

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Tian Ge Interactive Holdings Limited

天 鴿 互 動 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1980)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2016

FINANCIAL HIGHLIGHTS

(in RMB'000)	Unaudited Six months ended		Year-on- Year ⁽¹⁾ Change
	June 30, 2016	June 30, 2015	
Revenue ⁽²⁾	349,707	371,837	-6.0%
– Online interactive entertainment	311,003	337,642	-7.9%
– Others	38,704	34,195	13.2%
Gross Profit	252,621	304,454	-17.0%
<i>Gross Margin</i>	72.2%	81.9%	
Profit attributable to shareholders of the Company	76,699	114,911	-33.3%
Total Comprehensive Income attributable to shareholders of the Company	112,655	114,534	-1.6%
Net Profit	74,335	116,840	-36.4%
Net Profit Margin	21.3%	31.4%	
Earnings Per Share (expressed in RMB per share)			
– basic	0.060	0.093	-35.5%
– diluted	0.058	0.088	-34.1%
Adjusted Net Profit ⁽³⁾	96,829	152,927	-36.7%
Adjusted EBITDA ⁽⁴⁾	127,286	190,131	-33.1%

<i>(in RMB'000)</i>	Unaudited Three months ended			June 30, 2015	Year-on- Year Change
	June 30, 2016	March 31, 2016	Quarter- on- Quarter Change		
Revenue ⁽²⁾	198,131	151,576	30.7%	186,294	6.4%
– Online interactive entertainment	177,274	133,729	32.6%	164,330	7.9%
– Others	20,857	17,847	16.9%	21,964	-5.0%
Gross Profit	142,535	110,086	29.5%	147,965	-3.7%
Gross Margin	71.9%	72.6%		79.4%	
Profit attributable to shareholders of the Company	49,049	27,650	77.4%	56,982	-13.9%
Total Comprehensive Income attributable to shareholders of the Company	74,514	38,141	95.4%	52,208	42.7%
Net Profit	47,802	26,533	80.2%	58,355	-18.1%
Net Profit Margin	24.1%	17.5%		31.3%	
Earnings Per Share (expressed in RMB per share)					
– basic	0.038	0.022	72.7%	0.046	-17.4%
– diluted	0.037	0.021	76.2%	0.043	-14.0%
Adjusted Net Profit ⁽³⁾	58,908	37,921	55.3%	77,621	-24.1%
Adjusted EBITDA ⁽⁴⁾	76,608	50,678	51.2%	93,424	-18.0%

Notes:

- (1) Year-on-Year change represents a comparison between the current reporting period and the corresponding period of last year.
- (2) Due to the expansion of the Group's business and the intertwining of our live social video business and gaming business as a result of our recent live social integration and cross-promotion, the management considers that the live social video platform and game are no longer to be presented separately and instead the revenue is broken down into online interactive entertainment service and others from year 2015.
- (3) Adjusted net profit was derived from the unaudited profit for the period excluding the effect of non-cash share-based compensation expenses and amortisation of intangible assets arising from acquisitions.
- (4) Adjusted EBITDA represents operating profit, adjusted to exclude share-based compensation expenses, amortisation of intangible assets arising from acquisitions, and depreciation and amortisation.

INTERIM RESULTS

The board of directors (the “**Directors**”) (the “**Board**”) of Tian Ge Interactive Holdings Limited (the “**Company**”, “**We**” or “**Tian Ge**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2016 (the “**Reporting Period**”). These interim results have been reviewed by PricewaterhouseCoopers, the auditor of the Company, and the audit committee of the Company (the “**Audit Committee**”).

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Overview and Outlook

Thanks to the successful implementation of Tian Ge's strategies in developing mobile business, the Group's operation and financial performance in the second quarter of 2016 have been significantly improved comparing to the first quarter of 2016, despite the headwinds in the external environment weighing on global economy which brought pressure to the Group's operation. The continuous growth in mobile user base and explosive expansion of the web celebrity and live-streaming industry present huge market potential for live streaming platform operators. Tian Ge strives to develop and provide its users a wide range of live streaming, mobile gaming and other related products. Therefore, the Board is optimistic towards the Company's growth prospects for the rest of the year.

Overall Financial Performance

In the second quarter of 2016, revenue increased by 30.7% quarter-on-quarter to RMB198.1 million.

Revenue from online interactive entertainment increased by 32.6% quarter-on-quarter to RMB177.3 million, primarily driven by rapid development in our mobile products mainly include mobile live streaming and mobile games. Based on the analysis on cash proceeds received from sales of our virtual currency and game coins, revenue from mobile devices represented approximately 47.6% of revenue from online interactive entertainment for the three months ended June 30, 2016, compared with approximately 16.3% for the corresponding period in 2015 and approximately 25.8% for the three months ended March 31, 2016, respectively.

In the second quarter of 2016, profit attributable to equity holders of the Company increased by 77.4% quarter-on-quarter to RMB49.0 million, net profit increased by 80.2% quarter-on-quarter to RMB47.8 million, adjusted net profit increased by 55.3% quarter-on-quarter to RMB58.9 million, and adjusted EBITDA increased by 51.2% quarter-on-quarter to RMB76.6 million.

Business Highlights

Mobile Live Streaming

China is now on the cusp of a new era of live streaming 3.0; various mobile live streaming applications are flourishing and receiving massive popularity. In order to capture the opportunity of the rapidly growing demand for mobile entertainment, Tian Ge sets forth its mobile live streaming business by launching and operating two streaming mobile applications, Crystal Live Broadcasting (水晶直播) and Miao Broadcasting (喵播), in March 2016 and May 2016, respectively. Both applications were innovatively incorporated the Group's "many to many" concept and received overwhelming wave of initial response. In order to further increase Tian Ge's market share and returns, the Group launched Happy Live Broadcasting (歡樂直播) in June 2016, which seamlessly integrated with the Group's PC platforms, users may enjoy real time multi-platform interactions. Benefited from our successful launch and operation of mobile live streaming, the mobile monthly active users ("MAUs") and quarterly paying users ("QPUs") as at June 30, 2016 achieved substantial increase as compared with the immediately preceding quarter and represented 37.7% and 51.8% of our total MAUs and total QPUs, respectively. For the rest of the year, Tian Ge will continue to promote its live streaming applications to overseas markets, such as Southeast Asia.

Keeping pace with the market dynamic, Tian Ge strives to enhance users' experiences by actively expanding its product lines to mobile audiences, and tapping into mobile monetization opportunities through our incubation, diversification, and vertical integration strategy from cross-industry partnership, joint venture and merger and acquisition with leading vertical partners.

Meanwhile, Tian Ge will continue the operation of its well-established PC live social video communities, including 9158 Video Community and Sina Show. Leveraging on its loyal user base and through understanding of Chinese internet users driven from PC platforms operation, the Group is confident to provide users comprehensive entertainment experience and to effectively expand Tian Ge's market share.

Mobile Games

According to iResearch, the market size of China mobile gaming sector in first quarter of 2016 reached RMB21.2 billion, accounting for 51% of China Internet gaming market and surpassing PC gaming sector for the first time. Time of user engagement increased as product quality improved, over 80% of users spend more than 1.5 hours on mobile gaming per day. The Board firmly believes that mobile gaming market in China will continue to grow and flourish.

During the Reporting Period, the Group continued to operate various mobile games, including "Dark Throne" (暗黑王座) and "Poké Poké GO!" (小精靈大冒險), which are popular among players. We have promoted "Poké Poké GO!" to Southeast Asia market in the first half year of 2016 and have attracted a large number of players. The Group actively pursues the development of mobile casual games by developing and launching more self-developed mobile games, as well as through some mergers and acquisitions of gaming companies. The Group also actively seeks favorable opportunities to acquire premium Intellectual Properties with development potential from leading global game developers in order to improve the Group's game quality and user experience.

Thanks to the efforts of Tian Ge's professional team, the Group's mobile game products have been successfully introduced to the Southeast Asia, Hong Kong and Taiwan markets. Looking forward, the Group will put forward the internationalization strategy by penetrating into South America and English speaking countries, etc.

Financial Technology

With strong demand of our broad paying user base for both financing and wealth management, the Group targets to capture this opportunity to offer value-added services to its valued customers and ecosystem partners in the financial technology ("FINTECH") space. As part of the Group's new business strategy in the FINTECH field, Tian Ge will actively explore investment and acquisition opportunities for mobile and PC FINTECH platforms, and to develop such platforms for mobile and internet customers. In January 2016, Tian Ge announced its investment in Wuhan Jiuxin Puhui Financial Information Services Company Limited ("**Wuhan Jiuxin**"), an internet financing enterprise specializing in the operation of peer-to-peer investment platform based on the investment interest of the vehicle mortgage loan through its website and mobile application. In May 2016, the Group announced its investment in Hangzhou Shangfu Information Technology Co., Ltd. ("**Hangzhou Shangfu**"),

an internet financing enterprise specializing in the operation of peer-to-peer investment platform based on the vehicle mortgage loan and online financing services through its website and Shanghai Hongxing Asset Management Co., Ltd., whose subsidiary is primarily engaged in personal real estate mortgage, bridge loan and non-performing loan disposal business through online financing platforms.

Outlook

Riding on Tian Ge's intrinsic strength, in order to meet the evolving demands of its massive user base, the Group will further optimize its ecosystem, expanding innovative content and service offerings.

Looking forward, tiers 2 to 4 cities of China will remain as Tian Ge's major target while the Group will spare no effort in strategic global expansion, including introduction of live streaming and mobile gaming products to overseas market, it will continue to do its best in delivering the most sought-after real-time social interactive entertainment and gaming experiences, and be passionately committed to driving sustainable, profitable growth for its shareholders.

2. Operating Information

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

	Three months ended				
	June 30, 2016	March 31, 2016	Quarter-on- quarter Change	June 30, 2015	Year-on- year Change
Monthly Active Users (<i>in '000</i>)*	18,617	16,014	16.3%	18,277	1.9%
Quarterly Paying Users (<i>in '000</i>)*	1,029	793	29.8%	758	35.8%
Quarterly Average					
Revenue Per User (<i>RMB</i>)*	172	169	1.8%	213	-19.2%
Number of Rooms	55,677	25,659	117.0%	29,374	89.5%
Number of Hosts	80,445	36,033	123.3%	39,264	104.9%

* To be consistent with the revenue classification, the key operating data would now include the users from online interactive entertainment service only effective from the fourth quarter of 2015 and onwards. The corresponding data from previous quarters will be restated accordingly.

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

- The number of MAUs for Tian Ge's online interactive entertainment service was approximately 18.6 million for the three months ended June 30, 2016, representing an increase of approximately 16.3% from the three months ended March 31, 2016 and representing an increase of approximately 1.9% from the three months ended June 30, 2015.
- Our mobile MAUs as at June 30, 2016 represents 37.7% of our total MAUs, while the percentage as at March 31, 2016 and June 30, 2015 were 27.1% and 18.0%, respectively.

- The number of QPUs for Tian Ge’s online interactive entertainment service was approximately 1,029,000 for the three months ended June 30, 2016, representing an increase of approximately 29.8% from the three months ended March 31, 2016 and representing an increase of approximately 35.8% from the three months ended June 30, 2015.
- Our mobile QPUs as at June 30, 2016 represents 51.8% of our total QPUs, while the percentage as at March 31, 2016 and June 30, 2015 were 31.7% and 21.8%, respectively.
- The Quarterly Average Revenue Per User (“QARPU”) for Tian Ge’s online interactive entertainment service for the three months ended June 30, 2016 was RMB172, representing an increase of approximately 1.8% from the three months ended March 31, 2016 and representing a decrease of 19.2% from the three months ended June 30, 2015. The quarter-on-quarter increase benefited from the successful launch and operation of mobile live streaming business in the second quarter of 2016.
- Number of virtual rooms and hosts for Tian Ge’s online interactive entertainment service achieved a substantial increase on both year-on-year and quarter-on-quarter basis, mainly because the newly launched mobile live streaming business generated popularity.
- Number of users on air for Tian Ge’s online interactive entertainment service increased to approximately 760,000 for the three months ended June 30, 2016 from approximately 593,000 in the immediately preceding quarter. The increase was a result of our successful launch and operation of mobile live streaming business in the second quarter of 2016. The percentage of users on air over total MAUs for Tian Ge’s online interactive entertainment service increased to 4.1% for the three months ended June 30, 2016, as compared to 3.7% in the immediately preceding quarter.
- The total number of registered users of Tian Ge as at June 30, 2016 was 300.6 million, as compared to 283.2 million as at June 30, 2015.

3. Financial Information

Revenue

Revenue of online interactive entertainment service mainly includes revenue from live social video platforms and online games, which increased by 32.6% quarter-on-quarter to RMB177.3 million for the three months ended June 30, 2016 from RMB133.7 million for the three months ended March 31, 2016 and decreased by 7.9% year-on-year to RMB311.0 million for the six months ended June 30, 2016 from RMB337.6 million for the corresponding period in 2015. The quarter-on-quarter increase was primarily due to a substantial growth of MAUs and QPUs contributed by mobile live streaming and mobile games. The year-on-year decrease was primarily caused by the decreasing QARPU, which was affected by industry trend and shifting user trend from PCs to mobile devices.

Revenue of others mainly includes the revenue from provision of e-commerce transactions, provision of beauty clinic service, sales of software and other services.

Cost of Revenue and Gross Margins

Cost of revenue experienced an increase of 34.0% for the three months ended June 30, 2016 from the three months ended March 31, 2016 and an increase of 44.1% for the six months ended June 30, 2016 as compared with the corresponding period in 2015. The quarter-on-quarter increase was primarily due to the costs related to mobile games from our new acquisition in the second quarter of 2016. The year-on-year increase was primarily due to the higher costs related to the operation of our mobile games and other value-added services.

The gross margin for the three months ended June 30, 2016 was 71.9%, compared with 72.6% for the three months ended March 31, 2016. The gross margin for the six months ended June 30, 2016 was 72.2%, compared with 81.9% for the corresponding period in 2015.

Selling and Marketing Expenses

Selling and marketing expenses increased by 6.1% to RMB44.9 million for the three months ended June 30, 2016 from the three months ended March 31, 2016 and decreased by 5.5% to RMB87.3 million for the six months ended June 30, 2016 from the corresponding period in 2015. The quarter-on-quarter increase was primarily due to the increase in employee costs and marketing and promotion expenses for the promotion of our mobile live streaming products. The year-on-year decrease was primarily due to the decrease in marketing and promotion expenses.

Administrative Expenses

Administrative expenses for the three months ended June 30, 2016 and for the six months ended June 30, 2016 remained stable as compared with the three months ended March 31, 2016 and the corresponding period in 2015, respectively.

Research and Development Expenses

Research and development expenses increased by 20.0% to RMB23.0 million for the three months ended June 30, 2016 from the three months ended March 31, 2016 and increased by 5.1% to RMB42.1 million for the six months ended June 30, 2016 from the corresponding period in 2015. The increase was primarily caused by the new research developments in mobile live streaming products and mobile games as well as related employee costs, which reflected our efforts to further shift users from PCs to mobile devices.

Gain attributable to shareholders of the Company

We recorded gain attributable to shareholders of the Company for the three months ended June 30, 2016 of RMB49.0 million compared with gain attributable to shareholders of the Company of RMB27.7 million for the three months ended March 31, 2016 and recorded gain attributable to shareholders of the Company for the six months ended June 30, 2016 of RMB76.7 million compared with gain attributable to shareholders of the Company of RMB114.9 million for the corresponding period in 2015. The quarter-on-quarter increase was mainly due to the increase of revenue and partially offset by the increase of cost and foreign exchange loss. The year-on-year decrease was mainly due to the decrease of gross profit and increase of foreign exchange loss and partially offset by the operating expenses savings and decrease of tax expense.

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 Group's non-IFRS financial data for the periods presented:

<i>(in RMB '000)</i>	Unaudited Six months ended			Unaudited Three months ended			June 30, 2015	Year-on- Year change %
	June 30, 2016	June 30, 2015	Year-on- Year change %	June 30, 2016	March 31, 2016	Quarter-on- Quarter change %		
Non-IFRS Financial Data								
Adjusted EBITDA	127,286	190,131	-33.1%	76,608	50,678	51.2%	93,424	-18.0%
Adjusted EBITDA margin*	36.4%	51.1%		38.7%	33.4%		50.1%	
Adjusted Net Income	96,829	152,927	-36.7%	58,908	37,921	55.3%	77,621	-24.1%

* Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenue.

Adjusted EBITDA

Adjusted EBITDA increased by 51.2% quarter-on-quarter for the three months ended June 30, 2016 from the three months ended March 31, 2016 and decreased by 33.1% year-on-year for the six months ended June 30, 2016 from the corresponding period in 2015. Adjusted EBITDA margin was 38.7% for the three months ended June 30, 2016, compared to 33.4% for the three months ended March 31, 2016. Adjusted EBITDA margin was 36.4% for the six months ended June 30, 2016, compared to 51.1% for the corresponding period in 2015. Adjusted EBITDA represents operating profit adjusted to exclude non-cash share-based compensation expenses, amortisation of intangible assets arising from acquisitions, and depreciation and amortisation.

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

<i>(in RMB'000)</i>	Unaudited		Unaudited		
	Six months ended		Three months ended		
	June 30,	June 30,	June 30,	March 31,	June 30,
	2016	2015	2016	2016	2015
Operating Profit	94,723	143,590	60,557	34,166	68,704
Share-based compensation expense	19,968	35,063	9,402	10,566	18,444
Amortization of intangible assets arising from acquisitions	2,526	1,024	1,704	822	822
Depreciation and amortization expense	10,069	10,454	4,945	5,124	5,454
Adjusted EBITDA	127,286	190,131	76,608	50,678	93,424

Adjusted Net Profit and Earnings Per Share

Adjusted net profit increased by 55.3% quarter-on-quarter for the three months ended June 30, 2016 from RMB37.9 million for the three months ended March 31, 2016. Adjusted net profit decreased by 36.7% year-on-year for the six months ended June 30, 2016 from RMB152.9 million for the corresponding period in 2015. Adjusted diluted earnings per share is RMB0.074 for the six months ended June 30, 2016. Adjusted diluted earnings per share is RMB0.045 for the three months ended June 30, 2016, compared with RMB0.029 for the three months ended March 31, 2016.

Adjusted net profit is not defined under IFRS, and eliminates the effect of non-cash share based compensation expenses and amortisation of intangible assets arising from acquisitions.

Adjusted diluted earnings per share is not defined under IFRS. The denominator for computing the adjusted diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume share options granted to employees under 2008 Global Share Option Plan and Post-IPO Share Option Scheme, restricted share units granted to employees under Pre-IPO Restricted Share Unit Scheme and Post-IPO Restricted Share Unit Scheme have been fully vested and exercised with no impact on the non-IFRS adjusted earnings. The numerator of adjusted diluted earnings per share is adjusted net profit attributable to the equity holders of the Company.

The following table sets forth the reconciliations of the Company's net profit to non-IFRS net income for the periods presented below:

<i>(in RMB'000)</i>	Unaudited		Unaudited		
	Six months ended		Three months ended		
	June 30,	June 30,	June 30,	March 31,	June 30,
	2016	2015	2016	2016	2015
Net Profit	74,335	116,840	47,802	26,533	58,355
Share-based compensation expense	19,968	35,063	9,402	10,566	18,444
Amortization of intangible assets arising from acquisitions	2,526	1,024	1,704	822	822
Adjusted Net Income	96,829	152,927	58,908	37,921	77,621

4. Liquidity and Financial Resources

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

Cash and cash equivalents consist of cash at bank and cash on hand, and as at June 30, 2016 and December 31, 2015 amounted to RMB99.9 million and RMB232.8 million, respectively. All cash at bank balances as of these dates were demand deposits and term deposits with initial terms of less than three months.

The Company had restricted cash of RMB2.6 million and nil as at June 30, 2016 and December 31, 2015, respectively.

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. We recorded the foreign exchange loss of approximately RMB6.4 million for the six months ended June 30, 2016.

The Company had current available-for-sale financial assets of RMB444.9 million and RMB370.1 million as at June 30, 2016 and December 31, 2015, respectively. Current available-for-sale financial assets typically consist of RMB-denominated principal-guaranteed structured deposits with floating interest rates ranging from 2% to 4% per annum with maturity periods within one year or with an ongoing term offered by large state-owned and commercial banks in China.

The Company had term deposits with initial terms of over three months of RMB871.4 million and RMB954.9 million as at June 30, 2016 and December 31, 2015, respectively.

Bank Loans and Other Borrowings

As at June 30, 2016 and December 31, 2015, the Company had no bank loans and other borrowings outstanding.

Gearing Ratio

The gearing ratio as at June 30, 2016 and December 31, 2015 were 0%.

Capital Expenditures

For the six months ended June 30, 2016, the Group's capital expenditures were approximately RMB28.9 million, mainly including approximately RMB23.3 million relating to purchase of a house located in the United States.

Significant Investment

The Company did not make any significant investments for the six months ended June 30, 2016.

Mergers and Acquisitions

In May 2015, the Group acquired 15% of the equity interest in Chengdu Happy Alliance Technology Co., Ltd. ("**Happy Alliance**"), a third party company engaged in design and promotion of mobile games in the PRC, which was accounted as an investment in an associate with significant influence for a cash consideration of RMB2 million. In April 2016, the Group acquired a further 65% of the equity interests and obtained control of Happy Alliance, for a total cash consideration of RMB42 million. As a result of the acquisition, the Group held in aggregate 80% of the equity interest in Happy Alliance.

In May 2016, the Group entered into a series of agreements to conditionally purchase 10% equity interest of Hangzhou Shangfu, an internet financing enterprise specializing in the operation of peer-to-peer investment platform based on the vehicle mortgage loan and online financing services through its website www.sfdai.com, at a total cash consideration of RMB10 million. In addition, the Group agreed to further increase the paid-in capital of Hangzhou Shangfu by capital injection and will inject an additional capital of RMB15 million to increase the Group's equity holding in Hangzhou Shangfu from 10% to 19%, if certain conditions as set out in the relevant agreements are met. We are still in the process of completing the transaction as at the date of this announcement.

Except as disclosed above and the mergers and acquisitions which have been disclosed in the announcement of unaudited 2016 first quarter results, the Group did not make any other material mergers or acquisitions during the six months ended June 30, 2016.

Charges on Assets

As at June 30, 2016, the Group did not have any asset charges.

Contingent Liabilities

As at June 30, 2016, 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 June 30, 2016. We do not hedge against any fluctuation in foreign currency.

5. Corporate Information

Staff

The Group had 761 full time employees as at June 30, 2016. Tian Ge's success depends on its ability to attract, retain and motivate qualified personnel. The Company adopts high standards in recruitment with strict procedures to ensure the quality of new hiring and use various methods for recruitment, including campus recruitment, online recruitment, internal recommendation and recruiting through hunting firms or agents, to satisfy the demand for different types of talents. Moreover, the Company provides a robust training program for new employees in order to effectively equip them with the skill sets and work ethics which are necessary to succeed at Tian Ge.

Relevant staff cost was RMB86.0 million for the six months ended June 30, 2016, while our staff cost was RMB95.0 million for the six months ended June 30, 2015. 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.

Share Option Schemes

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

The share-based compensation expenses for the six months ended June 30, 2016 were RMB20.0 million, as compared to RMB35.1 million for the corresponding period in 2015.

As at June 30, 2016, options representing a total of 46,934,959 shares (taking into account the 27,702,055 options which have lapsed and options in respect of an aggregate of 39,042,986 shares which have been exercised in accordance with the terms of the Pre-IPO Share Option Scheme) are outstanding. If all the options under the Pre-IPO Share Option Scheme are exercised, there would be a dilution effect on the shareholdings of our Shareholders of approximately 3.62% as at June 30, 2016. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per Share may be staggered over several years.

As at June 30, 2016, options representing a total of 3,900,000 shares (taking into account the 100,000 options which have been exercised in accordance with the terms of the Post-IPO Share Option Scheme) were outstanding, representing approximately 0.30% of the issued shares of the Company.

As at June 30, 2016, the total number of shares underlying the Pre-IPO RSU Scheme and Post-IPO RSU Scheme represented approximately 4.56% of the total ordinary shares of the Company.

On April 1, 2016, the Company granted restricted share units in respect of a total of 1,048,688 ordinary shares of the Company of US\$0.0001 each to the grantees under the Post-IPO RSU Scheme, which represented approximately 0.1% of the total ordinary shares of the Company as at June 30, 2016.

6. Use of Proceeds from Global Offering

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 June 30, 2016, approximately HK\$1,337.6 million (equivalent to approximately RMB1,084.3 million) had been used in investing in potential acquisitions, expanding our marketing and promotion activities, developing our mobile applications and enhancing our research and development efforts. We have utilized, 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 of the Company dated June 25, 2014. The unutilized net proceeds had 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.

CONDENSED CONSOLIDATED BALANCE SHEET
(AS AT JUNE 30, 2016)

	<i>Note</i>	Unaudited June 30, 2016 RMB'000	Audited December 31, 2015 RMB'000
Assets			
Non-current assets			
Property and equipment		188,423	190,843
Investment properties		23,948	–
Intangible assets		168,239	121,312
Investments accounted for using the equity method	5	46,053	52,078
Available-for-sale financial assets	7	190,833	100,008
Prepayments and other receivables		371,775	154,917
Deferred income tax assets		37,635	33,460
Term deposits with initial term over 1 year		–	168,138
		<u>1,026,906</u>	<u>820,756</u>
Current assets			
Inventories		3,365	10,307
Trade receivables	6	35,356	32,006
Prepayments and other receivables		245,370	247,501
Available-for-sale financial assets	7	444,903	370,058
Term deposits with initial term over 3 months		871,409	786,732
Cash and cash equivalents		99,892	232,848
Restricted cash		2,614	–
		<u>1,702,909</u>	<u>1,679,452</u>
Total assets		<u>2,729,815</u>	<u>2,500,208</u>
Equity			
Equity attributable to shareholders of the Company			
Share capital		801	797
Share premium		2,246,701	2,305,423
Shares held for RSU Scheme		(10)	(14)
Other reserves		329,349	273,425
Accumulated deficits		(216,220)	(292,919)
		<u>2,360,621</u>	<u>2,286,712</u>
Non-controlling interests		<u>24,852</u>	<u>21,960</u>
Total equity		<u>2,385,473</u>	<u>2,308,672</u>

	<i>Note</i>	Unaudited June 30, 2016 RMB'000	Audited December 31, 2015 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		9,703	5,148
Other non-current liabilities		1,325	1,347
		<u>11,028</u>	<u>6,495</u>
Current liabilities			
Trade payables	9	30,552	23,212
Other payables and accruals		184,122	63,451
Income tax liabilities		52,030	48,554
Customer advance and deferred revenue		61,610	43,824
Provisions for other liabilities and charges		5,000	6,000
		<u>333,314</u>	<u>185,041</u>
Total liabilities		<u>344,342</u>	<u>191,536</u>
Total equity and liabilities		<u>2,729,815</u>	<u>2,500,208</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(FOR THE SIX MONTHS ENDED JUNE 30, 2016)

	<i>Note</i>	Unaudited Three months ended June 30		Unaudited Six months ended June 30	
		2016 <i>RMB'000</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Revenue	4	198,131	186,294	349,707	371,837
Cost of revenue	10	(55,596)	(38,329)	(97,086)	(67,383)
Gross profit		142,535	147,965	252,621	304,454
Selling and marketing expenses	10	(44,948)	(43,558)	(87,310)	(92,413)
Administrative expenses	10	(27,714)	(28,731)	(55,758)	(56,210)
Research and development expenses	10	(22,965)	(19,518)	(42,109)	(40,047)
Other gains, net	11	13,649	12,546	27,279	27,806
Operating profit		60,557	68,704	94,723	143,590
Finance income	12	189	2,891	964	1,469
Finance costs	12	(576)	(100)	(1,079)	(673)
Finance income/(loss), net	12	(387)	2,791	(115)	796
Share of loss of investment accounted for using the equity method		(1,915)	(122)	(2,697)	(373)
Profit before income tax		58,255	71,373	91,911	144,013
Income tax expense	13	(10,453)	(13,018)	(17,576)	(27,173)
Profit for the period		47,802	58,355	74,335	116,840
Other comprehensive income/(loss) <i>Items that may be reclassified to profit or loss</i>					
Changes in value of available-for-sale financial assets		(84)	–	15,649	–
Currency translation differences		25,666	(4,774)	20,833	(377)
Total comprehensive income for the period		73,384	53,581	110,817	116,463

		Unaudited Three months ended June 30		Unaudited Six months ended June 30	
		2016	2015	2016	2015
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) attributable to:					
	– Shareholders of the Company	49,049	56,982	76,699	114,911
	– Non-controlling interests	(1,247)	1,373	(2,364)	1,929
		47,802	58,355	74,335	116,840
Total comprehensive income					
/(loss) attributable to:					
	– Shareholders of the Company	74,514	52,208	112,655	114,534
	– Non-controlling interests	(1,130)	1,373	(1,838)	1,929
		73,384	53,581	110,817	116,463
Earnings per share					
<i>(expressed in RMB per share)</i>					
	– Basic	0.038	0.046	0.060	0.093
	– Diluted	0.037	0.043	0.058	0.088

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(FOR THE SIX MONTHS ENDED JUNE 30, 2016)

	Unaudited							
	Equity attributable to shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2016	797	2,305,423	(14)	273,425	(292,919)	2,286,712	21,960	2,308,672
Comprehensive income								
Profit/(loss) for the six months ended June 30, 2016	-	-	-	-	76,699	76,699	(2,364)	74,335
Other comprehensive income								
Currency translation differences	-	-	-	20,307	-	20,307	526	20,833
Changes in value of available-for-sale financial assets	-	-	-	15,649	-	15,649	-	15,649
Total other comprehensive income, net of tax	-	-	-	35,956	-	35,956	526	36,482
Total comprehensive income/(loss)	-	-	-	35,956	76,699	112,655	(1,838)	110,817
Transactions with shareholders of the Company, recognised directly in equity								
Share-based compensation	-	-	-	19,968	-	19,968	-	19,968
Non-controlling interests arising from step-acquisition of a subsidiary	-	-	-	-	-	-	4,730	4,730
Exercise of share options	4	6,915	-	-	-	6,919	-	6,919
Appropriation of final dividend	-	(65,633)	-	-	-	(65,633)	-	(65,633)
Vest and transfer of RSUs	-	(4)	4	-	-	-	-	-
Total transactions with shareholders of the Company, recognised directly in equity	4	(58,722)	4	19,968	-	(38,746)	4,730	(34,016)
Balance at June 30, 2016	801	2,246,701	(10)	329,349	(216,220)	2,360,621	24,852	2,385,473

Unaudited

	Equity attributable to shareholders of the Company							Total equity/ (deficits) RMB'000
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Total RMB'000	Non-controlling interests RMB'000	
Balance at January 1, 2015	779	2,381,529	(19)	122,473	(421,073)	2,083,689	4,799	2,088,488
Comprehensive income								
Profit for the six months ended June 30, 2015	-	-	-	-	114,911	114,911	1,929	116,840
Other comprehensive loss								
Currency translation differences	-	-	-	(377)	-	(377)	-	(377)
Total other comprehensive loss, net of tax	-	-	-	(377)	-	(377)	-	(377)
Total comprehensive income/(loss)	-	-	-	(377)	114,911	114,534	1,929	116,463
Transactions with shareholders of the Company, recognised directly in equity								
Share-based compensation	-	-	-	35,063	-	35,063	-	35,063
Non-controlling interests arising from acquisition and establishment of subsidiaries	-	-	-	-	-	-	18,389	18,389
Exercise of share options	17	7,302	-	-	-	7,319	-	7,319
Repurchase and cancellation of ordinary shares	(4)	(16,070)	-	-	-	(16,074)	-	(16,074)
Appropriation of special dividends	-	(59,573)	-	-	-	(59,573)	-	(59,573)
Vest and transfer of RSUs	-	(4)	4	-	-	-	-	-
Issuance of shares held for Post-IPO RSU Scheme	2	-	(2)	-	-	-	-	-
Total transactions with shareholders of the Company, recognised directly in equity	15	(68,345)	2	35,063	-	(33,265)	18,389	(14,876)
Balance at June 30, 2015	<u>794</u>	<u>2,313,184</u>	<u>(17)</u>	<u>157,159</u>	<u>(306,162)</u>	<u>2,164,958</u>	<u>25,117</u>	<u>2,190,075</u>

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW
(FOR THE SIX MONTHS ENDED JUNE 30, 2016)

	Unaudited	
	Six months ended June 30,	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	108,843	78,949
Net cash used in investing activities	(302,604)	(110,275)
Net cash generated from/(used in) financing activities	60,361	(66,375)
Net decrease in cash and cash equivalents	(133,400)	(97,701)
Cash and cash equivalents at beginning of year	232,848	289,083
Exchange gain/(loss) on cash and cash equivalents	444	(2,210)
Cash and cash equivalents at end of period	99,892	189,172

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(FOR THE SIX MONTHS ENDED JUNE 30, 2016)

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 completed its initial public offering (the “**IPO**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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**”).

This condensed consolidated financial information is presented in Renminbi (the “**RMB**”), unless otherwise stated. This condensed consolidated financial information was approved by the board of directors of the Company for issue on August 25, 2016.

2. BASIS OF PREPARATION

This condensed consolidated financial information has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as set out in the 2015 annual report of the Company dated on March 23, 2016.

3. ACCOUNTING POLICES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2015, as described in those annual financial statements.

- (a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.
- (b) Investment property, principally comprising buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of comprehensive income as part of a valuation gain or loss in ‘other gains – net’.
- (c) The Group operates investment and financing platform that matches borrowers with investors and executes loan transactions. The major deliverables provided by the Group are loan facilitation services, reserve fund guarantee, and post-origination services (e.g. automated investing tool, cash processing, collection, etc.). In order to be more competitive by providing a certain level of assurance to the investors, the Group sets aside some cash as reserve fund and reimburses the loan principal and interest to the investor first and then collects the amounts from borrowers subsequently. As the Group assumes the risks and rewards of the loans to borrowers and funds from investors, the loans and funds are recorded at their principal amounts on the balance sheet. Service fee is recognised in profit or loss when the corresponding service is provided.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the financial information of the Group.

4. SEGMENT INFORMATION

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

The Group has following reportable segments for the three and six months ended June 30, 2016 and 2015:

- Online interactive entertainment service;
- Others.

Online interactive entertainment service of the Group mainly comprise of the provision of live social video platform and provision of online games. Other segments of the Group mainly comprise of the provision of ecommerce transactions, provision of beauty clinic service, sales of software and other services.

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

There were no material inter-segment sales during the three and six months ended June 30, 2016 and 2015. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the condensed consolidated statement of comprehensive income.

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

The segment information provided to the CODM for the reportable segments for the three and six months ended June 30, 2016 and 2015 is as follows:

	Three months ended June 30, 2016			Three months ended June 30, 2015		
	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000
Segment Revenue	<u>177,274</u>	<u>20,857</u>	<u>198,131</u>	164,330	21,964	186,294
Gross Profit	<u>131,255</u>	<u>11,280</u>	<u>142,535</u>	<u>137,438</u>	<u>10,527</u>	<u>147,965</u>
– Depreciation, amortization and impairment charges included in segment cost	<u>1,508</u>	<u>63</u>	<u>1,571</u>	1,901	121	2,022
Operating profit			60,557			68,704
Finance income			189			2,891
Finance costs			(576)			(100)
Shares of profits/(losses) of investments accounted for using the equity method	<u>(1,692)</u>	<u>(223)</u>	<u>(1,915)</u>	<u>(220)</u>	98	<u>(122)</u>
Profit before income tax			<u>58,255</u>			<u>71,373</u>
	Six months ended June 30, 2016			Six months ended June 30, 2015		
	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000
Segment Revenue	<u>311,003</u>	<u>38,704</u>	<u>349,707</u>	337,642	34,195	371,837
Gross Profit	<u>235,298</u>	<u>17,323</u>	<u>252,621</u>	<u>281,696</u>	<u>22,758</u>	<u>304,454</u>
– Depreciation, amortization and impairment charges included in segment cost	<u>2,542</u>	<u>567</u>	<u>3,109</u>	3,321	121	3,442
Operating profit			94,723			143,590
Finance income			964			1,469
Finance costs			(1,079)			(673)
Shares of profits/(losses) of investments accounted for using the equity method	<u>(2,564)</u>	<u>(133)</u>	<u>(2,697)</u>	<u>(471)</u>	98	<u>(373)</u>
Profit before income tax			<u>91,911</u>			<u>144,013</u>

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at June 30, 2016 <i>RMB'000</i>	As at December 31, 2015 <i>RMB'000</i>
Associate	29,962	33,390
Joint venture	16,091	18,688
	<u>46,053</u>	<u>52,078</u>

(a) Investments in associates

	Six Months Ended June 30, 2016 <i>RMB'000</i>	Six Months Ended June 30, 2015 <i>RMB'000</i>
Beginning of the period	33,390	3,863
Additions	–	25,979
Cash contribution to associates	–	32
Reclassification of revaluation of previously held interest in Happy Alliance	(3,328)	–
Share of loss of investment accounted for using the equity method	(100)	(373)
End of the period	<u>29,962</u>	<u>29,501</u>

(b) Investment in joint venture

	Six Months Ended June 30, 2016 <i>RMB'000</i>	June 30, 2015 <i>RMB'000</i>
Beginning of the period	18,688	–
Share of loss of investment accounted for using the equity method	(2,597)	–
End of the period	<u>16,091</u>	<u>–</u>

(c) Transactions with associates and joint venture

During the three and six months ended June 30, 2016 and 2015, the Group did not provide/purchase any services to/from its associates and joint venture.

6. TRADE RECEIVABLES

	As of June 30, 2016 <i>RMB'000</i>	As of December 31, 2015 <i>RMB'000</i>
Third parties	26,920	22,594
Amount due from related parties	8,436	9,533
	35,356	32,127
Less: provision for impairment	—	(121)
	35,356	32,006

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

	As of June 30, 2016 <i>RMB'000</i>	As of December 31, 2015 <i>RMB'000</i>
0-90 days	20,221	19,646
91-180 days	2,496	10,052
181-365 days	11,890	1,126
Over 1 year	749	1,303
	35,356	32,127

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended June 30	
	2016 RMB'000	2015 RMB'000
Non-current (a)		
Opening balance as at January 1,	100,008	26,776
Additions	73,378	50,000
Fair value gain recognised in consolidated statement of comprehensive income	15,649	–
Exchange difference	1,798	(22)
	<u>190,833</u>	<u>76,754</u>
Closing balance as at June 30	<u><u>190,833</u></u>	<u><u>76,754</u></u>
Current (b)		
Opening balance as at January 1	370,058	313,029
Additions	870,112	381,278
Repayment	(795,267)	(402,223)
	<u>444,903</u>	<u>292,084</u>
Closing balance as at June 30	<u><u>444,903</u></u>	<u><u>292,084</u></u>

- (a) The non-current portion of available-for-sale financial assets mainly referred to the Company's investment in some venture funds as limited partner, which the Company does not have control over or significant influence on the funds.
- (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 guaranteed structured deposits with floating interest rates ranging from 2% to 4% per annum and maturity period within 1 year or with revolving term. These structured deposits are offered by large state-owned and commercial banks in the PRC.

8. SHARE-BASED PAYMENTS

(a) Share Options

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

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

	Average Exercise Price in USD per Share Option	Number of Pre-IPO Share Options	Average Exercise Price in HKD per Share Option	Number of Post-IPO Share Options	Total Number of Share Options
At January 1, 2016		56,847,469		4,000,000	60,847,469
Exercised	US\$0.1095	(9,564,090)	HK\$3.5000	(100,000)	(9,664,090)
Forfeited	US\$0.3348	(348,420)		–	(348,420)
		<u>46,934,959</u>		<u>3,900,000</u>	<u>50,834,959</u>
At June 30, 2016		<u><u>46,934,959</u></u>		<u><u>3,900,000</u></u>	<u><u>50,834,959</u></u>
At January 1, 2015		87,721,320		–	87,721,320
Exercised	US\$0.0438	(27,358,000)		–	(27,358,000)
Forfeited	US\$0.3407	(769,250)		–	(769,250)
		<u>59,594,070</u>		<u>–</u>	<u>59,594,070</u>
At June 30, 2015		<u><u>59,594,070</u></u>		<u><u>–</u></u>	<u><u>59,594,070</u></u>

As at June 30, 2016, out of the outstanding share options, 43,926,062 (June 30, 2015: 49,657,842) share options were exercisable.

(b) Restricted share units

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

Pursuant to a resolution passed by the Board of the Company on April 1, 2016, the Company granted restricted share units (“Post-IPO RSUs”) in respect of a total of 1,048,688 ordinary shares of US\$0.0001 each of the Company to 22 grantees with below vesting schedule, 524,350 shares shall vest on August 3, 2016 and 524,338 shall vest on August 3, 2017.

Movements in the number of outstanding RSUs are as follows:

	Number of shares held for Pre-IPO RSU Scheme	Number of shares held for Post-IPO RSU Scheme	Total
At January 1, 2016	19,071,875	2,823,500	21,895,375
Granted	–	1,048,688	1,048,688
Vested and transferred	(5,460,420)	–	(5,460,420)
At June 30, 2016	13,611,455	3,872,188	17,483,643
Shares vested but not transferred to the grantees as of June 30, 2016			–
At January 1, 2015	31,343,750	–	31,343,750
Granted	–	3,499,000	3,499,000
Vested and transferred	(8,521,875)	–	(8,521,875)
At June 30, 2015	22,821,875	3,499,000	26,320,875
Shares vested but not transferred to the grantees as of June 30, 2015			–

During the six months ended June 30, 2016, totally 12,882,960 of the above granted RSUs were exercised (six months ended June 30, 2015: 4,013,000).

(c) Fair value of share options and RSUs

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

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

Fair value of share options

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

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

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

Fair value of RSUs

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

(d) Shares held for RSU Scheme

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

9. TRADE PAYABLES

	As at June 30, 2016 RMB'000	As at December 31, 2015 RMB'000
Third parties	25,260	17,920
Amount due to related parties	<u>5,292</u>	<u>5,292</u>
	<u>30,552</u>	<u>23,212</u>

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

	As of June 30, 2016 RMB'000	As of December 31, 2015 RMB'000
0-90 days	14,426	10,271
91-180 days	4,086	10,599
181-365 days	8,504	11
Over 1 year	<u>3,536</u>	<u>2,331</u>
	<u>30,552</u>	<u>23,212</u>

10. EXPENSES BY NATURE

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses (including share-based compensation expenses)	42,263	50,112	86,020	95,002
Promotion and advertising expenses	27,863	23,397	54,320	58,629
Commission charged by platforms and game developers	30,003	10,842	47,735	25,470
Cost of inventories sold	8,309	12,394	17,031	12,394
Bandwidth and server custody fees	7,338	7,734	13,898	16,332
Provision of bad debts	5,500	–	8,000	–
Game development costs	4,309	2,847	6,227	6,103
Travelling and entertainment expenses	3,905	3,988	9,071	8,125
Depreciation of property and equipment	3,797	4,048	7,609	7,966
Amortization of intangible assets	2,852	2,228	4,986	3,512
Utilities and office expenses	2,584	2,262	5,397	4,943
Operating lease rentals in respect of office buildings	1,673	1,897	3,308	3,412
Professional and consultancy fees	1,553	1,052	2,657	3,395
Payment handling costs	1,924	1,157	2,911	2,273
Turnover tax and related surcharges	1,704	1,030	2,640	1,853
Auditors' remuneration	1,362	1,375	2,682	2,658
Write-down of inventories to net realizable value	751	–	2,182	–
Others	3,533	3,773	5,589	3,986
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	151,223	130,136	282,263	256,053

11. OTHER GAINS, NET

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment Interest	10,151	10,042	19,366	22,064
Investment income arising from step-acquisition of a subsidiary	4,351	–	4,351	–
Financial assets at fair value through profit or loss				
– Fair value loss	–	(1,293)	–	(438)
Government grants				
– Technology award	5,114	1,838	6,361	2,318
– Scientific project fund	463	1,975	463	3,878
Foreign exchange loss on non-financing activity	(8,002)	–	(5,379)	–
Interest income on loans to third parties and loans to employees	846	–	1,277	–
Gains on disposal of property and equipment, net	367	27	495	27
Others	359	(43)	345	(43)
	13,649	12,546	27,279	27,806

12. FINANCE COSTS, NET

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Finance income:				
– Interest income on cash and cash equivalents	189	744	964	1,469
– Exchange gain on financing activities, net	–	2,147	–	–
	<u>189</u>	<u>2,891</u>	<u>964</u>	<u>1,469</u>
Finance costs:				
– Exchange loss on financing activities, net	(576)	–	(1,079)	(573)
– Interest expenses on borrowings	–	(100)	–	(100)
	<u>(576)</u>	<u>(100)</u>	<u>(1,079)</u>	<u>(673)</u>
Finance income/(loss), net	<u>(387)</u>	<u>2,791</u>	<u>(115)</u>	<u>796</u>

13. INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands. Hong Kong profits tax has been provided for at a rate of 16.5% (2015:16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. The companies established and operated in the PRC are subject to PRC Enterprise Income Tax (“EIT”) at a rate of 25% (2015: 25%) and certain Group’s subsidiaries established in the PRC and PRC Operating Entities are entitled to preferential EIT rate of 15%.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax	13,229	10,025	22,488	23,000
Deferred income tax	(2,776)	2,993	(4,912)	4,173
	<u>10,453</u>	<u>13,018</u>	<u>17,576</u>	<u>27,173</u>

Income tax expense is recognised based on management’s estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for companies established and operated in the PRC and Hong Kong for the year ended December 31, 2016 is 15.64% and 16.5% respectively (the average annual tax rate used for companies established and operated in the PRC and Hong Kong for the year ended December 31, 2015 was 14.97% and 16.5% respectively).

14. EARNINGS PER SHARE

(a) Basic

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Profit attributable to shareholders of the Company (RMB'000)	49,049	56,982	76,699	114,911
Weighted average number of ordinary shares in issue (thousand shares)	<u>1,275,990</u>	<u>1,239,253</u>	<u>1,271,306</u>	<u>1,232,288</u>
Basic earnings per share (in RMB/share)	<u>0.038</u>	<u>0.046</u>	<u>0.060</u>	<u>0.093</u>

(b) Diluted

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

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Profit attributable to shareholders of the Company (<i>RMB'000</i>)	<u>49,049</u>	<u>56,982</u>	<u>76,699</u>	<u>114,911</u>
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	<u>1,275,990</u>	<u>1,239,253</u>	<u>1,271,306</u>	<u>1,232,288</u>
Adjustments for share based compensation – share options (<i>thousand shares</i>)	<u>43,403</u>	<u>62,088</u>	<u>43,141</u>	<u>59,230</u>
Adjustments for share based compensation – RSUs (<i>thousand shares</i>)	<u>13,026</u>	<u>18,839</u>	<u>13,623</u>	<u>13,933</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (<i>thousand shares</i>)	<u>1,332,419</u>	<u>1,320,180</u>	<u>1,328,070</u>	<u>1,305,451</u>
Diluted earnings per share (<i>in RMB/share</i>)	<u>0.037</u>	<u>0.043</u>	<u>0.058</u>	<u>0.088</u>

15. DIVIDENDS

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividends declared by the Company	<u>65,633</u>	<u>–</u>	<u>65,633</u>	<u>59,573</u>

Pursuant to the resolution of the board meeting held in March 2016 and approval of the annual general meeting held in May 2016, the Company declared a final dividend for the year ended December 31, 2015 of HK\$77,699,999 (approximately RMB65,633,000) in total or HK\$0.06 per ordinary share out of the Company’s share premium account, which were fully paid in June 2016.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance. During the six months ended June 30, 2016, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for the code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Fu Zhengjun (傅政軍) 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 wholly foreign-owned enterprises and PRC operating entities since their respective incorporations. With extensive experience in the internet industry, Mr. Fu is responsible for the overall strategic planning, management and operation of our Group and is instrumental to our growth and business expansion since our establishment in 2008. Our Board 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the six months ended June 30, 2016, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

DIVIDEND

Pursuant to the resolution of the annual general meeting on May 23, 2016, the Company declared a final dividend of HK\$77,699,999.16 in total or HK\$0.06 per ordinary share out of the Company’s share premium account, which were fully paid in June 2016.

The Board did not declare any interim dividend for the six months ended June 30, 2016.

REVIEW OF THE INTERIM RESULTS

The Audit Committee has reviewed (i) the accounting principles and practices adopted by the Group, and (ii) the auditing, internal control and financial reporting matters, including the review of the interim results for the six months ended June 30, 2016.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended June 30, 2016 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the interim financial information has not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PUBLICATION OF INTERIM REPORT

Pursuant to the requirements of the Listing Rules, the 2016 interim report of the Company will set out all information disclosed in the interim results announcement for the first half of 2016 and will be despatched to its shareholders and uploaded on the websites of the Company (<http://www.tiange.com>) and The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) in due course.

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

Hong Kong, August 25, 2016

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