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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1980)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2016

FINANCIAL HIGHLIGHTS

	Year ended December 31,		**Change**
(in RMB'000)	**2016**	2015	%
Revenue	**834,185**	677,543	23.1%
– Online interactive entertainment service	**759,336**	590,738	28.5%
– Others	**74,849**	86,805	-13.8%
Gross Profit	**646,087**	526,208	22.8%
Gross margin	**77.5%**	77.7%	
Profit Attributable to Equity Holders of the Company	**233,213**	151,792	53.6%
Net profit	**230,709**	149,750	54.1%
Net profit Margin	**27.7%**	22.1%	
Adjusted net profit (1)	**280,572**	222,969	25.8%
Adjusted net profit Margin	**33.6%**	32.9%	
Adjusted EPS (2) *(expressed in RMB per share)*			
– basic	**0.222**	0.183	21.3%
– diluted	**0.210**	0.169	24.3%
Adjusted EBITDA (3)	**359,555**	280,300	28.3%
Adjusted EBITDA margin	**43.1%**	41.4%	
Total Assets	**2,907,042**	2,500,208	16.3%
Total Liabilities	**283,070**	191,536	47.8%

	Three months ended				
(in RMB'000)	**December 31, 2016**	September 30, 2016	**Quarter-on-Quarter Change %**	December 31, 2015	**Year-on-Year Change %**
Revenue	**248,348**	236,130	5.2%	147,228	68.7%
– Online interactive entertainment service	**228,429**	219,904	3.9%	119,851	90.6%
– Others	**19,919**	16,226	22.8%	27,377	-27.2%
Gross Profit	**213,741**	179,725	18.9%	102,492	108.5%
Gross margin	**86.1%**	76.1%		69.6%	
Profit Attributable to Equity Holders of the Company	**92,388**	64,126	44.1%	6,918	1235.5%
Net profit	**92,541**	63,833	45.0%	3,309	2696.7%
Net profit Margin	**37.3%**	27.0%		2.2%	
Adjusted net profit (1)	**102,218**	81,525	25.4%	24,328	320.2%
Adjusted net profit Margin	**41.2%**	34.5%		16.5%	
Adjusted EPS (2) *(expressed in RMB per share)*					
– basic	**0.079**	0.064	23.4%	0.022	259.1%
– diluted	**0.076**	0.061	24.6%	0.021	261.9%
Adjusted EBITDA (3)	**125,974**	106,295	18.5%	31,715	297.2%
Adjusted EBITDA margin	**50.7%**	45.0%		21.5%	

Notes:

(1) Adjusted net profit is not defined under IFRS, and is derived from the net profit excluding the effect of non-cash share-based compensation expenses, amortisation of intangible assets arising from acquisitions, impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries and impairment loss arising from acquisitions.

(2) 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 year 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 share options granted to employees under 2008 Global Share Option Plan and Post-IPO Share Option Scheme, restricted share units ("**RSUs**") 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.

(3) Adjusted EBITDA, as presented, represents operating profit, adjusted to exclude non-cash share-based compensation expenses, amortisation of intangible assets arising from acquisitions, impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries, impairment loss arising from acquisitions and depreciation and amortization.

ANNUAL RESULTS

The board of directors (the "**Directors**") (the "**Board**") of Tian Ge Interactive Holdings Limited (the "**Company**", "**We**" or "**Tian Ge**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2016 with comparative figures for the preceding financial year ended December 31, 2015 prepared under International Financial Reporting Standards ("**IFRS**") and audited by PricewaterhouseCoopers, the auditor of the Company. In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**") and this annual results announcement is based on the Group's audited consolidated financial statements for the year ended December 31, 2016 which have been agreed with the auditor of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Overview

2016 marks the start of a new era in China's live streaming industry. Fueled by enhanced 4G network in China and the shift from computers to mobile, demand for live streaming mobile applications in China held firm and remained a key driver for Tian Ge's growth in 2016. The Group expanded its mobile product line at a solid pace and recorded buoyant financial growth during the year ended December 31, 2016. The Board is content with the prospect of the industry.

Overall Financial Performance

For the year ended 31 December, 2016, Tian Ge's revenue increased by 23.1% year-on-year to RMB834.2 million from RMB677.5 million in 2015. Revenue from online interactive entertainment service increased by 28.5% year-on-year from RMB590.7 million in 2015. In the fourth quarter of 2016, revenue increased by 5.2% quarter-on-quarter to RMB248.3 million from RMB236.1 million for the three months ended September 30, 2016. Revenue from online interactive entertainment service increased by 3.9% quarter-on-quarter from RMB219.9 million for the three months ended September 30, 2016. The increase was mainly driven by robust growth in our mobile live streaming business. Based on the analysis on cash proceeds received from sales of our virtual currency and game coins, revenue generated from mobile devices represented approximately 46.4% of revenue from our online interactive entertainment service for the year ended December 31, 2016 compared with approximately 17.2% for the year ended December 31, 2015.

For the year ended December 31, 2016, profit attributable to equity holders of the Company was RMB233.2 million which increased by 53.6% year-on-year; net profit was RMB230.7 million which increased by 54.1% year-on-year; adjusted net profit was RMB280.6 million which increased by 25.8% year-on-year; and adjusted EBITDA was RMB359.6 million which increased by 28.3% year-on-year.

In the fourth quarter of 2016, profit attributable to equity holders of the Company was RMB92.4 million which increased by 44.1% quarter-on-quarter from the three months ended September 30, 2016; net profit was RMB92.5 million which increased by 45.0% quarter-on-quarter from the three months ended September 30, 2016; adjusted net profit was RMB102.2 million which increased by 25.4% quarter-on-quarter from the three months ended September 30, 2016; and adjusted EBITDA was RMB126.0 million which increased by 18.5% quarter-on-quarter from the three months ended September 30, 2016.

Business Highlights

"Mobile + PC" Dual Live Streaming

With advanced casting technologies, the popularity of live streaming mobile applications surged in China, attracting a huge fan base of users. According to a report of China Internet Network Information Center, number of live-streaming viewers in China reached 344 million in December 2016, representing 47.1% of China's internet users.

As a leading enterprise in the industry, Tian Ge formulated specific strategies to seize each and every opportunity flowing from the rapid industry growth. The Group launched and operated numbers of distinctive streaming mobile applications, namely Miao Broadcasting (喵播), Crystal Live Broadcasting (水晶直播), Happy Live Broadcasting (歡樂直播), Feng Broadcasting (瘋播) and "9158 Live Streaming", which are innovatively incorporated with the Group's "many to many" concept. During the year, Tian Ge spared no effort in upgrading and optimizing its products, as well as seamlessly integrating its five mobile live streaming platforms with the Group's five original PC platforms, As a result, users may enjoy live streaming content with more features via both mobile and PC application.

The successful launch and operation of the above-mentioned mobile live streaming applications contributed to the significant increase in the Group's mobile monthly active users ("**MAUs**") and quarterly paying users ("**QPUs**"), which represented 47.0% and 63.9% of the Group's total MAUs and total QPUs respectively as at December 31, 2016 (2015: 23.4% and 24.1%).

Through integration of the Group's mobile and PC live streaming platforms during the year, the Group delivered positive results in terms of both expansion in user base and growth in revenue. Among the users attracted by the newly emerged mobile platform, the more active users are directed to our PC live streaming platforms, allowing our PC platform to remain vibrant. We will continue to strengthen the well-established mobile and PC live streaming platform. Riding on our intrinsic strength, loyal user base and thorough understanding of Chinese internet users from our PC platforms operation, the Group endeavors to provide users with comprehensive entertainment experience and to effectively expand Tian Ge's market share.

Mobile Games

The mobile games industry is undergoing massive expansion in China, as the number of mobile game users reached 495 million by 2015, and is expected to increase to 582 million by 2018, according to Statista. According to iResearch, the market size of the China mobile gaming sector in the 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. The Board firmly believes that the mobile gaming market in China will continue to grow and flourish.

During the year ended December 31, 2016, by establishing a comprehensive series of self-developed mobile social games and incorporating these games into the Group's mobile live streaming platform, Tian Ge successfully generated effective synergy in line with the Group's business development which allows users to enjoy all-rounded entertainment experience, thus strengthening the loyalty of our huge user base.

Financial Technology

The Board foresees a steady growth in demand for both financing and wealth management services of its huge paying user base. To satisfy such demand and to capture the opportunity, Tian Ge sets forth its new business strategy in the financial technology ("**FINTECH**") field: actively exploring and identifying investment and acquisition opportunities for FINTECH platforms, and to develop such platforms for its mobile and internet customers. In January 2016, Tian Ge announced its investment in Wuhan Jiuxin Puhui Financial Information Services Company Limited* (武漢玖信普惠金融信息服務有限公司) ("**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.* (杭州商富信息科技有限公司) ("**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.* (上海泓星資產管理有限公司), whose subsidiary is primarily engaged in personal real estate mortgage, bridge loan and non-performing loan disposal business through online financing platforms. The completion of the above transactions except Shanghai Hongxing Asset Management Co., Ltd. is subject to certain conditions set out in the relevant agreements. In December 2016, the Group signed a series of agreements to invest in Shanghai Ruiben Financial Information Services Company Limited* (上海睿本金融信息服務有限公司), Shenzhen Qianhai Goodsure Internet Financial Information Services Company Limited* (深圳市前海果樹互聯網金融服務有限公司) and Shenzhen Qianhai Tuteng Internet Financial Information Services Company Limited* (深圳市前海圖騰互聯網金融服務有限公司), which are internet financing enterprises 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 January 2017, the Group signed a series of agreements to invest in Shanghai Jieta Financial Information Services Company Limited* (上海截塔金融信息服務有限公司), an internet loan company specializing in the operation of microcredit through its website and mobile application. On the date of this announcement, the above transactions except Shanghai Hongxing Asset Management Co., Ltd. are yet to be consummated.

International Expansion

In 2016, Tian Ge successfully tapped into the overseas market by launching mobile live streaming application, i.e. Miao Broadcasting in Thailand. The Thai version of Miao Broadcasting gained attraction among Thailand users and entered the top charts of local Google Play store within short period of time. The Group also launched Traditional Chinese version of Miao Broadcasting in Taiwan and Hong Kong. During the year ended December 31, 2016, Tian Ge's professional team made vigorous efforts in expanding its business to overseas market, especially Southeast Asia.

In the coming year, Tian Ge will put forth its internationalization strategy by leveraging our strong technological capabilities and infrastructure and established social ecosystem to advance our penetration and global presence in the live streaming industry.

Outlook

In 2017, Tian Ge will complete connection of all PC and mobile live streaming platforms and deepen integrations among its platforms, as well as stepping up efforts to further expand its mobile live streaming business, including optimizing its ecosystem, as well as enriching its product portfolio and innovative content. Mobile live streaming business is expected to continue to provide major momentum for the Group's growth in near future.

To enrich the Group's social ecosystem, Tian Ge will also actively develop and operate related application to drive more users to the Group's live streaming platforms, including Meow Camera (喵拍), a short video sharing platform. Moreover, the Group aims to enhance its social media content by increasing R&D investment. The Board is confident in the expansion of user base in the coming year.

In addition, Tian Ge will remain focused on providing comprehensive entertainment and related services to tier 2 to tier 4 cities in China. The Group will keep abreast of the overseas mobile live streaming and gaming market, and will actively introduce its quality products to foreign countries, especially in Southeast Asian countries.

Looking ahead, the Group will continue to build on and reinforce its advantages by delivering the most sought-after real-time social interactive entertainment and gaming experiences to grasp business opportunities driven by the rapid market growth. Other than strengthening its existing businesses, Tian Ge will continue to identify various related investment opportunities with enormous potentials to further diversify its business and broaden the income sources, in order to generate positive impacts to the business, and increase its profit and increase shareholders' value.

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				
	December 31, 2016	December 31, 2015	Year-on-year change	September 30, 2016	Quarter-on-quarter change
Monthly Active Users *(in '000)**	**21,913**	16,536	32.5%	20,667	6.0%
Quarterly Paying Users *(in '000)**	**1,264**	801	57.8%	1,223	3.4%
Quarterly Average Revenue Per User *(RMB)**	**181**	162	11.7%	180	0.6%
Number of Rooms	**65,259**	26,192	149.2%	59,788	9.2%
Number of Hosts	**99,909**	36,261	175.5%	91,605	9.1%

* To be consistent with the revenue classification, the key operating data now includes the users from online interactive entertainment service only.

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 21.9 million for the three months ended December 31, 2016, representing an increase of approximately 32.5% from the three months ended December 31, 2015 and representing an increase of approximately 6.0% from the three months ended September 30, 2016.

- Our mobile MAUs as at December 31, 2016 represents 47.0% of our total MAUs, while the percentages as at December 31, 2015 and September 30, 2016 were 23.4% and 45.6%, respectively.

- The number of QPUs for Tian Ge's online interactive entertainment service was approximately 1,264,000 for the three months ended December 31, 2016, representing an increase of approximately 57.8% from the three months ended December 31, 2015 and representing an increase of approximately 3.4% from the three months ended September 30, 2016.

- Our mobile QPUs as at December 31, 2016 represents 63.9% of our total QPUs, while the percentages as at December 31, 2015 and September 30, 2016 were 24.1% and 63.6% respectively.

- The number of Quarterly Average Revenue Per User of Tian Ge's online interactive entertainment service for the three months ended December 31, 2016 increased by 11.7% to RMB181 from the three months ended December 31, 2015 and remained stable from the three months ended September 30, 2016. The increase was mainly due to the rapid development in our mobile live streaming business which was launched in the second quarter of 2016.

- Number of virtual rooms and hosts for Tian Ge's online interactive entertainment service increased by 9.2% and 9.1% on a quarter-on-quarter basis compared to that of September 30, 2016, respectively, and achieved a substantial increase on a year-on-year basis. The quarter-on-quarter increase was benefited from the continued rapid development of our mobile live streaming business in the fourth quarter of 2016. The year-on-year substantial increase was mainly due to the newly launched mobile live streaming business in the second quarter of 2016 which was popular.

- The total number of registered users of Tian Ge as at December 31, 2016 was 320.4 million, as compared to 292.3 million as at December 31, 2015*.

* Registered users here refers to accumulated registered users who have signed up an account and duplicate account was not excluded.

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

	Year ended		
	December 31, 2016	December 31, 2015	Year-on-Year Change
Monthly Active Users *(in '000)*	**19,235**	17,488	10.0%
Quarterly Paying Users *(in '000)*	**1,078**	770	40.0%
Quarterly Average Revenue Per User *(RMB)*	**176**	192	-8.3%

3. Financial Information

Revenue

Revenue of online interactive entertainment service mainly includes revenue from live social video platforms and online games, which increased by 28.5% year-on-year to RMB759.3 million for the year ended December 31, 2016 from RMB590.7 million for the corresponding period in 2015 and increased by 3.9% quarter-on-quarter to RMB228.4 million for the three months ended December 31, 2016 from RMB219.9 million for the three months ended September 30, 2016, respectively. The increase was primarily due to the growth of QPUs contributed by mobile live streaming business and mobile games.

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

Cost of Revenue

Cost of revenue experienced an increase of 24.3% year-on-year to RMB188.1 million for the year ended December 31, 2016 from RMB151.3 million for the corresponding period in 2015, and decreased by 38.6% quarter-on-quarter to RMB34.6 million for the three months ended December 31, 2016 from RMB56.4 million for the three months ended September 30, 2016. The year-on-year increase was primarily due to the increased costs related to mobile games and partially offset by the decrease of the costs of other value-added services. The quarter-on-quarter decrease was primarily due to decreased costs related to mobile games and costs of other value-added services.

The gross margin for the year ended December 31, 2016 was 77.5%, compared with 77.7% for the corresponding period in 2015. The gross margin for the three months ended December 31, 2016 was 86.1%, compared with 76.1% for the three months ended September 30, 2016.

Selling and Marketing Expenses

Selling and marketing expenses increased by 7.9% year-on-year to RMB206.4 million for the year ended December 31, 2016 from RMB191.4 million for the corresponding period in 2015, and remained stable quarter-on-quarter for the three months ended December 31, 2016 from the three months ended September 30, 2016. The year-on-year increase was mainly caused by the increase in promotion expenses for the promotion of our mobile live streaming products and partially offset by the decrease of employee costs.

Administrative Expenses

Administrative expenses increased by 5.6% year-on-year to RMB122.3 million for the year ended December 31, 2016 from RMB115.7 million for the corresponding period in 2015, and decreased by 17.1% quarter-on-quarter to RMB30.2 million for the three months ended December 31, 2016 from RMB36.4 million for the three months ended September 30, 2016. The year-on-year increase was primarily due to the increase of impairment loss and partially offset by the decrease of employee costs. The quarter-on-quarter decrease was primarily due to the decrease of employee costs and impairment loss.

Research and Development Expenses

Research and development expenses increased by 4.2% year-on-year to RMB87.2 million for the year ended December 31, 2016 from RMB83.6 million for the corresponding period in 2015, and remained stable quarter-on-quarter for the three months ended December 31, 2016 from the three months ended September 30, 2016. The year-on-year increase was primarily due to the new research developments in mobile live streaming products and mobile games as well as related employee costs.

Other Gains, Net

Other gains, net increased by 11.9% year-on-year to RMB59.4 million for the year ended December 31, 2016 from RMB53.0 million for the corresponding period in 2015, and decreased by 48.5% quarter-on-quarter to RMB10.9 million for the three months ended December 31, 2016 from RMB21.2 million for the three months ended September 30, 2016. The year-on-year increase was primarily due to the increase of gains from step acquisition, decrease of provisions, and partially offset by the increase of foreign exchange loss on non-financing activities. The quarter-on-quarter decrease was primarily due to the increase of foreign exchange loss on non-financing activities and the decrease of government grant.

Finance Costs, Net

Finance costs, net was RMB1.3 million for the year ended December 31, 2016 while finance income, net was RMB3.3 million for the corresponding period in 2015, which was mainly caused by the decrease of interest income on our cash and cash equivalents and the increase of foreign exchange loss on financing activities. Finance costs, net was RMB1.3 million for the three months ended December 31, 2016 while finance income, net was RMB0.1 million for the three months ended September 30, 2016, which was mainly caused by the increase of foreign exchange loss on financing activities.

Income tax expense

Income tax expense increased by 51.2% year-on-year to RMB52.5 million for the year ended December 31, 2016 from RMB34.7 million for the corresponding period in 2015, and decreased by 18.9% quarter-on-quarter to RMB15.6 million for the three months ended December 31, 2016 from RMB19.3 million for the three months ended September 30, 2016. For the year ended December 31, 2016, the income tax expense consists of (a) current corporate income tax of RMB54.2 million (2015: RMB36.2 million), (b) reversal of temporary differences of RMB6.7 million (2015: reversal of temporary differences of RMB1.5 million) and (c) withholding tax of RMB5.0 million (2015: nil). The increase of current year income tax expenses reflected an increase in profit before income tax, and the effective income tax rate remained stable compared with the year of 2015.

Gain attributable to equity holders of the Company

We recorded gain attributable to equity holders of the Company for the year ended December 31, 2016 of RMB233.2 million compared with gain attributable to equity holders of the Company of RMB151.8 million for the corresponding period of 2015, and gain attributable to equity holders of the Company increased by 44.1% quarter-on-quarter to RMB92.4 million for the three months ended December 31, 2016 from RMB64.1 million for the three months ended September 30, 2016. The year-on-year increase was mainly due to the increase of gross profit and other gains, net, and partially offset by operating expenses and income tax expenses. The quarter-on-quarter increase was mainly due to the increase of gross profit, saving of income tax expenses and partially offset by operating expenses and decrease of other gains, net.

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 years and periods presented:

	Year ended			Three months ended				
	December 31, 2016	December 31, 2015	Year-on-Year Change	**December 31, 2016**	September 30, 2016	Quarter-on-Quarter Change	December 31, 2015	Year-on-Year Change
(in RMB'000)								
Non-IFRS Financial Data								
Non-IFRS EBITDA	**359,555**	280,300	28.3%	**125,974**	106,295	18.5%	31,715	297.2%
*Non-IFRS EBITDA margin**	***43.1%***	*41.4%*		*50.7%*	*45.0%*		*21.5%*	
Non-IFRS Net Income	**280,572**	222,969	25.8%	**102,218**	81,525	25.4%	24,328	320.2%

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

Non-IFRS Adjusted EBITDA

Non-IFRS adjusted EBITDA, as presented, represents operating profit, adjusted to exclude non-cash share-based compensation expenses, amortisation of intangible assets arising from acquisitions, impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries, impairment loss arising from acquisitions and depreciation and amortization. The use of non-IFRS adjusted EBITDA has certain limitations because it does not reflect all items of income and expenses that affect operations. Items excluded from non-IFRS adjusted EBITDA are significant components in understanding and assessing our operating and financial performance. Non-cash share-based compensation expenses, amortisation of intangible assets arising from acquisitions, impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries, impairment loss arising from acquisitions and depreciation and amortization have been and may continue to be incurred are not reflected in the presentation of non-IFRS adjusted EBITDA. Each of these items should also be considered in the overall evaluation of the Company's results.

The following table reconciles our operating profit to our non-IFRS adjusted EBITDA for the years and periods presented:

	Year ended		Three months ended		
	December 31, 2016	December 31, 2015	**December 31, 2016**	September 30, 2016	December 31, 2015
(in RMB'000)					
Operating Profit	**289,648**	188,524	**111,463**	83,462	8,030
Share-based compensation expense	**31,790**	65,942	**4,504**	7,318	15,588
Impairment loss arising from acquisitions	**6,997**	1,624	**–**	6,997	1,624
Impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries	**4,835**	–	**3,162**	1,673	–
Amortisation of intangible assets arising from acquisitions	**6,241**	2,668	**2,011**	1,704	822
Depreciation and amortization expense	**20,044**	21,542	**4,834**	5,141	5,651
Non-IFRS Adjusted EBITDA	**359,555**	280,300	**125,974**	106,295	31,715

Non-IFRS Net Income and Earnings Per Share

Non-IFRS net income eliminates the effect of non-cash share based compensation expenses, impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries, impairment loss arising from acquisitions and amortisation of intangible assets arising from acquisitions. 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 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 number of ordinary shares outstanding during the corresponding period has been adjusted retroactively for the proportional changes in the number of preferred shares, share options and restricted share units outstanding as a result of the issuance of bonus shares for the corresponding period. The numerator of adjusted diluted EPS is adjusted net profit attributable to the equity holders of the Company.

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

	Year ended		Three months ended		
	December 31, 2016	December 31, 2015	**December 31, 2016**	September 30, 2016	December 31, 2015
(in RMB'000)					
Reconciliation to non-IFRS Net Income					
Net Profit	**230,709**	149,750	**92,541**	63,833	3,309
Share-based compensation expense	**31,790**	65,942	**4,504**	7,318	15,588
Impairment loss arising from acquisitions	**6,997**	4,609	**–**	6,997	4,609
Impairment of capital surplus attributable to non-controlling interests of newly established subsidiaries	**4,835**	–	**3,162**	1,673	–
Amortisation of intangible assets arising from acquisitions	**6,241**	2,668	**2,011**	1,704	822
Non-IFRS Net Income	**280,572**	222,969	**102,218**	81,525	24,328

4. Liquidity and Financial Resources

Cash and Cash Equivalents and Financial Assets/Term Deposits

Cash and cash equivalents consist of cash at bank and cash on hand, and as at December 31, 2016 and December 31, 2015, it amounted to RMB290.3 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 term deposits with initial term of over three months of RMB776.0 million and RMB954.9 million as at December 31, 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.

The Company had current available-for-sale financial assets of RMB611.0 million and RMB370.1 million as at December 31, 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 1.5% to 3.5% per annum with maturity periods within one year or with an ongoing term offered by large state-owned and commercial banks in China.

Bank Loans and Other Borrowings

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

Gearing Ratio

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

Capital Expenditures

For the year ended December 31, 2016, the Group's capital expenditures were approximately RMB45.8 million, mainly including approximately RMB23.3 million relating to purchase of a house located in the United States, RMB12.6 million relating to purchase of intangible assets, game licenses and royalty fee and RMB4.5 million relating to purchase of sever and equipment.

Significant Investment

The Company did not make any significant investments for the year ended December 31, 2016.

Mergers and Acquisitions

In January 2016, the Group entered into a series of agreements (the "**Agreements**") to purchase 20% equity interest of Wuhan Jiuxin, an internet financing company specializing in vehicle mortgage loan by operating its peer-to-peer investment platform via the website www.jiurong.com or the mobile application, at a total cash consideration of RMB20.8 million. In addition, the Group and the current shareholders of Wuhan Jiuxin agreed to further increase the paid-in capital of Wuhan Jiuxin by capital contribution and the Group will inject an additional capital of RMB26.0 million to increase the Group's equity holding in Wuhan Jiuxin from 20% to 36%. The Group also promised to further acquire the equity interest of Wuhan Jiuxin if certain performance targets of Wuhan Jiuxin as set out in the Agreements are met. On the date of this announcement, the transaction is yet to be consummated.

In May 2015, the Group acquired 15% of the equity interest in 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 RMB2.0 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 RMB41.6 million. As a result of the acquisition, the Group held in aggregate 80% of the equity interest in Happy Alliance as of the date of this announcement.

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 RMB10.0 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 RMB15.0 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. On the date of this announcement, the transaction is yet to be consummated.

In December 2016, the Group acquired 27% equity interests of Jinhua Yibo Network Technology Co., Ltd., an independent third party group engaged in the design and operation of web-based casual games, and Yibo International (Macau) Co., Ltd. for a total consideration of RMB63.0 million.

In December 2016, the Group completed the acquisition of 64% equity interest in Jinhua Pangu Information Technology Co. Ltd. and Poon Ku International (Macau) Co., Ltd. (collectively "**Pangu Group**"), a third party group engaged in design and development of web-based and mobile casual games, for a total consideration of RMB105.2 million.

Except as disclosed above, the Group did not make any other material mergers or acquisitions for the year ended December 31, 2016.

Charges on Assets

As at December 31, 2016, the Group did not have any asset charges.

Contingent Liabilities

As at December 31, 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 December 31, 2016. We do not hedge against any fluctuation in foreign currency.

5. Corporate Information

Staff

The Company had 732 full time employees as at December 31, 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 and work ethics which are necessary to succeed at Tian Ge.

Relevant staff cost was RMB166.4 million for the year ended December 31, 2016, while our staff cost was RMB195.2 million for the year ended December 31, 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 Restricted Share Unit Scheme (the "**Pre-IPO RSU Scheme**"), the Post-IPO Share Option Scheme and the Post-IPO Restricted Share Unit Scheme (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 ended December 31, 2016 is RMB31.8 million, as compared to RMB65.9 million in the corresponding period in 2015.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(AS AT DECEMBER 31, 2016)

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
Assets			
Non-current assets			
Property and equipment		**182,908**	190,843
Investment property		**27,748**	–
Intangible assets		**251,003**	121,312
Investment accounted for using the equity method	*4*	**55,497**	52,078
Deferred income tax assets		**74,583**	33,460
Available-for-sale financial assets	*6*	**304,478**	100,008
Prepayments and other receivables		**191,601**	154,917
Term deposits with initial term over 3 months		**–**	168,138
		1,087,818	820,756
Current assets			
Inventories		**1,082**	10,307
Trade receivables	*5*	**25,834**	32,006
Prepayments and other receivables		**115,090**	247,501
Available-for-sale financial assets	*6*	**610,954**	370,058
Term deposits with initial term over 3 months		**775,958**	786,732
Cash and cash equivalents		**290,306**	232,848
		1,819,224	1,679,452
Total assets		**2,907,042**	2,500,208
Equity and liabilities			
Equity attributable to Shareholders of the Company			
Share capital	*7*	**804**	797
Share premium	*7*	**2,250,388**	2,305,423
Shares held for RSU Scheme	*7*	**(7)**	(14)
Other reserves		**426,403**	273,425
Accumulated deficits		**(89,257)**	(292,919)
		2,588,331	2,286,712
Non-controlling interests		**35,641**	21,960
Total equity		**2,623,972**	2,308,672

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**14,948**	5,148
Other non-current liabilities		**1,304**	1,347
		16,252	6,495
Current liabilities			
Trade payables	*9*	**29,435**	23,212
Other payables and accruals		**61,407**	63,451
Income tax liabilities		**117,088**	48,554
Customer advance and deferred revenue		**53,888**	43,824
Provisions for other liabilities and charges		**5,000**	6,000
		266,818	185,041
Total liabilities		**283,070**	191,536
Total equity and liabilities		**2,907,042**	2,500,208

CONSOLIDATED STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
(FOR THE YEAR ENDED DECEMBER 31, 2016)

		Year ended 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**834,185**	677,543
Cost of revenue	*10*	**(188,098)**	(151,335)
Gross profit		**646,087**	526,208
Selling and marketing expenses	*10*	**(206,375)**	(191,353)
Administrative expenses	*10*	**(122,272)**	(115,735)
Research and development expenses	*10*	**(87,152)**	(83,628)
Other gains, net	*11*	**59,360**	53,032
Operating profit		**289,648**	188,524
Finance income	*12*	**1,150**	4,338
Finance costs	*12*	**(2,498)**	(1,030)
Finance income/(costs), net	*12*	**(1,348)**	3,308
Share of loss of investment accounted for using the equity method	*4*	**(5,110)**	(4,389)
Impairment of investment accounted for using the equity method		**–**	(2,985)
Profit before income tax		**283,190**	184,458
Income tax expense	*13*	**(52,481)**	(34,708)
Profit for the year		**230,709**	149,750
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Changes in value of available-for-sale financial assets		**26,677**	–
Currency translation differences		**63,680**	62,009
Total comprehensive income for the year		**321,066**	211,759

		Year ended 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Profit/(Loss) attributable to:			
– Shareholders of the Company		**233,213**	151,792
– Non-controlling interests		**(2,504)**	(2,042)
		230,709	149,750
Total comprehensive income/(loss) attributable to:			
– Shareholders of the Company		**323,133**	213,587
– Non-controlling interests		**(2,067)**	(1,828)
		321,066	211,759
Earnings per share			
(expressed in RMB per share)			
– Basic	*14*	**0.183**	0.122
– Diluted	*14*	**0.175**	0.116

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(FOR THE YEAR ENDED DECEMBER 31, 2016)

		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 *RMB'000*	Non-controlling interests *RMB'000*	Total Equity *RMB'000*
Balance at 1 January 2015		779	2,381,529	(19)	122,473	(421,073)	2,083,689	4,799	2,088,488
Comprehensive income/(loss)									
Profit/(loss) for the year		–	–	–	–	151,792	151,792	(2,042)	149,750
Other comprehensive income									
Currency translation differences		–	–	–	61,795	–	61,795	214	62,009
Total other comprehensive income, net of tax		–	–	–	61,795	–	61,795	214	62,009
Total comprehensive income/(loss)		–	–	–	61,795	151,792	213,587	(1,828)	211,759
Transactions with Shareholders in their capacity as owners									
Share-based payments		–	–	–	65,942	–	65,942	–	65,942
Proceeds from share issued under employee share option plan	7	20	8,405	–	–	–	8,425	–	8,425
Vest and transfer of RSUs	7	–	(9)	9	–	–	–	–	–
Issuance of shares held for Post-IPO RSU Scheme	7	4	–	(4)	–	–	–	–	–
Repurchase and cancellation of ordinary shares	7	(6)	(24,929)	–	–	–	(24,935)	–	(24,935)
Non-controlling interests arising from acquisition and establishment of subsidiaries		–	–	–	–	–	–	18,989	18,989
Step-acquisition of an associate		–	–	–	1,813	(2,236)	(423)	–	(423)
Appropriation of special dividends	7	–	(59,573)	–	–	–	(59,573)	–	(59,573)
Profit appropriations to statutory reserves		–	–	–	21,402	(21,402)	–	–	–
Total transactions with Shareholders in their capacity as owners		18	(76,106)	5	89,157	(23,638)	(10,564)	18,989	8,425
Balance at 31 December 2015		797	2,305,423	(14)	273,425	(292,919)	2,286,712	21,960	2,308,672

	Note	Attributable to Shareholders of the Company							
		Share capital	Share premium	Shares held for RSU Scheme	Other reserves	Accumulated deficits	Total	Non-controlling interests	Total Equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2016		**797**	**2,305,423**	**(14)**	**273,425**	**(292,919)**	**2,286,712**	**21,960**	**2,308,672**
Comprehensive income									
Profit/(loss) for the year		**–**	**–**	**–**	**–**	**233,213**	**233,213**	**(2,504)**	**230,709**
Other comprehensive income									
Currency translation differences		**–**	**–**	**–**	**63,243**	**–**	**63,243**	**437**	**63,680**
Changes in value of available-for-sale financial assets		**–**	**–**	**–**	**26,677**	**–**	**26,677**	**–**	**26,677**
Total other comprehensive income, net of tax		**–**	**–**	**–**	**89,920**	**–**	**89,920**	**437**	**90,357**
Total comprehensive income/(loss)		**–**	**–**	**–**	**89,920**	**233,213**	**323,133**	**(2,067)**	**321,066**
Transactions with Shareholders in their capacity as owners									
Share-based payments		**–**	**–**	**–**	**31,790**	**–**	**31,790**	**–**	**31,790**
Proceeds from share issued under employee share option plan	*7*	**6**	**10,606**	**–**	**–**	**–**	**10,612**	**–**	**10,612**
Vest and transfer of RSUs	*7*	**–**	**(8)**	**8**	**–**	**–**	**–**	**–**	**–**
Issuance of shares held for Post-IPO RSU Scheme	*7*	**1**	**–**	**(1)**	**–**	**–**	**–**	**–**	**–**
Non-controlling interests arising from acquisition and establishment of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**16,655**	**16,655**
Non-controlling interests arising from disposal of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**(3,920)**	**(3,920)**
Step-acquisition of an associate		**–**	**–**	**–**	**–**	**–**	**–**	**4,730**	**4,730**
Appropriation of final dividends	*7*	**–**	**(65,633)**	**–**	**–**	**–**	**(65,633)**	**–**	**(65,633)**
Profit appropriations to statutory reserves		**–**	**–**	**–**	**29,551**	**(29,551)**	**–**	**–**	**–**
Changes in ownership interests in subsidiaries without change of control		**–**	**–**	**–**	**1,717**	**–**	**1,717**	**(1,717)**	**–**
Total transactions with Shareholders in their capacity as owners		**7**	**(55,035)**	**7**	**63,058**	**(29,551)**	**(21,514)**	**15,748**	**(5,766)**
Balance at 31 December 2016		**804**	**2,250,388**	**(7)**	**426,403**	**(89,257)**	**2,588,331**	**35,641**	**2,623,972**

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW
(FOR THE YEAR ENDED DECEMBER 31, 2016)

	Year Ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Net cash generated from operating activities	**360,786**	154,007
Net cash used in investing activities	**(419,419)**	(142,775)
Net cash generated from/(used in) financing activities	**114,043**	(74,130)
Net increase/(decrease) in cash and cash equivalents	**55,410**	(62,898)
Cash and cash equivalents at beginning of year	**232,848**	289,083
Exchange gain on cash and cash equivalents	**2,048**	6,663
Cash and cash equivalents at end of year	**290,306**	232,848

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(FOR THE YEAR ENDED DECEMBER 31, 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 Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, 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, advertising and other services in the People's Republic of China (the '**PRC**').

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

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

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

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

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

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

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

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

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

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

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

These consolidated financial statements of the Group have been approved for issue by the Board of Directors (the '**Board**') on 24 March 2017.

2. BASIS OF PREPARATION

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.

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 investment properties, 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.

Changes in accounting policies and disclosure

(a) New amendments and interpretation adopted by the Group in 2016

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

– IFRS 14, 'Regulatory Deferral Accounts'

– Amendment to IFRS 11, 'Accounting for acquisitions of interests in joint operations'

– Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'

– Amendment to IAS 27, 'Equity method in separate financial statements'

– Amendments from annual improvements to IFRSs – 2012-2014 Cycle, on IFRS 5, 'Non-current assets held for sale and discontinued operations', IFRS 7, 'Financial instruments: Disclosures', IAS 19, 'Employee benefits' and IAS 34, 'Interim financial reporting'

– Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment entities: applying the consolidation exception'

– Amendments to IAS 1 'Disclosure initiative'

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) *New standards and amendments issued but are not yet effective for the financial year beginning on 1 January 2017, and have not been early adopted by the Group*

A number of new standards and amendments to standards and interpretations to be adopted in future reporting periods, and have not been applied in preparing this consolidated financial information. None of these are expected to have a significant effect on the consolidated financial information of the Group, except the following set out below:

– IFRS 9 Financial Instruments

– IFRS 15 Revenue from Contracts with Customers

– IFRS 16 Leases

There are no other amendments and new or amended standards that are not yet effective that would be expected to have a material impact on the Group.

3. 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. The CODM considers the business primarily from product perspective.

The Group has following reportable segments for the years ended 31 December 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 e-commerce 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 years ended 31 December 2016 and 2015. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated statement of comprehensive income.

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

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2016 and 2015 is as follows:

	Year Ended 31 December 2016		
	Online interactive entertainment service	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment Revenue (a)	**759,336**	**74,849**	**834,185**
Gross Profit	**610,624**	**35,463**	**646,087**
– Depreciation, amortization and impairment charges included in segment cost	**(6,394)**	**(534)**	**(6,928)**
Impairment of goodwill	**–**	**(6,997)**	**(6,997)**
Operating profit			**289,648**
Finance income			**1,150**
Finance costs			**(2,498)**
Shares of profit/(loss) of investments accounted for using the equity method	**(5,373)**	**263**	**(5,110)**
Profit before income tax			**283,190**

	Year Ended 31 December 2015		
	Online interactive entertainment service	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment Revenue (a)	590,738	86,805	677,543
Gross Profit	482,999	43,209	526,208
– Depreciation, amortization and impairment charges included in segment cost	(4,702)	(1,450)	(6,152)
Operating profit			188,524
Finance income			4,338
Finance costs			(1,030)
Shares of profit/(loss) of investments accounted for using the equity method	664	(5,053)	(4,389)
Impairment of investments accounted for using the equity method	–	(2,985)	(2,985)
Profit before income tax			184,458

Note :

(a) The revenue from provision of live social video platforms and provision of online games for the year end 31 December 2016 were RMB643,559 thousand and RMB115,777 thousand, respectively (2015: RMB526,514 thousand and RMB64,224 thousand, respectively).

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC. For the year ended 31 December 2016 and 2015, the total geographic information on the total revenue is as follows:

	Year Ended 31 December 2016		
	PRC (Excluding Hong Kong)	**Other regions**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment Revenue	**828,434**	**5,751**	**834,185**

	Year Ended 31 December 2015		
	PRC (Excluding Hong Kong)	Other regions	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment Revenue	665,259	12,284	677,543

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

Risk of Concentration

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

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Associates	**39,993**	33,390
Joint ventures	**15,504**	18,688
	55,497	52,078

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Associates	**120**	(2,677)
Joint ventures	**(5,230)**	(1,712)
	(5,110)	(4,389)

(a) Investments in associates

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Beginning of the year	**33,390**	3,863
Additions *(Note iii, iv, v)*	**9,797**	25,979
Step acquisition from available-for-sale financial assets to investments in associates	**–**	17,578
Cash contribution to associates	**–**	32
Derecognition of Happy Alliance from an associate	**(3,328)**	–
Reduced interests in an associate	**–**	(8,400)
Share of profit/(loss) of investment accounted for using the equity method	**120**	(2,677)
Impairment of investment in an associate	**–**	(2,985)
Exchange and translation difference	**14**	–
End of the year	**39,993**	33,390

Set out below are the associates of the Group as at 31 December 2016, which, in the opinion of the directors, are 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 at 31 December 2016

Name of entity	**Place of business**	**% of ownership interest**	**Measurement method**	**Nature of Associate**
Hangzhou Seehealth Information Technology Co., Ltd. ('**Seehealth**') (formerly known as Hangzhou Xi He Technology Co., Ltd.) (杭州希和信息技術有限公司) (原名為杭州希禾資訊技術有限公司)	Hangzhou, PRC	18.6819%	Equity	Note i, vi
Zhejiang Sodao Network Technology Co., Ltd. ('**Sodao**') (浙江搜道網絡技術有限公司)	Hangzhou, PRC	31.9172%	Equity	Note ii
Winnine Interactive Co., Ltd. ('**Winnine**')	Bangkok, Thailand	35%	Equity	Note iii
Zhejiang Caigou Cultural Communication Co., Ltd. ('**Caigou**') (浙江彩狗文化傳播有限公司)	Hangzhou, PRC	19%	Equity	Note iv, vi
Zhejiang Weiyu Network Technology Co., Ltd. ('**Weiyu**') (浙江微魚網路科技限公司)	Hangzhou, PRC	19%	Equity	Note v, vi

(i) Seehealth primarily engages in providing online health information services in Hangzhou, the PRC.

(ii) Sodao primarily engages in business promotion and trading via online female network community in Hangzhou, the PRC.

(iii) In August 2016, the Group and four other third parties together established Winnine, a company engaged in online social live broadcasting in Bangkok, Thailand. The Group subscribed 10 thousand shares at a cash consideration of BAHT100 thousand (approximately RMB20 thousand) or BAHT10 (approximately RMB2) per share and held 20% of its total equity interests.

In December 2016, the Group paid BAHT2,527,600 (approximately RMB489 thousand) to the selling shareholders of Winnine for additional 1,780 shares and made capital injection of BAHT12,496 thousand (approximately RMB2,388 thousand) into Winnine for the subscription of additional 8,800 shares. As at 31 December 2016, the Group held in aggregate 35% equity interests in Winnine on a fully-diluted basis.

(iv) In October 2016, the Group completed the acquisition of a 19% equity interest in Caigou, a third party company engaged in design and development of mobile casual games in the PRC, for a total amount of RMB5,000 thousand as capital injection made into Caigou.

(v) In November 2016, the Group and two other third parties together established Weiyu, a third party company engaged in the operation of internet financing platform in the PRC. The Group made a capital contribution of RMB1,900 thousand to hold 19% of its total equity interests.

(vi) Management has assessed the level of influence that the Group has on certain associates, and determined that it has significant influence even though the shareholding is below 20% because of the board representation or other arrangements. Consequently, these investments have been classified as associates.

(b) Investment in joint ventures

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Beginning of the year	**18,688**	–
Additions *(Note ii, iii)*	**7,451**	20,400
Adjustments on the consideration *(Note i)*	**(5,000)**	–
Share of loss of investment accounted for using equity method	**(5,230)**	(1,712)
Currency translation difference	**(405)**	–
End of the year	**15,504**	18,688

Set out below are the joint ventures of the Group as at 31 December 2016, which, in the opinion of the directors, are not material to the Group. The joint ventures 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.

Name of entity	**Place of business**	**% of ownership interest**	**Measurement method**	**Nature of Associate**
Zhejiang Haile Technology Co., Ltd. ('**Haile**') (formerly known as Jinhua Haile Technology Co., Ltd.) (浙江嗨樂科技有限公司) (原名為金華嗨樂科技有限公司)	Jinhua, PRC	51%	Equity	Note i
Jinhua Xinglu Network Technology Co., Ltd. ('**Xinglu**') (金華星路網路科技有限公司)	Jinhua, PRC	27%	Equity	Note ii, iv
Grove Inc. ('**Grove**')	Tokyo, Japan	33.5%	Equity	Note iii, iv

(i) Haile primarily engages in the development and operation of a social mobile application in Jinhua, the PRC. In October 2015, the Group committed to making a capital injection of RMB20,400 thousand to Haile, after which the equity interests in Haile held by the Group was 51%. As of 31 December 2015, RMB15,400 thousand had been paid by the Group.

In December 2016, the Group and Haile entered into a supplement contract to reduce the total capital injection by RMB5,000 thousand to RMB15,400 thousand.

(ii) In July 2016, the Group acquired 27% of the total equity interests of Xinglu from its shareholder at a cash consideration of RMB2,700 thousand. Xinglu primarily engages in providing technical advice and support for web-based casual games in the PRC.

(iii) In July 2016, the Group entered into a series of agreements to purchase in aggregate 33.5% equity interest of Grove, an independent third party Japanese company engaged in online marketing and promotion with Internet celebrity, for a total cash consideration of JPY72,800 thousand (approximately RMB4,751 thousand).

(iv) Management has assessed the level of influence that the Group has on these investments, and determined that it has joint control even though the shareholding varies from 27% to 51%, because unanimous consent is required from all parties to the agreements for all relevant activaties. Consequently, these investments have been classified as joint ventures.

5. TRADE RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Third parties	**25,385**	22,594
Less: allowance for impairment of trade receivables	**–**	(121)
Third parties, net	**25,385**	22,473
Amount due from related parties	**449**	9,533
	25,834	32,006

As at 31 December 2016 and 2015, the fair values of trade receivables approximated their carrying amounts.

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
0-90 days	**21,444**	19,646
91-180 days	**1,755**	10,052
181-365 days	**2,175**	1,126
Over 1 year	**460**	1,303
	25,834	32,127

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Included in non-current assets		
Investments in venture capital funds (a)	**224,009**	92,208
Unlisted equity investments (b)	**80,469**	7,800
	304,478	100,008
Included in current assets		
Investment in structured deposits (c)	**610,954**	370,058
	915,432	470,066

(a) This represented the Group's investments in some venture funds as limited partner. Set out below are the movements of the Group's investments in venture capital funds as at 31 December 2016 and 2015:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Investments in venture capital funds (a)		
At beginning of the year	**92,208**	24,476
Additions	**98,747**	65,991
Fair value gain recognised in consolidated statement of comprehensive income under 'other comprehensive income'	**26,677**	–
Currency translation difference	**6,377**	1,741
At end of the year	**224,009**	92,208

(b) This represented the Group's investments in unlisted equity interests. The Group acquired certain unlisted equity interests for an aggregate consideration of RMB72,408 thousand during the year ended 31 December 2016. They are principally engaged in operation of O2O beauty service and web-based casual games and assets and investments management. Set out below are the movements of the Group's unlisted equity investments as at 31 December 2016 and 2015:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Unlisted equity investments (b)		
At beginning of the year	**7,800**	2,300
Additions	**72,408**	7,500
Step acquisition from available-for-sale financial assets to investment in associates	**–**	(2,000)
Exchange and translation difference	**261**	–
At end of the year	**80,469**	7,800

(c) The Group's current available-for-sale financial assets represented RMB-denominated principal protected structured deposits with floating interest rates ranging from 1.5% to 3.5% per annum and maturity period within 1 year or revolving terms. These structured deposits are offered by large state-owned commercial banks in the PRC. The fair value of the current available-for-sale financial assets approximated its carrying amount.

7. SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME

	Number of Shares	**Share capital**		**Share premium**	**Shares held for RSU Scheme**
		US$'000	***RMB'000***	***RMB'000***	***RMB'000***
At 1 January 2016	**1,285,538,896**	**128.55**	**797**	**2,305,423**	**(14)**
Proceeds from share issued under employee share option plan (a)	**12,773,833**	**1.28**	**6**	**10,606**	**–**
Appropriation of final dividends (b)	**–**	**–**	**–**	**(65,633)**	**–**
Issuance of shares held for Post-IPO RSU Scheme (c)	**1,048,688**	**0.10**	**1**	**–**	**(1)**
Vest and transfer of RSUs	**–**	**–**	**–**	**(8)**	**8**
At 31 December 2016	**1,299,361,417**	**129.93**	**804**	**2,250,388**	**(7)**

	Number of Shares	Share capital		Share premium	Shares held for RSU Scheme
		US$'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	1,259,401,000	125.94	779	2,381,529	(19)
Proceeds from share issued under employee share option plan (a)	29,478,896	2.95	20	8,405	–
Repurchase and cancellation of ordinary shares (d)	(9,560,000)	(0.96)	(6)	(24,929)	–
Appropriation of special dividends (e)	–	–	–	(59,573)	–
Issuance of shares held for Post-IPO RSU Scheme (c)	6,219,000	0.62	4	–	(4)
Vest and transfer of RSUs	–	–	–	(9)	9
At 31 December 2015	1,285,538,896	128.55	797	2,305,423	(14)

(a) Employees share option plan: options exercised during the period to 31 December 2016 resulted in 12,773,833 ordinary shares being issued (31 December 2015: 29,478,896 ordinary shares), with exercise proceeds of approximately RMB10,612 thousand (31 December 2015: RMB8,425 thousand). The related weighted average price at the time of exercise was HK$5.49.

(b) Pursuant to the resolution of the board meeting in March 2016 and approval of the annual general meeting held in May 2016, the Company declared a final dividend for the year ended 31 December 2015 of HK$77,700 thousand (approximately RMB65,633 thousand) in total or HK$0.06 per ordinary share out of the Company's share premium account, which were fully paid in June 2016.

(c) In April 2016, April 2015 and September 2015, the Company granted 1,048,688, 3,499,000 and 2,720,000 ordinary shares respectively to an independent trust nominee for the purpose of granting Post-IPO RSUs to the participants under Post-IPO RSU Scheme. The ordinary shares held for Post-IPO RSU scheme was 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.

(d) In January 2015, July 2015, August 2015 and December 2015, the Company repurchased 5,944,000, 2,919,000, 370,000 and 327,000 ordinary shares respectively of the Company through purchases on The Stock Exchange of Hong Kong Limited. All the repurchased ordinary shares had been cancelled as at 31 December 2015. The total amount paid to repurchase these ordinary shares was HK$31,426 thousand (approximately RMB24,935 thousand) and had been deducted from the share capital and share premium of shareholders' equity.

(e) Pursuant to the resolution of the extraordinary general meeting in February 2015, the Company declared a special dividend of HK$75,210 thousand (approximately RMB59,573 thousand) in total or HK$0.06 per ordinary share out of the Company's share premium account, which were fully paid in March 2015.

8. SHARE-BASED PAYMENTS

(a) Share options

Pre-IPO Share Option Scheme

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

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

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

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

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

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

Post-IPO Share Option Scheme

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

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

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

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

	Average Exercise Price in US$ per Share Option	**Number of Pre-IPO Share Options**	**Average Exercise Price in HK$ per Share Option**	**Number of Post-IPO Share Options**	**Total Number of Share Options**
At 1 January 2015		87,721,320		–	87,721,320
Granted		–	HK$3.5000	4,000,000	4,000,000
Exercised	US$0.0465	(29,478,896)		–	(29,478,896)
Forfeited	US$0.3230	(1,394,955)		–	(1,394,955)
At 31 December 2015		56,847,469		4,000,000	60,847,469
At 1 January 2016		**56,847,469**		**4,000,000**	**60,847,469**
Exercised	**US$0.1086**	**(12,131,833)**	**HK$3.5000**	**(642,000)**	**(12,773,833)**
Forfeited	**US$0.3321**	**(476,750)**		**–**	**(476,750)**
At 31 December 2016		**44,238,886**		**3,358,000**	**47,596,886**

During the year ended 31 December 2016, no share option was granted (2015: 4,000,000 share options were granted).

As at 31 December 2016, out of the 47,596,886 outstanding share options (2015: 60,847,469), 47,596,952 share options (2015: 51,646,989) were exercisable. Options exercised in 2016 resulted in 12,773,833 shares (2015: 29,478,896 shares) being issued at a weighted average price of US$0.1086 (2015: US$0.0465) per share. The weighted average price of the shares at the time these options were exercised was HK$5.4874 (2015: HK$6.24) per share.

Details of the expiry dates, exercise prices and the respective numbers of Pre-IPO share options, retroactively reflecting the one-to-ten basis bonus shares, and of Post-IPO share options, which remained outstanding as at 31 December 2016 and 2015, are as follows:

			Number of share options	
Trench	**Expiry Date**	**Exercise price**	**31 December 2016**	**31 December 2015**
Trench I Option	10 years commencing from the date of grant of options	US$0.0001	–	–
		US$0.01	11,811,000	12,914,000
Trench II Option	10 years commencing from the date of grant of options	US$0.021	2,160,000	2,552,000
		US$0.03	3,848,540	5,403,540
Trench III Option	10 years commencing from the date of grant of options	US$0.06	2,231,380	2,816,380
Trench IV Option	10 years commencing from the date of grant of options	US$0.035	6,601,000	8,971,000
		US$0.06	300,000	800,000
Trench V Option	10 years commencing from the date of grant of options	US$0.03	35,000	142,000
		US$0.035	–	–
		US$0.06	2,859,050	3,169,050
Trench VI Option	10 years commencing from the date of grant of options	US$0.06	1,600,000	2,000,000
		US$0.1	1,184,000	1,545,000
		US$0.12	908,439	1,419,814
Trench VII Option	10 years commencing from the date of grant of options	US$0.15	1,931,100	3,502,940
Trench VIII Option	10 years commencing from the date of grant of options	US$0.2	1,045,570	1,794,540
Trench IX Option	10 years commencing from the date of grant of options	US$0.35	7,723,807	9,817,205
Trench X Option	9 years and 8 months commencing from the date the grant of options	HK$3.5	3,358,000	4,000,000
			47,596,886	60,847,469

(b) Restricted share units

Pre-IPO RSU Scheme

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

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

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

Post-IPO RSU Scheme

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

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

	Number of shares held for Pre-IPO RSU Scheme	**Number of shares held for Post-IPO RSU Scheme**	**Total**
At 1 January 2016	**19,071,875**	**2,823,500**	**21,895,375**
Granted	**–**	**1,048,688**	**1,048,688**
Vested and transferred	**(8,479,170)**	**(3,203,850)**	**(11,683,020)**
Forfeited	**–**	**(90,000)**	**(90,000)**
At 31 December 2016	**10,592,705**	**578,338**	**11,171,043**
Shares vested but not transferred to the grantees as at 31 December 2016			**–**

	Number of shares held for Pre-IPO RSU Scheme	Number of shares held for Post-IPO RSU Scheme	Total
At 1 January 2015	31,343,750	–	31,343,750
Granted	–	6,219,000	6,219,000
Vested and transferred	(12,271,875)	(3,395,500)	(15,667,375)
At 31 December 2015	19,071,875	2,823,500	21,895,375
Shares vested but not transferred to the grantees as at 31 December 2015			–

During the year ended 31 December 2016, 1,048,688 RSUs were granted (2015: 6,219,000 RSUs were granted).

During the year ended 31 December 2016, total 22,638,309 (2015: 4,272,631) of the above granted RSUs were exercised.

(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, is summarised as below.

	Year ended 31 December	
	2016	2015
Weighted average share price at the grant date	–	HK$3.46
Risk-free interest rate	–	1.457%
Volatility	–	49.1%
Dividend yield	–	0.00%

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) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the shares options (the '**Expected Retention Rate**') in order to determine the amount of share-based compensation expenses charged to the statement of comprehensive income. As at 31 December 2016, the Expected Retention Rate was assessed to be 100% (2015: 100%).

(e) **Shares held for RSU Scheme**

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

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

As of 31 December 2016, 7,267,688 ordinary shares of the Company underlying the RSUs were held by the Post-IPO RSU Nominee for the benefit of the grantees pursuant to the Post-IPO RSU Scheme.

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

9. TRADE PAYABLES

Trade payables were mainly due to promotion and advertising expenses, commission charges by platforms and game developers, and bandwidth and server custody fees.

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Third parties	**27,435**	17,920
Related parties	**2,000**	5,292
	29,435	23,212

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
0-90 days	**16,555**	10,271
91-180 days	**6,095**	10,599
181-365 days	**4,749**	11
Over 1 year	**2,036**	2,331
	29,435	23,212

10. EXPENSES BY NATURE

	Year Ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Employee benefit expenses (including share-based compensation expenses)	**166,350**	195,224
Promotion and advertising expenses (a)	**140,028**	117,923
Commission charges by platforms and game developers	**95,527**	46,484
Cost of inventories	**31,455**	42,645
Bandwidth and server custody fees	**30,620**	35,676
Provision of prepayments and other receivables impairment	**21,860**	–
Travelling and entertainment expenses	**18,862**	16,879
Depreciation and impairment charges of property and equipment	**14,905**	17,691
Game development costs	**13,145**	11,496
Amortisation and impairment charges of intangible assets	**11,380**	9,171
Impairment of goodwill	**6,997**	–
Operating lease rentals	**6,974**	7,304
Auditors' remuneration		
– Audit services	**6,021**	5,580
– Non-audit services	**–**	432
Others	**39,773**	35,546
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**603,897**	542,051

(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.

11. OTHER GAINS, NET

	Year Ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Investment interest (a)	**39,870**	38,321
Net gain from revaluation of investment property	**2,667**	–
Financial assets at fair value through profit or loss		
– Fair value gains	**–**	4,534
Government grants (b)		
– Tax based subsidy (i)	**8,036**	11,653
– Technology award (ii)	**11,677**	7,950
– Scientific project fund (iii)	**1,638**	4,678
Interest income on loans to third parties and loans to employees	**2,877**	–
Gain on deemed disposal of an investee company	**4,351**	–
Gain on disposal of a subsidiary	**408**	–
Foreign exchange losses on non-financing activity	**(14,379)**	(8,389)
Loss on disposal of property and equipment and intangible assets, net	**(289)**	(87)
Provisions of other liabilities and charges	**–**	(6,000)
Others	**2,504**	372
	59,360	53,032

(a) The amount represented the interest income gained from the Group's investment in term deposits with initial term over 3 months and available-for-sale financial assets included in current assets.

(b) For the years ended 31 December 2016 and 2015, government grants primarily consisted of:

(i) Tax based subsidies, amounting to RMB8,036 thousand (2015: RMB11,653 thousand) were granted by local government authorities in Hangzhou and Jinhua to incentivise the Group's business growth;

(ii) Technology award, amounting to RMB11,677 thousand (2015: RMB7,950 thousand) was granted by the local government authorities in Hangzhou, Jinhua and Chengdu to reward the Group's achievement and support the Group's development in information service industries;

(iii) Scientific project fund, amounting to RMB1,638 thousand (2015: RMB4,678 thousand) was granted by local government authorities in Hangzhou and Jinhua to fund the Group's qualified technology research projects.

12. FINANCE INCOME/(COSTS), NET

	Year Ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Finance income:		
– Interest income on cash and cash equivalents	**1,102**	4,338
– Others	**48**	–
	1,150	4,338
Finance costs:		
– Exchange loss on financing activities	**(2,498)**	(876)
– Interest expenses on borrowings	**–**	(154)
	(2,498)	(1,030)
Finance income/(costs), net	**(1,348)**	3,308

13. TAX EXPENSE

(a) Income tax expense

The income tax expense of the Group for the years ended 31 December 2016 and 2015 are analysed as follows:

	Year Ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current income tax:		
– Enterprise income tax	**54,197**	36,236
– PRC withholding tax	**5,000**	–
Deferred income tax		
– Origination and reversal of temporary differences	**(6,716)**	(1,528)
	52,481	34,708

(i) 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.

(ii) Hong Kong profits tax

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax for all the years presented. It has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2016 and 2015, respectively.

(iii) 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%.

Happy Alliance qualified as 'Software Enterprise' under the EIT Law in 2015. Consequently, Happy Alliance is entitled to a two-year EIT exemption in 2015 and 2016 followed by a three-year 50% EIT rate reduction from 2017 to 2019.

Hangzhou Tiange and Zhejiang Tiange qualified as 'New High-tech Enterprise' under the EIT Law in 2014. Star Power qualified as 'New High-tech Enterprise' under the EIT Law in 2015. Accordingly, they were entitled to a preferential EIT rate of 15% for a three-year period since the qualification day. The applicable EIT rate of these entities was 15% in 2016.

In addition, a duly recognized Key Software Enterprise within China's national plan can enjoy a preferential EIT rate of 10%. The Key Software Enterprise status is subject to review by the relevant authorities every year. The timing of the annual review and notification by the relevant authorities may vary from year to year, and the related tax adjustments in relation to the change in applicable EIT rate are accounted for in the period in which the Key Software Enterprise status is recognized. In 2016, Hangzhou Tiange was recognised as a Key Software Enterprise for the taxation year of 2015 and was thereby subject to an EIT rate of 10% in 2015.

The following table sets out applicable EIT rate of Group's subsidiaries and the PRC Operating Entities in the PRC for the year ended 31 December 2016:

Name	**Applicable EIT rate in 2016**
Hangzhou Tiange	15%
Zhejiang Tiange	15%
Star Power	15%
Hantang	25%
Jinhua9158	25%
Jinhua99	25%
Xingxiu	25%
Genxuan	25%
Genfan	25%
Tianhu	25%
Tianyue	25%
Duance	25%
Xuance	25%
Chaduan	25%
Jinhua9158 Investment Management	25%
Jinhua Huanchang	25%
Beijing Zhongwu	25%
Jinhua Shixun	25%
Yingyuehui	25%
Hangzhou Junyi	25%
Happy Alliance	0%
Jinhua Langqing	25%
Tianjiong	25%
Jinhua Pangu	25%
Jinhua Jingwei	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. Hangzhou Tiange, Zhejiang Tiange, Star Power, Jinhua99 and Tianyue have claimed such Super Deduction for all the years presented and booked the additional tax deduction upon approval.

(iv) PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% 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 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit before income tax	**283,190**	184,458
Tax calculated at a tax rate of 25%	**70,798**	46,115
Tax effects of:		
Income not subject to tax	**(1,088)**	–
Different tax jurisdiction	**2,999**	(1,672)
Preferential income tax benefits applicable to subsidiaries in China	**(36,613)**	(25,102)
Witholding tax of appropriation of dividend (a)	**5,000**	–
Super deduction for research and development expenses	**(2,647)**	(3,286)
Expenses not deducted for income tax purposes	**14,032**	18,653
Income tax expense	**52,481**	34,708

(a) Pursuant to the resolutions of the board meeting of Tiange Technology (Hangzhou) Co., Ltd. ('**Hangzhou Tiange**') and Zhejiang Tiange Information and Technology Co., Ltd. ('**Zhejiang Tiange**') in September 2016, the management plans to declare the dividend of RMB100,000 thousand from the profit of Hangzhou Tiange and Zhejiang Tiange for the year ended 31 December 2016 to Week8 Holdings (HK) Limited, which were subject to a 5% WHT at a total amount of RMB5,000 thousand. The remaining undistributed profits of the year ended 31 December 2016 are expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future. As of 31 December 2016, the withholding tax of RMB5,000 thousand on the earnings of Hangzhou Tiange and Zhejiang Tiange for year ended 31 December 2016 was recognized.

(b) Value-added tax

The operation of the Group in the PRC primarily applies value-added tax as follows:

Category	**Tax Rate**	**Basis of Levies**
Value-added tax ('**VAT**')	6%	Revenue from operation of live social video platforms and games
	6%	Other revenue

14. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the earnings 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 31 December	
	2016	2015
Profit attributable to shareholders of the Company *(RMB'000)*	**233,213**	151,792
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,277,589**	1,245,562
Basic earnings per share *(in RMB/share)*	**0.183**	0.122

(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.

For the year ended 31 December 2016 and 2015, the Company has two categories of dilutive potential ordinary shares, share options granted to employees under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme and restricted share units ('**RSUs**') granted to employees under Pre-IPO RSU Scheme and Post-IPO RSU Scheme. The share options and restricted share units are assumed to have been fully vested and released from restrictions with no impact on earnings.

	Year Ended 31 December	
	2016	2015
Profit attributable to shareholders of the Company *(RMB'000)*	**233,213**	151,792
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,277,589**	1,245,562
Adjustments for share based compensation – share options *(thousand shares)*	**42,580**	56,086
Adjustments for share based compensation – RSUs *(thousand shares)*	**11,936**	12,155
Weighted average number of ordinary shares for the calculation of diluted EPS *(thousand shares)*	**1,332,105**	1,313,803
Diluted earnings per share *(in RMB/share)*	**0.175**	0.116

15. DIVIDENDS

	Year Ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Dividends paid by the Company	**65,633**	59,573

The dividends paid in 2016 and 2015 were RMB65,633 thousand (HK$0.06 per share) and RMB59,573 thousand (HK$0.06 per share) respectively. A final dividend in respect of the year ended 31 December 2016 of HK$0.07 per share, net of the Company's share premium account, was proposed pursuant to a resolution passed by the Board on 24 March 2017 and is subjected to the approval of the shareholders at the annual general meeting on 1 June 2017. These financial statements do not reflect this dividend payable.

16. BUSINESS COMBINATION

(a) Happy Alliance

In May 2015, the Group acquired 15% of the equity interest in of Chengdu Happy Alliance Technology Co., Ltd. ("**Happy Alliance**"), a third party company engaged in design and development of mobile games in the PRC, which was accounted for as an investment in an associate for a cash consideration of RMB2,000 thousand. In April 2016, the Group further acquired 65% of the equity interests and obtained control of Happy Alliance, for a consideration of RMB41,610 thousand in cash. The Group's existing 15% equity interest in Happy Alliance was derecognised as a deemed disposal.

As a result, the Group holds 80% of the equity interest in Happy Alliance. The goodwill of RMB30,370 thousand arose from a number of factors including expected synergies through combining mobile game application, growth potential, unrecognised assets such as workforce in research and development, etc. The goodwill recognised is not expected to be deductible for income tax purposes.

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

	1 April 2016 *RMB'000*
Consideration	
– Total cash consideration transferred	**41,610**
Fair value of equity interest in Happy Alliance held before the business combination	**7,679**
Total consideration	**49,289**

Recognised amounts of identifiable assets acquired and liabilities assumed

Provisional fair value

	1 April 2016 *RMB'000*
Cash and cash equivalents	**16,005**
Receivables	**2,288**
Property and equipment	**145**
Intangible assets – Game (i)	**21,166**
Payables	**(8,651)**
Deferred revenue	**(2,012)**
Deferred income tax liabilities (i)	**(5,292)**
Total identifiable net assets	**23,649**
Non-controlling interests (iii)	**(4,730)**
Goodwill	**30,370**
Total purchase consideration	**49,289**
Acquisition-related costs (included in administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2016)	**56**

	1 April 2016
	RMB'000
Outflow of cash to acquire business, net of cash acquired	
– Cash consideration	**41,610**
– Cash and cash equivalents in subsidiary acquired	**(16,005)**
Cash outflow on acquisition	**25,605**
Cash outflow for the year ended 31 December 2016	**25,605**

(i) Fair value of acquired identifiable intangible assets

The fair value of the acquired self-developed mobile game application of RMB21,166 thousand is recognised upon the consummation of the acquisition based on valuations for the asset. Deferred income tax liabilities of RMB5,292 thousand has been provided in relation to these fair value adjustments.

(ii) Acquisition date fair value of the previously held equity interest

The Group recognised a gain of RMB4,351 thousand as a result of measuring at fair value its 15% equity interest in Happy Alliance held before the business combination. The gain is included in 'Other gains, net' in the Group's consolidated statement of comprehensive income for the year ended 31 December 2016.

(iii) Non-controlling interests

The Group has chosen to recognise the non-controlling interests or proportionate of net assets for this acquisition.

(iv) Revenue and profit contribution

The acquired business contributed revenues of RMB37,438 thousand and net profit of RMB4,272 thousand to the Group for the period from 1 April 2016 to 31 December 2016.

(v) The fair value of the identifiable intangible assets acquired was estimated by applying the income approach.

This is a level 3 fair value measurement. The key assumptions used are:

	2016
Discount rate	**32%**
Remaining useful life	**6 years**
Attrition rate	**16.7%**
Contributory asset change rate	**3.3%-30%**
Sales growth rate	**5%-22.7%**
Gross profit margin	**26.5%**

(b) Pangu Group

In December 2016, the Group completed the acquisition of a 64% equity interest in Pangu Group, a third party group engaged in design and development of web-based and mobile casual games, for a total consideration of RMB105,234 thousand paid to the selling shareholders.

The goodwill of RMB75,269 thousand arises from a number of factors including expected growth potential and unrecognised assets such as workforce, research and development. The goodwill recognised is not expected to be deductible for income tax purposes.

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

	1 December 2016
	RMB'000
Purchase consideration	
– Cash paid	**105,234**
Total purchase consideration	**105,234**

Recognised amounts of identifiable assets acquired and liabilities assumed

Provisional fair value

	1 December 2016
	RMB'000
Cash and cash equivalents	**9,740**
Trade receivables	**1,247**
Prepayments and other receivables	**34,551**
Property and equipment	**2,211**
Intangible assets – Game (i)	**27,432**
Deferred income tax assets	**36,713**
Trade payables	**(18,750)**
Other payables and accruals	**(418)**
Income tax liabilities	**(39,601)**
Deferred income tax liabilities (i)	**(6,858)**
Total identifiable net assets	**46,267**
Non-controlling interests (ii)	**(16,656)**
Goodwill	**75,623**
Total purchase consideration	**105,234**
Acquisition-related costs (included in administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2016)	**–**

	1 December 2016
	RMB'000
Outflow of cash to acquire business, net of cash acquired	
– Cash consideration	**105,234**
– Cash and cash equivalents in subsidiary acquired	**(9,740)**
Cash outflow on acquisition	**95,494**
Cash outflow for the year ended 31 December 2016	**95,494**

(i) Fair value of acquired identifiable intangible assets

The fair value of the acquired identifiable games of RMB27,432 thousand is recognised upon the consummation of the acquisition based on valuations for the asset. Deferred income tax liabilities of RMB6,858 thousand has been provided in relation to these fair value adjustments.

(ii) Non-controlling interests

The Group has chosen to recognise the non-controlling interests at its fair value for this acquisition.

(iii) Revenue and profit contribution

The acquired business contributed revenues of RMB11,052 thousand and net profit of RMB940 thousand to the Group for the period from 1 December 2016 to 31 December 2016.

(iv) The fair value of the identifiable intangible assets acquired was estimated by applying the income approach. This is a level 3 fair value measurement. The key assumptions used are:

	2016
Discount rate	**20.5%**
Remaining useful life	**6 years**
Attrition rate	**14.3%**
Contributory asset change rate	**3.3%-20%**
Sale growth rate	**6%-15%**
Gross profit margin	**86.2%-89.7%**

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 December 31, 2016, approximately HK$1,515.6 million (equivalent to approximately RMB1,240.0 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 in our consolidated balance sheet.

CORPORATE GOVERNANCE

Save as disclosed below, the Board is of the opinion that the Company has complied with the code provisions as set out in 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**") during the year ended December 31, 2016.

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 CG Code as its own code of corporate governance. During the year ended December 31, 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.

MODEL CODE FOR SECURITIES TRANSACTION

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 year ended December 31, 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended December 31, 2016, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

FINAL DIVIDEND

The Board has proposed a final dividend of HK$0.07 per share for the year ended December 31, 2016 (2015: HK$0.06 per share). Subject to the approval at the forthcoming annual general meeting of the Company to be held on 1 June 2017 (the "**AGM**"), the final dividend will be payable on 20 June 2017 to the shareholders of the Company whose names appear on the register of members of the Company on 8 June 2017.

CLOSURE OF REGISTER OF MEMBERS

For determining the right to attend and vote at the AGM, the register of members of the Company will be closed from 26 May 2017 to 1 June 2017 (both day inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 25 May 2017.

For determining the entitlement to the proposed final dividend, the register of members of the Company will also be closed from 7 June 2017 to 8 June 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to receive the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 6 June 2017.

AUDIT COMMITTEE

The Audit Committee had, together with the Board and external auditor of the Company, PricewaterhouseCoopers, reviewed the accounting standards and practices adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2016.

PUBLICATION OF ANNUAL REPORT

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2016 annual report of the Company will set out all information disclosed in the annual results announcement of the Company for the year ended December 31, 2016 and will be despatched to the shareholders of the Company and uploaded on the websites of the Company (http://www.tiange.com) and the Stock Exchange (http://www.hkexnews.hk) in due course.

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

Hong Kong, March 24, 2017

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 Yu; and the independent non-executive Directors are Ms. Yu Bin, Mr. Wu Chak Man and Mr. Chan Wing Yuen Hubert.

* *For identification purpose only*