/period presented below:

	Year ended		Unaudited Three months ended	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
(in RMB'000)				
Revenue Mix				
Live social video	**630,703**	528,430	**152,734**	136,154
% of total revenue	**91.1%**	96.4%	**87.4%**	91.5%
Games & Others	**61,456**	19,810	**22,082**	12,637
% of total revenue	**8.9%**	3.6%	**12.6%**	8.5%
Total Revenue	**692,159**	548,240	**174,816**	148,791

3. FINANCIAL INFORMATION (continued)

Revenue (continued)

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

- Revenue from our live social video platform was approximately RMB630.7 million for the year ended December 31, 2014, representing an increase of approximately 19.4% from the corresponding period in 2013. Excluding the VAT reform effect as mentioned above, the increase rate should reach 23.2%.
- Revenue from games and others was approximately RMB61.5 million for the year ended December 31, 2014, representing an increase of approximately 210.2% from the corresponding period in 2013.
- The Company currently does not break down revenue into segments, as it currently evaluates the business as one segment.

Cost of Revenue

Cost of revenue increased by 54.5% to RMB105.3 million for the year ended December 31, 2014 as compared with the corresponding period of 2013. The increase in cost of revenue for the year ended December 31, 2014 was primarily due to the increase of commission charges related to the launch and operation of our mobile games.

Selling and Marketing Expenses

Selling and marketing expenses increased by 27.4% to RMB212.4 million for the year ended December 31, 2014 from the corresponding period of 2013. The increase in selling and marketing expenses for the year ended December 31, 2014 was primarily due to the increase of promotion and advertising expenses of: (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 an increase in share-based compensation.

Administrative Expenses

Administrative expenses increased by 155.2% year-on-year to RMB136.0 million for the year ended December 31, 2014, primarily due to the increase of: (a) approximately RMB41.5 million in share-based compensation expenses in connection with the share options and RSUs we have granted to our employees and (b) approximately RMB40.1 million listing expenses incurred in relation to our global offering and listing in July 2014.

3. FINANCIAL INFORMATION (continued)

Research and Development Expenses

Research and development expenses increased by 24.5% year-on-year to RMB86.0 million for the year ended December 31, 2014, primarily due to the increase in employee cost.

Other Gains, Net

We recorded other gains, net of RMB58.6 million for the year ended December 31, 2014, compared to other gains, net of RMB35.4 million for the corresponding period of 2013. Other gains mainly consist of investment income of RMB31.1 million from the structured deposits (2013: RMB11.0 million) and government grants of RMB28.4 million (2013: RMB24.6 million).

Finance Income, Net

We recorded finance income, net of RMB5.7 million for the year ended December 31, 2014 and finance income, net of RMB0.4 million in the corresponding period of 2013. Finance income for the year ended December 31, 2014 mainly represents interest income on our cash and cash equivalents.

Income Tax Expense

Income tax expense remained stable at approximately RMB36.2 million for the year ended December 31, 2014. The income tax expense consists of (a) current corporate income tax of RMB44.5 million (2013: RMB27.6 million) and reversal of temporary differences of RMB8.4 million (2013: origination of temporary differences of RMB8.6 million). The increase of current year income tax expenses reflected an increase in operating profit before income tax.

Impact of Convertible Redeemable Preferred Shares

As disclosed and discussed in our Prospectus and in accordance with IFRS, we incurred a fair value loss of convertible redeemable preferred shares of RMB283.6 million and RMB283.3 million for the year ended December 31, 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 initial public offering ("**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.

Loss Attributable to Equity Holders of the Company

Loss attributable to equity holders of the Company was mainly caused by the fair value loss of convertible redeemable preferred shares of RMB283.6 million, share-based compensation expenses in connection with the share options and RSUs we have granted to our employees of RMB51.2 million and listing expenses associated with our global offering of RMB40.1 million. The loss increased by 16.1% year-on-year to RMB107.5 million for the year of 2014, mainly due to the increase of share-based compensation expenses of RMB45.6 million and listing expenses of RMB33.0 million, which are offset by the increase of operating profit.

3. FINANCIAL INFORMATION (continued)

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.

The following table sets forth the Company's non-IFRS financial data for the periods presented:

	Year ended		Unaudited Three months ended	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
(in RMB'000)				
Non-IFRS Financial Data				
Non-IFRS EBITDA	**319,355**	251,881	**79,970**	68,954
Non-IFRS EBITDA margin	***46.1%***	*45.9%*	***45.7%***	*46.3%*
Non-IFRS Net Income	**267,214**	206,253	**63,876**	56,166

* *Non-IFRS EBITDA margin is calculated by dividing adjusted EBITDA by revenue.*

Non-IFRS Adjusted EBITDA

Adjusted EBITDA, as presented, represents operating profit, adjusted to exclude share-based compensation expenses, listing expenses, depreciation and amortization. The use of adjusted EBITDA has certain limitations because it does not reflect all items of income and expenses that affect operations. Items excluded from adjusted EBITDA are significant components in understanding and assessing our operating and financial performance. Share-based compensation expenses, depreciation and amortization have been and may continue to be incurred and are not reflected in the presentation of adjusted EBITDA. Each of these items should also be considered in the overall evaluation of the Company's results.

3. FINANCIAL INFORMATION (continued)

Non-IFRS Adjusted EBITDA (continued)

The following table reconciles our operating profit to our adjusted EBITDA for the year/period presented:

	Year ended		Unaudited Three months ended	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
(in RMB'000)				
Operating Profit	**211,098**	226,465	**56,728**	57,335
Share-based compensation expense	**51,200**	5,555	**18,160**	1,627
Listing expense *(Note i)*	**40,056**	7,013	**–**	7,013
Depreciation and amortization expense	**17,001**	12,848	**5,082**	2,979
Non-IFRS EBITDA	**319,355**	251,881	**79,970**	68,954

Note:

(i) Listing expenses related to those legal and professional services fees associated with our global offering. As the result, the listing expenses are no longer effective from the fourth quarter of 2014 and onwards.

Non-IFRS Net Income and Earnings Per Share

Non-IFRS net income eliminates the effect of non-cash share-based compensation expenses, non-cash fair value change of convertible redeemable preferred shares and redeemable ordinary shares, non-cash gains on repurchase of preferred shares, dividend appropriation to preferred shareholders and listing expenses. The term of adjusted net profit is not defined under IFRS.

Non-IFRS earnings per share and non-IFRS diluted earnings per share are not defined under IFRS. Non-IFRS earnings per share is defined as adjusted net profit attributable to the equity holders of the Company divided by weighted average number of ordinary shares outstanding. 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 RSUs 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 RSUs 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.

3. FINANCIAL INFORMATION (continued)

Non-IFRS Net Income and Earnings Per Share (continued)

The following tables set forth the reconciliations of the Company's net profit to non-IFRS net income for the year/period presented:

	Year ended		Unaudited Three months ended	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
(in RMB'000)				
Reconciliation to non-IFRS Net Income				
Net Profit/(Loss)	**(107,601)**	(92,609)	**45,716**	29,693
Share-based compensation expense	**51,200**	5,555	**18,160**	1,627
Listing expense	**40,056**	7,013	**–**	7,013
Gain on repurchase of preferred shares	**–**	(32,284)	**–**	–
Dividend appropriation to preferred shareholders	**–**	35,280	**–**	(489)
Fair value loss of convertible redeemable preferred shares and redeemable ordinary shares	**283,559**	283,298	**–**	18,322
Non-IFRS Net Income	**267,214**	206,253	**63,876**	56,166

4. LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalents, Restricted Cash and Financial Assets/Term Deposits

Cash and cash equivalents consist of cash at bank and cash on hand, and as at December 31, 2014 and December 31, 2013 amounted to RMB289.1 million and RMB171.9 million, respectively. All cash in bank balances as of these dates were demand deposits and term deposits with initial term of less than three months. Since there are no cost-effective hedges against the fluctuation of Renminbi ("**RMB**") and no effective manner to generally convert a significant amount of non-RMB currencies into RMB, which is not a freely exchangeable currency, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits and investments.

Restricted cash are restricted deposits held at bank as a pledge for the bank borrowings. As at December 31, 2014, all the restricted cash had been released after the repayment of bank borrowings (2013: RMB120 million).

4. LIQUIDITY AND FINANCIAL RESOURCES (continued)

Cash and Cash Equivalents, Restricted Cash and Financial Assets/Term Deposits (continued)

The Group had current available-for-sale financial assets of RMB313.0 million and RMB278.1 million as at December 31, 2014 and December 31, 2013, respectively. Current available-for-sale financial assets typically consist of RMB-denominated principal-protected structured deposits with floating interest rates ranging from 3.0% to 6.0% per annum with maturity periods within one year or with an ongoing term offered by large state-owned commercial banks in China.

The Group had financial assets at fair value through profit or loss of RMB109.5 million (2013: Nil). Financial assets at fair value through profit or loss mainly represent investments in certain principal-protected structure deposits issued by national commercial banks in the PRC and reputable international financial institutions in Hong Kong. They have an initial term ranging from six months to one year, and were classified as fair value through profit or loss upon initial recognition.

The Group had term deposits with initial term of over three months of RMB1,082.8 million and RMB21.9 million as at December 31, 2014 and December 31, 2013, respectively.

Bank Loans and Other Borrowings

As at December 31, 2014, the Company had repaid all outstanding short-term and long-term borrowings. No bank loans and other borrowings are outstanding as at December 31, 2014 (2013: RMB109.8 million).

Gearing Ratio

The gearing ratio as at December 31, 2014 is 0%, as compared with 23.6% as at December 31, 2013. The gearing ratio is calculated by dividing total borrowings with equity/adjusted equity, where adjusted equity is total deficits plus convertible redeemable preferred shares as set out in the consolidated balance sheet.

Capital Expenditures

For the year ended December 31, 2014, our capital expenditures were approximately RMB98.7 million, including approximately RMB45.0 million related to the purchase of platform licenses, approximately RMB15.0 million related to the purchase of our new office space located in Shanghai, which had transferred to our fixed assets in August 2014; approximately RMB16.0 million related to the pre-payment of new office space located in Beijing, approximately RMB8.7 million related to decorations of our newly purchased office space in Hangzhou and approximately RMB14.0 million related to servers and other office equipment, etc.

Significant Investment

The Company did not make any significant investments for the year ended December 31, 2014. Regarding the future development and outlook of the Group, please refer to the section headed "Business Outlook" in this annual report.

4. LIQUIDITY AND FINANCIAL RESOURCES (continued)

Merger and Acquisition

Except for the acquisition of 34.47% equity interest in Hangzhou Xi He Technology Co., Ltd ("**Hangzhou Xi He**") in March 2015, the Group had no material acquisition or disposal of subsidiary and associated company during the year under review.

Contingent Liabilities

For the year ended December 31, 2014, the Group did not have any significant contingent liabilities.

Foreign Exchange Risk

Most of our subsidiaries' functional currencies are RMB, as the majority of the revenues of these companies are derived from our operations in mainland China. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets as at December 31, 2014. We do not hedge against any fluctuation in foreign currency.

5. CORPORATE INFORMATION

Staff

The Company had 872 full time employees as at December 31, 2014. 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 talent. 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 RMB166.8 million for the year ended December 31, 2014, while our staff cost was RMB102.0 million for the year ended December 31, 2013. 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 period under review.

5. CORPORATE INFORMATION (continued)

Share Option Schemes

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

The share-based compensation expenses for the year of 2014 is RMB51.2 million, as compared to RMB5.6 million for the corresponding period in 2013.

Contractual Arrangement

In November 2014, another two PRC operating entities, Jinhua Tianchuang Investment Management Co., Ltd ("**Tianchuang**") and Jinhua Tianxiang Investment Management Co., Ltd ("**Tianxiang**") were established. Each of Tianchuang and Tianxiang has entered into a set of New Agreements (as defined below) with their registered shareholders and Zhejiang Tiange on substantially identical terms.

6. BUSINESS OUTLOOK

To further strengthen the Group's leading position as China's largest "many-to-many" live social platforms, the Group will endeavor to work best at investing and developing new content genre and expanding the live social platform communities. While the Group expands by attracting new hosts, users and creating new rooms, it also invests in consolidating other smaller platforms to increase its market share and strengthen its market leader position in the "many-to-many" market.

The Group is working to expand mobile offerings and cross-device capabilities to give users the flexibility to access the content anytime and anywhere. Additionally, the Group plans to significantly expand its presence in the mobile and online games market following the recent launches of our live social embedded games to improve user experience, achieve higher monetization, increase user engagement, lower user acquisition risk and extend users' life cycles.

In December 2014, the Group's operating entity Jinhua Xingxiu Cultural Communication Co, Ltd. has entered into a share transfer agreement with one of the shareholders of Hangzhou Xi He, marking the important first step of vertical integration. In addition, the Group has successfully introduced and tested its new O2O karaoke product in three Hangzhou locations. The next step in 2015 includes identifying key partners to commercially launch our revolutionary product on a national scale.

The Group will continue to do its best to deliver the most sought-after real-time social interactive entertainment and experiences for its expanding users, and passionately committed to driving sustainable, profitable growth for its shareholders.

Financial Summary

	Year ended December 31,			
	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Revenues	384,442	455,768	548,240	**692,159**
Gross profit	336,257	403,456	480,095	**586,851**
Loss before income tax	(75,286)	(15,285)	(56,431)	**(71,450)**
Loss for the year	(80,606)	(27,233)	(92,609)	**(107,601)**
Loss attributable to Shareholders of the Company	(80,606)	(27,233)	(92,602)	**(107,503)**
Total comprehensive loss for the year	(66,932)	(25,931)	(78,032)	**(121,597)**
Total comprehensive loss attributable to Shareholders of the Company	(66,932)	(25,931)	(78,025)	**(121,499)**

	As at December 31,			
	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Assets				
Non-current assets	44,940	135,405	251,885	**775,000**
Current assets	344,032	505,875	592,501	**1,487,591**
Total assets	388,972	641,280	844,386	**2,262,591**
Equity and liabilities				
Equity attributable to Shareholders of the Company	(135,355)	72,426	(88,556)	**2,083,689**
Non-controlling interests	–	–	4,897	**4,799**
Total (deficits)/equity	(135,355)	72,426	(83,659)	**2,088,488**
Non-current liabilities	421,315	356,018	628,326	**1,750**
Current liabilities	103,012	212,836	299,719	**172,353**
Total liabilities	524,327	568,854	928,045	**174,103**
Total equity and liabilities	388,972	641,280	844,386	**2,262,591**

EXECUTIVE DIRECTORS

Mr. Fu Zhengjun (**傅政軍**), aged 36, is our Chairman and has been a Director of our Board since July 28, 2008. He was designated to our Board as an executive Director on March 11, 2014. Mr. Fu is the founder of our Group and has served as the chief executive officer of all our wholly-owned foreign enterprises ("**WFOE**") and PRC Operating Entities (as defined below) since their respective incorporation. He is responsible for the overall strategic planning, management and operations of our Group, and is instrumental to our growth and business expansion. Mr. Fu has approximately 13 years of experience in the Internet industry. Prior to founding our Group, Mr. Fu was the chief technology officer of Tiantu Information Technology (Shanghai) Co., Ltd. (天圖信息技術(上海)有限公司), a company mainly engaging in the development of Internet advertising technology, from August 2000 to September 2004, where he was responsible for products research and development. From August 1999 to August 2000, Mr. Fu served as an engineer at Zhejiang Data Communications Administration Bureau (浙江省數據通訊局) (formerly known as Zhejiang Communications Administration Bureau (浙江省通訊管理局)), where he was responsible for project management and implementation.

Mr. Fu received a bachelor's degree in computer science application from Zhejiang University of Technology (浙江工業大學) in Hangzhou in July 1999.

Mr. Mai Shi'en (**麥世恩**), aged 39, was appointed as a Director of our Board on March 5, 2014 and designated as an executive Director on March 11, 2014. He has been the chief operating officer of our Group since April 22, 2014 and is responsible for the overall operation of our Group and mergers and acquisitions, as well as our Group's strategy planning and implementation. Before that, he had been the chief financial officer of our Group since August 2012. He oversaw the corporate finance, investor relations and financial management of our Group. Also, he has served as a director of Jinhua Tianhu Network Technology Co., Ltd. (金華天虎網絡科技有限公司) ("**Tianhu**") since August 29, 2013 and oversees its management and strategic development. Mr. Mai possesses extensive knowledge of the Internet industry and financial management. Prior to joining our Group, Mr. Mai was an executive director and the chief financial officer of Shanghai Nineyou Internet Technology Co. Ltd. (上海久遊網絡科技有限公司), an online games and interactive online platform operator in China, where he worked from September 2005 to July 2012 and was responsible for the company's overall financial planning, internal auditing and investment. From September 2003 to September 2005, Mr. Mai worked at Praxair (China) Investment Co., Ltd. (普萊克斯(中國)投資有限公司), responsible for financial related matters. In addition, from August 1998 to July 2003, Mr. Mai worked in the auditing departments of several top global accounting firms including Ernst & Young, Arthur Anderson and KPMG.

Mr. Mai graduated from Shanghai Jiaotong University (上海交通大學) in Shanghai in July 1998, where he received a bachelor's degree in international finance. He is a Certified Internal Auditor (CIA) admitted by China Institute of Internal Audit (中國內部審計協會) in November 2004 and a Chinese Institute of Certified Public Accountant (CICPA) admitted by Shanghai Certified Public Accountant Association (上海市註冊會計師協會) in December 2009.

NON-EXECUTIVE DIRECTORS

Mr. Mao Chengyu (毛丞宇), aged 44, was appointed to our Board on December 30, 2008, as a director representative of series B pre-IPO investors. He was designated to our Board as a non-executive Director on March 11, 2014. Mr. Mao serves as a partner of IDG Capital Partners, a venture capital fund principally engaged in investing in technology start-up companies with PRC-related businesses, since July 1, 2012 and is responsible for the equity investment. Mr. Mao was a partner of the Shanghai Branch of IDG Investment Consulting (Beijing) Co., Ltd. (IDG資本投資顧問(北京)有限公司上海分公司) (formerly known as Shanghai Pacific Technology Co., Ltd. (上海太平洋技術創業有限公司)) ("**IDG Shanghai Branch**") from July 2006 to June 2012 and was an investment manager and vice president of IDG Shanghai Branch from December 1999 to June 2006, where he was responsible for identifying and analyzing investment opportunities. Prior to entering the venture capital industry, Mr. Mao was a business manager at Unilever (China) Co., Ltd. (聯合利華中國有限公司), one of the world's largest food and personal care products manufacturers, from April 1999 to November 1999.

Mr. Mao obtained a bachelor's degree in industrial foreign trade from Shanghai Jiaotong University (上海交通大學) in July 1993 and a master of business administration degree in May 1999 from China Europe International Business School (中歐國際工商學院) in Shanghai.

Mr. Herman Cheng-Chun, Yu (余正鈞), aged 44, was appointed to our Board on March 5, 2014, as a director representative of SINA Hong Kong Limited ("**SINA HK**", together with its affiliates, "**SINA Group**"). He was designated to our Board as a non-executive Director on March 11, 2014. Mr. Yu is currently the chief financial officer of Weibo Corporation. Prior to that, Mr. Yu was the chief financial officer of Sina Corporation from August 2007. He served as a director of Mecox Lane Limited from March 2011 to June 2014, a company listed on NASDAQ Global Market. He was the acting chief financial officer of Sina Corporation from May 2006 to August 2007 and the vice president and corporate controller from September 2004 to May 2006. He oversees the corporate finance, investor relations and financial management of Sina Corporation. Prior to joining Sina Corporation, Mr. Yu held various positions in technologies companies. Mr. Yu has served as a director of 58.com Inc., a NYSE-listed online marketplace company since October 2013.

Mr. Yu obtained a bachelor's degree in economics from the University of California in the United States in June 1992 and a master degree in Accounting from the University of Southern California in the United States in May 1993. He is a California Certified Public Accountant admitted by the California Board of Accountancy in September 1995.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yu Bin (**余濱**), aged 45, was appointed to our Board as an independent non-executive Director on June 16, 2014. MS. YU Bin is the CFO of Innolight Technology Co., Ltd since January 2015 where she is responsible for finance, legal and investor relationship. She has been a director and the chief financial officer of Star Media China Limited (星空華文傳媒集團), a company engaging in entertainment TV programs business, since December 2013 and May 2013 respectively, where she is responsible for the corporate finance, legal, investor relations and financial management. From August 2012 to April 2013, she was the senior vice president of Youku Tudou Inc. (優酷土豆集團), a NYSE-listed China's leading Internet television company and was in charge of the company's investment in content production, merger and acquisition and the strategic investment. From July 2010 to December 2011 and from January 2012 to April 2013, she served as the chief financial officer and the vice president of finance of Tudou Holdings Limited ("**Tudou**"), respectively a company engaging in Internet television business, and oversaw the management of the company's finance, legal, public relationship and investor relationship departments. Prior to joining Tudou, from September 1999 to July 2010, she worked at KPMG and eventually was promoted to a senior manager of KPMG Greater China region, where she was responsible for financial statements auditing and China based private entities' overseas listing.

Ms. Yu obtained a bachelor's degree in English Literature from Xi'an Foreign Language University (西安外國語大學) in Xi'an in July 1992, a master's degree in accounting and education from the University of Toledo in the United States in May 1998 and August 1998, respectively and an EMBA degree from INSEAD in January 2013. She is a Certified Public Accountant in the United States admitted by the Accountancy Board of Ohio in December 2001, a member of American Institute of Certified Public Accountants ("**AICPA**") admitted by AICPA and a member of Chartered Global Management Accountant ("**CGMA**") admitted by CGMA in December 2013.

Mr. Wu, Chak Man (**胡澤民**), aged 43, was appointed to our Board as an independent non-executive Director on June 16, 2014. He was the executive director of 91 Wireless Websoft Limited (now known as Baidu 91 Wireless), a company engaging in the development and operation of smartphone application distribution platforms from January 2011 to June 2014 and was responsible for the overall management and strategic planning of the company. Before that, he had been the vice president and chief finance officer of NetDragon Websoft Limited ("**NetDragon**"), a HK-listed company engaging in the online games and mobile Internet business, since April 2004. Mr. Wu was in charge of NetDragon's sales and marketing, North American business, the expansion of overseas market, financing and mergers and acquisitions as well as its listing business. From 2000 to 2002, Mr. Wu was the chief operating officer of Octant Communication Inc., a taxi service company and in charge of corporate operation. During 1995 to 1999, Mr. Wu served as the vice president, in charge of marketing, in Beso Biological Research Inc., a company engaging in heath food and nutrition supplement business.

Mr. Wu received a bachelor's degree in economics from the University of California, Berkeley in the United States in August 1994 and a master's degree in business administration from Duke University in the United States in May 2004.

Mr. Chan, Wing Yuen Hubert (**陳永源**), aged 57, was appointed to our Board as the independent non-executive Director on June 16, 2014. He is an executive director of Noble House (China) Holdings Limited (名軒(中國)控股有限公司) (stock code: 8246) and Zhong Fa Zhan Holdings Limited (中發展控股有限公司) (stock code: 475), HK-listed companies. He spent over ten years with the Stock Exchange. In addition, Mr. Chan held various positions with HK listed companies, including: as an executive director of China Pipe Group Limited (中國管業集團有限公司) (stock code: 380) and Interchina Holdings Company Limited (國中控股有限公司) (stock code: 202), as an independent non-executive director of Rising Development Holdings Limited (麗盛集團控股有限公司) (stock code: 1004), and as a director of Guangdong Investment Limited (粵海投資有限公司) (stock code: 270).

Mr. Chan obtained a higher diploma in company secretaryship and administration from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Chan has been an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and a member of the Hong Kong Securities Institute. In addition, he has been a member of the Chinese People's Political Consultative Conference – Heilongjiang Province Committee (中國人民政治協商會議黑龍江省委員會).

SENIOR MANAGEMENT

Mr. Keung Paul Hinsum (**姜顯森**), aged 44, was appointed as the chief financial officer of our Company on April 22, 2014. He oversees corporate planning, accounting, investor relations, legal and financial management of our Group. Prior to joining us and since February 2011, Mr. Keung was the chief financial officer and executive vice president of investments of Taomee Holdings Limited ("**Taomee**"), a NYSE-listed online entertainment company, where he was responsible for the company's overall financial management, strategy, and investments. Before that and since January 2009, Mr. Keung had been a managing director of Oppenheimer Investments Asia, a division of Oppenheimer Holdings and a NYSE-listed investment bank and asset management firm, overseeing the firm's Asia research practice. Between May 2000 and January 2009, Mr. Keung was the executive director of CIBC World Markets, a division of Canadian Imperial Bank of Commerce, a NYSE-listed bank, where for the majority of his time, he was responsible for coverage of the Internet, media and entertainment sectors in the U.S. and China. From May 1998 to May 2000, Mr. Keung was the chief information officer of Wyndham International, a global hospitality company, where he was responsible for investor relations and the information technology. Between June 1994 and May 1998, he served in various investment banking and equity research roles at Deutsche Morgan Grenfell, PaineWebber Securities, and Salomon Brothers. Mr. Keung currently serves as an independent director and audit committee chairman of Jiayuan.com International Ltd., a NASDAQ-listed company engaged in online dating business and the director of Taiwan Taomee Co., Ltd.,a Taiwan-listed online entertainment company. From July 2010 to February 2013, Mr. Keung served as an independent non-executive director of Sustainable Forest Holdings Limited (永保林業控股有限公司) (stock code: 723), a forest management company listed on the Stock Exchange.

Mr. Keung obtained his bachelor's degree in hotel administration from Cornell University in the United States in May 1992 and his master's degree in real estate from New York University in the United States in May 1999.

Biographical Details of Directors and Senior Management

Mr. Zhou Yuqing (**周渝清**), aged 38, is the technology vice president of our Group. He joined our Group in January 2009 and oversees product research and development, and manages the product department and IT department of our Group. Prior to joining our Group, Mr. Zhou had worked at Hangzhou Week8 E-Commerce Co., Ltd. (杭州星期八電子商務有限公司), an e-commerce company since August 2003 as its research and development director, where he was responsible for the development of P2P software downloading. From August 2002 to July 2003, Mr. Zhou was employed as a software engineer by Xingji (Hangzhou) Network Technology Co., Ltd. (星際(杭州)網絡技術有限公司), a customer relationship management ("**CRM**") software development company, where he was involved in the research and development of CRM software.

Mr. Zhou obtained a bachelor's degree in electrical engineering and automation from the Zhejiang University of Technology (浙江工業大學) in Hangzhou in July 2002.

Mr. Zhao Weiwen (**趙偉文**), aged 47, has been the general manager of Zhejiang Tiange Information and Technology Co., Ltd. ("**Zhejiang Tiange**") since April 2010 and is responsible for the daily management of Zhejiang Tiange, including administration, HR, IT, finance, customer services, and Internet supervision. He has also served as a director of Tianhu since August 29, 2013 and is in charge of its daily management and development. He has approximately 15 years of experience in the telecommunications industry, gained from his employment at China Telecom's Jinhua branch (中國電信金華分公司) from August 1995 to March 2010, where he was involved in building Internet network infrastructures and related projects.

Mr. Zhao obtained a diploma in project management from the People's Liberation Army Information Engineering College (解放軍信息工程學院) in Zhengzhou in July 1994.

Mr. Yan Xiang (**閆祥**), aged 36, has been the deputy general manager and the executive director of Star Power Culture Media (Beijing) Co.Ltd (新秀動力文化傳媒(北京)有限公司) since May 2013 and September 2013, respectively. He is responsible for our Group's products development in Beijing as well as the overall daily management and operations of Star Power. He has also been the responsible person of the Beijing Branches of Hangzhou Hantang Cultural Communication Co., Ltd. ("**Hantang**") and Jinhua Xingxiu Cultural Communication Co., Ltd. ("**Xingxiu**") and in charge of the daily management since May 2011 and August 2013, respectively. Prior to joining our Group, Mr. Yan worked at Sina Technology (China) Co., Ltd. (新浪技術(中國)有限公司) from July 2004 to May 2011. At Sina Technology (China) Co., Ltd., Mr. Yan was involved in, among others, unified communication system, interactive music video platforms and advertising products, taking different roles in strategy, development, operation and marketing.

Mr. Yan graduated from Sun Yat-Sen University (中山大學) in Guangzhou with a bachelor's degree in computer software in June 2001.

The Board of the Company have pleasure in presenting this annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2014.

INITIAL PUBLIC OFFERING

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 Company listed its shares on the Main Board of the Stock Exchange (the "**Listing**") on July 9, 2014 (the "**Listing Date**") and issued 304,267,000 shares at an offer price of HK$5.28 per share. On July 30, 2014, the Company further issued 45,640,000 shares pursuant to the full exercise of the over-allotment option.

PRINCIPAL ACTIVITIES

The principal activities of the Group are operating of live social video platforms, mobile and online games and other products and services in the People's Republic of China (the "**PRC**").

Details of the principal activities of the principal subsidiaries of the Company are set out in note 1 to the financial statements.

An analysis of the Group's revenue and operating profit for the year ended December 31, 2014 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

The business review on the Group is set out on pages 9 to 20 of this annual report.

RESULTS

The Group's results for the year ended December 31, 2014 are set out in the consolidated statement of comprehensive loss on page 68 of this annual report.

DIVIDEND

The Board have recommended that no final dividend for the year ended December 31, 2014 shall be distributed to the shareholders of the Company.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended December 31, 2014 are set out in note 24 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company for the year ended December 31, 2014 are set out in the consolidated statement of changes in equity and note 25 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of Cayman Companies Law, amounted to approximately RMB1.3 billion (as at December 31, 2013: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended December 31, 2014 are set out in note 13 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales to the Group's five largest distributors accounted for approximately 60.0% of the Group's total cash proceeds received from sales of our virtual currency and game coins for the year ended December 31, 2014 and among which our top distributor accounted for approximately 24.2% of the Group's total cash proceeds received from sales of our virtual currency and game coins for the year ended December 31, 2014.

The Group's top five largest suppliers for each of the year 2013 and 2014 were distribution channels, game developers, advertising agencies, server hosting and bandwidth vendors. The aggregate charges from the Group's five largest suppliers accounted for approximately 22.2% of the Group's cost of revenues and expenses attributable to suppliers for the year ended December 31, 2014 and among which our top supplier accounted for approximately 9.8% of the Group's cost of revenues and expenses attributable to suppliers for the year ended December 31, 2014.

None of the Directors or any of their close associates, or any shareholders which to the knowledge of the Directors own more than 5% of the Company's issued shares has any interests in the Group's five largest suppliers or distributors.

DONATIONS

During the year ended December 31, 2014, the charitable contributions and other donations made by the Company amounted to approximately RMB793,800 (2013: Nil).

DIRECTORS

The Directors for the period from the Listing Date to December 31, 2014 (the "**Relevant Period**") and up to the date of this report are:

Executive Directors
Mr. Fu Zhengjun *(Chairman and chief executive officer)*
Mr. Mai Shi'en *(Chief operating officer)*

Non-executive Directors
Mr. Mao Chengyu
Mr. Herman Cheng-Chun, Yu

Independent non-executive Directors
Ms. Yu Bin
Mr. Wu Chak Man
Mr. Chan Wing Yuen Hubert

In accordance with articles 84 of the Company's articles of association passed on June 16, 2014 (the "**Articles**"), one-third of the Directors shall retire from office by rotation at AGM and be eligible for re-election. Accordingly, Mr. Mai Shi'en, being executive Director, Mr. Wu Chak Man, being independent non-executive Director and Mr. Chan Wing Yuen Hubert, being independent non-executive Director, shall retire from office at the forthcoming AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM.

The Board has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Rules governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Board considers all independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors of the Company has entered into service agreement with the Company for a term of three years, commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service agreements).

Each of the non-executive Directors of the Company and the independent non-executive Directors of the Company has entered into letters of appointment with the Company on June 16, 2014 for a term of three years (subject to termination in certain circumstances as stipulated in the relevant letters of appointment).

None of the Directors has or is proposed to have entered into any service agreement of our Group (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation, other than statutory compensation).

The procedures and process of appointment, re-election and removal of directors are set out in the Articles. The nomination committee of the Company (the "**Nomination Committee**") is responsible for reviewing the Board composition and recommending to the Board on the appointment or reappointment of Directors and succession planning for the Directors, in particular the Chairman and chief executive officer.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Directors has or had a material beneficial interest, whether directly or indirectly, in any significant contract in relation to the Group's business to which the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies was a party during the year ended December 31, 2014.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Controlling Shareholders (as defined below) or its subsidiary has or had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended December 31, 2014.

ENFORCEMENT OF THE DEED OF NON-COMPETITION

Pursuant to the deed of non-competition dated June 16, 2014 ("**Non-Competition Deed**") entered into by Mr. Fu Zhengjun, Mr. Fu Yanchang, Three-Body Holdings Ltd, Star Wonder Holding Ltd, Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited (the "**Covenantors**"), each of the Covenantors has jointly and severally, unconditionally and irrevocably undertaken with our Company that he/it will not (except through the Group and any investment or interests held through the Group), and will procure his/its associates (other than any member of our Group) not to, directly or indirectly (including through nominees), carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, any business which is in competition with or similar to or is likely to be in competition with the business referred to in the Prospectus that is carried on or contemplated to be carried on by any member of our Group (the "**Restricted Business**"). In addition, the Covenantors also granted the Company options for new business opportunities related to the Restricted Business. For details of the Non-Competition Deed, please refer to the Prospectus.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Non-Competition Deed for disclosure in this annual report during the Relevant Period.

The Company and its Directors have made market enquiries and nothing has come to the attention of the Company or its Directors that the controlling shareholders are engaging in any business that may compete with that of the Group in contravention of the terms of the Non-Competition Deed. The independent non-executive Directors of the Company have also reviewed the compliance and enforcement status of the Non-Competition Deed, and are of the view that the controlling shareholders have abided by the undertakings contained in the Non-Competition Deed during the Relevant Period.

DIRECTORS' EMOLUMENTS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Particulars of the Directors' emoluments and five highest paid individuals for the year ended December 31, 2014 are set out in note 8 to the financial statements and the emolument policy of the Company is set out in the Corporate Governance Report on pages 55 to 65 of this annual report.

No Director has waived or has agreed to waive any emoluments during the year ended December 31, 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2014, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in any business which were in competition or were likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of December 31, 2014, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") are as follows:

Interests in ordinary shares of the Company:

Name of director	Nature of interests	Number of shares held	Approximate percentage of shareholding as at December 31, 2014
Mr. Fu Zhengjun ("**Mr. Fu**")	Founder of a discretionary trust *(Note 1)*	306,000,000	24.30%

Notes:

1. *UBS Trustees (BVI) Limited, the trustee of Mr. Fu's Trust (as defined below), holds the entire issued share capital of Three-Body Holdings Ltd through its nominee, UBS Nominee Limited. Three-Body Holdings Ltd holds the entire issued share capital of Blueberry Worldwide Holdings Limited. Blueberry Worldwide Holdings Limited in turn holds 306,000,000 shares in our Company. Mr. Fu's trust ("**Mr. Fu's Trust**") is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and his family members. Accordingly, each of Mr. Fu, UBS Trustees (BVI) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 306,000,000 shares held by Blueberry Worldwide Holdings Limited.*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Interest in underlying shares of the company:

Name of director	Position held within our Group	Nature	Number of shares represented by options or RSUs	Exercise price (US$)	Approximate percentage of shareholding as at December 31, 2014
Mr. Fu	Chairman, executive Director and chief executive officer	RSUs *(Note 1)*	10,000,000	Nil	0.79%
		Interest of spouse *(Note 4)*	20,000,000	Nil	1.59%
Mr. Mai Shi'en	Executive director and chief operating officer	RSUs *(Note 2)*	5,000,000	Nil	0.40%
Mr. Mao Chengyu	Non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%
Mr. Herman Cheng-Chun, Yu	Non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%
Ms. Yu Bin	Independent non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%
Mr. Wu Chak Man	Independent non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%
Mr. Chan Wing Yuen, Hubert	Independent non-executive Director	Options *(Note 3)*	200,000	0.35	0.02%

Notes:

1. *Mr. Fu is interested in 1,000,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 shares. For details, please refer to Note 3 of the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" in this annual report.*

2. *Mr. Mai Shi'en is interested in 500,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 5,000,000 shares subject to vesting. For details, please refer to Note 3 of the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" in this annual report.*

3. *Mr. Mao Chengyu, Mr. Herman Cheng Chun, Yu, Ms. Yu Bin, Mr. Wu Chak Man and Mr. Chan Wing Yuen, Hubert are each interested in 20,000 Pre-IPO options granted to each of them on May 22, 2014 under the Pre-IPO share Option Scheme entitling each of them to receive 200,000 shares subject to vesting.*

4. *Ms. Hong Yan is Mr. Fu's spouse and she is interested in 2,000,000 Pre-IPO RSUs granted to her on May 22, 2014 under the Pre-IPO RSU Scheme entitling her to receive 20,000,000 shares subject to vesting. Accordingly, Mr. Fu is deemed to be interested in the 20,000,000 shares which are interested by Ms. Hong Yan under the SFO. For details, please refer to Note 3 of the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" in this annual report.*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Save as disclosed above, as at December 31, 2014, none of the Directors and chief executives of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2014, the following persons (other than the Directors or chief executives of the Company), had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Nature of interests	Number of Shares or securities held	Approximate percentage of interest as at December 31, 2014
UBS Trustees (BVI) Limited	Trustee *(Note 1)*	340,000,000	27.00%
Three-Body Holdings Ltd	Interest in controlled corporation *(Note 1)*	306,000,000	24.30%
Blueberry Worldwide Holdings Limited	Beneficial owner *(Note 1)*	306,000,000	24.30%
Sina Hong Kong Limited	Beneficial owner	300,000,000	23.82%
Ho Chi Sing	Interest in controlled corporation *(Note 2)*	200,000,000	15.88%
Zhou Quan	Interest in controlled corporation *(Note 2)*	200,000,000	15.88%
IDG-Accel China Growth Fund GP II Associates Ltd.	Interest in controlled corporation *(Note 2)*	200,000,000	15.88%
IDG-Accel China Growth Fund II Associates L.P.	Interest in controlled corporation *(Note 2)*	184,880,000	14.68%
IDG-Accel China Growth Fund II L.P.	Beneficial owner *(Note 2)*	184,880,000	14.68%
Tangguo Limited	Nominee for another person *(Note 3)*	70,000,000	5.56%
The Core Trust Company Limited	Trustee	70,000,000	5.56%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

1. *UBS Trustees (BVI) Limited, the trustee of Mr. Fu's Trust and Mr. Fu Yanchang's Trust (as defined below), holds the entire issued share capital of Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited through Three-Body Holdings Ltd and Star Wonder Holding Ltd, respectively. Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited hold 306,000,000 shares and 34,000,000 shares in our Company, respectively. Mr. Fu's Trust is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and his family members. Accordingly, each of Mr. Fu, UBS Trustees (BVI) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 306,000,000 shares held by Blueberry Worldwide Holdings Limited. Mr. Fu Yanchang's trust ("**Mr. Fu Yanchang's Trust**") is a discretionary trust established by Mr. Fu Yanchang (as the settlor) and the discretionary beneficiaries of which are Mr. Fu Yanchang and his family members. Accordingly, each of Mr. Fu Yanchang, UBS Trustees (BVI) Limited, Cloud Investment Holding Limited and Star Wonder Holding Ltd is deemed to be interested in the 34,000,000 shares held by Cloud Investment Holding Limited.*

2. *IDG-Accel China Growth Fund II L.P. is wholly-owned by IDG-Accel China Growth Fund II Associates L.P., which is in turn wholly-owned by IDG-Accel China Growth Fund GP II Associates Ltd. Accordingly, each of IDG-Accel China Growth Fund II L.P., IDG-Accel China Growth Fund II Associates L.P. and IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in the 184,880,000 shares held by IDG-Accel China Growth Fund II L.P. Separately, IDG-Accel Growth Investors II L.P. is wholly-owned by IDG-Accel China Growth Fund GP II Associates Ltd., therefore IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in the 15,120,000 shares held by IDG-Accel Growth Investors II L.P.*

   Each of Ho Chi Sing and Zhou Quan holds 50% of the issued share capital of IDG-Accel China Growth Fund GP II Associates Ltd., therefore both Ho Chi Sing and Zhou Quan are deemed to be interested in the 200,000,000 shares which IDG-Accel China Growth Fund GP II Associates Ltd. is interested in total.

3. *As at December 31, 2014, the Pre-IPO RSU Trustee through its nominee, Tangguo Limited, holds 70,000,000 shares underlying the RSUs granted under the Pre-IPO RSU Scheme for the benefit of eligible grantees pursuant to the Pre-IPO RSU Scheme. Among this, 41,456,250 shares underlying the RSUs have been vested and transferred to the grantees of the Pre-IPO RSU Scheme which include Mr. Fu, Ms. Hong Yan and Mr. Mai Shi'en. Mr. Fu and Ms. Hong Yan were granted 1,000,000 Pre-IPO RSUs and 2,000,000 Pre-IPO RSUs, respectively. Accordingly, Mr. Fu and Ms. Hong Yan are interested in 10,000,000 shares and 20,000,000 shares, respectively. Furthermore, Mr. Fu is deemed to be interested in the 20,000,000 shares which are interested in by Ms. Hong Yan under the SFO. Mr. Mai Shi'en was granted 500,000 Pre-IPO RSUs, and accordingly, Mr Mai Shi'en is interested in 5,000,000 shares. For details of Pre-IPO RSU Scheme, please refer to the section headed "Share Incentive Schemes – Pre-IPO RSU Scheme" in this annual report.*

Save as disclosed above, as at December 31, 2014, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Incentive Schemes" in this report and in note 26 to the financial statements, at no time during the Relevant Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE INCENTIVE SCHEMES

In order to incentivize our directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to our Group, the Company adopted the Pre-IPO Share Option Scheme on December 9, 2008 (amended and restated on October 21, 2011 and May 22, 2014, respectively) and the Pre-IPO RSU Scheme on May 22, 2014. The Company also conditionally adopted the Post-IPO RSU Scheme and the Post-IPO Share Option Scheme on June 16, 2014.

The principal terms of the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme, Post-IPO RSU Scheme and the Post-IPO Share Option Scheme are summarized in the section headed "Statutory and General Information – D. Share Incentive Schemes" in Appendix IV to the Prospectus.

Pre-IPO Share Option Scheme

The purposes of this plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, directors and consultants and to promote the success of the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by issuing them Shares or by permitting them to purchase Shares.

(i) The maximum aggregate number of shares that may be issued under the plan shall not exceed 8,845,575 Shares as at the date of the Prospectus. But following the capitalization issue (as defined in the Prospectus), it has been adjusted to 88,455,750 shares, which represented 7.0% of the total number of issued shares of the Company as at the date of this report;

(ii) The exercise price of any option shall be determined by the Administrator in its sole discretion, except that the exercise price of an incentive stock option shall not be less than 100% of the fair market value on the date of grant; and

(iii) the plan shall remain in effect for a term of ten (10) years subject to any amendments, alterations, suspension or termination by the Board or any of its committee (the "**Administrator**").

SHARE INCENTIVE SCHEMES (continued)

Outstanding Share Options

As disclosed in the section headed "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus, prior to the Listing, options representing a total of 15,648,000 shares were granted to 490 grantees under the Pre-IPO Share Option Scheme. The Company adopted the Pre-IPO RSU Scheme to partially replace the options granted under the Pre-IPO Share Option Scheme. Options representing a total of 4,280,000 shares, which were granted to five persons including two executive Directors, one senior management, one connected person and one other employee of our Group, were replaced by Pre-IPO RSUs. No consideration was paid by any of the grantees of the options under the Pre-IPO Share Option Scheme for any options granted to them. Although the Company determines the vesting period of each option holders on a case-by-case basis, the general vesting period for the option holders are as follows: 25% of the shares subject to the Pre-IPO Share Option shall vest on the first anniversary of the granting date, and 1/48 of the Shares subject to the Pre-IPO Share Option shall vest each month thereafter over the next three years on the same day of the month as the granting date (such day to be deemed to be the last day of the month, when necessary), subject to the option holders continuing to be a service provider through these dates.

As at December 31, 2014, options representing a total of 87,721,320 shares (taking into account the 25,958,680 options which have lapsed in accordance with the terms of the Pre-IPO Share Option Scheme) 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 7.0% as at December 31, 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.

No other share options have been granted by us after the Listing pursuant to the Pre-IPO Share Option Scheme.

The Company has appointed The Core Trust Company Limited (匯聚信託有限公司) as the trustee and Happy88 Holdings Limited, a company incorporated in the British Virgin Islands and an independent third party, as the nominee to administer the Pre-IPO Share Options Scheme pursuant to its scheme rules. However, as at the date of this report, no shares underlying the granted share options had been allotted and issued to Happy88 Holdings Limited.

SHARE INCENTIVE SCHEMES (continued)

Pre-IPO RSU Scheme

The purposes of the Pre-IPO RSU Scheme are to recognize the contributions by grantees and to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

(i) the total number of shares underlying RSUs under the Pre-IPO RSU Scheme shall not exceed 7,280,000 Shares;

(ii) the participants of the scheme are existing employees, Directors or officers of the Group, and any other person selected by the Board or the RSUs and option committee at its sole discretion from time to time; and

(iii) the duration of the scheme is 10 years commencing on May 22, 2014.

Outstanding RSUs

A total of 7,280,000 Pre-IPO RSUs (which includes the 4,280,000 Pre-IPO RSUs which were granted to partially replace the options granted under the Pre-IPO Share Option Scheme) have been granted on May 22, 2014 to 17 grantees, including two executive Directors, three senior management members, one connected person of the Group and 11 other employees. On July 9, 2014, upon the Company's IPO on the Main Board of the Stock Exchange, the Company's ordinary shareholders received nine bonus shares for every registered ordinary share that they already held. As a result, the 7,280,000 ordinary shares of the Company underlying the RSUs were adjusted to 72,800,000 ordinary shares on a one-to-ten basis. As at the date of this report, the total number of shares underlying the RSUs represent approximately 5.8% of the total number of shares of the Company.

The Company has appointed The Core Trust Company Limited (滙聚信託有限公司) as the trustee and Tangguo Limited, a company incorporated in the British Virgin Islands and an independent third party, as the nominee to administer the Pre-IPO RSU Scheme pursuant to its scheme rules. During the Relevant Period, RSUs in respect of an aggregate of 2,800,000 shares have been exercised by grantees under the Pre-IPO RSU Scheme and no RSUs have lapsed. As a result, as at December 31, 2014, 70,000,000 shares have been issued and allotted to Tangguo Limited.

SHARE INCENTIVE SCHEMES (continued)

Details of the options granted under the Pre-IPO Share Option Scheme and the RSUs granted under the Pre-IPO RSU Scheme

The following table shows the details of the options and/or the Pre-IPO RSUs granted and outstanding under the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme to, on an individual basis, the Directors, chief executive members and other connected person of the Group as at December 31, 2014 (immediately after full exercise of the over-allotment option).

Name of grantee	Position held within our Group	Nature	Number of Shares represented by option or RSUs	Date of grant	Exercise price (US$)	Approximate percentage of shareholding
Directors of our Company						
Mr. Fu	Chairman, executive Director and chief executive officer	RSUs	10,000,000	May 22, 2014	Nil	0.794%
Mr. Mai Shi'en	Executive Director and chief operating officer	RSUs	5,000,000	May 22, 2014	Nil	0.397%
Mr. Mao Chengyu	Non-executive Director	Options	200,000	May 22, 2014	0.35	0.016%
Mr. Herman Cheng Chun, Yu	Non-executive Director	Options	200,000	May 22, 2014	0.35	0.016%
Ms. Yu Bin	Independent non-executive Director	Options	200,000	May 22, 2014	0.35	0.016%
Mr. Wu Chak Man	Independent non-executive Director	Options	200,000	May 22, 2014	0.35	0.016%
Mr. Chan Wing Yuen, Hubert	Independent non-executive Director	Options	200,000	May 22, 2014	0.35	0.016%
Chief executive member of our Group						
Mr. Keung Paul Hinsun	Chief financial officer of our Company	RSUs	5,000,000	May 22, 2014	Nil	0.397%
Other connected person of our Group						
Ms. Hong Yan	Vice president of Tiange Technology (Hangzhou) Co., Ltd. (天格科技(杭州)有限公司) ("**Hangzhou Tiange**")	RSUs	20,000,000	May 22, 2014	Nil	1.588%
Seven Directors, six senior management members and one connected person		Options	1,000,000			0.079%
		RSUs	40,000,000			3.176%
		Sub-total	41,000,000			3.255%

SHARE INCENTIVE SCHEMES (continued)

Details of the options granted under the Pre-IPO Share Option Scheme and the RSUs granted under the Pre-IPO RSU Scheme

The following is a summary table showing further details of the options and/or the Pre-IPO RSUs granted and outstanding under the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme to individuals who are neither a Director, chief executive member nor a connected person of the Group as at December 31, 2014 (immediately after full exercise of the over-allotment option).

Rank/position held with our Group	Nature	Number of Shares represented by option or RSUs	Date of grant	Exercise price (US$)	Approximate percentage of shareholding
417 other employees, 23 other consultants and 24 ex-employees *(Note 1)*	Options	14,200,000	January 14, 2009	0.01	
		4,200,000	July 23, 2009	0.021	
		6,913,540	July 23, 2009	0.03	
		3,042,380	June 17, 2010	0.06	
		1,300,000	September 6, 2010	0.06	
		30,000,000	September 6, 2010	0.035	
		3,526,050	December 20, 2010	0.06	
		200,000	December 20, 2010	0.03	
		2,000,000	December 26, 2011	0.06	
		1,801,000	December 26, 2011	0.1	
		2,541,130	December 26, 2011	0.12	
		4,449,770	October 14, 2012	0.15	
		2,158,750	September 14, 2013	0.2	
		10,388,700	May 22, 2014	0.35	
	Options total	86,721,320	–	–	6.886%
	RSUs	30,000,000	May 22, 2014	Nil	2.382%
	Sub-total	116,721,320			9.268%

Note:

1. *Consultants are third party agents who provided our Group with business consultancy services on financial management, research and development, human resources and sales. Pursuant to the Pre-IPO Share Option Scheme, a total of 33,998,040 options have been granted to 23 consultants.*

SHARE INCENTIVE SCHEMES (continued)

Post IPO RSU Scheme

The scheme rules of the Post-IPO RSU Scheme are substantially similar to the Pre-IPO RSU Scheme.

The maximum aggregate number of shares underlying all grants of RSUs pursuant to the Post-IPO RSU Scheme will not exceed 24,341,340 shares, representing approximately 1.9% of the total number of shares in issue as at the date of this report.

The Company appointed The Core Trust Company Limited (滙聚信託有限公司) as the trustee and Xinshow Limited, a company incorporated in the British Virgin Islands and an independent third party, as the nominee to administer the Post-IPO RSU Scheme after the Listing. As at December 31, 2014, no shares has been allotted and issued to Xinshow Limited.

Post IPO Share Option Scheme

The purposes of the scheme are to incentivize and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

(i) The participants can be an employee (whether full time or part time) or a director of a member of our Group or associated companies of our Company ("**Eligible Persons**").

(ii) The maximum number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 121,706,700, representing 9.7% of the total number of Shares in issue as at the date of this report. As at December 31, 2014, no options have been granted by us pursuant to the Post-IPO Share Option Scheme.

(iii) No options shall be granted to any Eligible Person under the Post-IPO Share Option Scheme and any other schemes of our Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the shares in issue at such date.

SHARE INCENTIVE SCHEMES (continued)

Post IPO Share Option Scheme (continued)

(iv) An amount of HK$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

(v) The exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option; (b) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and (c) the nominal value of the shares.

(vi) The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date.

(vii) Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option.

CONNECTED TRANSACTIONS

We have entered into a number of agreements and arrangements with our connected persons (as set out below) in our ordinary and usual course of business which are not exempted from reporting.

The table below sets forth the connected persons of our Company who conduct connected transactions with our Group since Listing and the nature of their connection with our Group:

Name	Connected Relationship
Mr. Fu	Mr. Fu is our Director and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules.
SINA HK	SINA HK is a substantial shareholder of our Company and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules.
Beijing SINA Internet Information Service Co., Ltd.("**Beijing SINA**")	Beijing SINA is a subsidiary of SINA HK and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules.
Hantang	Hantang is owned as to 98% by Mr. Fu and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules.
Jinhua9158 Network Science and Technology Co., Ltd. ("**Jinhua9158**")	Jinhua9158 is owned as to 98% by Mr. Fu and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules.
Jinhua 99 Information Technology Co., Ltd. ("**Jinhua99**")	Jinhua99 is owned as to 98% by Mr. Fu and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules.
Xingxiu	Xingxiu is owned as to 98% by Mr. Fu and is therefore our connected person pursuant to Rule 14A.07(4) of the Listing Rules.

CONNECTED TRANSACTIONS (continued)

Framework Cooperation Agreement

To facilitate the sharing of technical resources, and give our business complementary strengths, on June 10, 2014, the Company entered into a business cooperation agreement with SINA HK (the "**Framework Cooperation Agreement**"), which is valid until December 31, 2016. The Framework Cooperation Agreement serves as a framework agreement containing the scope of services, transaction principles, and pricing terms and policies for those services. Pursuant to the Framework Cooperation Agreement, the SINA Group agrees to provide a range of services to our Group, including (i) advertising or related marketing for our Group, our customers or in relation to business collaborations between the SINA Group and our Group; (ii) technical development or consultation; and (iii) provision of wireless messaging channels for delivering messages the content of which are supplied by us. Our Group shall provide certain services to members of SINA Group, including (i) advertising or related marketing for SINA Group, customers represented by it or in relation to business collaborations between the SINA Group and us; and (ii) technical development or consultation.

The agreements underlying the Framework Cooperation Agreement which are still valid and existing between members of the SINA Group and members of our Group are set out below:

(a) Advertising – Advertisement Cooperation Agreement

On September 1, 2011, Hantang entered into an advertising cooperation agreement (the "**Advertising Cooperation Agreement**") with Beijing SINA, Beijing Sina Advertisement Co., Ltd. (北京新浪廣告有限公司), Jinzhuo Hengbang Technology (Beijing) Co., Ltd. (金卓恒邦科技(北京)有限公司) and Shanghai Sina Advertising Co., Ltd. (上海新浪廣告有限公司) (together, the "**Original Sina Parties**"). Subsequently, the parties entered into three supplemental agreements on September 1, 2012, April 1, 2013 and September 1, 2014 respectively. As a result of these supplemental agreements: (a) the term of the Advertising Cooperation Agreement has been further extended to August 31, 2015; (b) Beijing MicroDream TechnoInnovation IT Technology Co. (北京微夢創科網絡技術有限公司) (together with the Original Sina Parties, the "**Sina Parties**") was added as a party to the agreement; and (c) Income generated from the services under the Advertising Cooperation Agreement is split in half by Hantang and the Sina Parties, after deduction of a 15% agent commission (instead of a 12% agent commission under the Advertising Cooperation Agreement) by the Sina Parties. Pursuant to the Advertising Cooperation Agreement, the Sina Parties are responsible for the sales and marketing, while Hantang is responsible for placing advertisements on Sina Show platform for customers recruited by the Sina Parties and for providing technical and operational support.

CONNECTED TRANSACTIONS (continued)

Framework Cooperation Agreement (continued)

(b) Wireless Payment Services – Wireless Payment Services Agreement

On October 1, 2012, Jinhua9158 and Beijing SINA entered into a cooperation agreement (the "**Wireless Payment Services Agreement**") which shall be valid until September 30, 2014. The parties entered into a supplemental agreement on January 1, 2013 pursuant to which Xingxiu replaced Jinhua9158 as a party to the Wireless Payment Services Agreement and assumed all of Jinhua9158's obligations thereunder. Pursuant to the Wireless Payment Services Agreement, the parties launched wireless payment services including pre-paid cards, mobile banking, online banking. Xingxiu is responsible for providing technical support and services while Beijing SINA is responsible for operation and settlement. Accordingly, Xingxiu pays a service fee to Beijing SINA amounting to 2% or 3.5% of the payments collected from users, depending on the method of payment used by users. The parties are in the process of renewing the Wireless Payment Services Agreement.

(c) Wireless Payment Services – Sina Show Wireless Payment Services Agreement

On September 1, 2010, Hantang, Beijing SINA and Beijing Star Online Cultural Development Co., Ltd. (北京星潮在線文化發展有限公司) entered into a cooperation agreement (the "**Sina Show Wireless Payment Services Agreement**"). Subsequently, the parties entered into three supplemental agreements on March 1, 2011, March 1, 2013 and March 1, 2014 respectively. As a result of these supplemental agreements: (a) Shenzhen Wangxing Technology Co., Ltd. (深圳市網興科技有限公司) became a party to the Sina Show Wireless Payment Services Agreement, (b) Xingxiu replaced Hantang as a party to the Sina Show Wireless Payment Services Agreement and assumed all of Hantang's obligations under the agreement, and (c) the term of the Sina Show Wireless Payment Services Agreement was extended to February 28, 2015 and will automatically extend one year after February 28, 2015. Pursuant to the Sina Show Wireless Payment Services Agreement, Beijing SINA, Beijing Star Online Cultural Development Co., Ltd and Shenzhen Wangxing Technology Co., Ltd. provide wireless channels to users of Sina Show to "top-up" their virtual currency used on Sina Show. Accordingly, Hantang (and later Xingxiu) pays to each of those parties a portion of the net income generated from the relevant top-up services.

(d) Wireless Messaging – Mobile Messaging Agreement

On April 18, 2013, Xingxiu and Beijing SINA entered into a wireless platform business cooperation agreement (the "**Mobile Messaging Agreement**"), which took effect on February 1, 2013, and a supplemental agreement on February 1, 2014 to extend the Mobile Messaging Agreement to January 31, 2015. Pursuant to the Mobile Messaging Agreement, Beijing SINA provides wireless messaging channels to Xingxiu to deliver wireless messages to users and Xingxiu supplies the content of the messages. For the services provided by Beijing SINA, Xingxiu pays a service fee of RMB0.06 per message successfully delivered. The parties are in the process of renewing the Mobile Messaging Agreement.

For details, please refer to the section headed "Connected Transactions" in the Prospectus.

For the year ended December 31, 2014, the total amount paid for services provided by us to SINA Group is RMB1,509,000, which did not exceed the annual cap of RMB12,600,000. The total amount paid for services provided by SINA Group to us is RMB3,704,000, which did not exceed the annual cap of RMB17,500,000.

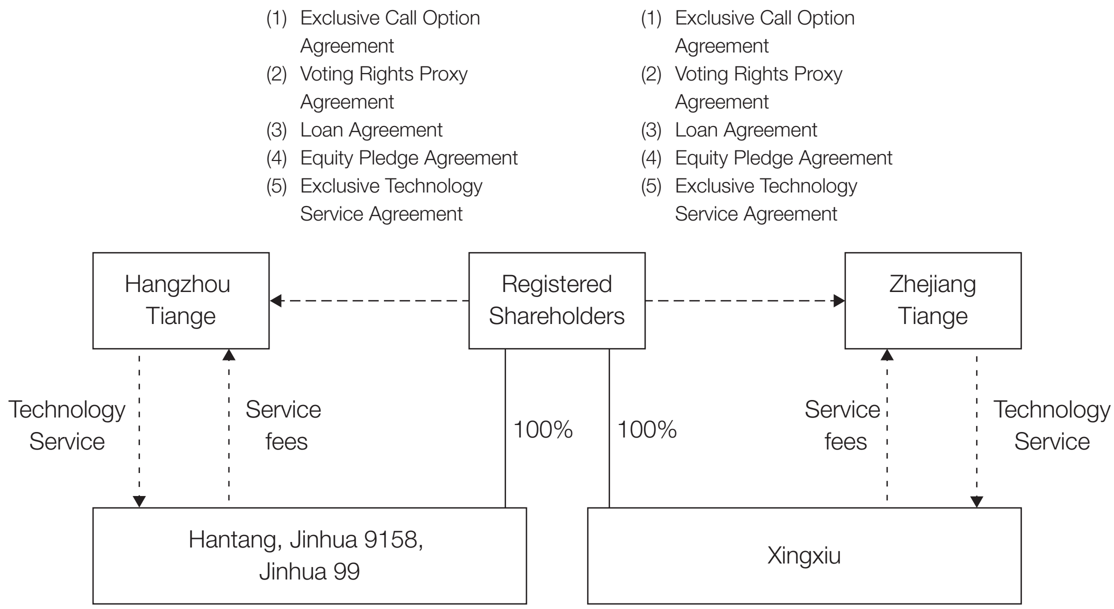
CONNECTED TRANSACTIONS (continued)

Contractual Arrangements

The Company is primarily engaged in the operations of live social video communities, online and mobile games (the "**Principal Business**"), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, we, as foreign investors, cannot acquire equity interest in Hantang, Jinhua9158, Jinhua99 and Xiuxiu (the "**PRC Operating Entities**", each a "**PRC Operating Entity**"), which hold certain licenses and permits required for the operation of our Principal Business. Therefore, our Group, through our WFOEs, Hangzhou Tiange and Zhejiang Tiange, has entered into the contractual arrangements ("**Contractual Arrangements**") with our PRC Operating Entities and their shareholders in order to conduct the Principal Business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of the PRC Operating Entities.

As part of the Reorganization, Hangzhou Tiange and Zhejiang Tiange, the PRC Operating Entities, Mr. Fu and Mr. Fu Yanchang as the registered shareholders of the PRC Operating Entities (the "**Registered Shareholders**") entered into the new agreements (the "**New Agreements**") underlying the Contractual Arrangements. Each of the PRC Operating Entities, the relevant WFOE and the Registered Shareholders (where applicable) entered into a set of underlying agreements with substantially identical terms, being (i) Exclusive Technology Service Agreement (獨家技術服務協議); (ii) Exclusive Call Option Agreement (獨家購買權協議); (iii) Voting Rights Proxy Agreement (股東表決權委託協議); (iv) Loan Agreement (借款協議); and (v) Equity Pledge Agreement (股權質押協議).

The following simplified diagram illustrates the Contractual Arrangements under the New Agreements:



CONNECTED TRANSACTIONS (continued)

Contractual Arrangements (continued)

Notes:

1. *Please refer to the section headed "Exclusive Call Option Agreement" below.*

2. *Please refer to the section headed "Voting Rights Proxy Agreement" below.*

3. *Please refer to the section headed "Loan Agreement" below.*

4. *Please refer to the section headed "Equity Pledge Agreement" below.*

5. *The registered shareholders are Mr. Fu and Mr. Fu Yanchang.*

6. *Please refer to the section headed "Exclusive Technology Service Agreement" below.*

Exclusive Technology Service Agreements

Each of our PRC Operating Entities and the relevant WFOE entered into an amended and restated Exclusive Technology Service Agreement in June 2014, pursuant to which the relevant PRC Operating Entity agrees to engage the relevant WFOE as its exclusive provider of technology services related to its business. In addition, the relevant WFOE has exclusive and proprietary rights to all intellectual properties arising from the performance of these services.

Pursuant to each Exclusive Technology Service Agreement, the relevant PRC Operating Entity shall pay to the relevant WFOE a service fee at 95% of the PRC Operating Entity's net revenue, i.e. revenue less any costs and expenses (except the service fee) necessary for such PRC Operating Entity's business operations and any taxes (except enterprise income tax) and accumulated losses in a given year, plus extra service fee for additional services provided by the WFOE upon request of the PRC Operating Entity, within three months after each calendar year for the services provided in the preceding year. Each Exclusive Technology Service Agreement has a term of twenty years and will be automatically renewed on a yearly basis after expiration unless otherwise notified by the relevant WFOE, and shall be terminated when the operating term of the relevant WFOE or the relevant PRC Operating Entity expires. To the extent permitted by law, each PRC Operating Entity is not contractually entitled to terminate relevant Exclusive Technology Service Agreement with relevant WFOE. Further, without the prior written approval from the relevant WFOE, the relevant PRC Operating Entity (i) shall not enter into any transactions that may result in conflicts with the Exclusive Technology Service Agreement or adversely affect the WFOE's interests thereunder, and (ii) shall not dispose of any of its material assets or change its existing shareholding structure.

CONNECTED TRANSACTIONS (continued)

Contractual Arrangements (continued)

Exclusive Call Option Agreements

Each of our PRC Operating Entities, the Registered Shareholders, and the relevant WFOE entered into an amended and restated Exclusive Call Option Agreement in June 2014, pursuant to which (i) the Registered Shareholders irrevocably grant the WFOE an exclusive and unconditional option to purchase their equity interests in the PRC Operating Entity to the extent permitted under PRC law at a purchase price equal to the higher of the capital contribution paid to the registered capital by the respective Registered Shareholder for such interests or the lowest price permitted under PRC law, and (ii) the PRC Operating Entity irrevocably grants the WFOE an exclusive and unconditional option to purchase all or part of its assets to the extent permitted under PRC law at a purchase price equal to the higher of the net book value of such assets or the lowest price permitted under PRC law. The WFOE may also designate a third party to purchase all or part of the interests and assets of the PRC Operating Entity, subject to the call option. Such third party shall be (i) a direct or indirect shareholder of the WFOE (when exercising equity purchase option or assets purchase option), or (ii) a director of the WFOE or the WFOE's direct or indirect shareholder who is a PRC citizen (when exercising equity purchase option).

Pursuant to each Exclusive Call Option Agreement, the Registered Shareholders and the PRC Operating Entity each have undertaken to perform certain acts or refrain from performing certain acts until they obtain written consent from the WFOE.

Each Exclusive Call Option Agreement expires when all the equity interests in and assets of the relevant PRC Operating Entity have been transferred to the relevant WFOE or its designated entities or individuals. To the extent permitted by law, each PRC Operating Entity and its Registered Shareholders are not contractually entitled to terminate relevant Exclusive Call Option Agreement with relevant WFOE.

In addition, the respective Registered Shareholders undertake that (i) in case they receive any dividends or other profit distributions from the PRC Operating Entities, they shall return the same to the WFOEs, with deduction of applicable taxes and governmental fees; and (ii) in case they receive any proceeds from transfer of equity interests in the PRC Operating Entities, or any distributions upon liquidation of the PRC Operating Entities, and if the amount of such proceeds or distribution is higher than the loans owed by the Registered Shareholders respectively to the WFOEs under the relevant Loan Agreements, they shall return to the WFOE such proceeds or distribution they receive, with deduction of applicable taxes and governmental fees, and the amounts of relevant loans.

CONNECTED TRANSACTIONS (continued)

Contractual Arrangements (continued)

Equity Pledge Agreements

Each of the PRC Operating Entities, the Registered Shareholders and the relevant WFOE entered into an amended and restated Equity Pledge Agreement in June 2014, pursuant to which, the Registered Shareholders will pledge all their equity interests in the PRC Operating Entity to the WFOE to secure their performance, as well as the performance of the PRC Operating Entity, of the (i) Exclusive Technology Service Agreement; (ii) Exclusive Call Option Agreement; (iii) Voting Rights Proxy Agreement; and (iv) Loan Agreement. If any of the Registered Shareholders or PRC Operating Entity breaches or fails to fulfill the obligations under any of the aforementioned agreements, the relevant WFOE, as the pledgee, will be entitled to foreclose the pledge over the equity interests, entirely or partially.

Pursuant to the Equity Pledge Agreement, any dividend or bonus arising from the pledged equity interests shall be deposited into the WFOE's designated bank account, and shall be used in discharge of the collateralized obligations with first priority. Under the Equity Pledge Agreement, the Registered Shareholders warrant to the relevant WFOE that all appropriate arrangements have been made and all necessary documents have been executed to ensure that none of their successors, guardians, creditors, spouses and other third parties will adversely impact or hinder the enforcement of the Equity Pledge Agreement in the event of death, loss of legal capacity, bankruptcy, divorce or any other situation of the Registered Shareholders.

Pursuant to the Equity Pledge Agreement, the Registered Shareholders shall not obtain any dividend or bonus or (in the event of liquidation or termination of the PRC Operating Entity) receive any distribution of properties or assets of the PRC Operating Entity in respect of the pledged equity interests without prior consent from the WFOE, and such dividend, bonus or remaining assets of the PRC Operating Entity shall be deposited into the WFOE's designated bank account, and shall be used in discharge of the secured debts with first priority. The Equity Pledge Agreement will remain in full effect until all the contractual obligations have been performed or all the secured debts have been discharged.

Voting Rights Proxy Agreements

Each of the PRC Operating Entities, the Registered Shareholders and the relevant WFOE entered into an amended and restated Voting Rights Proxy Agreement in June 2014, pursuant to which, each Registered Shareholder, through the Power of Attorney, irrevocably appoints the person designated by the WFOE as his attorney-in-fact to exercise the shareholder's rights in the relevant PRC Operating Entity. Pursuant to each Voting Rights Proxy Agreement, the appointee appointed by the WFOE as the Registered Shareholder's power of attorney should be a director of the WFOE or the WFOE's direct or indirect shareholder, or such director's successor (including a liquidator replacing the director or its successor), and such appointee should be a PRC citizen and should not be either of the Registered Shareholders or any of their "connected person" as defined in the Listing Rules.

Each Voting Rights Proxy Agreement has a term of twenty years and will be extended for one year after expiration unless otherwise notified by the WFOE. In case that (i) the operating term of the relevant WFOE or the relevant PRC Operating Entity expires, or (ii) the parties thereto mutually agree on an early termination, the relevant Voting Rights Proxy Agreement may be terminated. To the extent permitted by law, each PRC Operating Entity and its Registered Shareholders are not contractually entitled to terminate relevant Voting Rights Proxy Agreement with relevant WFOE.

CONNECTED TRANSACTIONS (continued)

Contractual Arrangements (continued)

Powers of Attorney

Each of the Registered Shareholders executed an irrevocable Power of Attorney in June 2014, appointing Mai Shi'en as his proxy to exercise on his behalf all of his shareholder rights in the relevant PRC Operating Entity. The Power of Attorney shall remain in effect until the expiration or early termination of the relevant Voting Rights Proxy Agreement, unless otherwise the WFOE to the Voting Rights Proxy Agreement designates another appointee. Mr. Mai Shi'en, being an executive Director and the chief operating officer of our Company, has the duty to act in the best interest of our Company.

Loan Agreements

Each of the relevant WFOEs and the Registered Shareholders entered into a Loan Agreement in February and March 2014 and an amendment agreement to the respective Loan Agreement in June 2014, pursuant to which the WFOE provided an interest-free loan facility to each of the Registered Shareholders for his investment in the relevant PRC Operating Entity. Under each of the Loan Agreements regarding the investment in Jinhua9158, Jinhua99 and Xingxiu, the relevant WFOE has lent to each of the Registered Shareholders amounts equal to his respective capital contribution to the registered capital of the relevant PRC Operating Entity, i.e. RMB9,800,000 to Mr. Fu and RMB200,000 to Mr. Fu Yanchang. Under the Loan Agreement regarding the investment in Hantang, Hangzhou Tiange has lent to the Registered Shareholders a total amount of RMB9,000,000 in proportion to their respective shareholding percentage, i.e. RMB8,820,000 to Mr. Fu and RMB180,000 to Mr. Fu Yanchang.

Each Loan Agreement has a term of twenty years, or the operating term of the PRC Operating Entity, whichever is shorter. To the extent permitted by law, the Registered Shareholders are not contractually entitled to terminate the Loan Agreements with relevant WFOE. The WFOE is entitled to accelerate the repayment of loan at any time at its sole discretion. In addition, pursuant to the Loan Agreements, if the WFOE requests early repayment of all or part of the principal, the WFOEs shall have the right to acquire, or designate a third party to acquire, the Registered Shareholders' equity interests in the PRC Operating Entity at a price equal to the amount that should be repaid.

Please refer to the section headed "Contractual Arrangements" in the Prospectus for detailed terms of these agreements.

CONNECTED TRANSACTIONS (continued)

Our independent non-executive Directors have reviewed the New Agreements and confirmed that as of the date of the report: (i) the transactions carried out have been entered into in accordance with the relevant provisions of the New Agreements, have been operated so that the profit generated by each of our PRC Operating Entities has been substantially retained by Hangzhou Tiange and Zhejiang Tiange (as the case may be), (ii) no dividends or other distributions have been made by any of our PRC Operating Entities to the relevant holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) no new contracts have been entered into, renewed or reproduced between our Group and our PRC Operating Entities as of the date of the report.

Our independent non-executive Directors are of the view that the continuing connected transactions described above have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps (if applicable) for these transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in 2014:

1. Nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board;

2. For transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. Nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

4. With respect to the aggregate amount of the continuing connected transactions described above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap by the Company; and

5. Noting has come to their attention that causes them to believe that there were dividends or other distributions made by Hantang, Jinhua9158, Jinhua99, Xingxiu during the year ended December 31, 2014 to the holders of their equity interests which were not otherwise subsequently assigned or transferred to the Group.

The Company noticed that on January 19, 2015, the Ministry of Commerce of the PRC published a discussion draft of the proposed new *Foreign Investment Law* (the "**Draft FIL**") for public comments which for the first time introduced the concept of actual controller from the foreign investment prospective. It might have potential impact on our contractual arrangement. We will closely monitor the progress of the draft FIL and inform the public in due course.

The Board confirmed that none of the related party transactions set out in note 36 to the financial statements constituted non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. During the Relevant Period, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Relevant Period, the Company has repurchased a total of 3,306,000 shares listed on the Stock Exchange with an aggregate amount of HK$13,129,670 in December 2014. As the date of this annual report, all the above repurchased shares were cancelled. Details of shares repurchased during the Relevant Period are set out as follows:

Month of repurchases	Number of Shares purchased on the Stock Exchange	Price paid per Share		Aggregate consideration paid
		Highest	Lowest	
December 2014	3,306,000	HK$4.18	HK$3.80	HK$13,129,670

The Directors believe that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would lead to an enhancement of the earnings per share.

Saved 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 Relevant Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands being the jurisdiction in which the Company is incorporated under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Group as at December 31, 2014 are set out in note 31 to the financial statements.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the global offering (after the exercise of the over-allotment option and after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the global offering) amounted to approximately HK$1,725.0 million (equivalent to approximately RMB1,376.0 million). As at 31 December 2014, approximately HK$333.9 million (equivalent to approximately RMB263.4 million) had been used in investing in potential acquisitions, expanding our marketing and promotion activities and enhancing our research and development efforts. We have, and will continue to utilize the net proceeds from the IPO for the purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" contained in the Prospectus. The unutilized net proceeds has been deposited into term deposits in the bank account maintained by the Group as well as used in money markets principal protected instruments as classified under available-for-sale financial assets and financial assets at fair value through profit or loss in our consolidated balance sheet.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") since July 9, 2014 with written terms of reference and the duties of the Audit Committee include reviewing the Company's annual reports and interim reports and providing advice and comments to the Directors. The Audit Committee is also responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

As at the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Ms. Yu Bin *(chairman of the Audit Committee)*, Mr. Wu Chak Man and Mr. Chan Wing Yuen Hubert.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at the latest practicable date prior to the issue of this report, the Company has maintained the public float of the issued shares of the Company as required under the Listing Rules.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four years is set out on page 21 of the annual report. This summary does not form part of the audited consolidated financial statements.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2014.

POST BALANCE SHEET EVENTS

As approved by the shareholders of the Company at the extraordinary general meeting held on February 10, 2015, the Company declared the payment of a special dividend of HK$0.06 per ordinary share out of the Company's share premium account. On March 4, 2015, the special dividend had been paid out to the shareholders of the Company with a total amount of HK$75,209,715.

Other material post balance sheet events are set out in note 38 to the financial statements.

AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended December 31, 2014.

PricewaterhouseCoopers shall retire in the AGM and being eligible, offer themselves for re-appointment at the AGM. A resolution for the reappointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the AGM.

For and on behalf of the Board
Fu Zhengjun
Chairman & Chief Executive Officer

March 30, 2015

The Board is pleased to present this corporate governance report in the annual report of the Company for the Relevant Period.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance practices to enhance the corporate performance accountability and safeguard shareholders' interests. The Board is also committed to comply with the principles of the Corporate Governance Code (the "**CG Code**") contained in the Appendix 14 to the Listing Rules. Save and except for the deviation disclosed in this annual report, the Directors are of the opinion that the Company has complied with the code provisions set out in the CG Code since the Listing Date and up to December 31, 2014. The Company will continue to review and enhance its corporate governance practice to ensure compliance with the CG Code.

THE BOARD OF DIRECTORS

Board Composition

The Board currently comprises seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The brief biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 22 to 26 of this annual report. Details regarding the term of appointment of the non-executive directors are set out in the section headed "Directors Service Contracts" on page 30 of this annual report. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board.

During the Relevant Period and up to the date of this annual report, the Board has at all times met the requirements of Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received annual confirmation from each of the independent non-executive Directors of his/her independence pursuant to the requirements of the Listing Rules. The Company considers that each of the independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, Directors have agreed to disclose their commitments to the Company in a timely manner.

THE BOARD OF DIRECTORS (continued)

Role and Function and Delegation by the Board

The Board is responsible for and has general powers for the management and conduct of the business of the Company. It delegates day to day management of the Company to two executive Directors and the senior management of the Company, within the control and authority framework set by the Board. The delegated functions and responsibilities are periodically reviewed by the Board.

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

In addition, the Board has also delegated to the Audit Committee, the Remuneration Committee and the Nomination Committee various responsibilities as set out in their respective terms of reference. Further details of these committees are set out in this report.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interest of the Company and its shareholders at all times.

The Company has arranged appropriate liability insurance to indemnify its Directors in respect of legal actions against them.

Board Meetings

The Company will adopt the practice of holding board meetings for at least four times a year at approximately quarterly intervals pursuant to code provision A.1.1 of the CG Code. Notice of not less than fourteen days is given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting pursuant to code provision A.1.3 of the CG Code.

All Directors are provided with agenda and relevant information related to the agenda in advance before the meeting. They can access to the senior management and the joint company secretaries of the Company at all time and, upon reasonable request, seek independent professional advice at the Company's expense.

Minutes of the meetings are kept by the joint company secretary, Mr. Chen Shi, with copies circulated to all Directors for information and records. Minutes of the board meetings and committee meetings are recorded in sufficient detail of the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the board meetings are open for inspection by Directors.

THE BOARD OF DIRECTORS (continued)

Board Meetings (continued)

Since the Company was listed on the Stock Exchange on July 9, 2014, during the Relevant Period, two Board meetings were held on August 26, 2014 and November 21, 2014 respectively. The attendance of the Directors at the board meetings was presented hereinafter.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to handle particular responsibilities of the Board and the Company's affairs. All board committees of the Company are established with defined written terms of reference which have been uploaded to the website of the Stock Exchange and that of the Company, and are provided with sufficient resources to discharge their duties.

Audit Committee

The Company established the Audit Committee on July 9, 2014 with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the Audit Committee by the Board. The primary duties of the Audit Committee are to review the financial information of the Company, to review the financial reporting process and internal control system of our Group, to oversee the audit process, to make recommendation on the appointment, re-appointment and removal of external auditor and perform other duties and responsibilities as assigned by our Board.

The Audit Committee consists of three independent non-executive Directors. being Ms. Yu Bin, Mr. Chan Wing Yuen Hubert and Mr. Wu Chak Man. Ms. Yu Bin has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director with the appropriate professional qualifications. Since the Company was listed on the Stock Exchange on July 9, 2014, two Audit Committee meetings were held during the Relevant Period, in which the members of the Audit Committee discussed with PricewaterhouseCoopers about the arrangements of the Company's annual audit work and reviewed the interim results and quarterly results of the Group and the relevant financial statements and reports and significant financial reporting judgments contained in them. Subsequent to the end of the Relevant Period and up to the date of this report, the Audit Committee held a meeting on March 30, 2015 to, among other matters, review annual results and internal control system, and the Group's financial and accounting policies and practices. The attendance of the Directors at the Audit Committee meetings was presented hereinafter.

From January 1, 2015 onwards, the Audit Committee will hold meetings at least twice a year.

BOARD COMMITTEES (continued)

Remuneration Committee

The Company established the Remuneration Committee on July 9, 2014 with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the Remuneration Committee by the Board. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

The Remuneration Committee comprises two independent non-executive Directors, being Mr. Wu Chak Man and Mr. Chan Wing Yuen Hubert and one non-executive Director, being Mr. Mao Chengyu. Mr. Wu Chak Man, our independent non-executive Director, has been appointed as the chairman of the Remuneration Committee. Since the Company was listed on the Stock Exchange on July 9, 2014, one Remuneration Committee meeting was held during the Relevant Period to, among other matters, determine the policy for the remuneration of the Directors and senior management, assess performance of executive Directors and approve the terms of executive Directors' service contracts. The attendance of the Directors at the Remuneration Committee meetings was presented hereinafter.

From January 1, 2015 onwards, the Remuneration Committee will hold meetings at least once a year.

The primary goal of the Group's remuneration policy for executive Directors is to enable the Company to retain and motivate executive Directors by linking their compensation with their individual performance. The remuneration package includes basic salary, performance and/or discretional bonus, participation in the Share Incentive Schemes and other benefits. Remuneration of the non-executive Directors includes mainly the director's fee which is a matter for the Board to decide by reference to the duties and responsibilities of the non-executive Director. Remuneration of the independent non-executive Directors includes the director's fee which is determined by the Board based on the duties and responsibilities of independent non-executive Directors and their participation in the Share Incentive Schemes.

The emoluments of each Director and senior management for the year ended December 31, 2014 are set out in note 8 to the consolidated financial statement.

BOARD COMMITTEES (continued)

Nomination Committee

The Company established the Nomination Committee on July 9, 2014 with written terms of reference in compliance with the requirements of the CG Code and Corporate Governance Report as set out in the Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the Nomination Committee by the Board. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company. In the nomination procedures, the Nomination Committee makes reference to criteria including reputation of candidates for integrity, accomplishment and experience, professional and educational background.

The Nomination Committee consists of two independent non-executive Directors, being Ms. Yu Bin and Mr. Wu Chak Man and one executive Director, being Mr. Fu. Mr. Fu has been appointed as the chairman of the Nomination Committee. As the Company was listed on the Stock Exchange on July 9, 2014, one Nomination Committee meeting was held during the Relevant Period to, among other matters, determine the policy for the nomination of Directors, the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year, and to review, consider and approve the diversity policy of the Board.

The Nomination Committee has formulated a board diversity policy, in which the Company recognizes the benefits of having a diverse board to enhance the quality of its performance. According to the policy, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The attendance of the Directors at the Nomination Committee meetings was presented hereinafter.

From January 1, 2015 onwards, the Nomination Committee will hold meetings at least once a year.

The composition of the Board and the Board members' respective attendance in Board meetings, general meetings, the Audit Committee meetings, the Remuneration Committee meetings and the Nomination Committee meetings during the year ended December 31, 2014 are as follows:

BOARD COMMITTEES (continued)

Nomination Committee (continued)

No. of meetings attended/held

Directors	Board meeting	General meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting
Executive Directors					
Mr. Fu	2/2	0/0	0/0	0/0	1/1
Mr. Mai Shi'en	2/2	0/0	0/0	0/0	0/0
Non-executive Directors					
Mr. Mao Chengyu	2/2	0/0	0/0	1/1	0/0
Mr. Herman Cheng-Chun, Yu	2/2	0/0	0/0	0/0	0/0
Independent non-executive Directors					
Ms. Yu Bin	2/2	0/0	2/2	0/0	1/1
Mr. Wu Chak Man	2/2	0/0	2/2	1/1	1/1
Mr. Chan Wing Yuen Hubert	2/2	0/0	2/2	1/1	0/0

CHANGES IN INFORMATION OF DIRECTORS

One of our Directors, Mr. Chan Wing Yuen Hubert, has been appointed as executive director of Noble House (China) Holdings Limited (名軒（中國）控股有限公司), a company listed on the Stock Exchange (stock code: 8246), with effect from August 15, 2014.

Mr. Herman Cheng-Chun, Yu, one of the independent non-executive Directors, has resigned as the chief financial officer of Sina Corporation and has been appointed as the chief financial officer of Weibo Corporation.

MS. YU Bin is the CFO of Innolight Technology Co., Ltd since January 2015 where she is responsible for finance, legal and investor relationship.

Save as disclosed above, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. According to the records of the Company, all Directors attended training sessions on duties and obligations of directors of companies listed on the Stock Exchange, including connected transactions and corporate governance, which was conducted by the Company's legal advisers as to Hong Kong laws. The Company also provided periodic legal updates and developments on the Listing Rules, the Hong Kong Companies Ordinance, news updates from the Stock Exchange and Securities & Futures Commission of Hong Kong and other relevant legal and regulatory requirements to all of the Directors, as well as regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set forth in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions since the Listing Date. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code during the Relevant Period.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Fu is our Chairman and chief executive officer and has been a Director of our Board since July 28, 2008. He was designated to our Board as an executive Director on March 11, 2014. Mr. Fu is the founder of our Group and has served as the chief executive officer of all our WFOE and PRC Operating Entities since their respective incorporation. With extensive experience in the Internet industry, Mr. Fu is responsible for the overall strategic planning, management and operation of our Group and is instrumental to our growth and business expansion since our establishment in 2008. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-calibre individuals. Our Board currently comprises two executive Directors (including Mr. Fu), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Code provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) with the executive directors present. During the Relevant Period, the Chairman met with the independent non-executive Directors and other non-executive Directors to understand their concerns and to discuss pertinent issues.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to employees and Directors; and

(e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2014 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 66 and 67 of this annual report.

INTERNAL CONTROLS

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. A defined management structure with specified limits of authority and responsibilities is developed for safeguarding assets against unauthorized use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations.

An internal audit department has been established to perform regular financial and operational reviews and recommend necessary actions to the relevant management. For the year of 2014, the works carried out by the internal audit department with the assistance of the external internal control consultant ensure the internal controls are in place and function properly as intended. The results of the internal audit and reviews are reported to the executive Directors and the Audit Committee. The Directors have reviewed the effectiveness of the Group's internal control system and are satisfied with the adequacy of the system of internal control of the Group for the fiscal year under review.

For the annual review on the internal controls, the Audit Committee considered the internal control report was satisfied as to effectiveness of the Group's internal control system. There were no matters of material concerns relating to financial, operational or compliance controls. The Board is satisfied with the adequacy of the system of the internal control of the Group during the Relevant Period.

INDEPENDENT AUDITOR' REMUNERATION

The Group's independent auditor is PricewaterhouseCoopers.

For the year ended December 31, 2014, the fees paid/payable to PricewaterhouseCoopers for the audit and review of the financial statements of the Group are RMB9.11 million, of which RMB4.53 million represents audit fees paid in relation to the audit for the initial public offering and listing of the Company.

Fees paid/payable to PricewaterhouseCoopers for non-audit services provided to the Group for the year were RMB1.03 million. The non-audit services mainly include professional service for internal control of the Group.

JOINT COMPANY SECRETARIES

Mr. Chen Shi and Ms. Ng Sau Mei of KCS Hong Kong Limited, an external service provider, have been appointed by the Company as the joint company secretaries. The primary corporate contact person at the Company is Mr. Chen Shi, the joint company secretary and general counsel of the Company.

Since the Listing Date and up to the date of this annual report, each of Mr. Chen Shi and Ms. Ng Sau Mei have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

COMPLIANCE ADVISOR

Since the Listing, the Company has appointed REORIENT Financial Markets Limited as the compliance advisor of the Company to provide guidance and opinion to us in respect of the compliance with the Listing Rules and other regulations and practice governing listed issuers in Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company believes that effective communication with Shareholders and other investment community is essential. Since the Listing Date, the Executive Directors, chief financial officer and head of investor relations of the Group held regular briefings, press conferences and analysts meetings of annual results, attended investor forums and participated in roadshows and conducted meetings with the institutional investors and financial analysts in China, Hong Kong and overseas countries to keep them abreast of the Group's business and development. Investors can also communicate with the Company through email at IR@tiange.com.

The Shareholders' meeting provides a useful forum for the Shareholders to exchange views with the Board. The Directors and the chief financial officer of the Group will attend the Shareholders' meetings to answer the questions raised by the Shareholders. Published documents together with the latest corporate information and news are available on the Company's website at www.tiange.com.

SHAREHOLDERS' RIGHTS

Besides the request of the Board, the extraordinary general meeting shall also be convened through the following measures:

(a) on the written requisition of any two or more Shareholders who hold as at the date of deposit of the requisition of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by such shareholders, provided that such shareholders held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company; or

SHAREHOLDERS' RIGHTS (continued)

(b) on the written requisition of any one shareholder of the Company which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the shareholder, provided that such shareholder held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

Shareholders may put forward proposals for consideration at a general meeting according to the applicable laws and the Articles. If a shareholder, who is entitled to attend and vote at the relevant general meeting, wishes to nominate a person (not being the nominating shareholder) to stand for election as a Director, he or she should give to the secretary of the Company notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his or her willingness to be so elected, commencing no earlier than the day after the dispatch of the notice of the relevant general meeting and ending no later than seven days prior to the date of such general meeting.

As regards proposing a person for election as a director, the procedures are available on the websites of the Company and the Stock Exchange.

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company in Hangzhou at Room 3A09 Sunshine International Business Center No. 186 South Hushu Road, Hangzhou, PRC (email address: IR@tiange.com).

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Relevant Period, an amended and restated Memorandum and Articles of Association of the Company was adopted on June 16, 2014 and took effect from the Listing Date. Save as disclosed, there were no significant changes in the constitutional documents of the Company.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TIAN GE INTERACTIVE HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tian Ge Interactive Holdings Limited ("the Company") and its subsidiaries (together, the "Group") set out on pages 68 to 174, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance (Cap.32), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance (Cap.32).

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 30, 2015

Consolidated Statement Of Comprehensive Loss

For the year ended December 31, 2014
(All amounts in RMB unless otherwise stated)

	Note	Year ended December 31, 2014 RMB'000	2013 RMB'000
Revenue	5	692,159	548,240
Cost of revenue	6	(105,308)	(68,145)
Gross profit		586,851	480,095
Selling and marketing expenses	6	(212,363)	(166,665)
Administrative expenses	6	(135,955)	(53,268)
Research and development expenses	6	(86,047)	(69,096)
Other gains, net	7	58,612	35,399
Operating profit		211,098	226,465
Finance income	9	8,219	37,101
Finance costs	9	(2,549)	(36,699)
Finance income, net	9	5,670	402
Fair value loss of convertible redeemable preferred shares	32	(283,559)	(283,298)
Share of loss of investment accounted for using the equity method	17	(4,659)	–
Loss before income tax		(71,450)	(56,431)
Income tax expense	10	(36,151)	(36,178)
Loss for the year		(107,601)	(92,609)
Other comprehensive (loss)/income:			
Items that may be reclassified to profit and loss			
Currency translation differences		(13,996)	14,577
Total comprehensive loss for the year		(121,597)	(78,032)
Loss attributable to:			
– Shareholders of the Company		(107,503)	(92,602)
– Non-controlling interests		(98)	(7)
		(107,601)	(92,609)
Total comprehensive loss attributable to:			
– Shareholders of the Company		(121,499)	(78,025)
– Non-controlling interests		(98)	(7)
		(121,597)	(78,032)
Loss per share (expressed in RMB per share)	11		
– Basic		(0.116)	(0.145)
– Diluted		(0.116)	(0.145)
Dividends	12	–	88,512

The notes on pages 75 to 174 are integral parts of these consolidated financial statements.

Consolidated Balance Sheet

As at December 31, 2014

(All amounts in RMB unless otherwise stated)

	Note	As of December 31, 2014 RMB'000	2013 RMB'000
Assets			
Non-current assets			
Property and equipment	13	142,280	16,736
Intangible assets	15	49,002	5,864
Investment accounted for using the equity method	17	3,863	4,900
Deferred income tax assets	33	32,466	24,348
Available-for-sale financial assets	20	26,776	2,300
Prepayments and other receivables	19	40,744	110,737
Term deposits with initial term over 3 months	22	479,869	–
Restricted cash	23	–	87,000
		775,000	251,885
Current assets			
Trade receivables	18	14,049	20,804
Prepayments and other receivables	19	159,032	66,788
Available-for-sale financial assets	20	313,029	278,140
Financial assets at fair value through profit or loss	21	109,481	–
Term deposits with initial term over 3 months	22	602,917	21,873
Cash and cash equivalents	23	289,083	171,896
Restricted cash	23	–	33,000
		1,487,591	592,501
Total assets		2,262,591	844,386
Equity and liabilities			
Equity attributable to Shareholders of the Company			
Share capital	24	779	42
Share premium	24	2,381,529	139,703
Shares held for RSU Scheme	24	(19)	–
Other reserves	25	122,473	65,705
Accumulated deficits	27	(421,073)	(294,006)
		2,083,689	(88,556)
Non-controlling interests		4,799	4,897
Total equity/(deficits)		2,088,488	(83,659)

Consolidated Balance Sheet

As at December 31, 2014

(All amounts in RMB unless otherwise stated)

	Note	As of December 31, 2014 RMB'000	2013 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	*31*	–	79,260
Convertible redeemable preferred shares	*32*	–	548,471
Deferred income tax liabilities	*33*	361	595
Other non-current liabilities		1,389	–
		1,750	628,326
Current liabilities			
Trade payables	*29*	24,278	13,883
Other payables and accruals	*30*	52,530	114,631
Income tax liabilities		51,523	42,532
Dividend payable		–	74,161
Borrowings	*31*	–	30,485
Customer advance and deferred revenue	*28*	44,022	24,027
		172,353	299,719
Total liabilities		174,103	928,045
Total equity and liabilities		2,262,591	844,386
Net current assets		1,315,238	292,782
Total assets less current liabilities		2,090,238	544,667

The notes on pages 75 to 174 are integral parts of these consolidated financial statements.

The financial statements on pages 68 to 174 were approved for issue by the Board of Directors on March 30, 2015 and were signed on its behalf.

Fu Zhengjun
Director

Mai Shi'en
Director

Balance Sheet

As at December 31, 2014
(All amounts in RMB unless otherwise stated)

THE COMPANY

	Note	As of December 31, 2014 RMB'000	2013 RMB'000
Assets			
Non-current assets			
Intangible assets	*15*	5,051	4,264
Investment in a subsidiary	*14*	67,777	16,577
Available-for-sale financial assets	*20*	24,476	–
		97,304	20,841
Current assets			
Amounts due from subsidiaries	*14*	909,127	36,761
Prepayments and other receivables	*19*	372	1,234
Term deposits with initial term over 3 months	*22*	398,958	–
Cash and cash equivalents	*23*	31,293	73,170
		1,339,750	111,165
Total assets		1,437,054	132,006
Equity and liabilities			
Equity attributable to Shareholders of the Company			
Share capital	*24*	779	42
Share premium	*24*	2,381,529	139,703
Shares held for RSU Scheme	*24*	(19)	–
Other reserves	*25*	83,753	45,820
Accumulated deficits	*27*	(1,037,390)	(718,998)
Total equity/(deficits)		1,428,652	(533,433)

Balance Sheet

As at December 31, 2014

(All amounts in RMB unless otherwise stated)

THE COMPANY

	Note	As of December 31, 2014 RMB'000	2013 RMB'000
Liabilities			
Non-current liabilities			
Convertible redeemable preferred shares	*32*	–	548,471
Deferred income tax liabilities	*33*	361	595
		361	549,066
Current liabilities			
Amounts due to subsidiaries	*14*	2,812	–
Other payables and accruals	*30*	5,229	42,212
Dividend payable		–	74,161
		8,041	116,373
Total liabilities		8,402	665,439
Total equity and liabilities		1,437,054	132,006
Net current assets/(liabilities)		1,331,709	(5,208)
Total assets less current liabilities		1,429,013	15,633

The notes on pages 75 to 174 are integral parts of these consolidated financial statements.

The financial statements on pages 68 to 174 were approved for issue by the Board of Directors on March 30, 2015 and were signed on its behalf.

Fu Zhengjun
Director

Mai Shi'en
Director

Consolidated Statement Of Changes In Equity

For the year ended December 31, 2014

(All amounts in RMB unless otherwise stated)

		Equity attributable to Shareholders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Total	Non-controlling interests	Total Equity/ (Deficits) RMB'000
Balance at January 1, 2013		42	228,215	–	44,515	(200,346)	72,426	–	72,426
Comprehensive loss									
Loss for the year		–	–	–	–	(92,602)	(92,602)	(7)	(92,609)
Other comprehensive income									
Currency translation differences	25	–	–	–	14,577	–	14,577	–	14,577
Total comprehensive loss		–	–	–	14,577	(92,602)	(78,025)	(7)	(78,032)
Share-based compensation	8	–	–	–	5,555	–	5,555	–	5,555
Appropriation of dividend	12	–	(88,512)	–	–	–	(88,512)	–	(88,512)
Non-controlling interests arising from establishment of a subsidiary		–	–	–	–	–	–	4,904	4,904
Profit appropriations to statutory reserves	25	–	–	–	1,058	(1,058)	–	–	–
Total transactions with Shareholders of the Company, recognised directly in equity		–	(88,512)	–	6,613	(1,058)	(82,957)	4,904	(78,053)
Balance at December 31, 2013		42	139,703	–	65,705	(294,006)	(88,556)	4,897	(83,659)
Balance at January 1, 2014		42	139,703	–	65,705	(294,006)	(88,556)	4,897	(83,659)
Comprehensive loss									
Loss for the year		–	–	–	–	(107,503)	(107,503)	(98)	(107,601)
Other comprehensive loss									
Currency translation differences	25	–	–	–	(13,996)	–	(13,996)	–	(13,996)
Total comprehensive loss		–	–	–	(13,996)	(107,503)	(121,499)	(98)	(121,597)
Share-based compensation	8	–	–	–	51,200	–	51,200	–	51,200
Issuance of shares held for RSU Scheme	24	4	–	(4)	–	–	–	–	–
Conversion of convertible redeemable preferred shares to ordinary shares	24	12	836,801	–	–	–	836,813	–	836,813
Effect of bonus shares issuance	24	508	(467)	(41)	–	–	–	–	–
Issuance of ordinary shares	24	215	1,415,874	–	–	–	1,416,089	–	1,416,089
Repurchase and cancellation of ordinary shares	24	(2)	(10,356)	–	–	–	(10,358)	–	(10,358)
Vest and transfer of RSUs	24	–	(26)	26	–	–	–	–	–
Profit appropriations to statutory reserves	25	–	–	–	19,564	(19,564)	–	–	–
Total transactions with Shareholders of the Company, recognised directly in equity		737	2,241,826	(19)	70,764	(19,564)	2,293,744	–	2,293,744
Balance at December 31, 2014		779	2,381,529	(19)	122,473	(421,073)	2,083,689	4,799	2,088,488

The notes on pages 75 to 174 are integral parts of these consolidated financial statements.

Consolidated Statement Of Cash Flows

For the year ended December 31, 2014

(All amounts in RMB unless otherwise stated)

	Note	Year Ended December 31, 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	**270,651**	198,349
Income tax paid		**(35,511)**	(22,000)
Net cash generated from operating activities		**235,140**	176,349
Cash flows from investing activities			
Purchase of and prepayment for property and equipment		**(50,745)**	(43,393)
Proceeds from disposal of property and equipment	34	**537**	40
Purchase of intangible assets		**(61,727)**	(476)
Payment of term deposits with initial term over 3 months and available-for-sales financial assets		**(3,339,590)**	(2,296,369)
Repayment for term deposits with initial term over 3 months and available-for-sales financial assets		**2,220,853**	2,291,873
Pledged deposits for bank borrowings		**(100,000)**	(120,000)
Payments of financial assets at fair value through profit or loss		**(110,017)**	–
Repayment of pledged deposits for bank borrowings		**220,000**	–
Investment in associates	17	**–**	(4,900)
Cash contribution to associates	17	**(3,622)**	–
Repayment of pledged deposits for borrowings from related parties		**22,274**	–
Repayment of cash advance from an investment agent		**17,724**	–
Interest received		**25,622**	13,429
Cash paid for refundable prepayments of potential investments	19	**(131,000)**	–
Cash paid for other investing activities		**(8,717)**	–
Cash receipt from other investing activities		**–**	1,400
Net cash used in investing activities		**(1,298,408)**	(158,396)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**1,467,661**	–
Payment of ordinary shares issuance costs		**(51,572)**	–
Payments for repurchase and cancellation of ordinary shares		**(10,358)**	–
Payments for repurchase of Series A Preferred Shares		**–**	(44,168)
Proceeds from bank borrowings		**92,531**	109,745
Repayment of bank borrowings		**(202,275)**	–
Repayment of borrowings to related parties		**(21,339)**	–
Repayment of borrowings to a third party		**(17,071)**	–
Interest paid		**(3,638)**	(330)
Dividends paid to the Company's shareholders		**(74,161)**	(49,630)
Net cash generated from financing activities		**1,179,778**	15,617
Net increase in cash and cash equivalents		**116,510**	33,570
Cash and cash equivalents at beginning of year		**171,896**	136,637
Exchange gain on cash and cash equivalents		**677**	1,689
Cash and cash equivalents at end of year		**289,083**	171,896

The notes on pages 75 to 174 are integral parts of these consolidated financial statements.

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 Floor 4, Willow House, Cricket Squares P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

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

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

The Company has direct or indirect interests in the following subsidiaries:

Company Name and Kind of Legal Entity	Jurisdiction and Date of Incorporation/ Establishment	Issued and Fully Paid Share Capital/ Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Directly held by the Company				
Week8 Holdings (HK) Limited ("Week8 HK"), Limited liability company	Hong Kong/ August 6, 2008	HK$1	100%	Investment holding, Hong Kong
Indirectly held by the Company				
Tiange Technology (Hangzhou) Co., Ltd. ("Hangzhou Tiange"), Limited liability company	PRC/ November 26, 2008	US$18,000,000	100%	Software and internet development and consulting service, the PRC
Zhejiang Tiange Information and Technology Co., Ltd. ("Zhejiang Tiange"), Limited liability company	PRC/ September 25, 2009	US$1,500,000	100%	Software and internet development and consulting service, the PRC
Star Power Culture Media(Beijing) Co., Ltd. ("Star Power"), Limited liability company	PRC/ November 16, 2010	US$16,866,600	100%	Software and internet development and consulting service, the PRC
Hangzhou Han Tang Cultural Communication Co., Ltd. ("Hantang"), Limited liability company	PRC/ September 14, 2004	RMB10,000,000	100%	Online entertainment service and advertising, the PRC

1. GENERAL INFORMATION (continued)

Company Name and Kind of Legal Entity	Jurisdiction and Date of Incorporation/ Establishment	Issued and Fully Paid Share Capital/ Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Jinhua 9158 Network Science and Technology Co., Ltd. ("Jinhua9158"), Limited liability company	PRC/ November 18, 2008	RMB10,000,000	100%	Online entertainment service and mobile games, the PRC
Jinhua 99 Information Technology Co., Ltd. ("Jinhua99"), Limited liability company	PRC/ November 18, 2008	RMB10,000,000	100%	Online entertainment service, the PRC
Jinhua Xingxiu Cultural Communication Co., Ltd. ("Xingxiu"), Limited liability company	PRC/ October 23, 2012	RMB10,000,000	100%	Online entertainment service and mobile games, the PRC
Jinhua Tianhu Network Technology Co., Ltd. ("Tianhu"), Limited liability company	PRC/ August 29, 2013	RMB10,000,000	51%	Online entertainment service, the PRC
Jinhua Tianchuang Investment Management Co., Ltd. ("Tianchuang"), Limited liability company	PRC/ November 28, 2014	RMB1,000,000	100%	Investment management, the PRC
Jinhua Tianxiang Investment Management Co., Ltd. ("Tianxiang"), Limited liability company	PRC/ November 28, 2014	RMB1,000,000	100%	Investment management, the PRC

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

These consolidated financial statements of the Group have been approved for issue by the Board of Directors (the "Board") on March 30, 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, available-for-sale financial assets, and convertible redeemable preferred shares, which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the consolidated financial statements are disclosed in Note 4 below.

Changes in accounting policies and disclosure

(a) New amendments and interpretation adopted by the Group in 2014

The following new standards and amendments to standards are mandatory for the financial year beginning January 1, 2014:

– Amendment to IAS 32, "Financial instruments: Presentation on offsetting financial assets and financial liabilities". This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.

– Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities are effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

– Amendments to IAS 36, "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) New amendments and interpretation adopted by the Group in 2014 (continued)

– Amendment to IAS 39, "Financial instruments: Recognition and measurement" on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to "over-the-counter" derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.

– IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 "Provisions". The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised.

(b) New standards and amendments issued but are not yet effective for the financial year beginning on January 1, 2014, and have not been early adopted by the Group

The following relevant IASs, IFRSs, amendments to existing IFRSs and interpretation of IFRS have been published and are mandatory for accounting periods beginning after January 1, 2014 or later periods and have not been early adopted by the Group:

– Amendment to IAS 19 regarding defined benefit plans: employee contributions

– IFRS 8, "Operating segments"

– IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets"

– IAS 24, "Related Party Disclosures"

– IFRS 13, "Fair value measurement"

– Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation

– IFRS 5, "Non-current assets held for sale and discontinued operations"

– IFRS 7, "Financial instruments: Disclosures"

– IAS 19, "Employee benefits"

– IFRS 9, "Financial Instruments"

The Group is yet to assess the full impact of these new standards and amendments and intents to adopt them no later than the respective effective dates of these new standards and amendments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Subsidiaries directly held and indirectly held by the Company

In August 2008, the Company established Week8 HK, a wholly-foreign owned subsidiary of the Company, under the laws of the Hong Kong, as an investment holding company.

In November 2008, Week8 HK established Hangzhou Tiange, a wholly-foreign owned subsidiary, under the laws of the PRC in Hangzhou, China.

In September 2009, Week8 HK established Zhejiang Tiange, a wholly-foreign owned subsidiary, under the laws of the PRC in Jinhua, China.

In November 2010, Week8 HK established Star Power, a wholly-foreign owned subsidiary, under the laws of the PRC in Beijing, China.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(c) Subsidiaries controlled by the Company through Contractual Arrangements

The wholly-owned subsidiaries, Hangzhou Tiange and Zhejiang Tiange, entered into the Contractual Arrangements with Hantang, Jinhua9158, Jinhua99, Xingxiu, Tianchuang and Tianxiang (collectively "the PRC Operating Entities") and their respective equity holders, which enable Hangzhou Tiange, Zhejiang Tiange and the Group to:

– exercise effective financial and operational control over the PRC Operating Entities;

– irrevocably exercise equity holders' voting rights of the PRC Operating Entities;

– receive substantially all of the economic returns generated by the PRC Operating Entities by way of business support, technical and consulting services provided by Hangzhou Tiange and Zhejiang Tiange;

– obtain an irrevocable and exclusive right to purchase the entire equity interest in the PRC Operating Entities from the respective shareholders;

– obtain a pledge over the entire equity interest of the PRC Operating Entities from their respective equity holders as collateral for all accounts payable by the PRC Operating Entities to Hangzhou Tiange and Zhejiang Tiange and to secure performance of the PRC Operating Entities' obligations under the Contractual Arrangements.

The Group does not have any equity interest in PRC Operating Entities. As a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement in the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities, and is considered to control the PRC Operating Entities. Consequently, the Company regards the PRC Operating Entities as the indirect subsidiaries under IFRS. The Group has included the financial position and results of the PRC Operating Entities in the consolidated financial statements for all the years presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(d) Subsidiary other than from directly controlled Interests or the Contractual Arrangements

In August 2013, Jinhua9158 entered into a series of arrangements with Beijing Star World Technology Co., Ltd. for the establishment of Tianhu pursuant to which Jinhua9158 owns 51% of Tianhu's total equity and has effective control over Tianhu. Accordingly, the Company regards Tianhu as an indirect subsidiary under IFRS and has included the financial position and results of Tianhu in the consolidated financial statements for all the years presented.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associates (continued)

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using the equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2.4 Segment reporting

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

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that its business, as a whole, falls into one segment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and Week8 HK is the United States dollar ("US$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group for all the year presented are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive loss within "finance income" or "finance costs". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive loss within "other gains, net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property and equipment

Construction-in-progress (the “CIP”) represents leasehold improvements under construction and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property and equipment and depreciated in accordance with the policy as stated below.

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property and equipment (continued)

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Building	33 years
– Decorations	3-5 years
– Office furniture	5 years
– Office equipment	3 years
– Server and other electronic equipment	3 years
– Vehicles	4 years
– Leasehold improvement	Shorter of remaining term of the lease and the estimated useful lives of the assets

The depreciation method, residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other gains, net" in the consolidated statement of comprehensive loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and business represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 years, and recorded in amortisation within operating expenses in the consolidated statement of comprehensive loss.

(c) Domain name and technology

Domain names and technology are initially recorded at cost when acquired through purchase, or at estimated fair value when acquired through business combinations. These intangible assets are amortised on a straight-line basis over their estimate useful lives of 10 years, and recorded in amortisation within operating expenses and cost of sales in the consolidated statement of comprehensive loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

(d) Platform license

Acquired platform licenses are shown at historical cost. Platform licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of platform licenses over their estimated useful lives of 20 years.

(e) Research and development expenditures

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled. These criteria includes: (1) it is technically feasible to complete the software product and technology so that it will be available for use; (2) management intends to complete the software product and technology and use or sell it; (3) there is an ability to use or sell the software product and technology; (4) it can be demonstrated how the software product and technology will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the software product and technology are available; and (6) the expenditure attributable to the software product and technology during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. There were no development costs meeting these criteria and capitalised as intangible assets for all the years presented.

Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life or not ready to use, for example, goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairments are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "prepayments and other receivables", "term deposits with initial term over 3 months", "cash and cash equivalents" and "restricted cash" in the balance sheet (Notes 18, 19, 22 and 23).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of them within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of comprehensive loss within "Other gains, net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive loss on equity instruments are not reversed through the consolidated statement of comprehensive loss.

2.12 Trade and other receivables

Trade receivables are primarily amounts due from advertising agencies and third-party payment vendors for services performed in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other financial institutions and other short-term highly liquid investments with original maturity of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Share capital and share premium

Ordinary shares are classified as equity. Convertible redeemable preferred shares are classified as liabilities (Note 2.18).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury share), the considerations paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's shareholders.

2.15 Shares held for RSU Scheme

The consideration paid by the RSU Trustee (see Note 26(e)) for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for RSU Scheme" and deducted from total equity.

When the RSU Trustee transfers the Company's shares to the grantees upon vesting, the related costs of the granted shares vested are credited to "Shares held for RSU Scheme", with a corresponding adjustment to "Share premium".

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowings are classified as current liabilities if the loan agreements include an overriding repayment on demand clause, which gives the lender the right to demand repayment at any time at their sole discretion, irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the agreement.

Borrowing costs that are directly attributable to the acquisition, construction or production of any qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sales are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the consolidated statement of comprehensive loss in the period in which they are incurred.

2.18 Convertible redeemable preferred shares

Convertible redeemable preferred shares (Note 32) issued by the Company comprise Series A Preferred Shares, Series B1 Preferred Shares, Series B2 Preferred Shares and Series C Preferred Shares (collectively, "Preferred Shares") that are redeemable upon occurrence of certain future events at the option of the holders as detailed in Note 32. The Preferred Shares can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon an initial public offering of the Company or agreed by majority of the holders as detailed in Note 32.

The Group designated the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the consolidated statement of comprehensive loss.

Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognised in the profit or loss.

The convertible redeemable preferred shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Convertible redeemable preferred shares (continued)

Preferred shares, if mandatorily redeemable at a specific date or redeemable at the option of the holder, are classified as liabilities. The dividends on these Preferred Shares, if declared, are recognised in the consolidated statement of comprehensive loss as finance costs.

All convertible redeemable preferred shares of the Company were converted into ordinary shares of the Company upon its IPO.

2.19 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current Income Tax

The current income tax charge is calculated on the basis of the tax laws, enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred Income Tax

Inside Basis Differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax (continued)

(b) Deferred Income Tax (continued)

Outside Basis Differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Share-based payments

(a) Equity-settled share-based payments transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (share options and restricted share units) of the Group. The fair value of the employee services received in exchange for the grant of the share options and restricted share units is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options and restricted share units granted:

– including any market performance conditions;

– excluding the impact of any service and non-market performance vesting conditions; and

– including the impact of any non-vesting conditions.

In terms of share options and restricted share units awarded to counterparties other than employees, the total amount to be expensed is determined by reference to the fair value of the service unless such fair value could not be estimated reliably. In such case, the expense will be measured indirectly by reference to the fair value of the equity instruments granted at the date when such counterparties render services.

Service conditions are included in assumptions about the number of share options and restricted share units that are expected to vest. The total expense is recognised over the vesting period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

Where there is modification of terms and conditions which increase the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Share-based payments (continued)

(a) Equity-settled share-based payments transactions (continued)

At the end of each reporting period, the Group revises its estimates of the number of share options and restricted share units that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the share options and restricted share units are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based payments transactions among group entities

The grant by the Company of share options and restricted share units over its equity instruments to the employees or other service providers of the subsidiaries and the PRC Operating Entities are treated as a capital contribution. The fair value of consulting and employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding credit to equity in the separate financial statements of the Company.

2.22 Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Provisions and contingent liabilities (continued)

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Group's financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied in the ordinary course of the Group's activities, stated net of discounted returns and value added taxes.

The Group is principally engaged in the operation of live social video platform (the "Video Platform") and derives revenue from the sale of virtual currencies which can be used to purchase virtual goods on the Group's Video Platform. In addition, the Group also operates mobile and online games ("Games"), and offers advertising and other services (collectively referred to as "Others").

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Live social video platforms

The Group primarily operates two major live social video communities (the "Community"), namely Sina Show, 9158 Video Community, and several other Communities. Each of these Communities contains thousands of real time video rooms (the "Room") with user-created content provided by hosts and user on air, and broadcasted to the rooms' viewers. The Group is responsible for providing a technological infrastructure to allow the hosts, users on air and viewers to interact through video streams.

All the Communities and Rooms are free to access. The Group mainly derives the revenue from sales of virtual currency which can be used to purchase virtual goods in the Communities and Rooms.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition (continued)

(a) Live social video platforms (continued)

The Group's PRC Operating Entities primarily cooperate with independent third-party distributors to sell the Group's virtual currency through the annual distribution agreements with these distributors. Pursuant to the distribution agreements with these distributors, each distributor is responsible for sales of virtual currency for one or more of the Group's communities through developing and engaging sale agents who directly sell the virtual currency to users. The Group does not determine the price of the virtual currency sold to sales agents or users. In addition, the Group does not take overall responsibility of the content of performances in the Group's communities. Consequently, the Group recognises revenue based on the net amount of proceeds received from the Group's distributors.

The Group also utilises third-party payment collection channels, which charges it the payment handling cost, for users to purchase the virtual currency directly from it. The payment handling costs are recorded in cost of sales.

Upon the sales of virtual currency, the Group typically has an implied obligation to provide the services which enable the virtual currency to be used in the Communities. As a result, the virtual currency are recorded as customer advance when they are sold to the distributors and are transferred to deferred revenue when they are subsequently activated and charged to the respective communities accounts by the users.

Users use virtual currency to purchase virtual goods in the Communities. Virtual goods include:

(1) Virtual gifts, which are given by users to hosts, performers or other users as a gesture of friendship or support. When a host, user on-air, or viewer receives a virtual gift, he/she will receive an amount of virtual currency equal to a percentage of the cost of the virtual gift. This percentage varies depending on the cost and rarity of the items received from the users. The reduced portion of the cost is considered as the actual consumption of the virtual currency and is immediately recognised as revenue.

(2) Virtual items, which are used by users to grant themselves special privileges and abilities. Consumable virtual items will be extinguished shortly after consumption. As such, the users will not continue to benefit from the virtual items and the Group does not have further obligations to the user after the virtual items are consumed. Therefore, revenue is recognised immediately when the consumable virtual items are consumed. The Group also provides durable virtual items that enable the special privileges and abilities to paying users over an extended period of time. Revenue is recognised ratably over the beneficial period. The Group's revenue from durable virtual goods is insignificant for all the years presented.

The Group also offers membership programs to its users. The revenue generated from membership programs is recognised ratably over the membership period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition (continued)

(b) Games

The Group primarily derives its mobile and online games revenue from the sales of in-game virtual items in its games through cooperation with third-party game developers and online application stores. Through exclusive or non-exclusive operation framework contracts with game developers who own the copyright of the game, the Group is responsible for marketing, distribution and operation of the game, as well as server maintenance, payer authentication and payment collections related to the game.

The Group's games are free to play and players can purchase in-game virtual items for better in-game experience. Players purchase the in-game virtual items through the payment systems on online application stores or other third party payment platforms, who collect the payments from the players and remit the cash net of the payment handling costs and the commission charges. The payment handling costs and the commission charges are pre-determined according to the relevant terms of the agreements entered into between the Group and game developers and online application stores or third party payment platforms.

Upon the sales of in-game virtual items, the Group typically has an implied obligation to provide the services which enable the in-game virtual items to be displayed or used in the games. As a result, the proceeds received from sales of in-game virtual items are initially recorded as deferred revenue and are recognised as revenue subsequently only when the services have been rendered. For the purpose of determining when services have been rendered to the respective paying players, the group has determined the following:

(1) Consumable virtual items represent items that will be extinguished immediately after consumption by a specific game player action. The paying player will not continue to benefit from the virtual items thereafter. Revenue is recognised as a release from deferred revenue when the items are consumed.

(2) Durable virtual items represent items that are accessible and beneficial to paying players over an extended period of time. Revenue is recognised ratably over the average playing period of paying player (the "Player Relationship Period"), which represents the best estimate of the average life of durable virtual items for the applicable game.

The Group estimates the Player Relationship Period on a game-by-game basis and re-assesses such periods quarterly. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other similar types of games developed by the Group or by third-party developers until the new game establishes its own patterns and history. The Group considers the games profile, target audience, and its appeal to players of different demographics groups in estimating the Player Relationship Period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition (continued)

(b) Games (continued)

If the Group does not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items for a specific game, the Group recognises revenue from both durable and consumable virtual items for that game ratably over the Player Relationship Period.

The Group has evaluated the roles and responsibilities of the Group and Platforms or third party payment vendors in the delivery of game experience to the paying players and concluded the Group takes the primary responsibilities in rendering services. The Group is determined to be the primary obligor and accordingly, the Group records revenue on a gross basis, and commission charges by Platforms or third party payment vendors are recorded as cost of revenue.

(c) Others

Other revenues primarily consist of advertising services.

The Group primarily derives its advertising revenue through advertising framework contract with advertising agencies that represent advertisers. The advertising agencies enter into framework agreements and place advertisements on particular areas of the Group's website in particular formats and over a specified period of time. The Group shares the revenue from the advertising agencies.

Revenue is recognised ratably over the contracted period of display. Where multiple advertising spaces are purchased with different display periods in the same agreement, the Group allocates the total consideration to the various advertising elements based on the relative fair value and recognises revenue for the different elements over their respective display periods.

As the advertising agency is viewed as the customers in these transactions, revenue is recognised based on the price charged to the agency, net of sales incentives provided to the agency. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales volume based on historical experience.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Interest income

Interest income mainly represents interest income from bank deposits, and is recognised using effective interest method.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

2.26 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

Most of the Company's subsidiaries' functional currencies are RMB as majority of the revenues of these companies are derived from operations in mainland China. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets as at December 31, 2014. The Group does not hedge against any fluctuation in foreign currency. Details of the Group's trade receivables, available-for-sale financial assets, term deposits with initial term over 3 months, and cash and cash equivalents as at December 31, 2014, which are denominated in currencies other than RMB, are disclosed in Notes 18, 20, 22 and 23 respectively.

As of December 31, 2014 and 2013, the Group did not have any significant exchange risk from the operation.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from investments held by the Group and classified as available-for-sale and the term deposits with initial term over 3 months held by the Group.

The sensitivity analysis is determined based on the exposure to interest risk of available-for-sale financial assets and term deposits with initial term over 3 months at the end of each reporting period. If the interest rate of the respective instruments held by the Group had been 100 base points higher/lower, the profit before income tax would have been RMB3,112 thousand and RMB1,096 thousand higher/lower, for the years ended December 31, 2014 and 2013, respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to price risk because of investments held by the Group, classified as available-for-sale financial assets. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. The investments made by the Group are either for the purpose of improving investment yield and maintaining high liquidity level simultaneously or for strategic purpose. Each investment is managed by senior management on a case by case basis.

The available-for-sale financial assets are held for strategic rather than trading purposes. The Group does not actively trade these investments.

The sensitivity analysis is determined based on the exposure to equity price risks of available-for-sale financial assets at the end of the reporting period. If equity prices of the respective instruments held by the Group had been 100 base points higher/lower, the other comprehensive income would have been approximately RMB33,981 thousand and RMB28,044 thousand higher/lower, for the years ended December 31, 2014 and 2013, respectively.

(b) Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, available-for-sale financial assets, term deposits with initial term over 3 months, trade receivables, other receivables included in the financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

To manage risk of bank deposits, deposits are mainly placed with national commercial banks in the PRC and reputable international financial institutions in Hong Kong. There has been no recent history of default in relation to these financial institutions.

The Group had made term deposits with initial term over 3 months in certain structured deposits with relatively higher interest rates with certain financial institutions. As of December 31, 2014, the Group had outstanding investments in structured deposits which were bought from reputable state-owned financial institutions and regional financial institutions in the PRC and Hong Kong. Management has exercised due care when making investment decision with focus only on low risk structured deposits. There has been no history of default in relation to this financial institution.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

For trade receivables, a significant portion of trade receivables at the end of each of the reporting period was due from advertising agencies and third-party payment vendors that collaborate with the Group. If the strategic relationship with the advertising agencies and third-party payment vendors is terminated, or if they alter the co-operative arrangements, or if they experience financial difficulties in paying the Group, the Group's trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the advertising agencies and third-party payment vendors to ensure the effective credit control. In view of the sound history of cooperation and collectability of receivables due from these agencies and vendors, management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from these agencies and vendors is low.

For other receivables, management make periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The management of the Company believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group and the Company's non-derivative financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The Group

	Less than 3 Months RMB'000	3-6 Months RMB'000	6 Months-1 Year RMB'000	More than 1 Year RMB'000	Total RMB'000
At December 31, 2013					
Borrowings	–	30,485	–	79,260	109,745
Trade payables	10,503	3,380	–	–	13,883
Other payables and accruals (excluding deposit payable, accrued payroll and other tax liabilities)	46,418	3,662	18,161	–	68,241
Dividend payable	–	74,161	–	–	74,161
Convertible redeemable preferred shares	–	–	–	548,471	548,471
At December 31, 2014					
Trade payables	24,278	–	–	–	24,278
Other payables and accruals (excluding deposit payable, accrued payroll and other tax liabilities)	30,961	–	–	–	30,961

The Company

	Less than 3 Months RMB'000	3-6 Months RMB'000	6 Months-1 Year RMB'000	More than 1 Year RMB'000	Total RMB'000
At December 31, 2013					
Other payables and accruals (excluding accrued payroll and other tax liabilities)	21,479	3,662	17,071	–	42,212
Dividend payable	–	74,161	–	–	74,161
Convertible redeemable preferred shares	–	–	–	548,471	548,471
At December 31, 2014					
Other payables and accruals (excluding accrued payroll and other tax liabilities)	5,229	–	–	–	5,229

As of December 31, 2014 and 2013, the Group and the Company had no derivative financial liability.

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital, share premium, other reserves and Preferred Shares on an as-if converted basis) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares.

In the opinion of the Directors of the Company, the Group's capital risk is low.

3.3 Fair value estimation

Financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value as of December 31, 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
– Available-for-sale financial assets	–	–	339,805	339,805
– Financial assets at fair value through profit or loss	–	–	109,481	109,481
	–	–	449,286	449,286

As of December 31, 2014, the Group had no liabilities that are measured at fair value.

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
– Available-for-sale financial assets	–	–	280,440	280,440
Liabilities:				
– Convertible redeemable preferred shares	–	–	548,471	548,471

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

– The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments as of December 31, 2014.

	Available-for-sale financial assets RMB'000	Financial assets at fair value through profit or loss RMB'000	Convertible redeemable preferred shares RMB'000
Opening balance	280,440	–	548,471
Additions	2,251,145	110,017	–
Disposals of available-for-sale financial assets	(2,191,646)	–	–
Fair value loss recognised in consolidated statement of comprehensive loss	–	(536)	283,559
Conversion of convertible redeemable preferred shares to ordinary shares	–	–	(836,924)
Exchange difference	(134)	–	4,894
Closing balance	339,805	109,481	–
Total gains/(losses) for the year included in profit or loss under "Other gains, net"	17,888	(536)	–
Total loss for the year included in profit or loss under "Fair value loss redeemable preferred shares"	–	–	(283,559)

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments as of December 31, 2013.

	Available-for-sale financial assets RMB'000	Convertible redeemable preferred shares RMB'000
Opening balance	146,402	355,162
Additions	2,247,687	–
Disposals of available-for-sale financial assets	(2,113,649)	–
Repurchase of convertible redeemable preferred shares	–	(76,453)
Fair value loss recognised in consolidated statement of comprehensive loss	–	283,298
Exchange difference	–	(13,536)
Closing balance	280,440	548,471
Total gains for the year included in profit or loss under "Other gains, net"	7,601	–
Total loss for the year included in profit or loss under "Fair value loss of convertible redeemable preferred shares"	–	(283,298)

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The changes in level 3 instruments relating to convertible redeemable preferred shares for the years ended December 31, 2014 and 2013 are presented in Note 32.

As of December 31, 2014 and 2013, the fair value of available-for-sale financial assets approximated the carrying value due to short maturity date.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimates of the Player Relationship Period in the Group's games revenue

As described in Note 2.23, the Group recognises revenue from durable virtual items ratably over the Player Relationship Period. The determination of Player Relationship Period in each game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a quarterly basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for prospectively as a change in accounting estimate.

(b) Fair value of share-based compensation expenses

As mentioned in Note 2.21, the Group has awarded share options under Global Share Option Plan to eligible directors and employees, and used the Binomial option-pricing model to determine the total fair value of the share options awarded. Significant estimates on key assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Company in applying the Binomial option-pricing model (Note 26).

In addition, the Group awarded restricted share units under the Pre-IPO RSU Scheme to eligible directors and employees, and used the fair value of underlying ordinary shares to determine the total fair value of the RSUs awarded.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(b) Fair value of share-based compensation expenses (continued)

The fair values of share options and RSUs granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group. The Group only recognises an expense for those share options and RSUs expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and RSUs and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

The fair value of share options and RSUs at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

Based on the fair value of the share-based awards, the expected turnover rate of grantees and the probability that the performance conditions for vesting are met, the corresponding share-based compensation expense recognised by the Group in respect of their services rendered for the years ended December 31, 2014 and 2013 was RMB51,200 thousand and RMB5,555 thousand respectively.

(c) Fair value of Preferred Shares

The Preferred Shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The directors have used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation method to determine the fair value of the Preferred Shares. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 32.

As of December 31, 2013, the estimated carrying amount of Preferred Shares would have been RMB48,279 thousand lower or RMB61,896 thousand higher, if the discount rate used in discount cash flow analysis were higher/lower by 100 base points from management's estimates.

As of December 31, 2014, all Preferred Shares had been converted to ordinary shares.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(d) Current and deferred income tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4.2 Critical judgments in applying the Group's accounting policies

(a) Revenue presentation and recognition

(i) Live social video platforms

The Group sells virtual currency through its third party distributors. The Group has assessed the relationship and arrangements with the distributors as described in Note 2.23 regarding gross versus net reporting of revenue, and has concluded that reporting the net amount equivalent to the cash proceeds that the Group receives from the sale of virtual currency to distributors, because the Group does not determine the price of the virtual currency sold to sales agents or users and does not take overall responsibility of the content or performances in the Communities.

(ii) Games

For revenues relating to mobile games operated by the Group or by third-party developers which are published on third party platforms, the Group is able to make a reasonable estimate of the gross revenue because the Group's mobile games are published through a small number of platforms and the Group can obtain the data from these mobile platforms in determining the actual price of the virtual items purchased by the paying players. Accordingly, such revenue is recognised on a gross basis.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.2 Critical judgments in applying the Group's accounting policies (continued)

(b) Contractual arrangements

The Group primarily engages in the operations of live social video platforms, mobile and online games and advertising and other services, which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, the wholly foreign-owned enterprises within the Group cannot acquire equity interest in the PRC Operating Entities, which hold certain licenses and permits required for the operation of the Group's business.

As a result, the wholly foreign-owned enterprises, Hangzhou Tiange and Zhejiang Tiange, entered into Contractual Arrangements with the Group's PRC Operating Entities and their shareholders in order to conduct the Group's business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of the PRC Operating Entities. More specifically, the Contractual Arrangements are entered into between Hangzhou Tiange and each of Hantang, Jinhua9158 and Jinhua99 (the "Hangzhou Contractual Arrangements") and between Zhejiang Tiange and each of Xingxiu, Tianchuang and Tianxiang (the "Zhejiang Contractual Arrangements"). With respect to the Hangzhou Contractual Arrangements, Hanzhou Tiange, each of Hantang, Jinhua9158 and Jinhua99 and their respective registered shareholders (where applicable) have entered into a set of these underlying agreements: (i) Exclusive Technology Consulting and Service Agreement; (ii) Exclusive Call Option Agreement; (iii) Exclusive Intellectual Property Rights Call Option Agreement; (iv) Loan Agreement; and (v) Equity Pledge Agreement. With respect to the Zhejiang Contractual Arrangements, Zhejiang Tiange, each of Xingxiu, Tianchuang and Tianxiang and their respective registered shareholders (where applicable) have entered into these underlying agreements: (i) Exclusive Technology Service Agreement; (ii) Exclusive Call Option Agreement; (iii) Voting Rights Proxy Agreement; (iv) Loan Agreement; and (v) Equity Pledge Agreement.

Pursuant to these agreements and undertakings, notwithstanding the fact that the Group does not hold direct equity interest in the PRC Operating Entities, the Group considers that it has power over the financial and operating policies of the PRC Operating Entities and receives substantially all of the economic benefits from their business activities. Accordingly, the PRC Operating Entities have been treated as the Group's indirect subsidiaries for all the years presented.

5 REVENUE

Details of the revenue for the years ended December 31, 2014 and 2013 are as follows:

	Year Ended December 31,	
	2014	2013
	RMB'000	RMB'000
Live social video platform	630,703	528,430
Games and others	61,456	19,810
Total revenue	692,159	548,240

Risk of Concentration

Management currently expects that the Company's operating results will, for the foreseeable future, continue to depend on the revenue from a relatively small number of distributors.

6 EXPENSES BY NATURE

	Year Ended December 31, 2014 RMB'000	2013 RMB'000
Employee benefit expenses (including share-based compensation expenses) *(Note 8)*	166,797	101,964
Promotion and advertising expenses *(a)*	152,731	96,613
Professional and consultancy fees *(b)*	42,821	3,713
Commission charges by platforms and game developers	38,994	–
Bandwidth and server custody fees	31,606	29,236
Business tax and related surcharges *(c)*	21,389	36,129
Game development costs	21,039	23,819
Travelling and entertainment expenses	15,757	16,080
Depreciation of property and equipment *(Note 13)*	13,396	11,225
Utilities and office expenses	11,096	9,825
Operating lease rentals in respect of office buildings	7,364	9,430
Auditors' remuneration	5,434	4,091
Payment handling costs	5,290	4,336
Amortisation of intangible assets *(Note 15)*	3,605	1,623
Others	2,354	9,090
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	539,673	357,174

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

(b) Professional and consultancy fees primarily include legal and professional services fees incurred during the preparation of IPO of the Company.

(c) Business tax and related surcharges that are applicable to the Group are as follows:

Category	**Tax Rate**	**Basis of Levies**
Business Tax ("BT")	3% prior to June 1, 2014	Revenue from operation of live social video platforms and games
Value-added tax ("VAT")	6% since June 1, 2014	Revenue from operation of live social video platforms and games
	6%	Other revenue
City construction tax	7%	Actual BT and VAT Payable
Educational surcharges	3% for educational surcharges and 2% for local educational surcharges	Actual BT and VAT Payable
Foundation for water works	0.1%	Total revenue

7 OTHER GAINS, NET

	Year Ended December 31, 2014 RMB'000	2013 RMB'000
Investment Interest	**31,118**	10,959
Financial assets at fair value through profit or loss		
– Fair value losses	**(936)**	–
– Fair value gains	**400**	–
Government grants *(a)*		
– Tax based subsidy *(i)*	**12,994**	11,037
– Technology award *(ii)*	**13,149**	7,581
– Scientific project fund *(iii)*	**2,223**	6,010
Loss on disposal of property and equipment, net	**(272)**	(67)
Others	**(64)**	(121)
	58,612	35,399

(a) For the years ended December 31, 2014 and 2013, government grants primarily consist of:

i). Tax based subsidies amounted to RMB12,994 thousand and RMB11,037 thousand, respectively, were granted by local government authorities in Hangzhou and Jinhua to incentivise the Group's business growth;

ii). Technology award amounted to RMB13,149 thousand and RMB7,581 thousand, respectively, were granted by the local government authorities in Hangzhou and Jinhua to reward the Group's achievement and support the Group's development in information service industries;

iii). Scientific project fund amounted to RMB2,223 thousand and RMB6,010 thousand, respectively, were granted by local government authorities in Hangzhou and Jinhua to fund the Group's qualified technology research projects.

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year Ended December 31,	
	2014	2013
	RMB'000	RMB'000
Wages, salaries and bonuses	**98,178**	79,221
Defined contribution plans *(a)*	**8,583**	8,526
Other social security costs, housing benefits and other employee benefits	**8,836**	8,662
Share-based compensation expenses *(Note 26)*	**51,200**	5,555
	166,797	101,964

(a) Defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage (20% and 14% for Beijing and Zhejiang, respectively.) of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (continued)

(b) Directors' emoluments

The remuneration of each director for the year ended December 31, 2014 is set out below:

Name	Salaries and allowances	Discretionary bonus	Defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fu Zhengjun (i)	539	89	13	5	1,483	2,129
Mai Shi'en (ii)	543	90	57	21	3,829	4,540
Mao Chengyu (iii)	–	–	–	–	117	117
Herman Cheng-Chun, Yu (iv)	53	–	–	–	117	170
Yu Bin (v)	76	–	–	–	117	193
Wu, Chak Man (vi)	76	–	–	–	117	193
Chan, Wing Yuen Hubert (vii)	76	–	–	–	117	193

The remuneration of each director for the year ended December 31, 2013 is set out below:

Name	Salaries and allowances	Discretionary bonus	Defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fu Zhengjun (i)	549	89	14	2	218	872
Mao Chengyu (iii)	–	–	–	–	–	–

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (continued)

(b) Directors' emoluments (continued)

(i) Mr. Fu Zhengjun was appointed as the director and the chief executive officer ("CEO") of the Company on July 28, 2008.

(ii) Mr. Mai Shi'en was appointed as the director and the chief operating officer ("COO") of the Company on March 5, 2014.

(iii) Mr. Mao Chengyu was appointed as the director of the Company on December 30, 2008.

(iv) Mr. Herman Cheng-Chun, Yu was appointed as the director of the Company on March 5, 2014.

(v) Ms. Yu Bin was appointed as the director of the Company on June 16, 2014.

(vi) Mr. Wu, Chak Man was appointed as the director of the Company on June 16, 2014.

(vii) Mr. Chan, Wing Yuen Hubert was appointed as the director of the Company on June 16, 2014.

(c) Senior management's emoluments

Senior management includes directors, CEO and other senior executives. The aggregate emoluments paid and payable to senior management for employee services excluding the directors and the CEO whose emoluments have been reflected in Note (b) above is as follows:

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Salaries and allowances	**1,463**	544
Discretionary bonus	**228**	66
Defined contribution plans	**106**	102
Other social security costs, housing benefits and other employee benefits	**55**	37
Share-based compensation expenses	**6,622**	15
	8,474	764

The emoluments of the senior management fell within the following bands:

	Year ended December 31,	
	2014	2013
Emoluments band:		
Nil to RMB1,000,000	**3**	5
RMB1,000,001 to RMB5,000,000	**–**	–
RMB5,000,001 to RMB10,000,000	**1**	–

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (continued)

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2013: one) directors whose emoluments have been reflected in Note (b) above. The emoluments paid and payable to the remaining three (2013: four) individuals during the year are as follows:

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Salaries and allowances	**1,399**	481
Discretionary bonus	**184**	58
Defined contribution plans	**68**	90
Other social security costs, housing benefits and other employee benefits	**44**	33
Share-based compensation expenses	**18,768**	13
	20,463	675

The emoluments paid and payable to these individuals for the year ended December 31, 2014 and 2013 fell within the following bands:

	Year ended December 31,	
	2014	2013
Emoluments band:		
Nil to RMB1,000,000	**–**	4
RMB1,000,001 to RMB5,000,000	**1**	–
RMB5,000,001 to RMB10,000,000	**1**	–
RMB10,000,001 to RMB15,000,000	**1**	–

(e) For the years ended December 31, 2014 and 2013, none of the directors, senior management and the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

9 FINANCE INCOME AND COSTS

	Year Ended December 31,	
	2014	2013
	RMB'000	RMB'000
Finance income:		
– Exchange gain on financing activities	545	1,689
– Interest income on cash and cash equivalents	7,674	3,128
– Gain on repurchase of Preferred Shares	–	32,284
	8,219	37,101
Finance costs:		
– Dividend appropriation to preferred shareholders	–	(35,280)
– Interest expenses on bank borrowings	(2,549)	(1,419)
	(2,549)	(36,699)
Finance income/(costs), net	5,670	402

10 INCOME TAX EXPENSE

The income tax expense of the Group for the years ended December 31, 2014 and 2013 are analysed as follows:

	Year Ended December 31,	
	2014	2013
	RMB'000	RMB'000
Current income tax:		
– PRC corporate income tax	**44,503**	27,601
Deferred income tax *(Note 33)*		
– Origination and reversal of temporary differences	**(8,352)**	8,577
	36,151	36,178

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax for all the years presented. It has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended December 31, 2014 and 2013, respectively.

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

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

Zhejiang Tiange and Star Power qualified as "Software Enterprise" under the EIT Law in 2011. Consequently, these entities are entitled to a two-year EIT exemption followed by a three-year 50% EIT rate reduction commencing from the first year of commercial operation or the first year with tax profit after the qualification.

10 INCOME TAX EXPENSE (continued)

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

Hangzhou Tiange qualified as "New High-tech Enterprise" under the EIT Law in 2014. Consequently, Hangzhou Tiange is entitled to a preferential EIT rate of 15%.

The following table sets out applicable EIT rate of Group's subsidiaries and the PRC Operating Entities in the PRC for the year ended December 31, 2014:

Name	Applicable EIT rate in 2014
Hangzhou Tiange	15%
Zhejiang Tiange	12.5%
Star Power	12.5%
Hantang	25%
Jinhua 9158	25%
Jinhua 99	25%
Xingxiu	25%
Tianchuang	25%
Tianxiang	25%
Tianhu	25%

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The additional deduction of 50% of qualified research and development expenses can only be claimed directly in the annual EIT filing and subject to the approval from the relevant tax authorities. The Group has claimed such Super Deduction for all the years presented and booked the EIT amount upon approval.

10 INCOME TAX EXPENSE (continued)

(d) PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. 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%.

As approved by the State Administration of Taxation (the "SAT") in 2014, Hangzhou Tiange and Zhejiang Tiange meets conditions or requirements stated in the Circular on the Non-residence Enterprise's Tax Treaty Under Double Taxation Agreement (Guoshui No. 124, 2009) issued by the SAT. Hence, the relevant withholding tax accrued and paid was reduced from 10% to 5% of the total dividends distributed by Hangzhou Tiange and Zhejiang Tiange.

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

	Year Ended December 31,	
	2014	2013
	RMB'000	RMB'000
Loss before income tax	(71,450)	(56,431)
Tax calculated at a tax rate of 25%	(17,863)	(14,108)
Tax effects of:		
Different tax jurisdiction	78,355	72,341
Preferential income tax rates applicable to subsidiaries	(30,235)	(23,240)
Reversal of withholding tax for appropriation of dividend upon approval of reduced WHT rate	(6,223)	–
Tax loss for which no deferred income tax assets was recognised	32	–
Super deduction for research and development expenses	(1,740)	(1,095)
Expenses not deducted for income tax purposes:		
– Share-based compensation	12,800	1,389
– Other permanent difference	1,025	891
Income tax expense	36,151	36,178

11 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss of the Group attributable to the Shareholders of the Company by the weighted average number of ordinary shares in issue during each year.

	Year Ended December 31,	
	2014	2013
Loss attributable to shareholders of the Company (RMB'000)	**107,503**	92,602
Weighted average number of ordinary shares in issue *(i)* (thousand shares)	**927,972**	640,000
Basic loss per share (in RMB/share)	**0.116**	0.145

(i) Upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company's ordinary shareholders received nine bonus shares for every registered ordinary share that they already held. As a result, the then existing outstanding ordinary shares were adjusted to 840,000,000 on a one-to-ten basis.

For the purpose of computing basic loss per share, the number of ordinary shares outstanding during each year has been adjusted retroactively for the proportional changes in the number of ordinary shares outstanding as a result of the issuance of bonus shares.

(b) Diluted

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

Diluted loss per share for the years ended December 31, 2014 and 2013 are the same as basic loss per share in the respective years.

For the year ended December 31, 2014, the Company has three categories of dilutive potential ordinary shares, convertible redeemable preferred shares, share options granted to employees under Global Share Option Plan and restricted share units granted under Pre-IPO RSU Scheme are assumed to have been fully vested and released from restrictions with no impact on earnings.

11 LOSS PER SHARE (continued)

(b) Diluted (continued)

For the year ended December 31, 2013, the Company has two categories of dilutive potential ordinary shares, convertible redeemable preferred shares and share options granted to employees under Global Share Option Plan are assumed to have been fully vested and released from restrictions with no impact on earnings.

As the Group incurred loss for the years ended December 31, 2014 and 2013, the convertible redeemable preferred shares, the share options and the restricted share units are anti-dilutive and, consequently, not included in the computation of diluted losses per share.

12 DIVIDENDS

	Year Ended December 31,	
	2014	2013
	RMB'000	RMB'000
Dividends declared by the Company	–	88,512

Pursuant to the resolution of the Company's board meeting in January 2013, the Company declared dividend of US$20,000 thousand to the holders of the ordinary shares, Series A Preferred Shares and Series B Preferred Shares, of which the dividends on these Preferred Shares that are classified as liabilities were recognised in the consolidated statement of comprehensive loss as finance costs *(Note 9)*.

As of December 31, 2014, all declared dividends were paid to the holders of the ordinary shares and Preferred Shares.

No final dividend for the year ended December 31, 2014 was proposed by the Board of Directors on March 30, 2015.

13 PROPERTY AND EQUIPMENT – GROUP

	Building RMB'000	Decorations RMB'000	Furniture and Office Equipment RMB'000	Server and Other Equipment RMB'000	Motor Vehicles RMB'000	Leasehold Improvement RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended December 31, 2013								
Opening net book amount	–	–	1,651	13,188	1,800	2,707	956	20,302
Additions	–	–	503	5,302	1,484	477	–	7,766
Transfers	–	–	–	–	–	956	(956)	–
Disposals	–	–	(1)	(106)	–	–	–	(107)
Depreciation charge	–	–	(717)	(7,276)	(795)	(2,437)	–	(11,225)
Closing net book amount	–	–	1,436	11,108	2,489	1,703	–	16,736
At December 31, 2013								
Cost	–	–	3,396	34,846	4,947	6,981	–	50,170
Accumulated depreciation	–	–	(1,960)	(23,738)	(2,458)	(5,278)	–	(33,434)
Net book amount	–	–	1,436	11,108	2,489	1,703	–	16,736
Year ended December 31, 2014								
Net book value								
Opening net book amount	–	–	1,436	11,108	2,489	1,703	–	16,736
Additions	117,517	8,708	2,077	11,082	365	–	–	139,749
Disposals	–	–	(143)	(651)	(15)	–	–	(809)
Depreciation charge	(1,968)	(1,500)	(804)	(6,698)	(950)	(1,476)	–	(13,396)
Closing net book amount	115,549	7,208	2,566	14,841	1,889	227	–	142,280
At December 31, 2014								
Cost	117,517	8,708	4,464	39,587	5,012	6,981	–	182,269
Accumulated depreciation	(1,968)	(1,500)	(1,898)	(24,746)	(3,123)	(6,754)	–	(39,989)
Net book amount	115,549	7,208	2,566	14,841	1,889	227	–	142,280

13 PROPERTY AND EQUIPMENT – GROUP (continued)

Depreciation charges were included in the following categories in the profit or loss:

	Year Ended December 31, 2014 RMB'000	2013 RMB'000
Cost of revenue	4,702	4,958
Selling and marketing expenses	2,275	1,975
Administrative expenses	1,216	769
Research and development expenses	5,203	3,523
	13,396	11,225

14 INTERESTS IN AND AMOUNTS DUE TO SUBSIDIARIES – COMPANY

	As of December 31, 2014 RMB'000	2013 RMB'000
Interests in subsidiaries		
Investment in a subsidiary *(a)*	–	–
Deemed investments arising from share-based compensation *(b)*	67,777	16,577
Amounts due from subsidiaries *(c)*	909,127	36,761
	976,904	53,338
Amounts due to subsidiaries *(c)*	2,812	–

Details of the subsidiaries of the Group are set out in Note 1.

(a) The Company's investment in a subsidiary is HK$1.

(b) The amount represents share-based compensation expenses arising from the share options and RSUs granted to eligible employees of certain subsidiaries in exchange for their services provided to certain subsidiaries now comprising the Group, which were deemed to be investments made by the Company into these subsidiaries.

(c) The balance is unsecured and interest free with no fixed repayment term.

15 INTANGIBLE ASSETS – GROUP AND COMPANY

The Group

	Goodwill RMB'000 *(Note a)*	Computer Software RMB'000	Domain Name and Technology RMB'000	Platform License RMB'000	Total RMB'000
Year ended December 31, 2013					
Opening net book amount	1,943	867	4,348	–	7,158
Exchange difference	(59)	–	(88)	–	(147)
Additions	–	476	–	–	476
Amortization charge	–	(555)	(1,068)	–	(1,623)
Closing net book amount	1,884	788	3,192	–	5,864
At December 31, 2013					
Cost	1,884	2,372	7,736	–	11,992
Accumulated amortization	–	(1,584)	(4,544)	–	(6,128)
Net book amount	1,884	788	3,192	–	5,864
Year ended December 31, 2014					
Opening net book amount	**1,884**	**788**	**3,192**	**–**	**5,864**
Exchange difference	**7**	**–**	**10**	**–**	**17**
Additions *(b)*	**–**	**647**	**1,551**	**44,528**	**46,726**
Amortization charge	**–**	**(486)**	**(893)**	**(2,226)**	**(3,605)**
Closing net book amount	**1,891**	**949**	**3,860**	**42,302**	**49,002**
At December 31, 2014					
Cost	**1,891**	**3,019**	**9,288**	**44,528**	**58,726**
Accumulated amortization	**–**	**(2,070)**	**(5,428)**	**(2,226)**	**(9,724)**
Net book amount	**1,891**	**949**	**3,860**	**42,302**	**49,002**

15 INTANGIBLE ASSETS – GROUP AND COMPANY (continued)

The Company

	Goodwill RMB'000 *(Note a)*	Domain Name and Technology RMB'000	Total RMB'000
Year ended December 31, 2013			
Opening net book amount	1,943	3,423	5,366
Exchange difference	(59)	(88)	(147)
Amortisation charge	–	(955)	(955)
Closing net book amount	1,884	2,380	4,264
At December 31, 2013			
Cost	1,884	6,268	8,152
Accumulated amortisation	–	(3,888)	(3,888)
Net book amount	1,884	2,380	4,264
Year ended December 31, 2014			
Opening net book amount	**1,884**	**2,380**	**4,264**
Exchange difference	**7**	**10**	**17**
Additions	**–**	**1,551**	**1,551**
Amortisation charge	**–**	**(781)**	**(781)**
Closing net book amount	**1,891**	**3,160**	**5,051**
At December 31, 2014			
Cost	**1,891**	**8,168**	**10,059**
Accumulated amortisation	**–**	**(5,008)**	**(5,008)**
Net book amount	**1,891**	**3,160**	**5,051**

15 INTANGIBLE ASSETS – GROUP AND COMPANY (continued)

(a) In July 2010, the Group received a cash consideration of US$10,000,000 and a non-cash consideration including a sole license to operate Sina Show platform for a five year period and certain intellectual property rights from the Series C Preferred Shares Investors for the issuance of the Series C Preferred Shares. The acquisition of non-cash consideration qualified as a business combination. Goodwill of US$309,000 arose from the difference between the total consideration paid by the Series C Preferred Shares Investors and the fair value of the Series C Preferred Shares issued. Goodwill is not expected to be deductible for income tax purposes. Based on the assessment made by the directors of the Company, no provision for impairment on goodwill was required for all the years presented.

(b) The Group purchased two platform licenses in the year 2014 at a total consideration of approximately RMB44,528 thousand.

Amortisation charges were included in the following categories in the profit or loss:

	Year Ended December 31,	
	2014	2013
	RMB'000	RMB'000
Cost of revenue	**2,662**	956
Selling and marketing expense	**185**	290
Administrative expenses	**533**	170
Research and development expenses	**225**	207
	3,605	1,623

16 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY

The Group

	As of December 31, 2014 RMB'000	2013 RMB'000
Assets as per balance sheet		
Loans and receivables:		
– Trade receivables	14,049	20,804
– Other receivables (excluding prepayments and deferred listing expenses)	141,226	53,393
– Cash and cash equivalents	289,083	171,896
– Restricted cash	–	120,000
– Term deposits with initial term over 3 months	1,082,786	21,873
Available-for-sale financial assets	339,805	280,440
Financial assets at fair value through profit or loss	109,481	–
	1,976,430	668,406
Liabilities as per balance sheet		
Financial liabilities at amortised cost		
– Borrowings	–	109,745
– Trade payables	24,278	13,883
– Other payables and accruals (excluding deposit payables, accrued payroll and other tax liabilities)	30,961	68,241
– Dividend payables	–	74,161
Financial liabilities at fair value through profit or loss		
– Convertible redeemable preferred shares	–	548,471
	55,239	814,501

16 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY (continued)

The Company

	As of December 31, 2014 RMB'000	2013 RMB'000
Assets as per balance sheet		
Loans and receivables:		
– Cash and cash equivalents	31,293	73,170
– Amount due from Mr. Fu Zhengjun	–	21
– Amount due from subsidiaries	909,127	36,761
– Other receivables (excluding prepayments and deferred listing expenses)	372	–
– Term deposits with initial term over 3 months	398,958	–
– Deferred listing expenses	–	1,213
Available-for-sale financial assets	24,476	–
	1,364,226	111,165
Liabilities as per balance sheet		
Financial liabilities at amortised cost		
– Other payables and accruals (excluding deposit payables, accrued payroll and other tax liabilities)	5,229	42,212
– Amount due to subsidiaries	2,812	–
– Dividend payables	–	74,161
Financial liabilities at fair value through profit or loss		
– Convertible redeemable preferred shares	–	548,471
	8,041	664,844

17 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD – GROUP

The amounts recognised in the balance sheet are as follows:

	As of December 31, 2014 RMB'000	2013 RMB'000
Associates	3,863	4,900

Set out below is the associate of the Group as of December 31, 2014 and 2013, which, in the opinion of the directors, is not material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Details of investment in associates as of December 31, 2014

Name of entity	Place of business	% of ownership interest	Nature of associates	Measurement method
Sun's Catering & Entertainment Management (Hangzhou) Co., Ltd. ("Sun") (孫記餐飲娛樂管理(杭州)有限公司)	Hangzhou, PRC	49%	Note a	Equity

(a) Sun primarily engages in the operation of physical KTV store in Hangzhou, the PRC.

	Year Ended December 31, 2014 RMB'000	2013 RMB'000
Beginning balance	4,900	–
Additions	–	4,900
Cash contribution to associates	3,622	–
Share of loss of investment accounted for using the equity method	(4,659)	–
Ending balance	3,863	4,900

18 TRADE RECEIVABLES – GROUP

	As of December 31, 2014 RMB'000	2013 RMB'000
Third parties	**12,638**	14,262
Amount due from Related parties *(Note 36(c))*	**1,411**	6,542
	14,049	20,804
Less: provision for impairment	**–**	–
	14,049	20,804

As of December 31, 2014 and 2013, the fair values of trade receivables approximated their carrying amounts.

(a) Aging analysis based on recognition date of the gross trade receivables at the respective balance sheet dates are as follows:

	As of December 31, 2014 RMB'000	2013 RMB'000
0-90 days	**12,215**	14,741
91-180 days	**1,180**	4,931
181-365 days	**200**	275
Over 1 year	**454**	857
	14,049	20,804

(b) The carrying amount of the Group's trade receivables are denominated in the following currencies:

	As of December 31, 2014 RMB'000	2013 RMB'000
RMB	**13,347**	19,035
US$	**702**	1,769
	14,049	20,804

(c) The maximum exposure to credit risk at each of the reporting dates is the carrying value of the net receivable balance. The Group does not hold any collateral as security.

19 PREPAYMENTS AND OTHER RECEIVABLES – GROUP AND COMPANY

The Group

	As of December 31, 2014 RMB'000	2013 RMB'000
Included in non-current assets		
Long-term prepayments for game licenses	9,644	6,902
Prepayments for property, equipment and intangible assets	31,100	103,835
	40,744	110,737
Included in current assets		
Refundable prepayment for potential investments *(a)*	131,000	–
Prepaid promotion expenses	11,151	10,715
Prepaid commission charges	4,315	–
Interest receivable	3,691	2,088
Loan deposits due from related parties *(Note 36(e))*	–	22,274
Cash advance to an investment agent *(b)*	–	17,724
Amounts due from related parties *(Note 36(d))*	–	7,200
Deferred listing expenses	–	1,213
Others	8,875	5,574
	159,032	66,788
Less: provision for impairment of other receivables	–	–
	199,776	177,525

(a) In 2014, the Group entered into a series of prospective investments agreements. Subsequently, totally RMB131,000 thousand was paid as prepayments for the potential investments. As at December 31, 2014, if the prospective investments agreements were failed to reached, all of the prepayments are refundable.

19 PREPAYMENTS AND OTHER RECEIVABLES – GROUP AND COMPANY (continued)

(b) The balance represents the cash advance to an investment agent, which would serve as a down payment if any investment is successful and shall be returned to the Company if no successful investment is done. The total amount was returned to the Group prior to December 31, 2014.

As of December 31, 2014 and 2013, the carrying amounts of prepayments and other receivables were primarily denominated in RMB and approximated their fair values. As of December 31, 2014 and 2013, there were no significant balances that are past due.

The maximum exposure to credit risk at each of the reporting dates is the carrying value of each class of prepayments and other receivables mentioned above. The Group does not hold any collateral as security.

The Company

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
Deferred listing expenses	–	1,213
Amount due from related parties	–	21
Others	372	–
	372	1,234

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP AND COMPANY

The Group

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
Non-current		
At beginning of the year	**2,300**	2,000
Additions *(a)*	**24,610**	300
Exchange difference	**(134)**	–
At end of the year	**26,776**	2,300
Current (b)		
At beginning of the year	**278,140**	144,402
Additions	**2,226,535**	2,247,387
Repayment	**(2,191,646)**	(2,113,649)
At end of the year	**313,029**	278,140

The Company

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
Non-current		
At beginning of the year	**–**	–
Additions *(a)*	**24,610**	–
Exchange difference	**(134)**	–
At end of the year	**24,476**	–

(a) In September 2014, the Company subscribed shares in certain venture fund (the "Fund"), at a cash consideration of US$4 million (approximately RMB24,610 thousand). The Company is a limited partner in the Fund and does not have control or significant influence on the Fund. The directors classified the investment as available-for-sale financial assets. This Fund is set up to invest in internet companies, and obtain capital appreciation and investment income. The directors consider that there was no significant change in the fair value up to December 31, 2014 as the Fund is still in pre-operating stage.

(b) The fair value of the current available-for-sale financial assets approximated its carrying amount. The Group's current available-for-sale financial assets refer to RMB-denominated principal protected structured deposits with floating interest rates ranging from 3% to 6% per annum and maturity period within 1 year or revolving term. These structured deposits are offered by large state-owned commercial banks in the PRC.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	As of December 31	
	2014	2013
	RMB'000	RMB'000
Included in current assets		
– Non-quoted investments	**109,481**	–

Financial assets at fair value through profit or loss of the Group mainly represent investments in certain principal protected structured deposits issued by national commercial banks in the PRC and reputable international financial institutions in Hong Kong. These structured deposits have an initial term ranging from six months to one year, and were classified as fair value through profit or loss upon initial recognition. Changes in fair values of these financial assets had been recognised in "other gains, net" in the consolidated statement of comprehensive loss *(Note 7)*.

22 TERM DEPOSITS WITH INITIAL TERM OVER 3 MONTHS – GROUP AND COMPANY

The effective interest rate for the term deposits of the Group with initial term over 3 months for the year ended December 31, 2014 was 3.07% (2013: 3.25%).

An analysis of the Group's and Company's term deposits denominated in RMB, US$ and HK$ with initial term over 3 months as at December 31, 2014 are listed as below:

The Group

	As of December 31	
	2014	2013
	RMB'000	RMB'000
Included in non-current assets		
– HK$ term deposits	**479,869**	–
Included in current assets		
– HK$ term deposits	**398,958**	–
– RMB term deposits	**203,959**	21,873
	602,917	21,873
	1,082,786	21,873

The Company

	As of December 31	
	2014	2013
	RMB'000	RMB'000
Included in current assets		
– HK$ term deposits	**398,958**	–

Term deposits with initial term over 3 months were neither past due nor impaired. The directors of the Company considered that the carrying amount of the term deposits with initial term over 3 months approximated their fair value as at December 31, 2014.

23 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH – GROUP AND COMPANY

The Group

	As of December 31	
	2014	2013
	RMB'000	RMB'000
Current		
Cash at bank and on hand	**148,261**	166,601
Short-term bank deposits *(a)*	**135,447**	5,295
Cash at other financial institutions *(b)*	**5,375**	–
Restricted cash	**–**	33,000
	289,083	204,896
Non-current		
Restricted cash	**–**	87,000
Total cash and cash equivalents and restricted cash	**289,083**	291,896
Maximum exposure to credit risk	**289,083**	291,896

The Company

	As of December 31	
	2014	2013
	RMB'000	RMB'000
Current		
Cash at bank and on hand	**25,918**	73,170
Cash at other financial institutions *(b)*	**5,375**	–
Total cash and cash equivalents	**31,293**	73,170
Maximum exposure to credit risk	**31,293**	73,170

23 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH – GROUP AND COMPANY (continued)

(a) The short-term bank deposits are denominated in RMB and have a term ranging from 1 month to 3 months. The effective interest rate of these deposits for the year ended December 31, 2014 was 2.65% (2013: 2.85%).

(b) As at December 31, 2014, HK$6,813,324 (approximately RMB5,375 thousand) are held in a securities account.

Cash and cash equivalents and restricted cash are denominated in the following currencies:

The Group

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
RMB	**256,944**	203,196
HK$	**31,687**	1
US$	**452**	88,699
	289,083	291,896

The Company

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
HK$	**31,001**	–
US$	**292**	73,170
	31,293	73,170

24 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME – GROUP AND COMPANY

	Number of Shares	Nominal Value of Shares US$'000	Equivalent Nominal Value of Share RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000
At January 1, 2014	64,000,000	6.40	42	139,703	–
Issuance of shares held for RSU Scheme *(a)*	7,280,000	0.73	4	–	(4)
Conversion of convertible redeemable preferred shares to ordinary shares *(b)*	20,000,000	2.00	12	836,801	–
Effect of bonus shares issuance *(c)*	821,520,000	82.15	508	(467)	(41)
Issuance of ordinary shares *(d)*	349,907,000	34.99	215	1,415,874	–
Repurchase and cancellation of ordinary shares *(e)*	(3,306,000)	(0.33)	(2)	(10,356)	–
Vest and transfer of RSUs *(Note 26(b))*	–	–	–	(26)	26
At December 31, 2014	1,259,401,000	125.94	779	2,381,529	(19)
At January 1 and December 31, 2013	64,000,000	6.40	42	139,703	–

(a) On June 19, 2014, the Company issued 7,280,000 ordinary shares to an independent trust nominee for the purpose of granting Pre-IPO RSUs to the participants under Pre-IPO RSU Scheme *(Note 26(e))*. The ordinary shares held for Pre-IPO RSU scheme was deducted from shareholder's equity.

(b) On July 9, 2014, upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company's 20,000,000 outstanding convertible redeemable preferred shares were converted into ordinary shares and were then derecognised from liability and transferred to share capital and share premium accordingly. The conversion rate for the convertible redeemable preferred shares to ordinary shares was 1:1.

(c) On July 9, 2014, upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company's ordinary shareholders received nine bonus shares for every registered ordinary share that they already held. As a result, the then existing outstanding ordinary shares were adjusted to 840,000,000 on a one-to-ten basis.

As of July 9, 2014, all the options and RSUs granted in respect of 8,838,875 shares and 7,280,000 Pre-IPO RSUs, respectively, were adjusted to 88,388,750 shares and 72,800,000 Pre-IPO RSUs on a one-to-ten basis, upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited.

(d) On July 9, 2014, upon the Company's IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 304,267,000 new ordinary shares at par value of US$0.0001 per share for cash consideration of HK$5.28 each. On July 30, 2014, the Company further issued 45,640,000 new ordinary shares pursuant to the full exercise of the over-allotment option. The total gross proceeds from the issuance of new ordinary shares was approximately HK$1,847,508,960 (approximately RMB1,467,661 thousand).

(e) In December 2014, the Company repurchased 3,306,000 ordinary shares of the Company through purchases on The Stock Exchange of Hong Kong Limited. All the repurchased ordinary shares had been cancelled as of December 31, 2014. The total amount paid to repurchase these ordinary shares was HK$13,129,670 (approximately RMB10,358 thousand) and had been deducted from and share capital and share premium within shareholders' equity.

25 RESERVES – GROUP AND COMPANY

The Group

	Statutory Reserves RMB'000	Share-based Compensation Reserves RMB'000	Translation Differences RMB'000	Total RMB'000
Balance at January 1, 2014	15,873	16,577	33,255	65,705
Share-based compensation *(Note 26)*	–	51,200	–	51,200
Currency translation differences	–	–	(13,996)	(13,996)
Profit appropriations to statutory reserves *(a)*	19,564	–	–	19,564
At December 31, 2014	35,437	67,777	19,259	122,473
Balance at January 1, 2013	14,815	11,022	18,678	44,515
Share-based compensation *(Note 26)*	–	5,555	–	5,555
Currency translation differences	–	–	14,577	14,577
Profit appropriations to statutory reserves *(a)*	1,058	–	–	1,058
At December 31, 2013	15,873	16,577	33,255	65,705

(a) In accordance with the Corporate Law in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group, i.e. the PRC Operating Entities, it is required to appropriate 10% of the annual net profits of the PRC Operating Entities, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital of the PRC Operating Entities, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions in the Articles of Association of Hangzhou Tiange, Zhejiang Tiange and Star Power, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these wholly-foreign owned subsidiaries to their reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not be made.

25 RESERVES – GROUP AND COMPANY (continued)

The Company

	Share-based Compensation Reserves RMB'000	Translation Differences RMB'000	Total RMB'000
Balance at January 1, 2014	16,577	29,243	45,820
Share-based compensation	51,200	–	51,200
Currency translation differences	–	(13,267)	(13,267)
At December 31, 2014	67,777	15,976	83,753
Balance at January 1, 2013	11,022	16,184	27,206
Share-based compensation	5,555	–	5,555
Currency translation differences	–	13,059	13,059
At December 31, 2013	16,577	29,243	45,820

26 SHARE-BASED PAYMENTS – GROUP AND COMPANY

(a) Share options

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

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

(i) On January 14, 2009, the Company granted 2,050,000 and 3,950,000 ordinary share options (Trench I Option) to its directors and employees at an exercise price of US$0.001 and US$0.10 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested upon closing of Series B Preferred Shares financing on January 14, 2009. Since then, these options were vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

26 SHARE-BASED PAYMENTS – GROUP AND COMPANY (continued)

(a) Share options (continued)

(ii) On July 23, 2009, the Company granted 680,000 and 970,000 ordinary share options (Trench II Option) to its directors and employees at an exercise price of US$0.21 and US$0.30 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on June 9, 2010. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(iii) On June 17, 2010, the Company granted 331,000 ordinary share options (Trench III Option) to its directors and employees at an exercise price of US$0.60. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on May 5, 2011. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(iv) On September 6, 2010, the Company granted 3,000,000 and 196,000 ordinary share options (Trench IV Option) to its directors and employees at an exercise price of US$0.35 and US$0.60 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on September 6, 2011. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(v) On December 20, 2010, the Company granted 20,000, 1,000,000 and 425,000 ordinary share options (Trench V Option) to its directors and employees at an exercise price of US$0.30, US$0.35 and US$0.60 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on December 20, 2011. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(vi) On December 26, 2011, the Company granted 200,000, 185,000, and 277,000 ordinary share options (Trench VI Option) to its directors and employees at an exercise price of US$0.60, US$1.0 and US$1.20 respectively. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on December 26, 2012. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(vii) On October 14, 2012, the Company granted 990,000 ordinary share options (Trench VII Option) to its directors and employees at an exercise price of US$1.50. Subject to the Grantee continuing to be a service provider, 25% of these options were vested on June 30, 2013. Since then, these options are vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(viii) On September 14, 2013, the Company granted 255,000 ordinary share options (Trench VIII Option) to its directors and employees at an exercise price of US$2.00. Subject to the Grantee continuing to be a service provider, 25% of these options will be vested on September 14, 2014. Since then, these options will be vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

26 SHARE-BASED PAYMENTS – GROUP AND COMPANY (continued)

(a) Share options (continued)

(ix) On May 22, 2014, the Company granted 1,185,000 ordinary share options (Trench IX Option) to its directors and employees at an exercise price of US$3.5 each. Subject to the grantee continuing to be a service provider, 25% of these options will be vested on May 22, 2015. Since then, the options will be vested over 3 years in monthly equal proportion of 1/48 of total number of options granted.

(x) On May 22, 2014, the Global Share Option Plan was amended to decrease the aggregate number of ordinary share available for issuance thereunder by 4,154,425 ordinary shares from 13,000,000 ordinary shares to 8,845,575 ordinary shares. Pursuant to the modification, 4,280,000 share options granted under the Global Share Option Plan were replaced by the same number of RSUs under the Pre-IPO RSU Scheme (see Note (b) below). The major changes are that there is no consideration payable by the grantees for the RSUs, while there were assigned exercise prices for the share options exchanged. Such changes represent a modification of the instruments granted for share based payments and resulted in an aggregate incremental fair value of approximately US$953,125, of which US$832,821 (approximately RMB5,118 thousand) charged to consolidated statement of comprehensive loss for the year ended December 31, 2014.

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

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

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

26 SHARE-BASED PAYMENTS – GROUP AND COMPANY (continued)

(a) Share options (continued)

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

	Average Exercise Price in US$ per Share Option	Number of Share Options
At January 1, 2013		118,419,380
Granted	US$0.2000	2,550,000
Cancelled	US$0.1258	(155,520)
Forfeited	US$0.0711	(848,760)
At December 31, 2013		119,965,100
At January 1, 2014		**119,965,100**
Granted *(i)*	**US$0.3500**	**11,850,000**
Cancelled	**US$0.0973**	**(2,480)**
Forfeited	**US$0.2305**	**(1,291,300)**
Replaced by the Pre-IPO Restricted Share Unit Scheme *(ii)*	**US$0.0281**	**(42,800,000)**
At December 31, 2014		**87,721,320**

As of December 31, 2014, out of the 87,721,320 outstanding share options, 72,902,250 share options were exercisable.

None of the above granted share options were exercised during the years ended December 31, 2014 and 2013.

26 SHARE-BASED PAYMENTS – GROUP AND COMPANY (continued)

(a) Share options (continued)

Details of the expiry dates, exercise prices and the respective numbers of share options which remained outstanding as at December 31, 2014 and 2013, retroactively reflecting the one-to-ten basis bonus shares, are as follows:

			Number of share options	
Trench	Expiry Date	Exercise price	December 31, 2014	December 31, 2013
Trench I Option	10 years commencing from	US$0.0001	–	17,800,000
	the date of grant of options	US$0.01	14,200,000	24,200,000
Trench II Option	10 years commencing from	US$0.021	4,200,000	4,200,000
	the date of grant of options	US$0.03	6,913,540	6,925,000
Trench III Option	10 years commencing from			
	the date of grant of options	US$0.06	3,042,380	3,044,380
Trench IV Option	10 years commencing from	US$0.035	30,000,004	30,000,000
	the date of grant of options	US$0.06	1,300,000	1,300,000
Trench V Option	10 years commencing from	US$0.03	200,000	200,000
	the date of grant of options	US$0.035	-	10,000,000
		US$0.06	3,526,050	3,546,870
Trench VI Option	10 years commencing from	US$0.06	2,000,000	2,000,000
	the date of grant of options	US$0.1	1,801,000	1,801,560
		US$0.12	2,541,130	2,692,290
Trench VII Option	10 years commencing from			
	the date of grant of options	US$0.15	4,449,770	9,705,000
Trench VIII Option	10 years commencing from			
	the date of grant of options	US$0.2	2,158,750	2,550,000
Trench IX Option	10 years commencing from			
	the date of grant of options	US$0.35	11,388,700	–
			87,721,320	119,965,100

26 SHARE-BASED PAYMENTS – GROUP AND COMPANY (continued)

(b) Restricted share units

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

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

Apart from the 4,280,000 RSUs granted for replacement of certain then existing share options as described in Note (a) above, the Group newly granted 3,000,000 additional RSUs to its employees and directors with below different vesting schedules:

(i) 500,000 RSUs: 25% shall vest 6 months after the IPO, and 25% shall vest every year thereafter over the next three years after the first vesting date.

(ii) 85,000 RSUs: 25% shall vest on the first anniversary of June 1, 2012, and 2.083% shall vest every month thereafter over the next three years after the first vesting date.

(iii) 2,415,000 RSUs: 25% shall vest on the first anniversary of the grant date, and 2.083% shall vest every month thereafter over the next three years after the first vesting date.

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

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

	Number of Pre-IPO RSUs
At January 1, 2014	–
Granted	30,000,000
Granted to replace the share options	42,800,000
Vested and transferred	(41,456,250)
At December 31, 2014	31,343,750
Shares vested but not transferred to the grantees as of December 31, 2014	–

During the year ended December 31, 2014, totally 2,800,000 of the above granted RSUs were exercised.

26 SHARE-BASED PAYMENTS – GROUP AND COMPANY (continued)

(c) Fair value of share options and RSUs

The directors have used the discounted cash flow method to determine the underlying equity fair value 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.

Based on the fair value of the underlying ordinary share, the directors have used Binominal pricing model to determine the fair value of the share option as of the grant date. The fair value of RSUs was determined by directors based on the fair value of underlying ordinary shares as of the grant date.

The management estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to the option life of the share option and RSUs. 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 option and RSUs. Dividend yield is based on management estimation at the grant date.

(d) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the shares options (the “Expected Retention Rate”) in order to determine the amount of share-based compensation expenses charged to the statement of comprehensive income. As at December 31, 2014, the Expected Retention Rate was assessed to be 100% (2013: 100%).

(e) Shares held for RSU Scheme

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

On June 19, 2014, the Company issued 7,280,000 ordinary shares to the RSU Nominee at the par value of US$0.0001 each. Accordingly, 7,280,000 ordinary shares of the Company underlying the RSUs were held by the RSU Nominee for the benefit of the grantees pursuant to the Pre-IPO RSU Scheme.

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

The above shares held for Pre-IPO RSU Scheme were regarded as treasury shares and had been deducted from shareholders’ equity.

27 ACCUMULATED DEFICITS – GROUP AND COMPANY

The Group

	RMB'000
Balance at January 1, 2013	200,346
Loss for the year	92,602
Appropriations to statutory reserves *(Note 25)*	1,058
Balance at December 31, 2013	294,006
Balance at January 1, 2014	**294,006**
Loss for the year	**107,503**
Appropriations to statutory reserves *(Note 25)*	**19,564**
Balance at December 31, 2014	**421,073**

The Company

	RMB'000
Balance at January 1, 2013	552,168
Loss for the year	166,830
Balance at December 31, 2013	718,998
Balance at January 1, 2014	**718,998**
Loss for the year	**318,392**
Balance at December 31, 2014	**1,037,390**

28 CUSTOMER ADVANCE AND DEFERRED REVENUE – GROUP

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
Customer advance *(a)*	**11,635**	4,153
Deferred revenue *(b)*	**32,387**	19,874
	44,022	24,027

(a) Customer advance refers to the virtual currency of the Group's live social video platforms purchased by the distributors which has not been sold to the users.

(b) Deferred revenue refers to the unconsumed virtual currency owned by the users which can be used on the Group's live social video platforms and games.

29 TRADE PAYABLES – GROUP

Trade payables were mainly due to promotion and advertising expenses, commission charges by platforms and game developers, and bandwidth and server custody fees.

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
Third parties	**18,986**	8,591
Related parties *(Note 36(c))*	**5,292**	5,292
	24,278	13,883

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

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
0-90 days	**10,424**	3,261
91-180 days	**5,336**	3,159
181-365 days	**2,976**	2,933
Over 1 year	**5,542**	4,530
	24,278	13,883

As of December 31, 2014 and 2013, trade payables were denominated in RMB and the fair value of trade payables approximated their carrying amounts.

30 OTHER PAYABLES AND ACCRUALS – GROUP AND COMPANY

The Group

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
Accrued promotion expense payable	**14,906**	17,472
Staff costs and welfare accruals	**10,666**	9,570
Deposit payables *(a)*	**5,921**	33,873
Borrowing from Related Parties *(Note 36(e))*	**–**	21,339
Borrowing from a third party *(b)*	**–**	17,071
Audit expenses payable	**5,457**	4,416
Listing expenses payable	**4,989**	3,475
VAT & Other tax liabilities *(c)*	**4,982**	2,947
Others	**5,609**	4,468
	52,530	114,631

The Company

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
Borrowing from a third party *(b)*	**–**	17,071
Borrowing from Related Parties *(Note 36(e))*	**–**	21,339
Listing expenses payable	**4,906**	3,455
Others	**323**	347
	5,229	42,212

(a) The deposit payables represent the deposits received from the third-party distributors as a condition of engaging in the video platform service with the Group. These deposits have been used to offset portion of the distributors' payment for their purchase of virtual currency since 2013.

(b) The borrowing from a third party of US$2,800,000 (approximately RMB17,071 thousand) is interest free and with no fixed repayment term. The Company has repaid the borrowing in January 2014.

(c) The balances represent liabilities arising from VAT and other surcharges in the PRC.

31 BORROWINGS – GROUP

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
Non-current		
Bank borrowings	–	79,260
Current		
Bank borrowings	–	30,485
Total borrowings	–	109,745
Unsecured	–	–
Secured – Pledged	–	109,745
	–	109,745

As of December 31, 2014, all of the bank borrowings have been repaid by the Group.

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES – GROUP AND COMPANY

(i) Series A Preferred Shares

On December 18, 2008, in connection with the acquisition of 9158 Group, the Company issued 15,000,000 Series A Preferred Shares at a price of US$0.10 per share for a total amount of US$1,500,000 to Series A Preferred Shares Investors. The Series A Preferred Shares has a par value of US$0.0001 each.

In January 2009, November 2009, December 2010, May 2012 and April 2013, the Company repurchased 500,000, 7,950,000 and 2,000,000, 1,000,000 and 3,550,000 Series A Preferred Shares at a price of US$0.21, US$0.45, US$0.8225, US$2.5 and US$2 per share respectively. All the repurchased Preferred Shares were cancelled immediately upon repurchase.

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES – GROUP AND COMPANY (continued)

(i) Series A Preferred Shares (continued)

The rights, preference and privileges of the Series A Preferred Shares are as follows:

(a) Dividends

The holders of Series A Preferred Shares are entitled to receive in preference to the holders of the ordinary shares a non-cumulative share dividend amount equal to 8% of the issue price per annum when it is declared by the Board of Directors.

After payment of all declared dividends on the Preference Shares has been paid or set aside for payment to the holders of Preference Shares in a calendar year, any additional dividends declared shall be distributed among all holders of Ordinary Shares and Preference Shares in proportion to the number of Ordinary Shares which would be held by each such holder if all Preference Shares were converted into Ordinary Shares at the then effective Conversion Price for the Preference Shares.

(b) Liquidation

In the event of (i) any liquidation, dissolution or winding up of the Company; (ii) any sale of all or substantially all of the Company's assets, or any sale or exclusive licensing of all or substantially all of the Company's intellectual property assets (collectively "Sale of Assets"); and (iii) any reorganization, consolidation, merger, sale or transfer of the Company's outstanding Shares or similar transaction or series of related transactions in which Members immediately prior to such reorganization, merger or consolidation, sale or transfer of Shares or similar transactions do not (by virtue of their ownership of securities of the Company immediately prior to such transactions) beneficially own shares possessing a majority of the voting power of the surviving company or companies immediately following such transactions (collectively "Acquisition Transaction"), the holders of Series A Preferred Shares will be entitled to receive in preference to the holders of ordinary shares of the Company, a liquidation preference per share equal to 100% of the issue price of the Series A Preferred Shares, plus all accrued but unpaid dividends on such Series A Preferred Shares.

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES – GROUP AND COMPANY (continued)

(i) Series A Preferred Shares (continued)

(c) Redemption

Prior to the issuance of Series C Preferred Shares on July 15, 2010, Series A Preferred Shares are not redeemable.

Upon the issuance of Series C in July 2010 Series A Preferred Shares became redeemable in the event that Fu Zhengjun, Chief Executive Offer/Chairman of the Company/Board of Director, no longer holds the office of director or general manager in the Group prior to the 4th anniversary of the Series C Original Issue Date (July 15, 2010), commencing from the date Fu Zhengjun is no longer the director or general manager of any Group Company (the "Series A Redemption Start Date"), at the option and request of the holders of at least two thirds of the outstanding Series A on an as-converted basis, the Company shall redeem all or part of the outstanding Series A held by such requesting holders, at a redemption price of 100% Series original purchase price, plus interest calculated at 8% per year compounded annually calculated from the date on which the Series A Preference Share is issued (December 18, 2008) until the redemption date, and plus all declared but unpaid dividends on the Series A Preference Shares to be redeemed up to the date of redemption (the "Series A Redemption Price").

(d) Conversion

Each holder of Series A Preferred Shares shall be entitled to convert any or all of its Preferred Shares at any time, into such number of fully paid ordinary shares at corresponding Preferred Shares' original purchase price (original conversion price), which is subject to adjustment for diluting issuances.

Each Preferred Share shall be converted automatically into the number of fully paid ordinary share (i) immediately prior to a qualified Initial Public Offering or (ii) with the vote or written consent of the holders of at least a majority of the then-outstanding Series A, Series B and Series C Preferred Shares with respect to the conversion of Series A, Series B and Series C Preferred Shares, respectively, voting separately.

(e) Voting Rights

Each Series A Preferred Share conveys the right to its holder of one vote for each ordinary share upon conversion.

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES – GROUP AND COMPANY (continued)

(ii) Series B Preferred Shares

On December 30, 2008, pursuant to a share purchase agreement, a warrant to the Series B Preferred Shares Investors subscribed for 10,000,000 Series B1 Preferred Shares. On January 6, 2009 and February 19, 2009, the Company issued 2,857,143 and 7,142,857 Series B1 Preferred Shares, respectively, for an aggregate purchase price of US$2,100,000 or US$0.21 per share. The Series B Preferred Shares has a par value of US$0.0001 each.

In connection with the issuance of Series B1, the Company issued warrants to the Series B Preferred Shares Investors to purchase up to 10,000,000 Series B2 Preferred Shares at the price of US$0.3 per share. On July 30, 2009, the Series B Preferred Shares Investors exercised to the warrants to purchase 10,000,000 Series B2 shares at an exercise price of US$0.3 per share. The Series B2 Preferred Shares' par value is US$0.0001 each.

On July 9, 2014, all Series B Preferred Shares of the Company had been converted into ordinary shares of the Company upon its IPO.

The rights, preference and privileges of the Series B2 Preferred Shares are as follows:

(a) Dividends

The holders of Series B Preferred Shares will be entitled to receive in preference to the holders of Series A Preferred Shares and the holders of the ordinary shares a non-cumulative per share amount equal to 8% of the issue price per annum when it is declared by the Board of Directors.

After payment of all declared dividends on the Preference Shares has been paid or set aside for payment to the holders of Preference Shares in a calendar year, any additional dividends declared shall be distributed among all holders of Ordinary Shares and Preference Shares in proportion to the number of Ordinary Shares which would be held by each such holder if all Preference Shares were converted into Ordinary Shares at the then effective Conversion Price for the Preference Shares.

(b) Liquidation

In the event of (i) any liquidation, dissolution or winding up of the Company; (ii) any Sale of Assets; and (iii) any Acquisition Transaction, the holders of Series B Preferred Shares will be entitled to receive in preference to the holders of Series A Preferred Shares and to the holders of ordinary shares of the Company, a liquidation preference per share equal to 100% of the issue price of the Series B Preferred Shares, plus all accrued but unpaid dividends on such Series B Preferred Shares prior to the issuance of Series C preferred shares on July 15, 2010.

Upon the issuance of Series C in July 2010, the liquidation preference of Series B Preferred Shares was amended to 100% Series B1/B2's original purchase price plus an annual rate of 8% of the Series B1/B2's original purchase price and all declared but unpaid dividends.

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES – GROUP AND COMPANY (continued)

(ii) Series B Preferred Shares (continued)

(c) Redemption

Prior to the issuance of Series C Preferred Shares on July 15, 2010, Series B1 and B2 are redeemable at any time commencing on the 4th anniversary of the Series B1 original issuance date and at the option and request of the holders of at least 2/3 of the outstanding Series B, the Company shall redeem part or all of the Series B preferred shares at a redemption price of their respective original purchase price plus 15% interests compounded annually calculated for their corresponding original issuance date until redemption date.

Upon the issuance of Series C Preferred Shares in July 2010, the redemption right of Series B Preferred Shares was amended, in addition to Series B's original redemption right at any time commencing on the 4th anniversary of the Series B1 original issue date at a redemption price of their respective original purchase price plus 15% interests compounded annually and all declared and unpaid dividends, Series B Preferred Shares are also redeemable prior to the 4th anniversary of the Series B1 original issue date, any day on which Mr. Fu Zhengjun no longer holds the office a director of or a general manager of any Group Company at a redemption price of their respective original purchase price plus 8% interests compounded annually. The Series B Preferred Shareholders subsequently waived their redemption right for the period from the 4th anniversary of the Series B Preferred Shares issue date to December 31, 2014 (inclusive).

On March 31, 2014, the Series B Preferred Shareholders executed a letter of undertaking to waive their redemption rights for the period from December 31, 2013 to July 1, 2015.

(d) Conversion

Each holder of Series B Preferred Shares shall be entitled to convert any or all of its Preferred Shares at any time, into such number of fully paid ordinary shares at corresponding Preferred Shares' original purchase price (original conversion price), which is subject to adjustment for diluting issuances.

Each Preferred Share shall be converted automatically into the number of fully paid ordinary share (i) immediately prior to a qualified Initial Public Offering or (ii) with the vote or written consent of the holders of at least a majority of the then-outstanding Series A, Series B and Series C Preferred Shares with respect to the conversion of Series A, Series B and Series C Preferred Shares, respectively, voting separately.

(e) Voting Rights

Each Series B Preferred Share conveys the right to its holder of one vote for each ordinary share upon conversion.

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES – GROUP AND COMPANY (continued)

(iii) Series C Preferred Shares

In July 2010, the Series C Preferred Shares Investors subscribed for 10,000,000 Series C Ordinary Shares and 20,000,000 Series C Preferred Shares of the Company at a consideration of US$10,000,000.

The rights, preference and privileges of the Series C Preferred Shares are as follows:

(a) Dividends

The holders of Series C Preferred Shares will be entitled to receive in preference to the holders of Series B Preferred Shares, the holders of Series A Preferred Shares and the holders of the ordinary shares a non-cumulative per share amount equal to 8% of the issue price per annum when it is declared by the Board of Directors.

After payment of all declared dividends on the Preference Shares has been paid or set aside for payment to the holders of Preference Shares in a calendar year, any additional dividends declared shall be distributed among all holders of Ordinary Shares and Preference Shares in proportion to the number of Ordinary Shares which would be held by each such holder if all Preference Shares were converted into Ordinary Shares at the then effective Conversion Price for the Preference Shares.

(b) Liquidation

In the event of (i) any liquidation, dissolution or winding up of the Company; (ii) any Sale of Assets; and (iii) any Acquisition Transaction, the holders of Series B Preferred Shares will be entitled to receive in preference to the holders of Series A Preferred Shares and to the holders of ordinary shares of the Company, a liquidation preference per share equal to 100% of the issue price of the Series C Preferred Shares, plus an annual rate of 8% of the Series C Preferred Shares' original purchase price, plus all accrued but unpaid dividends on such Series C Preferred Shares.

(c) Redemption

Series C Preferred Shares are redeemable (i) at any time commencing on the 4th anniversary of the Series C original issue date or (ii) prior to the 4th anniversary of the Series C original issue date, any day on which Fu Zhengjun no longer holds the office of director or general manager of any Group Company upon request from at least 2/3 of the holders of the outstanding Series C preference shares (calculated on as-converted basis) at a redemption price per Series C preference shares equal to 100% of the Series C preference shares plus interest calculated at plus 15% interests compounded annually and all declared and unpaid dividends if redeem after the 4th anniversary (i) or to 100% of the Series C preference shares plus interest calculated at plus 8% interests compounded annually and all declared and unpaid dividends if redeem prior to the 4th anniversary for (ii).

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES – GROUP AND COMPANY (continued)

(iii) Series C Preferred Shares (continued)

(d) Conversion

Each holder of Series C Preferred Shares shall be entitled to convert any or all of its Preferred Shares at any time, into such number of fully paid ordinary shares at corresponding Preferred Shares' original purchase price (original conversion price), which is subject to adjustment for diluting issuances.

Each Preferred Share shall be converted automatically into the number of fully paid ordinary share (i) immediately prior to a qualified Initial Public Offering or (ii) with the vote or written consent of the holders of at least a majority of the then-outstanding Series A, Series B and Series C Preferred Shares with respect to the conversion of Series A, Series B and Series C Preferred Shares, respectively, voting separately.

(e) Voting Rights

Each Series C Preferred Share conveys the right to its holder of one vote for each ordinary share upon conversion.

(iv) Series C Ordinary Shares

Series C ordinary shares has the same features as ordinary shares except for they are redeemable (i) at any time commencing on the 4th anniversary of the Series C original issue date or (ii) prior to the 4th anniversary of the Series C original issue date, any day on which Fu Zhengjun no longer holds the office of director or general manager of any Group Company upon request from at least 2/3 of the holders of the outstanding Series C ordinary shares at a redemption price per Series C ordinary shares equal to 100% of Series C ordinary shares plus interest calculated at plus 15% interests compounded annually and all declared and unpaid dividends if redeem after the 4th anniversary (i) or to 100% of the Series C ordinary shares plus interest calculated at plus 8% interests compounded annually and all declared and unpaid dividends if redeem prior to the 4th anniversary for (ii).

In January 2012, Series C Preferred Shares Investors converted all of the Series C Preferred Shares to ordinary shares of the Company on an one-for-one basis. And on the same day the Series C Preferred Shares Investors waived the redemption right of Series C Ordinary Shares. As a result, Series C Preferred Shares Investors currently holds 30,000,000 ordinary shares of the Company.

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES – GROUP AND COMPANY (continued)

(iv) Series C Ordinary Shares (continued)

The Group monitors Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series C Ordinary Shares on a fair value basis which is in accordance with its risk management strategy and does not bifurcate any feature from its debt host instrument and designates the entire hybrid contract as a financial liability at fair value through profit or loss with the changes in the fair value recorded in the consolidated statement of comprehensive loss.

In consideration of the investment by the Series B Preferred Shares Investors and the Series C Preferred Shares Investors, the Company began to repurchase the Series A Preferred Shares issued to the Series A Preferred Shares Investors from January 2009. In April 2013, through a series of repurchases and cancellations, the Company repurchased and cancelled all of the 15,000,000 Series A Preferred Shares then held by the Series A Preferred Shares Investors at a total consideration of US$14,928 thousand.

The differences between the fair value of Series A Preferred Shares on the each repurchase date and the respective repurchase price were recognised as finance costs in the consolidated statement of comprehensive loss.

The movement of the convertible redeemable preferred shares and the redeemable ordinary shares is set out as below:

	Convertible Redeemable Preferred Shares		
	Series A	**Series B**	**Total**
	RMB'000	RMB'000	RMB'000
At January 1, 2014	–	548,471	548,471
Changes in fair value	–	283,559	283,559
Conversion of convertible redeemable preferred shares to ordinary shares *(Note 24)*	–	(836,924)	(836,924)
Exchange differences	–	4,894	4,894
At December 31, 2014	–	–	–
Change in unrealised losses for the period included in profit or loss for liabilities held at the period end	–	283,559	283,559
At January 1, 2013	52,119	303,043	355,162
Changes in fair value	24,907	258,391	283,298
Repurchase of Series A Preferred Shares	(76,453)	–	(76,453)
Exchange differences	(573)	(12,963)	(13,536)
At December 31, 2013	–	548,471	548,471
Change in unrealised losses for the period included in profit or loss for liabilities held at the period end	24,907	258,391	283,298

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES – GROUP AND COMPANY (continued)

Prior to the consummation of the IPO, the directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the Preferred Shares as of the date of issuance and at each of the reporting dates. Key assumptions are set as below:

	December 31, 2014	December 31, 2013
Discount rate	N/A	16%
Risk-free interest rate	N/A	0.096%
Volatility	N/A	38.2%

Discount rate was estimated by weighted average cost of capital as of each appraisal date. The directors estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to period from the respective appraisal dates to expected liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected liquidation date. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Preferred Shares on each appraisal date.

Upon the date of IPO, the fair value of convertible redeemable preferred shares was assessed at the market price in the amount HK$5.28 (approximately RMB4.19) per share.

Changes in fair value of convertible redeemable preferred shares were recorded in "fair value loss of convertible redeemable preferred shares". Management considered that fair value change in the Preferred Shares that are attributable to changes of credit risk of this liability being not significant.

33 DEFERRED INCOME TAX – GROUP AND COMPANY

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

	As of December 31,	
	2014 RMB'000	2013 RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	15,656	10,030
– to be recovered within 12 months	16,810	14,318
	32,466	24,348
Deferred income tax liabilities:		
– to be recovered after more than 12 months	281	357
– to be recovered within 12 months	80	238
	361	595
Deferred income tax assets – net	32,105	23,753

The movements of deferred income tax assets-net are as follows:

	Year Ended December 31,	
	2014 RMB'000	2013 RMB'000
At beginning of the year	23,753	32,330
Recognised in the consolidated statement of comprehensive loss	8,352	(8,577)
At end of the year	32,105	23,753

33 DEFERRED INCOME TAX – GROUP AND COMPANY (continued)

The movements in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred Revenue RMB'000	Advance from customers RMB'000	Advertising expenses RMB'000	Realizable customer deposits RMB'000	Unrealised investment loss/ (income) RMB'000	Deferred Cost RMB'000	Total RMB'000
At January 1, 2013	3,873	3,730	9,317	16,481	(215)	–	33,186
Recognised in the consolidated statement of comprehensive loss	1,095	(2,692)	713	(8,012)	58	–	(8,838)
At December 31, 2013	4,968	1,038	10,030	8,469	(157)	–	24,348
Recognised in the consolidated statement of comprehensive loss	**3,337**	**7,044**	**5,626**	**(6,989)**	**179**	**(1,079)**	**8,118**
At December 31, 2014	**8,305**	**8,082**	**15,656**	**1,480**	**22**	**(1,079)**	**32,466**

	Assets Appreciation RMB'000
At January 1, 2013	856
Recognised in the consolidated statement of comprehensive loss	(261)
At December 31, 2013	595
Recognised in the consolidated statement of comprehensive loss	**(234)**
At December 31, 2014	**361**

As of December 31, 2014, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the undistributed profits of approximately RMB674,763 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.

34 CASH GENERATED FROM OPERATIONS

	Year Ended December 31, 2014 RMB'000	2013 RMB'000
Loss before income tax	(71,450)	(56,431)
Adjustments for:		
– Depreciation of property and equipment *(Note 13)*	13,396	11,225
– Amortisation of intangible assets *(Note 15)*	3,605	1,623
– Amortisation of long-term prepayments for game licenses	5,975	2,539
– Loss on disposal of property and equipment *(a)*	272	67
– Fair value losses of convertible redeemable preferred shares *(Note 32)*	283,559	283,298
– Share-based compensation expenses *(Note 26)*	51,200	5,555
– Investment interest *(Note 7)*	(31,118)	(10,959)
– Fair value losses, net *(Note 7)*	536	–
– Interest income on cash and cash equivalents *(Note 9)*	(7,674)	(3,128)
– Gains on repurchase of preferred shares	–	(32,284)
– Share of loss of investment	4,659	–
– Finance costs – net	2,549	36,699
– Foreign exchange losses on non-operating activities	(545)	(1,691)
Changes in working capital:		
– Trade receivables	6,755	(10,288)
– Prepayments and other receivables	2,453	(3,894)
– Trade payables	10,395	(7,437)
– Other payables and accruals	(25,946)	(19,618)
– Other tax liabilities	2,035	682
– Customer advance and deferred revenue	19,995	2,391
Cash generated from operations	270,651	198,349

(a) In the consolidated statement of cash flows, proceeds from sale of property and equipment comprise:

	Year End December 31, 2014 RMB'000	2013 RMB'000
Net book amount *(Note 13)*	809	107
Loss on disposal of property and equipment *(Note 7)*	(272)	(67)
Proceeds from disposal of property and equipment	537	40

35 COMMITMENTS

(a) Capital commitments

As of December 31, 2014 and 2013, the capital expenditure contracted but not provided for, related to purchase of property, amounted to RMB28,650 thousand and Nil, respectively.

(b) Operating lease commitments

The Group leases servers and office buildings under non-cancellable operating lease agreements. The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
No later than 1 year	**18,214**	15,305
Later than 1 year and no later than 5 years	**9,681**	10,712
	27,895	26,017

36 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group for all the years presented.

Company	**Relationship**	**Period of Related Party Relationship**
SINA Hong Kong Limited	Non-Controlling Shareholder	Since July 15, 2010
Beijing Sina Internet Information Service Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since July 15, 2010
Shanghai Sina Advertising Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since July 15, 2010
Beijing Sina Advertising Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since July 15, 2010
Weibo Internet Technology (China) Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since July 15, 2010
Sina.Com Technology (China) Co., Ltd.	Subsidiary of Non-Controlling Shareholder	Since July 15, 2010
Beijing Star World Technology Co., Ltd.	Non-controlling Shareholder of Subsidiary	Since August 19, 2013

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Significant transactions with related parties

		Year Ended December 31,	
	Related party transactions	2014 RMB'000	2013 RMB'000
(i)	Advertisement revenue generated from related parties:		
	Shanghai Sina Advertising Co., Ltd.	301	992
	Beijing Sina Internet Information Service Co., Ltd.	262	4,990
	Others	207	80
		770	6,062
(ii)	Other revenue generated from related parties:		
	Beijing Sina Internet Information Service Co., Ltd.	726	–
	Weibo Internet Technology (China) Co., Ltd.	7	69
	Others	6	348
		739	417
(iii)	Commission charges paid to related parties:		
	Beijing Star World Technology Co., Ltd.	9,245	–
(iv)	Advertising/Marketing expense paid to related parties:		
	Beijing Sina Internet Information Service Co., Ltd.	3,610	2,000
(v)	Other expense paid to related parties:		
	Beijing Sina Internet Information Service Co., Ltd.	94	209

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Year end balances arising from sales and purchase of services

	As of December 31, 2014 RMB'000	2013 RMB'000
Trade receivables		
Shanghai Sina Advertising Co., Ltd.	388	1,666
Beijing Star World Technology Co., Ltd.	377	26
Beijing Sina Internet Information Service Co., Ltd.	331	4,696
Beijing Sina Advertising Co., Ltd.	46	46
SINA Hong Kong Limited	14	14
Others	255	94
	1,411	6,542

Trade receivables were mainly resulted from advertisement and games revenue.

	As of December 31, 2014 RMB'000	2013 RMB'000
Trade payables		
Beijing Sina Internet Information Service Co., Ltd.	5,292	5,292

Trade payables due to related parties arose from outsourcing information and technical service and software development expense.

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties were all unsecured, interest-free and had no fixed repayment terms.

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
Amounts Due from Mr. Fu Zhengjun	–	7,200

The balances mainly arose from advances to Mr. Fu Zhengjun during the year 2012, which was not secured, interest free and had no fixed repayment terms. The amount was fully settled in March 2014.

(e) Loan from and Deposit to related parties

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
Prepayments and other receivables		
Sina.Com Technology (China) Co., Ltd.	–	22,274

Prepayment and other receivables were the pledged deposits placed to Sina.com Technology (China) Co., Ltd. as collateral for the borrowing from SINA Hong Kong Limited. The amount was fully collected in March 2014.

	As of December 31,	
	2014	2013
	RMB'000	RMB'000
Other payables and accruals		
SINA Hong Kong Limited	–	21,339

Other payables and accruals represent borrowing from SINA Hong Kong Limited, which was interest free and was to be repaid in July 2013. In July 2013, the repayment term was extended to July 2014. The total amount was fully settled in March 2014.

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(f) Key management personnel compensations

The compensations paid or payable to key management personnel for employee services are shown below:

	Year Ended December 31,	
	2014	2013
	RMB'000	RMB'000
Wages, salaries and bonuses	2,315	1,084
Pension costs – defined contribution plans	150	96
Other social security costs, housing benefits and other employee benefits	98	51
Share-based compensation expenses	18,872	47
	21,435	1,278

37 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at December 31, 2014.

38 EVENTS AFTER THE BALANCE SHEET DATE

(a) Pursuant to resolution of the extraordinary general meeting in February 2015, the Company declared a special dividend of HK$75,209,715 in total or HK$0.06 per ordinary share out of the Company's share premium account, which were fully paid in March 2015.

(b) In January 2015, the Group entered into an agreement to acquire 80% of the equity interests of an independent third party company specialised in online live social video related technologies at a total consideration of RMB25,000,000, which is yet to be consummated upon the issue of these consolidated financial statements.

(c) In January 2015, the Group entered into an agreement to invest in a venture capital fund as a limited partner with a total amount of RMB100,000,000. Upon the issue of these consolidated financial statements, RMB46,000,000 has been paid by the Group and the venture capital fund is yet to be closed.

(d) In March 2015, the Group acquired 34.47% equity interest of Hangzhou Xi He Technology Co., Ltd., a company specialised in online health information services, at a total cash consideration of RMB23,978,700.