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COMPANY OVERVIEW



ABOUT TIAN GE

Tian Ge Interactive Holdings Limited (the “**Company**”, “**We**” or “**Tian Ge**”) was founded in Hangzhou, China in 2008 with its shares listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing**”) on July 9, 2014 (the “**Listing Date**”). In March 2015, Tian Ge was included in Hang Seng Composite Index Series including: HSCI, Industry Index – Information Technology, SmallCap Index.

The Company and its subsidiaries (collectively the “**Group**”) operate a number of renowned “many-to-many” and “one-to-many” live social video communities and one of the most popular beauty camera applications in China – the Wuta Camera Application (無他相機) (“**Wuta Camera**”). Leveraging on its leading industrial position, Tian Ge has launched a series of live streaming mobile applications and entered overseas market, including Thailand and Vietnam, etc. The wide acceptance of live streaming mobile applications allows Tian Ge to fully capture the opportunities arising from the rapidly growing demand for mobile entertainment in China, Asia and the rest of the world, which also creates synergistic effects with Tian Ge’s live social video businesses.





CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fu Zhengjun (*Chairman*)
Mr. Mai Shi'en (*Chief Operating Officer and Acting Chief Financial Officer*)

Non-executive Directors

Mr. Mao Chengyu
Ms. Cao Fei

Independent Non-executive Directors

Ms. Yu Bin
Mr. Yang Wenbin
Mr. Chan Wing Yuen Hubert

CHIEF EXECUTIVE OFFICER

Mr. Zhao Weiwen

JOINT COMPANY SECRETARIES

Mr. Chen Shi
Ms. Ng Sau Mei

AUTHORISED REPRESENTATIVES

Mr. Fu Zhengjun
Ms. Ng Sau Mei

AUDIT COMMITTEE

Ms. Yu Bin (*Chairman*)
Mr. Yang Wenbin
Mr. Chan Wing Yuen Hubert

REMUNERATION COMMITTEE

Mr. Yang Wenbin (*Chairman*)
Mr. Chan Wing Yuen Hubert
Mr. Mao Chengyu

NOMINATION COMMITTEE

Mr. Fu Zhengjun (*Chairman*)
Ms. Yu Bin
Mr. Yang Wenbin

REGISTERED OFFICE

Grand Pavilion
Hibiscus Way
802 West Bay Road
P.O. Box 31119
KY1-1205
Cayman Islands

HEADQUARTERS

Room 322
East Tower Building 1
No. 17-1 Chuxin Road
Gongshu District
Hangzhou, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Offshore Incorporations (Cayman) Limited
Grand Pavilion
Hibiscus Way
802 West Bay Road
P.O. Box 31119
KY1-1205
Cayman Islands

CORPORATE INFORMATION



HONG KONG SHARE REGISTRAR

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

LEGAL ADVISERS

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

STOCK CODE

1980

COMPANY'S WEBSITE

www.tiange.com

PRINCIPAL BANKERS

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

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



The board of directors (the “Directors”) (the “Board”) of the Company hereby announces the unaudited consolidated results of the Group for the six months ended June 30, 2020 (the “Reporting Period”). These interim results have been reviewed by the PricewaterhouseCoopers, the auditor of the Company, and the audit committee of the Company (the “Audit Committee”).

| <i>(in RMB'000)</i> | Unaudited Six months ended | | Year-on-Year ⁽¹⁾ Change |
|--|-------------------------------|------------------|---------------------------------------|
| | June 30, 2020 | June 30, 2019 | |
| Revenue | 209,032 | 280,151 | -25.4% |
| – Online interactive entertainment service | 184,020 | 232,301 | -20.8% |
| – Advertising services | 23,886 | 37,911 | -37.0% |
| – Others | 1,126 | 9,939 | -88.7% |
| Gross Profit | 184,773 | 253,430 | -27.1% |
| Gross Profit Margin | 88.4% | 90.5% | |
| Net Profit | 36,957 | 47,598 | -22.4% |
| Net Profit Margin | 17.7% | 17.0% | |
| Earnings per share (expressed in RMB per share) | | | |
| – basic | 0.028 | 0.036 | -22.2% |
| – diluted | 0.028 | 0.036 | -22.2% |
| Adjusted Net Profit ⁽²⁾ | 56,615 | 30,978 | 82.8% |
| Adjusted Net Profit Margin ⁽³⁾ | 27.1% | 11.1% | |
| Adjusted EBITDA ⁽⁴⁾ | 74,376 | 165,570 | -55.1% |
| Adjusted EBITDA Margin | 35.6% | 59.1% | |

Notes:

- (1) Year-on-Year change represents a comparison between the current reporting period and the corresponding period of last year.
- (2) Adjusted net profit was derived from the unaudited net profit for the period excluding the effect of non-cash share-based compensation expenses, net gains or losses from investee companies, impairment provision, amortization of intangible assets arising from acquisitions and income tax effects of non-IFRS adjustments.
- (3) Adjusted net profit margin is calculated by dividing adjusted net profit by revenue.
- (4) Adjusted EBITDA was derived from the unaudited operating profit for the period, excluding the effect of non-cash share-based compensation expenses, net gains or losses from investee companies, amortization of intangible assets arising from acquisitions.



BUSINESS OVERVIEW AND OUTLOOK

During the first half of 2020, due to the outbreak of the novel coronavirus (“COVID-19”) all over the world, the macro-economy and various industries have been impacted with varying degrees of severity and the global economy has experienced a certain degree of decline. Meanwhile, the fierce competition and strict supervision in the mobile Internet industry in the PRC continued to pose challenges to the business development of Tian Ge. However, on the other hand, the quarantine measures during the epidemic resulted in the rise of “Stay-at-Home Economic”, which contributed new user traffic to the Internet industry. The application of emerging technologies such as 5G has also brought development opportunities to the live streaming industry. During the Reporting Period, the Group adhered to its core business, optimized the platforms with innovative contents and further expanded overseas business.

Overall Financial Performance

In the first half of 2020, revenue decreased by 25.4% year-on-year to RMB209.0 million from the corresponding period of 2019. Revenue from online interactive entertainment decreased by 20.8% year-on-year to RMB184.0 million from the corresponding period of 2019.

In the first half of 2020, profit attributable to equity holders of the Company decreased by 21.4% year-on-year to RMB35.9 million; net profit decreased by 22.4% year-on-year to RMB37.0 million; adjusted net profit increased by 82.8% year-on-year to RMB56.6 million, and adjusted EBITDA decreased by 55.1% year-on-year to RMB74.4 million.

Business Highlights

“Mobile + PC” Dual Live Streaming

As one of the pioneers in the live streaming industry of the PRC, Tian Ge has continued to adhere to the development strategy of “Mobile + PC” dual live streaming. During the first half of 2020, the Group continued the optimization and development of its core platforms to improve user experience and interactivity, including the upgrade of functions such as “host PK” and “one-on-one audio/video chat”, which strengthened the innovative advantages of products and content, further enhanced the competitiveness of the platform, and brought a virtuous circle to the live streaming business. Meanwhile, Tian Ge has insight into the rapid development of “live streaming + e-commerce” and has vigorously promoted the development of the e-commerce live streaming business of the Group with its rich industry experience, so as to enrich the live streaming contents of the Group and bring sustainable growth momentum for Tian Ge.

Wuta Camera

As one of the most popular beauty camera applications in the PRC, as of June 30, 2020, Wuta Camera’s average monthly active users were approximately 29.1 million. During the Reporting Period, the Group continued to promote the commercial development of Wuta Camera, and continued to gain the favor of users at home and abroad through product update and optimization.

Overseas Expansion

Overseas expansion is an important development strategy and business segment of the Group. During the Reporting Period, the Group further increased its expansion in overseas markets by optimizing and adjusting the management team and business structure. At the same time, with the gradual control of the epidemic in overseas regions, starting from the second quarter of 2020, various operations in overseas markets have returned to normal. The Group continued to maintain a clear overseas market expansion strategy by replicating and promoting the successful domestic business models to overseas markets. The Group also launched live streaming, short videos and social interaction products in line with local culture and user habits to meet the demand of overseas users. During the Reporting Period, “Mlive”, the overseas version of Tian Ge’s flagship product – “Miao Broadcasting”, and “Bunny Live”, a new live streaming platform mainly targeting the Vietnamese market, continued to experience more traction among users in the Southeast Asian region, which demonstrated the Group’s expansion strength in overseas markets. Meanwhile, the Group actively developed new projects and products in Southeast Asian markets such as Thailand and Vietnam to further expand business opportunities in overseas markets.

Overseas Investments and Real Estate Investments

During the first half of 2020, Tian Ge further used the idle capital of the Group to make overseas financial investments to maintain stable asset appreciation. The Group is optimistic about the stable rate of return on bill-type international financial investment instruments and financial technology. In the future, the Group will continue to pay attention to the market trends, increase asset returns, and continue to seek potential investment opportunities.

Meanwhile, the Group explored and invested in the real estate market in Southeast Asia, and continued to explore project business opportunities. However, the Group expects that such investments will not change the Group’s core business which focuses on providing live streaming and social interaction services in China and overseas markets.

Prospect and Future Outlook

2020 is the first year of the use of 5G technology. Three major telecom operators in China announced the launch of various supporting technologies and hardware equipment for commercial 5G and 5G mobile phones, marking that China has officially entered the 5G era. In future, the Group will actively capture the new opportunities presented by “5G+ live streaming”.

Tian Ge will continue to adhere to its core business, focus on optimizing user platforms and creating more diversified content, and increase efforts in the e-commerce live streaming and overseas business to get closer to user demands, improve user experience and stickiness, and further enhance product commercialization, in order to attract more high-quality users with high spending power and consolidate its market competitiveness. In addition, Tian Ge has deepened its strategic layout in overseas markets, replicated the successful domestic business models to Southeast Asia and other regions, and expanded its share in the international market.

CHAIRMAN'S STATEMENT



The novel coronavirus (COVID-19) has had a tremendous impact on the global economy. According to the arrangements for epidemic prevention and control measures in various overseas regions, the Group would adjust its projects in overseas markets accordingly. The Group will closely monitor the development of the epidemic, and make timely assessments and response plans to ensure that the business operations and financial conditions of the Group remain stable. The Group believes that after the epidemic, the global economy will recover, and the development of emerging technologies such as VR and AI, and the application of 5G technology will further promote the development of the Internet industry. The Group will also follow the development trend of the industry and optimize and innovate its business in a timely manner, so as to facilitate the breakthrough development of all the business.

Meanwhile, the Group will continue to seek new breakthroughs and opportunities to enhance the core competitiveness of the Group, consolidate its leading position in the market, strengthen the liquidity of its products and push Tian Ge into a new stage of development, in order to create sustainable profit returns for shareholders.



1. OPERATING INFORMATION

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

| | Three months ended | | | | |
|--|--------------------|-------------------|----------------------------------|------------------|----------------------------|
| | June 30, 2020 | March 31, 2020 | Quarter-on- quarter Change | June 30, 2019 | Year-on- year Change |
| Total Monthly Active Users (in '000) | 43,915 | 45,895 | -4.3% | 53,828 | -18.4% |
| - Monthly Active Users of Beauty Camera and Video Business (in '000) | 29,106 | 30,356 | -4.1% | 34,203 | -14.9% |
| Quarterly Paying Users (in '000) | 407 | 449 | -9.4% | 559 | -27.2% |
| Quarterly Average Revenue Per User (RMB) | 214 | 216 | -0.9% | 205 | 4.4% |
| Number of Rooms | 46,472 | 69,409 | -33.0% | 70,594 | -34.2% |
| Number of Hosts | 106,006 | 112,533 | -5.8% | 118,581 | -10.6% |

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

- For the three months ended June 30, 2020, the total number of monthly active users ("MAUs") for Tian Ge was approximately 43.9 million, representing a decrease of approximately 4.3% from the three months ended March 31, 2020 and representing a decrease of approximately 18.4% from the three months ended June 30, 2019. The decrease was mainly due to a decline in MAUs of Wuta Camera resulted from intensifying competition in the beauty camera and video markets.
- Our mobile MAUs as at June 30, 2020 represented 97.0% of our total MAUs, while the percentage as at March 31, 2020 and June 30, 2019 were 97.3% and 92.5% respectively.
- The number of quarterly paying users ("QPUs") for Tian Ge's online interactive entertainment service for the three months ended June 30, 2020 was approximately 407,000, representing a decrease of approximately 9.4% from the three months ended March 31, 2020 and representing a decrease of approximately 27.2% from the three months ended June 30, 2019.
- Our mobile QPUs as at June 30, 2020 represented 80.5% of our total QPUs, while the percentage as at March 31, 2020 and June 30, 2019 were 82.6% and 71.5%, respectively.



- The quarterly average revenue per user (“QARPU”) for Tian Ge’s online interactive entertainment service for the three months ended June 30, 2020 was RMB214, representing a decrease of approximately 0.9% from the three months ended March 31, 2020 and represented an increase of approximately 4.4% from the three months ended June 30, 2019. The increase was primarily due to the increase in the proportion of core users with high affordability.
- Number of virtual rooms for Tian Ge’s online interactive entertainment service decreased by 33.0% as compared to the three months ended March 31, 2020 and decreased by 34.2% from the three months ended June 30, 2019. The decrease was primarily due to the cleanup of rooms without consumption and anchors. Number of hosts for Tian Ge’s online interactive entertainment service decreased by 5.8% as compared to the three months ended March 31, 2020 and representing a decrease of 10.6% from the three months ended June 30, 2019.
- The total number of registered users* of Tian Ge as at June 30, 2020 was 459.0 million, as compared to 420.7 million as at June 30, 2019.

* Registered users refer to accumulated number of users who have registered an account on our live social video platform, online games or beauty camera and duplicated accounts were not excluded.

2. FINANCIAL INFORMATION

Revenue

Revenue generated from online interactive entertainment service was RMB184.0 million for the six months ended June 30, 2020, mainly including revenue from live social video platforms, which decreased by 20.8% compared with RMB232.3 million for the corresponding period in 2019. The year-on-year decrease was mainly due to the decrease of MAUs and QPUs while the Company’s decision to quit from online game business so as to focus on live social video platforms service is a contribution factor.

Revenue generated from advertising services was RMB23.9 million for the six months ended June 30, 2020 which decreased by 37.0% compared with RMB37.9 million for the corresponding period in 2019.

Revenue generated from “Others” mainly included the revenue from technical supporting services and other services. Revenue generated from “Others” was RMB1.1 million for the six months ended June 30, 2020, which decreased by 88.7% from the corresponding period in 2019.

Cost of Revenue and Gross Profit Margins

Cost of revenue experienced a decrease of 9.2% for the six months ended June 30, 2020 compared with the corresponding period in 2019. The year-on-year decrease was primarily due to the decrease of employee costs and the ramp down of the online game business.

The gross profit margin for the six months ended June 30, 2020 was 88.4%, compared with 90.5% for the corresponding period in 2019.

Selling and Marketing Expenses

Selling and marketing expenses experienced an increase of 6.0% for the six months ended June 30, 2020 from the corresponding period in 2019. The year-on-year increase was primarily due to an increase of promotion expenses during the Reporting Period as a result of intense market competition.

Administrative Expenses

Administrative expenses experienced an increase of 20.7% for the six months ended June 30, 2020 from the corresponding period of 2019. The year-on-year increase was primarily due to non-cash share-based compensation expense with total amount of RMB7.6 million.

Research and Development Expenses

Research and development expenses experienced an increase of 2.4% for the six months ended June 30, 2020 from the corresponding period in 2019. The year-on-year increase was due to non-cash share-based compensation expense of RMB7.6 million, partially offset by employee cost cut-down resulted from R&D team restructuring.

Other Gains, Net

Other gains, net experienced a decrease of 84.2% for the six months ended June 30, 2020 from the corresponding period in 2019, which was primarily caused by the decrease of fair value of financial assets at fair value through profit or loss. The fair value of the Group's structured notes decreased mainly due to the adverse impact from COVID-19 on the underlying assets of the structured notes.

Income Tax Expense

Income tax expense decreased by 89.9% to RMB14.4 million for the six months ended June 30, 2020 from the corresponding period in 2019. The significant year-on-year decrease was mainly due to the decrease of the enterprise income tax by RMB30.7 million as a result of the decline of profit before tax, and the decrease of the withholding tax by RMB97.6 million in relation to the earnings distributable from the Company's certain PRC subsidiaries to its overseas subsidiary. The decrease of the withholding tax was mainly due to the net effect of: i) a lower applicable withholding tax rate of 5% for the six months ended June 30, 2020 compared with a rate of 10% for the corresponding period in 2019; ii) an additional withholding tax of RMB90.0 million recorded in the second quarter of 2019 related to additional earnings of RMB900.0 million anticipated to be remitted, and iii) a reversal of income tax expense upon the receipt of the refunded withholding tax of RMB27.5 million during the first half of 2020 in relation to the dividend paid in 2018 and 2019.



Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company experienced a decrease of 21.4% for the six months ended June 30, 2020 from the corresponding period in 2019. The year-on-year decrease was primarily due to the decrease in gross profit and other gains, while partially offset by the decrease of income tax expense.

Non-IFRS Measures

To supplement our condensed consolidated financial information which are presented in accordance with IFRS, adjusted net profit (excluding one-off withholding tax effect) 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 condensed consolidated results of operations in the same manner as management and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted EBITDA decreased by 55.1% year-on-year for the six months ended June 30, 2020 from the corresponding period in 2019. Adjusted EBITDA margin was 35.6% for the six months ended June 30, 2020, compared to 59.1% for the corresponding period in 2019.

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

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

| <i>(in RMB'000)</i> | Unaudited | |
|---|------------------|----------------|
| | Six months ended | |
| | June 30, 2020 | June 30, 2019 |
| Operating Profit | 42,854 | 212,157 |
| Share-based compensation expense | 15,320 | 3,341 |
| Net losses/(gains) from investee companies ^(a) | 2,644 | (65,613) |
| Amortization of intangible assets arising from acquisitions | 3,470 | 3,972 |
| Depreciation and amortization expense | 10,088 | 11,713 |
| Adjusted EBITDA | 74,376 | 165,570 |



Adjusted Net Profit

Adjusted net profit increased by 82.8% for the six months ended June 30, 2020 from the corresponding period in 2019.

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

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

| <i>(in RMB' 000)</i> | Unaudited | |
|---|---------------|---------------|
| | June 30, 2020 | June 30, 2019 |
| Net Profit | 36,957 | 47,598 |
| Share-based compensation expense | 15,320 | 3,341 |
| Net losses/(gains) from investee companies ^(a) | 2,644 | (65,613) |
| Impairment provision ^(b) | – | 23,251 |
| Amortization of intangible assets arising from acquisitions | 3,470 | 3,972 |
| Income tax effects of non- IFRS adjustments ^(c) | (1,776) | 18,429 |
| Adjusted Net Profit | 56,615 | 30,978 |

Notes:

- (a) Including net gains or losses on deemed disposals of investee companies, fair value changes arising from investee companies, other expenses in relation to equity transactions of investee companies and provisions for receivables in relation to investee companies.
- (b) Including impairment provisions for associates, joint ventures and intangible assets arising from acquisitions.
- (c) Income tax effect of non-IFRS adjustments.



3. LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalent, and Term Deposits

Cash and cash equivalents consist of cash at bank and cash on hand, and as at June 30, 2020 and December 31, 2019 amounted to RMB919.4 million and RMB1,033.0 million, respectively. All cash at bank balances as of these dates were demand deposits and term deposits with initial terms of less than three months. The Group had term deposits with initial terms of over three months of RMB484.6 million and RMB106.4 million as at June 30, 2020 and December 31, 2019, respectively. The year-on-year increase was primarily due to strategic pre-arrangement for overseas business expansion in next few years.

Financial Assets at Fair Value through Profit or Loss

The Group's financial assets at fair value through profit or loss consist of eight main categories, namely (arranged in descending order based on their respective fair value amount) (i) equity investments in private unlisted companies ("Private Investment"), (ii) investments in venture capital funds ("Fund Investments"), (iii) purchase of wealth management products, (iv) investments in structured notes, (v) investments in real estate income trust ("REIT") access fund, (vi) other fund investments, (vii) convertible promissory notes and (viii) income trust investment.

Financial assets at fair value through profit or loss decreased by 7.3% to RMB1,552.0 million as at June 30, 2020 compared to RMB1,674.3 million as at December 31, 2019. Such decrease was mainly attributable to a decrease of RMB439.2 million in purchase of wealth management products, an increase of RMB276.5 million in structured notes, an increase of RMB35.9 million in other fund investments and an increase of RMB7.0 million in convertible promissory notes. The following is a breakdown of the eight main categories as at the periods specified:

| | As at June 30, 2020 (RMB'000) | As at December 31, 2019 (RMB'000) | Percentage increase/ (decrease) |
|--|--|--|---------------------------------------|
| (i) Private Investments | 481,382 | 491,122 | (2.0)% |
| (ii) Fund Investments | 408,846 | 394,243 | 3.7% |
| (iii) Purchase of wealth management products | 286,197 | 725,410 | (60.5)% |
| (iv) Investments in structured notes | 292,976 | 16,525 | 1,672.9% |
| (v) REIT access fund | 39,627 | 41,973 | (5.6)% |
| (vi) Other fund investments | 35,949 | - | 100% |
| (vii) Convertible promissory notes | 7,009 | - | 100% |
| (viii) Income trust investment | - | 5,000 | - |
| Total | 1,551,986 | 1,674,273 | (7.3)% |

(i) *Private Investments*

Below is a summary of financial performances of the Private Investments during the relevant periods:

| Investment Category | Historical transaction amount <i>(RMB'000)</i> | Percentage of equity interest | Fair value of investments as of June 30, 2020 <i>(RMB'000)</i> | Fair value of investments as of December 31, 2019 <i>(RMB'000)</i> | Percentage increase/ (decrease) |
|--|---|-------------------------------------|--|--|---------------------------------------|
| (i) 1 social live streaming company ⁽¹⁾ | 100,000 | 1.82% | 100,000 | 100,000 | - |
| (ii) 3 online/mobile gaming companies, including: – Jinhua Yibo Network Technology Co., Ltd. (“Yibo”) ⁽²⁾ | 102,815 | 3.5%-22.5% | 342,773 | 351,357 | (2.4%) |
| (iii) 2 real-estate and office building rental companies | 18,750 | 22.5% | 247,921 | 247,921 | 0% |
| (iv) 1 commercial bank company | 29,300 | 10%-20% | 29,734 | 29,300 | 1.5% |
| (v) 1 other company | 7,627 | 19.3% | 8,846 | - | 16.0% |
| | - | 1% | 29 | - | 100% |

Notes:

- (1) Including investments in Beijing Mijing Hefeng Technology Company Limited. Please refer to the Company’s announcement on May 23, 2017.
- (2) In May 2018, the Group entered into an agreement to dispose 4.5% out of 27% of its equity interest in Yibo. The transaction was completed in July 2018. As a result, a significant fair value gain was recognized from the aforementioned latest round of financing during the year ended December 31, 2018.

The underlying Private Investments are independent from each other. Save for its investment in Yibo, there was no single Private Investment whose carrying amount was over 5% of the Group’s total assets as of June 30, 2020.



(ii) Fund Investment

As of June 30, 2020, the Group had investment interests in nine venture capital funds, of which its investments in Shanghai Yunqi Wangchuang Asset Management Center (Limited Partnership) (上海雲奇網創資產管理中心(有限合夥)), Yun Qi Partners I GP, Ltd. and Nanjing Yunzhou Venture Capital Investment Center (Limited Partnership) (南京雲周創業投資中心(有限合夥)) (“Yunqi Investments”) constitute connected transactions to the Company. The principal investment objectives of these three funds include generating capital returns primarily through equity and equity related investments in companies that operate TMT-related businesses in the PRC, including but not limited to internet financing, intelligent hardware, industrial internet and big data. For further details, please refer to the announcements issued by the Company on January 28, 2016, January 7, 2019 and January 22, 2019.

The historical aggregate investment amount in these nine venture capital funds was RMB291.0 million as at June 30, 2020. The fair value of these Fund Investments increased by 3.7% to RMB408.8 million as at June 30, 2020 compared to RMB394.2 million as at December 31, 2019, which was mainly due to an additional fund investment of RMB19.7 million and net fair value loss of RMB4.9 million during the Reporting Period.

Save for the Yunqi Investments, the general partners of the underlying Fund Investments are independent from each other. There was no single Fund Investment whose carrying amount was over 5% of the Company’s total assets as of June 30, 2020.

(iii) Purchase of Wealth Management Products

The Group regularly utilizes its idle funds to subscribe for wealth management products through Internet banking from commercial banks in order to earn interest. During the Reporting Period, the Group reduced its investments in wealth management of RMB439.2 million so as to enhance the Company’s cashability for new business expansion, which resulted the overall fair value decreased by 60.5% to RMB286.2 million as at June 30, 2020 compared with RMB725.4 million as at December 31, 2019.

The wealth management products represent RMB-denominated wealth management products with interest rates ranging from 2.6% to 5.0% per annum and maturity period within 1 year or revolving terms. These wealth management products are offered by large state-owned or reputable financial institutions in the PRC. The underlying investments under the wealth management products differ product-by-product, but generally consist of investments in financial assets and financial instruments with high credit ratings and good liquidity in interbank and exchange markets, including but not limited to bonds, asset-backed securities, capital borrowing, reverse repurchase, bank deposits, and investment trust schemes, asset management schemes and other financial assets.



(iv) *Structured Notes*

The fair value of the structured notes invested by the Company increased by 1,672.9% to RMB293.0 million as at June 30, 2020 compared to RMB16.5 million as at December 31, 2019, which was primarily due to the Company's new acquisition of structured notes during the six month ended June 30, 2020. The structured notes are issued by several world-class commercial banks, which provide a potential return linked to the price of certain listed equity securities at the predetermined valuation day in future. For the six months ended June 30, 2020, the Group recognised a fair value loss of RMB3.7 million on these structured notes, which was primarily due to the negative impacts from COVID-19 on certain underlying assets of the structured notes. For further details, please refer to the announcement issued by the Company on March 2, 2020.

(v) *REIT access fund*

This represents the Group's investment in REIT access fund, which was offered by an internationally reputable financial institution for investors to indirectly invest in the world's largest real estate income trust. For the six months ended June 30, 2020, the Group recognized a fair value loss of RMB2.2 million on the fund investment.

(vi) *Other fund investments*

During the six months ended June 30, 2020, the Group decided to buy 5 callable bond investments issued by several investment companies at a cash consideration of USD5 million, with expected return rates ranging from 3.0% to 4.7% per annum and maturity period within revolving terms.

(vii) *Convertible promissory notes*

During the six months ended June 30, 2020, the Group entered into an agreement to purchase the convertible promissory notes issued by a commercial bank company of which the Group had 19.3% equity interests, at a cash consideration of USD1 million. Pursuant to the agreement, the principal and interest of the notes shall be repayable within 24 months unless the Group choose to convert it into equity investment at the pre-determined conversion price.

(viii) *Income trust investments*

This represents the Group's income trust investment with expected return rate of 8.4% per annum and maturity period within 13 months. During the six months ended June 30, 2020, the Group disposed the investment and received a cash payment of investment income amounting to RMB0.2 million.



Redemption Liabilities

In January 2019, the Group entered into an agreement to sell 36% of the equity interests in Jinhua Ruian Investments Management Company Limited (金華睿安投資管理有限公司), a company holding 80% equity interest in Shanghai Benqu Internet Technology Company Limited (上海本趣網絡科技有限公司) (“**Shanghai Benqu**”) as of the date of this report, to Beijing Weimeng Chuangke Investment Management Company Limited (北京微夢創科創業投資管理有限公司) (“**Beijing Weimeng**”), an associate of Sina Corporation, for a consideration of approximately RMB292.6 million. The transaction was completed on July 5, 2019.

Upon completion of the transaction with Beijing Weimeng, redemption liabilities of RMB335.7 million were recognized. As at December 31, 2019, redemption liabilities of RMB24.2 million were derecognised against other reserves as related options lapse unexercised and the estimated amount was revised.

During the six months ended June 30, 2020, redemption liabilities of RMB34.2 million were derecognised as related options lapsed unexercised and the estimated amount was remeasured at RMB277.3 million as at June 30, 2020.

The details are set out in Note 25 to the condensed consolidated financial information.

Bank Loans and Other Borrowings

During the six month ended June 30, 2020, the Group entered into loan facilities with certain internationally reputable financial institutions to finance its certain investments in financial assets. The total available amount under the facilities are USD130 million, of which USD15.6 million and HKD4.0 million were drawn down as at June 30, 2020. These borrowings were secured by the Group’s investments in financial assets.

Gearing Ratio

The gearing ratio as at June 30, 2020 was 3.8% compared with nil as at December 31, 2019.

Capital Expenditures

The Group did not have any significant capital expenditure for the six months ended June 30, 2020.

Major Investments and Disposals

The Group did not have any major investments or disposals during the six months ended June 30, 2020.



Charges on Assets

As at June 30, 2020, the Group did not have any asset charges.

Foreign Exchange Risk

Most of our subsidiaries' functional currencies are RMB, as the majority of the revenues of these companies are derived from our operations in mainland China. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets as at June 30, 2020. We do not hedge against any fluctuation in foreign currency.

4. CORPORATE INFORMATION

Staff

The Company had 491 full time employees as at June 30, 2020. Tian Ge's success depends on its ability to attract, retain and motivate qualified personnel. The Company adopts high standards in recruitment with strict procedures to ensure the quality of new hiring and use various methods for recruitment, including campus recruitment, online recruitment, internal recommendation and recruiting through hunting firms or agents, to satisfy the demand for different types of talents. Moreover, the Company provides a robust training program for new employees in order to effectively equip them with the skill sets and work ethics which are necessary to succeed at Tian Ge.

Our staff cost was RMB72.5 million for the six months ended June 30, 2020, compared with staff cost of RMB65.2 million for the six months ended June 30, 2019. 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 Reporting Period.

Share Option and RSU Schemes

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

The share-based compensation expenses for the six months ended June 30, 2020 were RMB15.3 million, as compared to RMB3.3 million for the corresponding period in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS



During the Reporting Period, no option was granted to the grantees under the Post-IPO Option Scheme. As at June 30, 2020, options representing a total of 17,555,760 shares were outstanding. If all such options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are exercised, there would be a dilution effect on the shareholdings of our shareholders of approximately 1.36% as at June 30, 2020. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per share may be staggered over several years.

On April 28, 2020, the Company granted restricted share units in respect of a total of 15,000,000 ordinary shares of the Company of US \$0.0001 each to certain employees under the Post-IPO RSU Scheme, which represented approximately 1.18% of the total ordinary shares of the Company as at June 30, 2020.

As of June 30, 2020, the total number of shares underlying the Pre-IPO RSU Scheme and Post-IPO RSU Scheme represented approximately 3.53% of the total ordinary shares of the Company.



CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of corporate governance.

During the period from January 1, 2020 to June 25, 2020, 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 considered that vesting the roles of chairman and chief executive officer in the same person was beneficial to the management of our Group.

On June 26, 2020, Mr. Fu resigned from the position of chief executive officer of the Group and Mr. Zhao Weiwen has been appointed as the chief executive officer on the same day. Following the change of chief executive officer, the Company has complied with the code provision A.2.1 of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2020.

DIVIDEND

The Board did not declare any interim dividend for the six months ended June 30, 2020.

AUDIT COMMITTEE

The Board has established an Audit Committee, which comprises three independent non-executive Directors, namely Ms. Yu Bin (Chairman), Mr. Yang Wenbin and Mr. Chan Wing Yuen Hubert. The primary duties of the Audit Committee are to review and supervise the Company’s financial reporting process and internal controls.

The Audit Committee has reviewed (i) the accounting principles and practices adopted by the Group, and (ii) the auditing, risk management, internal control and financial reporting matters, including the interim results of the Group for the six months ended June 30, 2020.



CHANGES TO DIRECTORS' INFORMATION

Since June 26, 2020, Mr. Fu Zhengjun ceased to be a chief executive officer of the Group due to his updated work allocation to focus on the Company's overall strategy and overseas business development. Please refer to the announcement of the Company dated June 26, 2020 regarding the change of chief executive officer for details.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended June 30, 2020.

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

As of June 30, 2020, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Interests in ordinary shares of the Company:

| Name of Director/chief executive | Nature of interests | Number of shares held | Approximate percentage of shareholding as at June 30, 2020 |
|----------------------------------|---|-----------------------|--|
| Mr. Fu Zhengjun ("Mr. Fu") | Founder of a discretionary trust (Note 1) | 311,695,000 | 24.44% |
| | Beneficial owner | 200,000 | 0.02% |
| Mr. Zhao Weiwen | Beneficial owner | 1,009,000 | 0.08% |

Note:

1. UBS Trustees (B.V.I.) Limited, the trustee of Mr. Fu's Trust (as defined below), holds the entire issued share capital of Three-Body Holdings Ltd through its nominee, UBS Nominee Limited. Three-Body Holdings Ltd holds the entire issued share capital of Blueberry Worldwide Holdings Limited. Blueberry Worldwide Holdings Limited in turn holds 311,695,000 shares in our Company. Mr. Fu's trust ("Mr. Fu's Trust") is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and his family members. Accordingly, each of Mr. Fu, UBS Trustees (B.V.I.) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 311,695,000 shares held by Blueberry Worldwide Holdings Limited.



Interests in underlying shares of the Company:

| Name of Director/chief executive | Position held within our Group | Nature | Number of shares represented by options or RSUs | Exercise price (US\$) | Approximate percentage of shareholding as at June 30, 2020 |
|----------------------------------|--|---------------------|---|-----------------------|--|
| Mr. Zhao Weiwen | Chief executive officer | RSUs (Note 1) | 96,203 | Nil | 0.01% |
| | | Options (Note 1) | 100,000 | 0.35 | 0.01% |
| Mr. Mai Shi'en | Executive director, chief operating officer and acting chief financial officer | RSUs (Note 2) | 4,050,000 | Nil | 0.32% |
| Mr. Mao Chengyu | Non-executive Director | Options (Note 3) | 200,000 | 0.35 | 0.02% |
| Ms. Yu Bin | Independent non-executive Director | Options (Note 3) | 200,000 | 0.35 | 0.02% |
| Mr. Chan Wing Yuen, Hubert | Independent non-executive Director | Options (Note 3) | 200,000 | 0.35 | 0.02% |

Notes:

1. Mr. Zhao Weiwen is interested in 96,203 Post-IPO RSUs granted to him on April 20, 2015 and April 1, 2016 respectively under Post-IPO RSUs Scheme entitling him to receive 96,203 shares. Mr. Zhao is also interested in 100,000 Pre-IPO options granted to him on May 22, 2014 under the Pre-IPO Share Option Scheme entitling him to receive 100,000 shares.
2. Mr. Mai Shi'en is interested in 405,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 4,050,000 shares.
3. Mr. Mao Chengyu, Ms. Yu Bin and Mr. Chan Wing Yuen, Hubert are each interested in 20,000 Pre-IPO options granted to each of them on May 22, 2014 under the Pre-IPO Share Option Scheme entitling each of them to receive 200,000 shares.

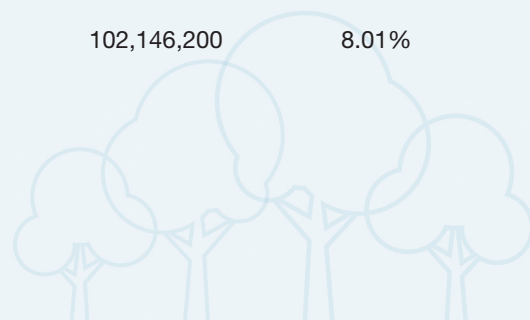


Save as disclosed above, as at June 30, 2020, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at June 30, 2020, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of shareholders | Nature of interests | Number of shares or securities held | Approximate percentage of interest as at June 30, 2020 |
|---|---|-------------------------------------|--|
| UBS Trustees (B.V.I.) Limited | Trustee (Note 1) | 311,695,000 | 24.44% |
| Three-Body Holdings Ltd | Interest in Controlled Corporation (Note 1) | 311,695,000 | 24.44% |
| Blueberry Worldwide Holdings Limited | Beneficial Owner (Note 1) | 311,695,000 | 24.44% |
| Sina Hong Kong Limited | Beneficial Owner | 300,000,000 | 23.53% |
| Ho Chi Sing | Interest in Controlled Corporation (Note 2) | 110,000,000 | 8.63% |
| Zhou Quan | Interest in Controlled Corporation (Note 2) | 110,000,000 | 8.63% |
| IDG-Accel China Growth Fund GP II Associates Ltd. | Interest in Controlled Corporation (Note 2) | 110,000,000 | 8.63% |
| IDG-Accel China Growth Fund II Associates L.P. | Interest in Controlled Corporation (Note 2) | 102,146,200 | 8.01% |
| IDG-Accel China Growth Fund II L.P. | Beneficial Owner (Note 2) | 102,146,200 | 8.01% |



Notes:

1. UBS Trustees (B.V.I.) Limited, the trustee of Mr. Fu's Trust, holds the entire issued share capital of Three-Body Holdings Ltd through its nominee, UBS Nominee Limited. Three-Body Holdings Ltd holds the entire issued share capital of Blueberry Worldwide Holdings Limited. Blueberry Worldwide Holdings Limited holds 311,695,000 shares in our Company. Mr. Fu's Trust is a discretionary trust established by Mr. Fu (as the settlor) and the discretionary beneficiaries of which are Mr. Fu and his family members. Accordingly, each of Mr. Fu, UBS Trustees (B.V.I.) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 311,695,000 shares held by Blueberry Worldwide Holdings Limited.
2. IDG-Accel China Growth Fund II L.P. is wholly owned by IDG-Accel China Growth Fund II Associates L.P., which is in turn wholly owned by IDG-Accel China Growth Fund GP II Associates Ltd. Accordingly, each of IDG-Accel China Growth Fund II L.P., IDG-Accel China Growth Fund II Associates L.P. and IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in the 102,146,200 shares held by IDG-Accel China Growth Fund II L.P.. Separately, IDG-Accel China Investors II L.P. is wholly owned by IDG-Accel China Growth Fund GP II Associates Ltd., therefore IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in the shares held by IDG-Accel Growth Investors II L.P.

Each of Ho Chi Sing and Zhou Quan holds 50% of the issued share capital of IDG-Accel China Growth Fund GP II Associates Ltd., therefore both Ho Chi Sing and Zhou Quan are deemed to be interested in the 110,000,000 shares which IDG-Accel China Growth Fund GP II Associates Ltd. is interested in total.

Save as disclosed above, as at June 30, 2020, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE INCENTIVE SCHEMES

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

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



Outstanding Share Options

Pre-IPO Share Option Scheme

As disclosed in the section headed “Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Option Scheme” in Appendix IV to the Prospectus, prior to the Listing, options representing a total of 15,648,000 shares were granted to 490 grantees under the Pre-IPO Share Option Scheme. Our Company adopted the Pre-IPO RSU Scheme to partially replace the options granted under the Pre-IPO Share Option Scheme. Options representing a total of 4,280,000 shares, which were granted to 5 persons including 2 executive Directors, 1 senior management, 1 connected person and 1 other employee of our Group, were replaced by Pre-IPO RSUs. No consideration was paid by any of the grantees of the options under the Pre-IPO Share Option Scheme for any options granted to them. Although the Company determines the vesting period of each option holders on a case-by-case basis, the general vesting period for the option holders are as follows: 25% of the shares subject to the Pre-IPO Share Option shall vest on the first anniversary of the granting date, and 1/48 of the shares subject to the Pre-IPO Share Option shall vest each month thereafter over the next three years on the same day of the month as the granting date (such day to be deemed to be the last day of the month, when necessary), subject to the option holders continuing to be a service provider through these dates.

As at June 30, 2020, options representing a total of 14,703,760 shares (taking into account the 28,528,561 options which have lapsed and options in respect of an aggregate of 70,447,679 shares which have been exercised in accordance with the terms of the Pre-IPO Share Option Scheme) were outstanding, representing approximately 1.15% of the issued shares of the Company.

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

The Company has appointed The Core Trust Company Limited (匯聚信託有限公司) as the trustee and Happy88 Holdings Limited, a company incorporated in the British Virgin Islands and an Independent Third Party, as the nominee to administer the Pre-IPO Share Options Scheme pursuant to its scheme rules. During the Reporting Period, no shares have been issued and allotted to Happy88 Holdings Limited.

Post-IPO Share Option Scheme

The maximum number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 121,706,700, representing 10% of the total number of shares in issue as at the Listing Date.

During the Reporting Period, no option was exercised and no option was granted, lapsed and cancelled under the Post-IPO Share Option Scheme. As a result, as at June 30, 2020, options representing a total of 2,852,000 shares were outstanding, representing approximately 0.22% of the issued shares of the Company.



The options granted on September 22, 2015 have been vested on December 22, 2015, September 22, 2016, September 22, 2017 and September 22, 2018 respectively and the number of options granted for the respective vesting dates was 1,625,000, 1,125,000, 875,000 and 375,000. The closing price of the shares immediately before the date of grant was HK\$3.31.

Outstanding RSUs

Pre-IPO RSU Scheme

A total of 7,280,000 Pre-IPO RSUs (which includes the 4,280,000 Pre-IPO RSUs which were granted to partially replace the options granted under the Pre-IPO Share Option Scheme) have been granted on May 22, 2014 to 17 grantees, including 2 executive Directors, 3 senior management members, 1 connected person of the Group and 11 other employees. The 4,280,000 Pre-IPO RSUs that were granted to replace the Pre-IPO Share Option Scheme have the same vesting period as the Pre-IPO Share Options. For the Pre-IPO RSUs granted to the remaining Pre-IPO RSU grantees, 25% shall vest on the first anniversary of the date of the grant letter, and 1/48 shall vest each month thereafter over the next three years on the same day of the month as the date of the grant letter (such day to be deemed to be the last day of the month, when necessary).

On July 9, 2014, upon the Company's IPO on the Main Board of the Stock Exchange, the Company's ordinary shareholders received 9 bonus shares for every registered ordinary share that they already held. As a result, the 7,280,000 ordinary shares of the Company underlying the RSUs were adjusted to 72,800,000 ordinary shares on a one-to-ten basis. As at the date of this report, the total number of shares underlying the RSUs represents approximately 5.71% of the total number of shares of the Company.

We have appointed The Core Trust Company Limited (匯聚信託有限公司) as the trustee and Tangguo Limited, a company incorporated in the British Virgin Islands and an Independent Third Party, as the nominee to administer the Pre-IPO RSU Scheme pursuant to its scheme rules.

During the Reporting Period, RSUs in respect of an aggregate of 6,000 shares have been exercised by grantees under the Pre-IPO RSU Scheme and no RSUs have been granted, cancelled and lapsed. As a result, as at June 30, 2020, 11,982,000 shares have been issued and allotted to Tangguo Limited.

Post-IPO RSU Scheme

As at June 30, 2020, RSUs in respect of a total of 45,893,488 shares pursuant to the Company's Post-IPO RSU Scheme have been granted on April 20, 2015, September 15, 2015, April 1, 2016, April 5, 2017, April 18, 2017, June 3, 2019 and April 28, 2020.

The RSUs granted on April 20, 2015 were vested on August 16, 2015 and August 16, 2016 respectively and the number of RSUs granted for the respective vesting date was 1,749,500 and 1,749,500. The closing price of the shares immediately before the date of grant was HK\$5.48.



The RSUs granted on September 15, 2015 were vested on December 15, 2015, September 15, 2016 and September 15, 2017 respectively and the number of RSUs granted for the respective vesting date was 1,646,000, 930,000 and 144,000. The closing price of the shares immediately before the date of grant was HK\$2.90.

The RSUs granted on April 1, 2016 were vested on August 3, 2016 and August 3, 2017 respectively and the number of RSUs granted for the respective vesting date was 524,350 and 524,338. The closing price of the shares immediately before the date of grant was HK\$4.96.

The RSUs granted on April 5, 2017 were vested on May 28, 2017, July 20, 2017, May 28, 2018 and July 20, 2018 respectively and the number of RSUs granted for the respective vesting date was 4,944,800, 389,333, 4,944,800 and 389,321. The closing price of the shares immediately before the date of grant was HK\$6.19.

The RSUs granted on April 18, 2017 were vested on May 28, 2017, July 20, 2017, May 28, 2018 and July 20, 2018 respectively and the number of RSUs granted for the respective vesting date was 1,455,200, 23,573, 1,455,200 and 23,573. The closing price of the shares immediately before the date of grant was HK\$5.13.

The RSUs granted on June 3, 2019 were vested on September 30, 2019 and December 31, 2019 respectively and the number of RSUs granted for the respective vesting date was 5,000,000 respectively. The closing price of the shares immediately before the date of grant was HK\$2.08.

The RSUs granted on April 28, 2020 were vested on May 28, 2020 and July 28, 2020 respectively and the number of RSUs granted for the respective vesting date was 7,500,000 respectively. The closing price of the shares immediately before the date of grant was HK\$1.33.

The Company appointed The Core Trust Company Limited (匯聚信託有限公司) as the trustee and Xinshow Limited, a company incorporated in the British Virgin Islands and an independent third party, as the nominee to administer the Post-IPO RSU Scheme. During the Reporting Period, RSUs in respect of an aggregate of 215,660 shares have been exercised by grantees under the Post-IPO RSU Scheme and no RSUs have been lapsed and cancelled, as a result, as the date of this report, 33,079,182 shares have been allotted and issued to Xinshow Limited.



CORPORATE GOVERNANCE/OTHER INFORMATION

Details of the options granted under the Share Option Scheme and the RSUs granted under the RSU Schemes

The following table shows the details of the options and/or the RSUs granted and outstanding under the Schemes to, on an individual basis, the Directors, senior management members and other connected person of the Group as at June 30, 2020.

| Name of Grantee | Position Held within Our Group | Nature | Number of Shares Represented by Option or RSUs | | Outstanding as at January 1, 2020 | Exercise Price (US\$) | Exercised during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Outstanding as at June 30, 2020 |
|--|--|-----------|--|----------------|-----------------------------------|-----------------------|---------------------------------------|---------------------------------------|------------------------------------|---------------------------------|
| | | | Date of Grant | | | | | | | |
| Mr. Zhao Weiwen (Note 1) | Chief executive officer | RSUs | 50,852 | April 20, 2015 | 50,852 | Nil | 0 | 0 | 0 | 50,852 |
| | | RSUs | 45,351 | April 1, 2016 | 45,351 | Nil | 0 | 0 | 0 | 45,351 |
| | | Options | 0 | June 17, 2010 | 1,051,000 | 0.06 | 1,051,000 | 0 | 0 | 0 |
| | | Options | 100,000 | May 22, 2014 | 100,000 | 0.35 | 0 | 0 | 0 | 100,000 |
| Mr. Mai Shi'en | Executive Director, chief operating officer and acting chief financial officer | RSUs | 4,050,000 | May 22, 2014 | 4,050,000 | Nil | 0 | 0 | 0 | 4,050,000 |
| Mr. Mao Chengyu | Non-executive Director | Options | 200,000 | May 22, 2014 | 200,000 | 0.35 | 0 | 0 | 0 | 200,000 |
| Ms. Yu Bin | Independent non-executive Director | Options | 200,000 | May 22, 2014 | 200,000 | 0.35 | 0 | 0 | 0 | 200,000 |
| Mr. Chan Wing Yuen, Hubert | Independent non-executive Director | Options | 200,000 | May 22, 2014 | 200,000 | 0.35 | 0 | 0 | 0 | 200,000 |
| Four Directors and a chief executive officer | | Options | | | | 700,000 | | | | |
| | | RSUs | | | | 4,146,203 | | | | |
| | | Sub-total | | | | 4,846,203 | | | | |

Note 1: Mr. Zhao Weiwen has been appointed as the chief executive officer of our Group with effect from June 26, 2020.

CORPORATE GOVERNANCE/OTHER INFORMATION

The following is a summary table showing further details of the options and/or the RSUs granted and outstanding under the Schemes to individuals who are neither a Director, chief executive member nor a connected person of the Group as at June 30, 2020.

| Rank/Position Held With Our Group | Nature | Number of Shares Represented by Option or RSUs | Date of Grant | Outstanding as at January 1, 2020 | Exercise Price (US\$/HK\$) | Exercised during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Outstanding as at June 30, 2020 |
|--------------------------------------|----------------------|--|--------------------|--|----------------------------------|--|--|---|--|
| 146 other employees, | Options | 0 | June 17, 2010 | 71,380 | US\$0.06 | 36,000 | 0 | 35,380 | 0 |
| 45 other consultants | | 79,000 | September 6, 2010 | 79,000 | US\$0.06 | 0 | 0 | 0 | 79,000 |
| and 18 ex-employees | | 5,601,000 | September 6, 2010 | 5,601,000 | US\$0.035 | 0 | 0 | 0 | 5,601,000 |
| (Note 1) | | 2,359,050 | December 20, 2010 | 2,399,050 | US\$0.06 | 40,000 | 0 | 0 | 2,359,050 |
| | | 1,300,000 | December 26, 2011 | 1,300,000 | US\$0.06 | 0 | 0 | 0 | 1,300,000 |
| | | 20,000 | December 26, 2011 | 20,000 | US\$0.1 | 0 | 0 | 0 | 20,000 |
| | | 566,110 | December 26, 2011 | 566,110 | US\$0.12 | 0 | 0 | 0 | 566,110 |
| | | 962,795 | October 14, 2012 | 962,795 | US\$0.15 | 0 | 0 | 0 | 962,795 |
| | | 261,000 | September 14, 2013 | 288,000 | US\$0.2 | 0 | 0 | 27,000 | 261,000 |
| | | 2,854,805 | May 22, 2014 | 2,901,000 | US\$0.35 | 0 | 0 | 46,195 | 2,854,805 |
| | | | (Note 2) | | | | | | |
| | | 2,852,000 | September 22, 2015 | 2,852,000 | HK\$3.50 | 0 | 0 | 0 | 2,852,000 |
| | Options total | 16,855,760 | | 17,040,335 | - | 76,000 | 0 | 108,575 | 16,855,760 |
| | RSUs | 7,932,000 | May 22, 2014 | 7,938,000 | Nil | 6,000 | 0 | 0 | 7,932,000 |
| | | 401,683 | April 20, 2015 | 437,409 | Nil | 35,726 | 0 | 0 | 401,683 |
| | | 66,643 | September 15, 2015 | 66,717 | Nil | 74 | 0 | 0 | 66,643 |
| | | 449,043 | April 1, 2016 | 496,308 | Nil | 47,265 | 0 | 0 | 449,043 |
| | | 8,294,971 | April 5, 2017 | 8,381,306 | Nil | 86,335 | 0 | 0 | 8,294,971 |
| | | 2,012,492 | April 18, 2017 | 2,026,152 | Nil | 13,660 | 0 | 0 | 2,012,492 |
| | | 6,854,350 | June 4, 2019 | 6,886,950 | Nil | 32,600 | 0 | 0 | 6,854,350 |
| | | 15,000,000 | April 28, 2020 | 0 | Nil | 0 | 0 | 0 | 15,000,000 |
| | RSUs total | 41,011,182 | | 26,241,842 | | 221,660 | 0 | 0 | 41,011,182 |
| | Sub-total | 57,866,942 | | | | | | | |

Notes:

1. Consultants are third party agents who provided our Group with business consultancy services on financial management, research and development, human resources and sales. Pursuant to the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, a total of 8,411,500 options have been granted to 45 consultants.
2. Included 180,000 options granted to Mr. Herman Yu, a former non-executive Director who resigned with effect from January 11, 2018.
3. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the Reporting Period was approximately HKD1.67.
4. The weighted average closing price of the shares immediately before the dates on which the RSUs were exercised during the Reporting Period was approximately HKD1.25.

GLOSSARY

This glossary contains explanations of certain terms used in this interim report in connection with our Company and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“Quarterly Average Revenue Per User” or “QARPU” Average quarterly revenue in a particular period divided by the average QPUs in that period.

“MAUs” Number of active registered users that accessed our products or services in the relevant month. (A MAU is defined as a registered user that accessed our products or services at least once during the relevant month.)

“QPUs” Number of paying users for our products and services in the relevant quarter. (A QPU for live social video platform is defined as a user that purchased virtual goods at least once during the relevant quarter.)

“Hosts” Users who generate content, have host accounts and are deemed by us to be hosts. Hosts may receive marketing fees from distributors.

“Registered users” The accumulated number of users who have registered an account on our live social video platform, online games or beauty camera and duplicated accounts were not excluded.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF TIAN GE INTERACTIVE HOLDINGS LIMITED (incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 34 to 80, which comprises the interim condensed consolidated balance sheet of Tian Ge Interactive Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 27 August 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | Notes | Unaudited | |
|---|-------|--------------------------|----------------|
| | | Six months ended 30 June | |
| | | 2020 | 2019 |
| | | RMB' 000 | RMB' 000 |
| Revenue | 6 | 209,032 | 280,151 |
| Cost of revenue | 7 | (24,259) | (26,721) |
| Gross profit | | 184,773 | 253,430 |
| Selling and marketing expenses | 7 | (59,387) | (56,009) |
| Administrative expenses | 7 | (47,912) | (39,701) |
| Research and development expenses | 7 | (37,714) | (36,826) |
| (Impairment)/reversal of impairment losses for financial assets, net | 18(g) | (5,601) | 36,351 |
| Other gains, net | 8 | 8,695 | 54,912 |
| Operating profit | | 42,854 | 212,157 |
| Finance income | 9 | 6,431 | 4,999 |
| Finance costs | 9 | (483) | (2,142) |
| Finance income, net | | 5,948 | 2,857 |
| Share of profit/(loss) of investments accounted for using the equity method | 16 | 2,566 | (1,504) |
| Impairment of investments accounted for using the equity method | 16 | – | (23,251) |
| Profit before income tax | | 51,368 | 190,259 |
| Income tax expense | 10 | (14,411) | (142,661) |
| Profit for the period | | 36,957 | 47,598 |
| Other comprehensive income | | | |
| Items that may be reclassified to profit or loss | | | |
| Currency translation differences | | 18,997 | 2,258 |
| Total comprehensive income for the period | | 55,954 | 49,856 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | | Unaudited | |
|---|-------|--------------------------|------------------|
| | | Six months ended 30 June | |
| | Notes | 2020 RMB' 000 | 2019 RMB' 000 |
| Profit attributable to: | | | |
| – Shareholders of the Company | | 35,914 | 45,703 |
| – Non-controlling interests | | 1,043 | 1,895 |
| | | <u>36,957</u> | <u>47,598</u> |
| Total comprehensive income attributable to: | | | |
| – Shareholders of the Company | | 54,911 | 47,961 |
| – Non-controlling interests | | 1,043 | 1,895 |
| | | <u>55,954</u> | <u>49,856</u> |
| Earnings per share attributable to Shareholders of the Company (expressed in RMB per share) | | | |
| Basic earnings per share | 11 | <u>0.028</u> | <u>0.036</u> |
| Diluted earnings per share | 11 | <u>0.028</u> | <u>0.036</u> |

The notes on pages 42 to 80 form an integral part of these condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2020

| | Notes | Unaudited 30 June 2020 RMB' 000 | Audited 31 December 2019 RMB' 000 |
|---|-------|--|--|
| Assets | | | |
| Non-current assets | | | |
| Property and equipment | 12 | 161,614 | 165,598 |
| Right-of-use assets | 13 | 6,381 | 7,373 |
| Investment properties | 14 | 56,246 | 56,591 |
| Intangible assets | 15 | 281,116 | 285,826 |
| Investments accounted for using the equity method | 16 | 26,526 | 26,574 |
| Prepayments and other receivables | 18 | 21,820 | 29,919 |
| Financial assets at fair value through profit or loss | 5, 19 | 936,864 | 927,338 |
| Deferred income tax assets | 29 | 16,076 | 19,403 |
| | | <u>1,506,643</u> | <u>1,518,622</u> |
| Current assets | | | |
| Trade receivables | 17 | 23,575 | 27,068 |
| Prepayments and other receivables | 18 | 121,495 | 70,714 |
| Financial assets at fair value through profit or loss | 5, 19 | 615,122 | 746,935 |
| Derivative financial instruments | 5 | 1,500 | – |
| Term deposits with initial term over 3 months | 20 | 484,605 | 106,419 |
| Cash and cash equivalents | 21 | 919,442 | 1,033,006 |
| | | <u>2,165,739</u> | <u>1,984,142</u> |
| Total assets | | <u><u>3,672,382</u></u> | <u><u>3,502,764</u></u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Lease liabilities | 13 | 1,002 | 1,996 |
| Deferred income tax liabilities | 29 | 98,611 | 113,935 |
| Other non-current liabilities | | 1,155 | 2,736 |
| | | <u>100,768</u> | <u>118,667</u> |

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2020

| | Notes | Unaudited 30 June 2020 RMB' 000 | Audited 31 December 2019 RMB' 000 |
|---|-------|--|--|
| Current liabilities | | | |
| Borrowings | 22 | 114,042 | – |
| Trade payables | 23 | 2,469 | 2,477 |
| Other payables, accruals and other current liabilities | 24 | 101,140 | 55,358 |
| Current income tax liabilities | | 79,096 | 118,504 |
| Lease liabilities | 13 | 4,086 | 3,929 |
| Derivative financial instruments | 5 | 927 | – |
| Redemption liabilities | 25 | 277,262 | 311,451 |
| Customer advance and deferred revenue | | 22,160 | 27,635 |
| | | <u>601,182</u> | <u>519,354</u> |
| Total liabilities | | <u>701,950</u> | <u>638,021</u> |
| Net assets | | <u>2,970,432</u> | <u>2,864,743</u> |
| Equity | | | |
| Equity attributable to shareholders of the Company | | | |
| Share capital | 26 | 791 | 780 |
| Shares held for restricted share unit scheme | 26 | (5) | – |
| Share premium | 26 | 1,761,185 | 1,760,719 |
| Other reserves | 27 | 459,055 | 393,817 |
| Retained earnings | | 638,823 | 599,641 |
| | | <u>2,859,849</u> | <u>2,754,957</u> |
| Non-controlling interests | | <u>110,583</u> | <u>109,786</u> |
| Total equity | | <u>2,970,432</u> | <u>2,864,743</u> |

The notes on pages 42 to 80 form an integral part of these condensed consolidated financial information.

Fu Zhengjun

Director

Mai Shi'en

Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | | Unaudited Equity attributable to shareholders of the Company | | | | | | | |
|-------|---|--|----------------|------------------|----------------|-------------------|------------------|-----------------------|------------------|
| | | Share held | | | | Retained earnings | Non- | | |
| | | Share capital | for RSU scheme | Share premium | Other reserves | | Total | controlling interests | Total equity |
| Notes | | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 |
| | Balance at 1 January 2020 | 780 | - | 1,760,719 | 393,817 | 599,641 | 2,754,957 | 109,786 | 2,864,743 |
| | Comprehensive income | | | | | | | | |
| | Profit for the six months ended 30 June 2020 | - | - | - | - | 35,914 | 35,914 | 1,043 | 36,957 |
| | Other comprehensive income | | | | | | | | |
| | Currency translation differences | 27 | - | - | 18,997 | - | 18,997 | - | 18,997 |
| | Total comprehensive income | | | | | | | | |
| | | - | - | - | 18,997 | 35,914 | 54,911 | 1,043 | 55,954 |
| | Transactions with shareholders of the Company, recognised directly in equity | | | | | | | | |
| | Employees share option scheme: | | | | | | | | |
| | - proceeds from shares issued | 26 | 1 | - | 471 | - | 472 | - | 472 |
| | Employees restricted share unit ("RSU") scheme: | | | | | | | | |
| | - value of employee service | 27 | - | - | - | 15,320 | 15,320 | - | 15,320 |
| | - shares issued for RSU scheme | 26 | 10 | (10) | - | - | - | - | - |
| | - shares vested and transferred | 26 | - | 5 | (5) | - | - | - | - |
| | Derecognition of redemption liabilities | 25 | - | - | - | 34,189 | 34,189 | - | 34,189 |
| | Disposal of subsidiaries | | - | - | - | (3,268) | 3,268 | (246) | (246) |
| | Total transactions with shareholders of the Company, recognised directly in equity | | | | | | | | |
| | | 11 | (5) | 466 | 46,241 | 3,268 | 49,981 | (246) | 49,735 |
| | Balance at 30 June 2020 | 791 | (5) | 1,761,185 | 459,055 | 638,823 | 2,859,849 | 110,583 | 2,970,432 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

| Unaudited Equity attributable to shareholders of the Company | | | | | | | | |
|---|---------------|------------------|----------------|----------------|-------------------|------------------|---------------------------|------------------|
| | Share capital | Share premium | Treasury stock | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| Notes | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 |
| Balance at 1 January 2019 | 789 | 1,828,683 | (25,469) | 510,665 | 516,740 | 2,831,408 | 12,762 | 2,844,170 |
| Comprehensive income | | | | | | | | |
| Profit for the six months ended 30 June 2019 | - | - | - | - | 45,703 | 45,703 | 1,895 | 47,598 |
| Other comprehensive income | | | | | | | | |
| Currency translation differences | 27 | - | - | 2,258 | - | 2,258 | - | 2,258 |
| Total comprehensive income | - | - | - | 2,258 | 45,703 | 47,961 | 1,895 | 49,856 |
| Transactions with shareholders of the Company, recognised directly in equity | | | | | | | | |
| Employees share option scheme: | | | | | | | | |
| - proceeds from shares issued | 26 | 1 | 542 | - | - | 543 | - | 543 |
| Employees RSU scheme: | | | | | | | | |
| - value of employee service | 27 | - | - | 3,341 | - | 3,341 | - | 3,341 |
| Repurchase of ordinary shares | 26 | - | - | (33,698) | - | (33,698) | - | (33,698) |
| Cancellation of ordinary shares | 26 | (13) | (55,074) | 55,087 | - | - | - | - |
| Disposal of a subsidiary | | - | - | - | - | - | (38) | (38) |
| Total transactions with shareholders of the Company, recognised directly in equity | | (12) | (54,532) | 21,389 | 3,341 | (29,814) | (38) | (29,852) |
| Balance at 30 June 2019 | 777 | 1,774,151 | (4,080) | 516,264 | 562,443 | 2,849,555 | 14,619 | 2,864,174 |

The notes on pages 42 to 80 form an integral part of these condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | | Unaudited | |
|--|---------------|--------------------------|-----------------|
| | | Six months ended 30 June | |
| | | 2020 | 2019 |
| | | RMB' 000 | RMB' 000 |
| | Notes | | |
| Cash flows from operating activities | | | |
| Cash generated from operations | | 61,728 | 173,434 |
| Income tax paid | | (93,113) | (58,344) |
| Receipt of refunded withholding tax in relation to dividend distribution | 10 | 27,500 | – |
| Net cash (used in)/generated from operating activities | | (3,885) | 115,090 |
| Cash flows from investing activities | | | |
| Proceeds from disposal of subsidiaries, net of cash disposed | | 4,648 | 13,102 |
| Proceeds from disposal of investments accounted for using the equity method | | 5,158 | 2,000 |
| Payment for acquisition of investments accounted for using the equity method | 16 | – | (8,343) |
| Purchase of and prepayment for property and equipment, intangible assets and other non-current assets | | (2,663) | (5,467) |
| Deposit paid for purchase of land use right | | – | (3,244) |
| Proceeds on disposal of property and equipment and intangible assets | | 165 | 127 |
| Payment for term deposits with initial term over 3 months | | (476,678) | – |
| Proceeds from disposal of term deposits with initial term over 3 months | | 106,964 | 110,333 |
| Payment for financial assets at fair value through profit or loss | | (1,134,781) | (1,254,075) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | 1,299,834 | 1,138,605 |
| Cash paid for refundable prepayment of investments | | – | (5,149) |
| Receipt of refundable prepayment for potential investments | 19 | 3,800 | 1,000 |
| Loans granted to third parties, related parties and employees | | (90,330) | (22,968) |
| Repayment of loans granted to third parties, related parties and employees | | 35,879 | 7,396 |
| Repayment of loans granted to individual customers | | 547 | – |
| Dividend received from investments accounted for using the equity method and financial assets at fair value through profit or loss | 5.4, 16(a) | 8,584 | 3,544 |
| Interest received | | 9,970 | 313 |
| Net cash used in investing activities | | (228,903) | (22,826) |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | | Unaudited | |
|---|-------|--------------------------|------------------|
| | | Six months ended 30 June | |
| | Notes | 2020 RMB' 000 | 2019 RMB' 000 |
| Cash flows from financing activities | | | |
| Proceeds from exercise of share options | | 472 | 700 |
| Proceeds from bank borrowings | | 113,595 | – |
| Lease payments | | (2,066) | – |
| Advance received from an investment in a subsidiary | | – | 55,000 |
| Payments for repurchase of ordinary shares | 26(c) | – | (33,698) |
| Net cash generated from financing activities | | 112,001 | 22,002 |
| Net (decrease)/increase in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the period | 21 | 1,033,006 | 432,588 |
| Exchange gain on cash and cash equivalents | | 7,223 | 2,578 |
| Cash and cash equivalents at the end of the period | 21 | 919,442 | 549,432 |

The notes on pages 42 to 80 form an integral part of these condensed consolidated financial information.

1 GENERAL INFORMATION

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

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

This condensed consolidated financial information is presented in Renminbi (the “**RMB**”), unless otherwise stated. This condensed consolidated financial information was approved by the board of directors of the Company for issue on 27 August 2020.

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

2 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 ‘Interim Financial Reporting’. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS as set out in the 2019 annual report of the Company dated 26 March 2020.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings (Note 10) and the adoption of new and amended standards (Note 3.1) as set out below.

3.1 New and amended standards adopted by the Group

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

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

A number of new standards and amendments to standards have not come into effect for the financial year beginning 1 January 2020 and have not been early adopted by the Group in preparing the condensed consolidated financial information. None of these is expected to have a significant effect on the condensed consolidated financial information of the Group.

4 ESTIMATES

The preparation of condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2019.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and it should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019.

There have been no changes in the risk management department or in any risk management policies since the year ended 31 December 2019.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

5.3 Fair value estimation – *continued*

(i) Fair value hierarchy – *continued*

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

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

The following tables present the Group's financial assets/(liabilities) at fair value through profit or loss ("FVPL") as at 30 June 2020 and 31 December 2019.

Recurring fair value measurements at 30 June 2020

| | Notes | Level 1 RMB' 000 | Level 2 RMB' 000 | Level 3 RMB' 000 | Total RMB' 000 |
|---|----------|---------------------|---------------------|---------------------|-------------------|
| Financial assets | | | | | |
| Financial assets at FVPL | | | | | |
| – Unlisted equity investments | 19(a) | – | – | 481,382 | 481,382 |
| – Venture capital funds | 19(b) | – | – | 408,846 | 408,846 |
| – Wealth management products | 19(c) | – | 54,684 | 231,513 | 286,197 |
| – Structured notes | 19(d) | – | – | 292,976 | 292,976 |
| – Investment in real estate income trust ("REIT") access fund | 19(e) | – | – | 39,627 | 39,627 |
| – Other fund investments | 19(f) | – | – | 35,949 | 35,949 |
| – Convertible promissory notes | 19(a(i)) | – | – | 7,009 | 7,009 |
| Trading derivatives | | 1,500 | – | – | 1,500 |
| Total financial assets | | 1,500 | 54,684 | 1,497,302 | 1,553,486 |
| Financial liabilities | | | | | |
| Trading derivatives | | (927) | – | – | (927) |
| Total financial liabilities | | (927) | – | – | (927) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

5.3 Fair value estimation – *continued*

(i) Fair value hierarchy – *continued*

Recurring fair value measurements
at 31 December 2019

| | Notes | Level 1 RMB' 000 | Level 2 RMB' 000 | Level 3 RMB' 000 | Total RMB' 000 |
|----------------------------------|-------|---------------------|---------------------|---------------------|-------------------|
| Financial assets at FVPL | | | | | |
| – Wealth management products | 19(c) | – | 120,237 | 605,173 | 725,410 |
| – Unlisted equity investments | 19(a) | – | – | 491,122 | 491,122 |
| – Venture capital funds | 19(b) | – | – | 394,243 | 394,243 |
| – Investment in REIT access fund | 19(e) | – | – | 41,973 | 41,973 |
| – Structured notes | 19(d) | – | – | 16,525 | 16,525 |
| – Income trust investment | | – | – | 5,000 | 5,000 |
| | | | | | |
| Total financial assets | | – | 120,237 | 1,554,036 | 1,674,273 |

There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the reporting period.

(ii) Valuation techniques used to determine fair values

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held among the CFO, AC and the valuation team at least once every three months, in line with the Group's quarterly reporting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

5.3 Fair value estimation – *continued*

(ii) Valuation techniques used to determine fair values – *continued*

Specific valuation techniques used to value financial instruments include:

- for trading derivatives – the quoted prices in active markets for identical assets or liabilities;
- for wealth management products – the use of exercisable quoted price by the issuer or the discounted cash flow;
- for venture capital funds – the net asset value of private equity fund investments;
- for unlisted equity investments – the use of discounted cash flow of the investees, with reference to: (i) the latest round financing, i.e. the prior transaction price or the third-party pricing information, or (ii) the Group’s share of the investees’ net asset which are expected to be realised;
- for structured notes, income trust investment, Investment in REIT access fund and other fund investments – the net asset value of the investments.

5.4 Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2020 and 2019.

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2020 RMB' 000 | 2019 RMB' 000 |
| Opening balance at 1 January | 1,554,036 | 1,746,412 |
| Additions | 895,838 | 1,292,917 |
| Disposals | (948,266) | (1,138,299) |
| Reclassified as held for sale | – | (5,727) |
| Dividend received (Note 19(a)(b)) | (8,584) | (2,874) |
| Net fair value (loss)/gain recognised in consolidated statements of comprehensive income under ‘other gains, net’ | (2,211) | 59,775 |
| Currency translation difference | 6,489 | 1,021 |
| Closing balance at 30 June | <u>1,497,302</u> | <u>1,953,225</u> |
| Net unrealised (loss)/gain for the period included in profit or loss for assets held at the period end | <u>(12,565)</u> | <u>42,822</u> |

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amounts:

- Trade receivables
- Other receivables (excluding prepaid expenses)
- Term deposits with initial terms over 3 months
- Cash and cash equivalents
- Borrowings
- Trade payables
- Other payables and accruals (excluding accrued payroll, government grants and other tax liabilities)

6 SEGMENT INFORMATION

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

The Group has following reportable segments for the six months ended 30 June 2020 and 2019:

- Online interactive entertainment service;
- Advertising;
- Others.

The "Online interactive entertainment service" segment mainly comprises of the provision of service through the Group's live social video platform (six months ended 2019: live social video platform and online games). "Advertising" segment consists of online advertising business through self-owned beauty camera application and platform. "Others" segment of the Group mainly comprises of the provision of software research and development and other services.

The CODM assessed 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 SEGMENT INFORMATION – *continued*

There were no material inter-segment sales during the six months ended 30 June 2020 and 2019. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the condensed consolidated statement of comprehensive income.

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

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2020 and 2019 is as follows:

| | Six months ended 30 June 2020 | | | | Six months ended 30 June 2019 | | | | | |
|--|----------------------------------|----------|-------------|----------|-------------------------------|----------------------------------|----------|-------------|----------|----------|
| | Online interactive entertainment | | Advertising | Others | Total | Online interactive entertainment | | Advertising | Others | Total |
| | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 |
| Revenue | 184,020 | 23,886 | 1,126 | 209,032 | 232,301 | 37,911 | 9,939 | 280,151 | | |
| Gross profit | 170,048 | 13,685 | 1,040 | 184,773 | 213,650 | 30,552 | 9,228 | 253,430 | | |
| - Depreciation, amortisation and impairment charges included in segment cost | 1,886 | 500 | - | 2,386 | 2,804 | 500 | - | 3,304 | | |
| Operating profit | | | | 42,854 | | | | 212,157 | | |
| Finance income | | | | 6,431 | | | | 4,999 | | |
| Finance costs | | | | (483) | | | | (2,142) | | |
| Shares of profit/(loss) of investments accounted for using the equity method | | | | 2,566 | | | | (1,504) | | |
| Impairment on investments accounted for using the equity method | | | | - | | | | (23,251) | | |
| Profit before income tax | | | | 51,368 | | | | 190,259 | | |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 SEGMENT INFORMATION – *continued*

A breakdown of the revenue derived from each revenue stream is as follows:

| | Six months ended 30 June | |
|-----------------------------------|--------------------------|------------------|
| | 2020 RMB' 000 | 2019 RMB' 000 |
| Live social video platforms | 184,020 | 230,027 |
| Game operation | – | 2,274 |
| Advertising | 23,886 | 37,911 |
| Software research and development | 599 | 9,239 |
| Others | 527 | 700 |
| | <u>209,032</u> | <u>280,151</u> |

7 EXPENSES BY NATURE

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2020 RMB' 000 | 2019 RMB' 000 |
| Employee benefit expenses (including share-based compensation expenses) | 72,461 | 65,210 |
| Promotion and advertising expenses | 44,370 | 38,555 |
| Bandwidth and server custody fees | 12,188 | 12,466 |
| Commission charged by game developers | – | 2,043 |
| Game and software development costs | 2,044 | 1,883 |
| Travelling and entertainment expenses | 6,284 | 6,270 |
| Amortisation of intangible assets (Note 15) | 5,892 | 6,029 |
| Depreciation of property and equipment (Note 12) | 5,567 | 6,814 |
| Utilities and office expenses | 5,501 | 4,095 |
| Professional and consultancy fee | 5,118 | 4,506 |
| Depreciation of right-of-use assets (Note 13) | 2,100 | 1,690 |
| Auditors' remuneration | 2,025 | 2,400 |
| Payment handling costs | 1,394 | 624 |
| Short-term operating leases | 869 | 1,261 |
| Others | 3,459 | 5,411 |
| | <u>169,272</u> | <u>159,257</u> |
| Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses | 169,272 | 159,257 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8 OTHER GAINS, NET

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2020 RMB' 000 | 2019 RMB' 000 |
| Interest on term deposits with initial term over 3 months | 3,828 | 713 |
| Fair value gains/(losses) on financial assets at FVPL | | |
| – Unlisted equity investments (Note 19(a)) | 1,061 | (3,923) |
| – Venture capital funds (Note 19(b)) | (4,928) | 41,516 |
| – Wealth management products (Note 19(c)) | 8,787 | 20,472 |
| – Structured notes (Note 19(d)) | (3,706) | 373 |
| – Investment in REIT access fund (Note 19(e)) | (2,197) | – |
| – Other fund investments (Note 19(f)) | 877 | – |
| – Income trust investment | 258 | – |
| – Convertible promissory notes (Note 19(a(i))) | (71) | – |
| – Contingent consideration | – | 1,337 |
| Net fair value loss on derivatives held for trading | (2,877) | – |
| Government grants | | |
| – Technology award | 1,917 | 1,980 |
| – Others | 442 | 548 |
| Interest income on loans to third parties, related parties and employees | 2,573 | 957 |
| Gains on disposal of subsidiaries | 1,282 | – |
| Net losses from fair value adjustment of investment properties (Note 14) | (971) | – |
| Foreign exchange gains/(losses) on non-financing activities | 172 | (226) |
| Losses on remeasurement of assets classified as held for sale (i) | – | (1,684) |
| Others | 2,248 | (7,151) |
| | <u>8,695</u> | <u>54,912</u> |

- (i) In June 2019, the Group entered into an agreement with third parties to sell its 100% equity interest in a subsidiary at a consideration of RMB1,000 thousand. The associated assets and liabilities of the subsidiary were reclassified as held for sale and measured at the lower of their carrying amounts and fair value less costs to sell, resulting in a write-down of RMB1,684 thousand in “other gains, net” in the statement of comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9 FINANCE INCOME, NET

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2020 RMB' 000 | 2019 RMB' 000 |
| Finance income: | | |
| – Interest income on cash and cash equivalents | 6,386 | 1,854 |
| – Exchange gain on financing activities, net | 45 | 3,145 |
| | <u>6,431</u> | <u>4,999</u> |
| Finance costs: | | |
| – Interest expenses on borrowings | (256) | – |
| – Interest expenses on lease liabilities | (111) | (35) |
| – Exchange loss on financing activities, net | (79) | (2,034) |
| – Other interest expenses | (37) | (73) |
| | <u>(483)</u> | <u>(2,142)</u> |
| Finance income, net | <u>5,948</u> | <u>2,857</u> |

10 INCOME TAX EXPENSE

| | Six months ended 30 June | |
|-------------------------------|--------------------------|------------------|
| | 2020 RMB' 000 | 2019 RMB' 000 |
| Current income tax | 25,946 | 46,726 |
| Deferred income tax (Note 29) | (11,535) | 95,935 |
| | <u>14,411</u> | <u>142,661</u> |

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

10 INCOME TAX EXPENSE – *continued*

(i) Enterprise income tax expense

The Group is not subject to taxation in the Cayman Islands. Hong Kong profits tax has been provided for at a rate of 16.5% (2019: 16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. The companies established and operated in the PRC are subject to PRC Enterprise Income Tax (“EIT”) at a rate of 25% (2019: 25%), and certain Group’s subsidiaries established in the PRC and PRC Operating Entities are entitled to preferential EIT rate of 15% (2019: 15%).

Enterprise income tax expense is recognised based on the management’s estimate of the expected weighted average income tax rate for the full financial year. The estimated average annual tax rate used for companies established and operated in the PRC and Hong Kong for the year ending 31 December 2020 are 16.91% and 16.50%, respectively (the year ended 31 December 2019: 16.2% and 16.5%, respectively).

(ii) Withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax rate. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. In November 2019, Week8 (HK) Holdings Limited (“Week8 (HK)”) was approved by Inland Revenue Department of Hong Kong Special Administrative Region as a resident of the Hong Kong Special Administration for 2018 and the two succeeding calendar years. Pursuant to such approval, the dividends distributed to Week8 (HK) from the PRC subsidiaries from 2018 to 2020 would be subject to withholding tax rate of 5%. Prior to November 2019, the Group applied 10% withholding tax rate on dividends distributed to Week8 (HK). As a result, the applicable withholding tax rates for the six months ended 30 June 2020 and 2019 are 5% and 10%, respectively.

In the first half of 2019, the management anticipated to remit the earnings of RMB72,956 thousand from the profit for the six months ended 30 June 2019 of several PRC subsidiaries to Week8 (HK), which was subject to a 10% withholding tax at a total amount of RMB7,296 thousand. In addition, due to the expansion of overseas business, management changed their estimation of overseas funding requirement and anticipated to remit an additional earnings of RMB900,000 thousand from the retained earnings of certain PRC subsidiaries to Week8 (HK), which was subject to a 10% withholding tax at the amount of RMB90,000 thousand.

10 INCOME TAX EXPENSE – *continued*

(ii) Withholding tax – *continued*

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

During the six months ended 30 June 2020, the Group received refunded withholding taxes of RMB27,500 thousand in relation to the dividends paid in 2018 and 2019 from the local tax authorities, as a result of the reduction of applicable withholding tax rate from 10% to 5%, and recorded it as a reversal of income tax expense.

11 EARNINGS PER SHARE

(a) Basic

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

| | Six months ended 30 June | |
|--|--------------------------|-----------|
| | 2020 | 2019 |
| Profit attributable to shareholders of the Company (RMB’ 000) | 35,914 | 45,703 |
| Weighted average number of ordinary shares in issue (thousand shares) | 1,261,064 | 1,260,710 |
| Basic earnings per share (in RMB/share) | 0.028 | 0.036 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11 EARNINGS PER SHARE – *continued*

(b) Diluted

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

The Company has two categories of dilutive potential ordinary shares, share options granted to employees under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme and RSUs granted to employees under Pre-IPO Restricted Share Unit Scheme and Post-IPO Restricted Share Unit Scheme (Note 28). The share options and RSUs are assumed to have been fully vested and released from restrictions with no impact on earnings.

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2020 | 2019 |
| Profit attributable to Shareholders of the Company (RMB'000): | <u>35,914</u> | <u>45,703</u> |
| Weighted average number of ordinary shares in issue (thousand shares) | <u>1,261,064</u> | 1,260,710 |
| Adjustments for share based compensation – share options (thousand shares) | 7,984 | 12,663 |
| Adjustments for share based compensation – RSUs (thousand shares) | <u>3,056</u> | <u>658</u> |
| Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares) | <u>1,272,104</u> | <u>1,274,031</u> |
| Diluted earnings per share (in RMB/share) | <u>0.028</u> | <u>0.036</u> |

12 PROPERTY AND EQUIPMENT

| | Building RMB'000 | Decorations RMB'000 | Furniture and office equipment RMB'000 | Server and other equipment RMB'000 | Motor vehicles RMB'000 | Leasehold improvement RMB'000 | Total RMB'000 |
|--|---------------------|------------------------|---|---|------------------------------|-------------------------------------|------------------|
| Six months ended 30 June 2020 | | | | | | | |
| Net book value | | | | | | | |
| Opening amount as at 1 January 2020 | 153,477 | 1,013 | 1,749 | 5,453 | 2,596 | 1,310 | 165,598 |
| Additions | - | 169 | 388 | 957 | - | - | 1,514 |
| Disposals | - | - | (21) | (135) | (40) | - | (196) |
| Depreciation charges (Note 7) | (2,380) | (182) | (357) | (1,648) | (599) | (401) | (5,567) |
| Currency translation difference | 219 | - | 3 | 1 | 5 | 37 | 265 |
| Closing amount as at 30 June 2020 | 151,316 | 1,000 | 1,762 | 4,628 | 1,962 | 946 | 161,614 |
| At 30 June 2020 | | | | | | | |
| Cost | 176,700 | 14,745 | 7,037 | 37,885 | 5,954 | 9,672 | 251,993 |
| Accumulated depreciation and impairment | (25,384) | (13,745) | (5,275) | (33,257) | (3,992) | (8,726) | (90,379) |
| Net book amount | 151,316 | 1,000 | 1,762 | 4,628 | 1,962 | 946 | 161,614 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 PROPERTY AND EQUIPMENT – continued

| | Building RMB' 000 | Decorations RMB' 000 | Furniture and office equipment RMB' 000 | Server and other equipment RMB' 000 | Motor vehicles RMB' 000 | Leasehold improvement RMB' 000 | Construction in progress RMB' 000 | Total RMB' 000 |
|---|----------------------|-------------------------|--|--|-------------------------------|--------------------------------------|---|-------------------|
| Six months ended 30 June 2019 | | | | | | | | |
| Net book value | | | | | | | | |
| Opening amount as at 1 January 2019 | 170,820 | 2,472 | 1,912 | 8,275 | 3,103 | - | - | 186,582 |
| Additions | - | 45 | 218 | 574 | 752 | 35 | 686 | 2,310 |
| Disposals | - | - | - | (123) | - | - | - | (123) |
| Depreciation charges (Note 7) | (2,604) | (998) | (504) | (2,028) | (601) | (79) | - | (6,814) |
| Currency translation difference | 21 | (199) | (3) | - | - | 197 | 6 | 22 |
| Closing amount as at 30 June 2019 | <u>168,237</u> | <u>1,320</u> | <u>1,623</u> | <u>6,698</u> | <u>3,254</u> | <u>153</u> | <u>692</u> | <u>181,977</u> |
| At 30 June 2019 | | | | | | | | |
| Cost | 191,240 | 14,557 | 6,971 | 41,093 | 6,735 | 8,189 | 692 | 269,477 |
| Accumulated depreciation and impairment | (23,003) | (13,237) | (5,348) | (34,395) | (3,481) | (8,036) | - | (87,500) |
| Net book amount | <u>168,237</u> | <u>1,320</u> | <u>1,623</u> | <u>6,698</u> | <u>3,254</u> | <u>153</u> | <u>692</u> | <u>181,977</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 LEASE

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|----------------------------|-----------------------------------|---------------------------------------|
| Right-of-use assets | | |
| Properties | <u>6,381</u> | <u>7,373</u> |
| Lease liabilities | | |
| Current | 4,086 | 3,929 |
| Non-current | <u>1,002</u> | <u>1,996</u> |
| | <u>5,088</u> | <u>5,925</u> |

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2020 RMB' 000 | 2019 RMB' 000 |
| Movement of right-of-use assets | | |
| Opening balance as at 1 January | <u>7,373</u> | <u>4,905</u> |
| Additions of leases | 1,003 | 1,471 |
| Depreciation charges (Note 7) | (2,100) | (1,690) |
| Currency translation difference | 105 | – |
| Closing balance as at 30 June | <u>6,381</u> | <u>4,686</u> |

14 INVESTMENT PROPERTIES

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2020 RMB' 000 | 2019 RMB' 000 |
| At fair value | | |
| Opening amount as at 1 January | 56,591 | 46,512 |
| Net losses from fair value adjustment (Note 8) | (971) | – |
| Currency translation differences | <u>626</u> | <u>78</u> |
| Closing amount as at 30 June | <u>56,246</u> | <u>46,590</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 INTANGIBLE ASSETS

| | Goodwill RMB' 000 | Computer software RMB' 000 | Domain name and technology RMB' 000 | Platform, game and license RMB' 000 | Customer resource RMB' 000 | Total RMB' 000 |
|--|----------------------|----------------------------------|--|--|----------------------------------|-------------------|
| Six months ended 30 June 2020 | | | | | | |
| Net book value | | | | | | |
| Opening amount as at | | | | | | |
| 1 January 2020 | 233,646 | 13,051 | 305 | 31,170 | 7,654 | 285,826 |
| Additions | - | 1,115 | 34 | - | - | 1,149 |
| Amortisation charges (Note 7) | - | (1,698) | (210) | (1,114) | (2,870) | (5,892) |
| Currency translation difference | 32 | - | 1 | - | - | 33 |
| Closing amount as at | | | | | | |
| 30 June 2020 | <u>233,678</u> | <u>12,468</u> | <u>130</u> | <u>30,056</u> | <u>4,784</u> | <u>281,116</u> |
| At 30 June 2020 | | | | | | |
| Cost | 233,678 | 33,534 | 10,541 | 44,528 | 17,221 | 339,502 |
| Accumulated amortisation and impairment | - | (21,066) | (10,411) | (14,472) | (12,437) | (58,386) |
| Net book amount | <u>233,678</u> | <u>12,468</u> | <u>130</u> | <u>30,056</u> | <u>4,784</u> | <u>281,116</u> |
| Six months ended 30 June 2019 | | | | | | |
| Net book value | | | | | | |
| Opening amount as at | | | | | | |
| 1 January 2019 | 233,611 | 15,277 | 720 | 33,397 | 13,394 | 296,399 |
| Additions | - | 529 | 76 | - | - | 605 |
| Amortisation charges (Note 7) | - | (1,769) | (277) | (1,113) | (2,870) | (6,029) |
| Currency translation difference | 4 | - | (1) | - | - | 3 |
| Closing amount as at | | | | | | |
| 30 June 2019 | <u>233,615</u> | <u>14,037</u> | <u>518</u> | <u>32,284</u> | <u>10,524</u> | <u>290,978</u> |
| At 30 June 2019 | | | | | | |
| Cost | 255,600 | 32,717 | 10,564 | 70,411 | 17,221 | 386,513 |
| Accumulated amortisation and impairment | (21,985) | (18,680) | (10,046) | (38,127) | (6,697) | (95,535) |
| Net book amount | <u>233,615</u> | <u>14,037</u> | <u>518</u> | <u>32,284</u> | <u>10,524</u> | <u>290,978</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|--------------------|-----------------------------------|---------------------------------------|
| Associates (a) | 24,929 | 22,777 |
| Joint ventures (b) | 1,597 | 3,797 |
| | <u>26,526</u> | <u>26,574</u> |

(a) Investment in associates

| | Six months ended | |
|----------------------------------|--------------------------|--------------------------|
| | 30 June 2020 RMB' 000 | 30 June 2019 RMB' 000 |
| Opening balance as at 1 January | 22,777 | 53,307 |
| Additions (i) | – | 3,276 |
| Disposal (ii) | (965) | – |
| Share of gains/(losses) | 3,167 | (1,394) |
| Dividend received | – | (670) |
| Impairment (iii) | – | (23,251) |
| Currency translation differences | (50) | 255 |
| | <u>24,929</u> | <u>31,523</u> |
| Closing balance as at 30 June | | |

- (i) During the six months ended 30 June 2019, the Group made a capital injection of MYR2,000 thousand (approximately RMB3,276 thousand) to an associate engaged in small loan lending overseas.
- (ii) During the six months ended 30 June 2020, the Group disposed an associate, which was engaged in the operation of online casual game in mainland China, for a total cash consideration of RMB950 thousand, resulting in a loss of RMB15 thousand.
- (iii) During the six months ended 30 June 2019, the Group carried out an impairment assessment on certain associates, which were engaged in business promotion and trading via online female network community in mainland China, online health information service in mainland China and small loan lending overseas, based on value in use calculation, as the financial/business outlook of the associates were not optimistic after revision. The Group made an impairment provision of RMB23,251 thousand against the carrying amounts of the associates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – *continued*

(b) Investment in joint ventures

| | Six months ended | |
|----------------------------------|--------------------------|--------------------------|
| | 30 June 2020 RMB' 000 | 30 June 2019 RMB' 000 |
| Opening balance as at 1 January | 3,797 | 1,998 |
| Addition (i) | – | 5,067 |
| Disposal | (1,601) | – |
| Share of losses | (601) | (110) |
| Currency translation differences | 2 | – |
| | <hr/> | <hr/> |
| Closing balance as at 30 June | 1,597 | 6,955 |

- (i) During the six months ended 30 June 2019, the Group entered into an investment agreement with two third party companies to establish a joint venture in Singapore, which was engaged in provision of online entertainment business overseas. The Group subscribed for 49% of equity interest in the joint venture at a consideration of USD1,470 thousand. As at 30 June 2019, USD735 thousand (approximately RMB5,067 thousand) had been paid by the Group.

17 TRADE RECEIVABLES

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|---|-----------------------------------|---------------------------------------|
| Amount due from third parties | 24,507 | 28,000 |
| Less: allowance for impairment of trade receivables | (932) | (932) |
| | <hr/> | <hr/> |
| | 23,575 | 27,068 |

At 30 June 2020 and 31 December 2019, the ageing analysis of the trade receivables based on recognition date of the gross trade receivables at the respective balance sheet dates were as follows:

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|--------------|-----------------------------------|---------------------------------------|
| 0-90 days | 18,467 | 20,381 |
| 91-180 days | 3,398 | 4,917 |
| 181-365 days | 1,701 | 1,464 |
| Over 1 year | 941 | 1,238 |
| | <hr/> | <hr/> |
| | 24,507 | 28,000 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 PREPAYMENTS AND OTHER RECEIVABLES

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|---|-----------------------------------|---------------------------------------|
| Included in non-current assets | | |
| Refundable prepayments for purchase of investments (a) | 13,148 | 20,630 |
| Loans to employees | 10,434 | 10,894 |
| Deposit for purchase of property (b) | 5,000 | 5,000 |
| Prepayments for purchase of land use right (c) | 6,265 | 6,173 |
| Other long-term prepayments | 121 | 179 |
| | <u>34,968</u> | <u>42,876</u> |
| Less: provision for impairment (g) | (13,148) | (12,957) |
| | <u>21,820</u> | <u>29,919</u> |
| Included in current assets | | |
| Loans to third parties (e) | 52,891 | 17,044 |
| Loan to related parties (d) (Note 31(c)) | 18,134 | 13,360 |
| Loan to employees | 14,829 | 211 |
| Loan to customers (f) | 2,416 | 2,962 |
| Receivable from disposal of subsidiaries | 7,870 | 4,855 |
| Receivable from disposal of investments accounted for using the equity method | 1,450 | 4,708 |
| Receivables from disposal of financial assets at FVPL | 809 | 1,436 |
| Receivable from disposal of prepayments on potential investment | – | 3,800 |
| Prepaid promotion expenses | 15,977 | 5,575 |
| Prepaid insurance fees | 3,235 | 3,266 |
| Deposit | 1,746 | 1,658 |
| Individual income tax of RSUs | 9,335 | 14,079 |
| Input value-added tax (“VAT”), not certified | 639 | 1,261 |
| Others | 9,312 | 7,896 |
| | <u>138,643</u> | <u>82,111</u> |
| Less: provision for impairment (g) | (17,148) | (11,397) |
| | <u>121,495</u> | <u>70,714</u> |
| | <u>143,315</u> | <u>100,633</u> |

18 PREPAYMENTS AND OTHER RECEIVABLES – *continued*

- (a) The Group entered into a series of prospective investment agreements with refundable terms if investments agreements failed to be reached. If the investment agreements are more likely than not to be reached based on management’s intention and estimates, the prepayments are classified as non-current assets.

As at 30 June 2020, management performed an impairment assessment on these prepayments, including the ageing of the refundable prepayments, the current financial status of the selling shareholders, as well as the probability of future collection of the prepayments. No impairment was recognised against any prepayment for investments during the six months ended 30 June 2020. As at 30 June 2020, the net amount of the refundable prepayments for investments as of 30 June 2020 was nil (31 December 2019: RMB7,673 thousand).

- (b) The balance represents the refundable deposit of RMB5,000 thousand paid by the Group in December 2019 to a third party for the purpose of purchasing certain property. As at 30 June 2020, the property was still under construction.
- (c) In July 2019, the Group entered into agreements with some lessors to lease certain land overseas at a total consideration of US\$5,899 thousand and 15% of the total consideration, amounting to US\$885 thousand (approximately RMB6,173 thousand), has been paid by the Group to an escrow account. In August 2019, a lawsuit was lodged by a third party against one of the lessors and the Group, alleging that it had the right to lease the lands based on the option agreement entered into with the lessor.

As it was impractical to estimate the potential effect of the lawsuit, the consideration paid was recorded as a prepayment as at 31 December 2019 and 30 June 2020.

- (d) The balance represents the loans lent by the Group to related parties with terms within 1 year and interest rates ranging from 3% to 5% per annum. During the six months ended June 2020, an impairment of RMB5,283 thousand was recognised against the loan to a related party primarily because its underlying business was severely affected by the COVID-19 pandemic.
- (e) The balance represents the loans lent by the Group to third-party companies with terms within 1 year and interest rates not higher than 14% per annum. During the six months ended 30 June 2020, a reversal of impairment of RMB140 thousand was recognised due to repayment from a third party.

Since 2019, the Group has entered into business cooperation agreements with a third party online cell phone lease company (the “Lease Company”). As of 30 June 2020, the Group had aggregately paid RMB21,002 thousand (31 December 2019: RMB5,002 thousand) to the supplier under the Lease Company’s instruction, and in return, the Group was entitled to a fixed-rate interest from the Lease Company on the amount paid under any circumstance. The outstanding amount of RMB19,593 thousand (31 December 2019: RMB4,427 thousand) paid for the purchase of cell phones was recorded as loan to a third party.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 PREPAYMENTS AND OTHER RECEIVABLES – *continued*

- (f) The balance represents the loans lent by the Group to individual customers in Hong Kong with terms within 1 year and interest rate ranging from 4% to 5% per month. During the six months ended 30 June 2020, an impairment of RMB458 thousand was recognised according to impairment assessment based on expected credit loss model.
- (g) Provision for impairment includes the impairment on refundable prepayments for purchase of investments and loans granted to third parties and related parties. Set out below are the movements of loss allowance for prepayments and other receivables during the six months ended 30 June 2020:

| | Refundable prepayments for purchase of investments RMB' 000 | Loans to related parties and third parties RMB' 000 | Total RMB' 000 |
|---|---|---|-------------------|
| Six months ended 30 June 2020 | | | |
| Opening loss allowances | 12,957 | 11,397 | 24,354 |
| Increase of the allowance (Note 18(d)(f)) | – | 5,741 | 5,741 |
| Reversal of the allowance (Note 18(e)) | – | (140) | (140) |
| Currency translation difference | 191 | 150 | 341 |
| | <u>13,148</u> | <u>17,148</u> | <u>30,296</u> |
| Closing loss allowance | <u>13,148</u> | <u>17,148</u> | <u>30,296</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 FINANCIAL ASSETS AT FVPL

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|--|-----------------------------------|---------------------------------------|
| Included in non-current assets | | |
| Unlisted equity investments (a) | 481,382 | 491,122 |
| Investments in venture capital funds (b) | 408,846 | 394,243 |
| Convertible promissory notes (a)(i) | 7,009 | – |
| Investment in REIT access fund (e) | 39,627 | 41,973 |
| | 936,864 | 927,338 |
| Included in current assets | | |
| Wealth management products (c) | 286,197 | 725,410 |
| Structured notes (d) | 292,976 | 16,525 |
| Other fund investments (f) | 35,949 | – |
| Income trust investment | – | 5,000 |
| | 615,122 | 746,935 |
| | 1,551,986 | 1,674,273 |

- (a) This represents the Group's investments in unlisted equity interests. Set out below are the movements of the Group's unlisted equity investments for the six months ended 30 June 2020 and 2019:

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2020 RMB' 000 | 2019 RMB' 000 |
| Unlisted equity investments | | |
| Opening balance as at 1 January | 491,122 | 471,844 |
| Additions (i) | 7,656 | 38,842 |
| Disposals | (10,537) | (1,722) |
| Reclassified as assets held for sale | – | (5,727) |
| Dividend received | (8,584) | (2,445) |
| Fair value gain/(loss) recognised in consolidated statement of comprehensive income (Note 8) | 1,061 | (3,923) |
| Currency translation differences | 664 | 62 |
| | 481,382 | 496,931 |
| Closing balance as at 30 June | 481,382 | 496,931 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 FINANCIAL ASSETS AT FVPL – *continued*

(a) – *continued*

- (i) During the second half of 2019, the Group aggregately paid USD1,100 thousand (approximately RMB7,673 thousand) to purchase 19.3% Class-A common shares of an unlisted company (the “Bank Company”) engaged in the provision of banking and financial services overseas, and recorded it as a refundable prepayment for investment as at 31 December 2019. Upon the completion of the transaction in March 2020, the prepayment was transferred into financial assets at FVPL as the Group was unable to exert control or any significant influence over the Bank Company. In April 2020, the Group entered into an agreement to purchase the convertible promissory notes issued by the Bank Company at a cash consideration of USD1,000 thousand. Pursuant to the agreement, the principal and interest of the notes shall be repayable within 24 months unless the Group choose to convert it into equity investment at the pre-determined conversion price. The management designated the notes as financial asset at FVPL.

During the year ended 31 December 2014, the Group paid RMB70,000 thousand to subscribe 5% equity interest of potential investment in certain unlisted company which was principally engaged in online games. The amount was recorded as refundable prepayments for purchase of investments in prepayments and other receivables. As of 31 December 2018, management performed impairment assessment on the refundable prepayments of investment, including the ageing of the refundable prepayment as well as probability of collection of the prepayment of the investments in the future. As a result, an impairment of RMB70,000 thousand against the refundable prepayment for investment due to the inherent uncertainty of the future collection was recognised.

In June 2019, with the support from the selling shareholder and the invested company, the Group completed the shareholder registration of this investment and legally became the shareholder of 5% equity interest in the unlisted company. Therefore, the impairment of the refundable prepayment of the investment was reversed to the recoverable amount of RMB38,842 thousand and the prepayment was classified as financial asset at FVPL at the fair value of RMB38,842 thousand.

- (b) This represents the Group’s investments in certain venture funds as a limited partner. Set out below are the movements of the Group’s investments in such venture capital funds for the six months ended 30 June 2020 and 2019:

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2020 RMB’ 000 | 2019 RMB’ 000 |
| Investments in venture capital funds | | |
| Opening balance as at 1 January | 394,243 | 356,352 |
| Additions (i) | 19,720 | 8,750 |
| Disposals | (3,355) | (6,676) |
| Dividend received | – | (429) |
| Fair value (loss)/gain recognised in consolidated statement of comprehensive income (Note 8) | (4,928) | 41,516 |
| Currency translation difference | 3,166 | 935 |
| Closing balance as at 30 June | <u>408,846</u> | <u>400,448</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 FINANCIAL ASSETS AT FVPL – *continued*

(b) – *continued*

- (i) During the six months ended 30 June 2020, the Group paid approximately RMB19,720 thousand to subscribe for interests in certain venture capital funds (six months ended 30 June 2019: RMB8,750 thousand) as a limited partner. As the Group didn't have control or significant influence on these funds, the investments were classified as financial assets at FVPL. These funds were established to invest in start-up companies and to obtain capital appreciation and investment income.
- (c) This represents RMB-denominated wealth management products with interest rates ranging from 2.60% to 5.00% per annum and maturity period within 1 year or revolving terms. These wealth management products are offered by large state-owned or reputable financial institutions in the PRC.
- (d) This represents the Group's investments in structured notes. These instruments provide a potential return determined at the pre-determined interest rate or linked to the price of certain listed equity securities at the pre-determined valuation day in future. Set out below are the movements of the Group's investments in structured notes for the six months ended 30 June 2020 and 2019:

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2020 RMB' 000 | 2019 RMB' 000 |
| Structured notes | | |
| Opening balance as at 1 January | 16,525 | 9,941 |
| Additions | 412,156 | – |
| Disposals | (133,880) | – |
| Fair value (loss)/gain recognised in consolidated statement of comprehensive income (Note 8) (i) | (3,706) | 373 |
| Currency translation difference | 1,881 | 23 |
| Closing balance as at 30 June | <u>292,976</u> | <u>10,337</u> |

- (i) The fair value loss recognised was primarily due to the negative impacts from the COVID-19 pandemic on certain underlying assets of the structured notes.
- (e) This represents the Group's investment in REIT access fund, which was offered by an internationally reputable financial institution for investors to indirectly invest in the world's largest real estate income trust. For the six months ended 30 June 2020, the Group recognised a fair value loss of RMB2,197 thousand on the fund investment.
- (f) This represents the Group's other fund investments, which were offered by several international financial institutions. During the six months ended 30 June 2020, the Group aggregately paid USD5,000 thousand (approximately RMB35,265 thousand) to purchase the units of these funds and recognised a fair value gain of RMB877 thousand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

20 TERM DEPOSITS WITH INITIAL TERMS OF OVER 3 MONTHS

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|--------------------|-----------------------------------|---------------------------------------|
| US\$ term deposits | 406,598 | – |
| RMB term deposits | 50,547 | 106,419 |
| HK\$ term deposits | 27,460 | – |
| | <u>484,605</u> | <u>106,419</u> |

21 CASH AND CASH EQUIVALENTS

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|--------------------------------------|-----------------------------------|---------------------------------------|
| Cash at bank and on hand | 772,782 | 500,415 |
| Short-term bank deposits | 130,834 | 517,070 |
| Cash at other financial institutions | 15,826 | 15,521 |
| | <u>919,442</u> | <u>1,033,006</u> |
| Total cash and cash equivalents | <u>919,442</u> | <u>1,033,006</u> |
| Maximum exposure to credit risk | <u>919,442</u> | <u>1,033,006</u> |

22 BORROWINGS

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|--|-----------------------------------|---------------------------------------|
| Included in current liabilities | | |
| USD bank borrowings, secured | 110,378 | – |
| HKD bank borrowings, secured | 3,664 | – |
| | <u>114,042</u> | <u>–</u> |

During the six months ended 30 June 2020, the Group entered into loan facilities with certain internationally reputable financial institutions to finance its certain investments in financial assets. The total available amount under the facilities are USD130,000 thousand, of which USD15,591 thousand and HKD4,012 thousand were drawn down as at 30 June 2020. The borrowings were secured by the Group's investments in financial assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 BORROWINGS – *continued*

The aggregate principal amounts of bank borrowings and applicable interest rates as at 30 June 2020 are as follows:

| | As at 30 June 2020 | |
|-------------------------------|----------------------|------------------------------|
| | Amount (thousand) | Interest rate (per annum) |
| US\$ bank borrowings, secured | USD15,591 | LIBOR + 50bps~65bps |
| HK\$ bank borrowings, secured | HKD4,012 | HIBOR + 50bps ~65bps |

23 TRADE PAYABLES

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|---------------|-----------------------------------|---------------------------------------|
| Third parties | <u>2,469</u> | <u>2,477</u> |

As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade payables based on recognition date was as follows:

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|--------------|-----------------------------------|---------------------------------------|
| 0-90 days | 1,638 | 1,585 |
| 91-180 days | 102 | 96 |
| 181-365 days | 99 | 300 |
| Over 1 year | 630 | 496 |
| | <u>2,469</u> | <u>2,477</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|--|-----------------------------------|---------------------------------------|
| Payables for purchase of financial instruments (i) | 56,636 | – |
| Staff costs and welfare accruals | 11,056 | 13,292 |
| Marketing and administrative expense accruals | 7,389 | 6,299 |
| Audit expenses payable | 2,025 | 4,535 |
| VAT & other tax liabilities | 3,306 | 4,153 |
| Consultancy fee | 1,917 | 2,533 |
| Human resource outsourcing service fee payable | 1,106 | 1,547 |
| Capital contribution payable | – | 9,906 |
| Individual income tax of RSUs | 9,335 | 9,335 |
| Amount due to related parties (Note 31(c(ii))) | 37 | – |
| Deposit | 2,000 | 1,000 |
| Others | 6,333 | 2,758 |
| | <u>101,140</u> | <u>55,358</u> |

- (i) This balance represents payables for purchase of structured notes, for which the purchase orders were placed by the Group while the payment had not been made as of 30 June 2020.

25 REDEMPTION LIABILITIES

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|--|-----------------------------------|---------------------------------------|
| Liabilities in relation to put options granted to non-controlling interest ("NCI") of subsidiaries | <u>277,262</u> | <u>311,451</u> |

25 REDEMPTION LIABILITIES – *continued*

In January 2019, the Group, Jinhua Ruian Investment Management Company Limited (“**Jinhua Ruian**”), a subsidiary of the Group holding 80% equity interest of Shanghai Benqu Internet Technology Company Limited (“**Shanghai Benqu**”), and the other shareholders of Shanghai Benqu (the “**Other Selling Shareholder**”) entered into a Share Transfer Agreement with Beijing Weimeng Chuangke Investment Management Co., Ltd (the “**Purchaser**”). Pursuant to the agreement, the Group transferred its 36% equity interests in Jinhua Ruian to the Purchaser at a cash consideration of approximately RMB292,608 thousand and the Other Selling Shareholder transferred its 6% equity interest in Shanghai Benqu to the Purchaser at a consideration of RMB60,960 thousand. In July 2019, the Group received the purchase consideration of RMB292,608 thousand.

Upon the closing of the transaction on 5 July 2019, the Group still retained its control over Shanghai Benqu. Therefore, the Group accounted for this transaction as equity transaction, recognising the addition of NCI at the NCI’s proportionate share of the net assets of Jinhua Ruian.

Pursuant to the Share Transfer Agreement, the Purchaser was entitled to put option rights to request the Group and the Other Selling Shareholders to repurchase its sold shares in Shanghai Benqu. The put options are contingent on the event of the resignation of the founder of Shanghai Benqu or any significant breach of shareholders’ statement and shareholders’ duty within 3 years (the “**Redemption Events**”) upon the closing of the transaction. The put options have different exercise price depending on the occurrence of different Redemption Events. The redemption amount that the Group would be obliged to pay the Purchaser at each period end during the contract period was determined based on the evaluation of the maximum amount that the Group is obliged to pay under different Redemption Events according to the redemption clauses stipulated in the Share Transfer Agreement. Therefore, redemption liabilities of RMB335,677 thousand were recognised at the redemption amount the Group would be obliged to pay to the Purchaser if the options were exercised immediately after the transaction, with a corresponding charge directly to other reserves. Subsequently, in the event that the options expire unexercised or the Group revises its estimation of payments, the Group adjusts the carrying amount of the redemption liabilities against other reserves. If options are exercised, related redemption liabilities are offset by the cash payment. Up to the end of 31 December 2019, redemption liabilities of RMB24,226 thousand were derecognised against other reserves as related options lapsed unexercised and the estimated amount was remeasured at RMB311,451 thousand.

During the six months ended 30 June 2020, redemption liabilities of RMB34,189 thousand were derecognised as related options lapsed unexercised and the estimated amount was remeasured at RMB277,262 thousand as at 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

26 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME

| | Number of Shares | Share capital | | Share premium RMB' 000 | Shares held for RSU Scheme RMB' 000 | Treasury stock RMB' 000 |
|-------------------------------------|----------------------|---------------|------------|------------------------------|--|-------------------------------|
| | | US\$' 000 | RMB' 000 | | | |
| At 1 January 2020 | 1,259,110,162 | 125.89 | 780 | 1,760,719 | - | - |
| Employees share option scheme: | | | | | | |
| - proceeds from share issued (a) | 1,127,000 | 0.11 | 1 | 471 | - | - |
| Employees RSU scheme: | | | | | | |
| - shares issued for RSU Scheme (b) | 15,000,000 | 1.50 | 10 | - | (10) | - |
| - shares vested and transferred (b) | - | - | - | (5) | 5 | - |
| | <u>1,275,237,162</u> | <u>127.50</u> | <u>791</u> | <u>1,761,185</u> | <u>(5)</u> | <u>-</u> |
| At 30 June 2020 | | | | | | |
| At 1 January 2019 | 1,274,919,662 | 127.47 | 789 | 1,828,683 | - | (25,469) |
| Employees share option scheme: | - | | | | | |
| - proceeds from share issued (a) | 1,437,500 | 0.14 | 1 | 542 | - | - |
| Repurchase of ordinary shares (c) | - | - | - | - | - | (33,698) |
| Cancellation of ordinary shares (c) | (20,299,000) | (2.03) | (13) | (55,074) | - | 55,087 |
| | <u>1,256,058,162</u> | <u>125.58</u> | <u>777</u> | <u>1,774,151</u> | <u>-</u> | <u>(4,080)</u> |
| At 30 June 2019 | | | | | | |

- (a) Employees share options scheme: options exercised during the six months ended 30 June 2020 resulted in 1,127,000 ordinary shares being issued (six months ended 30 June 2019: 1,437,500), with exercise proceeds of approximately RMB472 thousand (six months ended 30 June 2019: RMB543 thousand). The related weighted average price at the time of exercise was HK\$1.6943 per share (six months ended 30 June 2019: HK\$2.3454 per share).

26 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RSU SCHEME – *continued*

- (b) In April 2020, the Company granted 15,000,000 ordinary shares to an independent trust nominee for the purpose of granting Post-IPO RSUs to certain employees under the Post-IPO RSU Scheme (Note 28). Pursuant to the vesting schedule, 50% of these newly issued shares shall vest in May 2020, and the remaining 50% shall vest in July 2020. The shares held for Post-IPO RSU Scheme were 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.

As of 30 June 2020, 7,500,000 shares were vested and transferred to the grantees with a corresponding decrease in share premium, and the remaining 7,500,000 shares were recorded as shares held for RSU scheme.

- (c) During the six months ended 30 June 2019, the Company repurchased 14,070,000 ordinary shares of the Company on the Stock Exchange of Hong Kong Limited. The total amount paid to repurchase these ordinary shares was HK\$39,135 thousand (approximately RMB33,698 thousand). As at 30 June 2019, a total of 20,299,000 repurchased shares recorded as treasury stocks had been cancelled and deducted from the share capital and share premium within shareholders' equity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

27 OTHER RESERVES

| | Statutory reserves RMB' 000 | Share-based compensation reserve RMB' 000 | Currency translation differences RMB' 000 | Change in the value of owner-occupied property RMB' 000 | Changes in ownership interests in subsidiaries without change of control RMB' 000 | Others RMB' 000 | Total RMB' 000 |
|--|-----------------------------------|--|--|---|---|--------------------|-------------------|
| Opening balance at 1 January 2020 | 158,492 | 259,120 | 132,858 | 1,579 | (160,045) | 1,813 | 393,817 |
| Employees RSU scheme: | | | | | | | |
| – value of employee services | – | 15,320 | – | – | – | – | 15,320 |
| Disposal of subsidiaries | (3,268) | – | – | – | – | – | (3,268) |
| Derecognition of redemption liabilities (Note 25) | – | – | – | – | 34,189 | – | 34,189 |
| Currency translation difference | – | – | 18,997 | – | – | – | 18,997 |
| Closing balance at 30 June 2020 | 155,224 | 274,440 | 151,855 | 1,579 | (125,856) | 1,813 | 459,055 |
| Opening balance at 1 January 2019 | 147,660 | 241,743 | 119,044 | – | – | 2,218 | 510,665 |
| Employees RSU scheme: | | | | | | | |
| – value of employee services | – | 3,341 | – | – | – | – | 3,341 |
| Currency translation difference | – | – | 2,258 | – | – | – | 2,258 |
| Closing balance at 30 June 2019 | 147,660 | 245,084 | 121,302 | – | – | 2,218 | 516,264 |

28 SHARE-BASED PAYMENTS

(a) Share Options

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

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

| | 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 2020 | | 15,939,335 | | 2,852,000 | 18,791,335 |
| Exercised | US\$0.0600 | (1,127,000) | N/A | - | (1,127,000) |
| Lapsed | US\$0.2182 | (108,575) | N/A | - | (108,575) |
| At 30 June 2020 | | <u>14,703,760</u> | | <u>2,852,000</u> | <u>17,555,760</u> |
| At 1 January 2019 | | 19,191,614 | | 2,852,000 | 22,043,614 |
| Exercised | US\$0.0340 | (1,437,500) | N/A | - | (1,437,500) |
| Lapsed | US\$0.3500 | (27,239) | N/A | - | (27,239) |
| At 30 June 2019 | | <u>17,726,875</u> | | <u>2,852,000</u> | <u>20,578,875</u> |

As at 30 June 2020, 17,555,760 share options were outstanding and exercisable (30 June 2019: 20,578,875).

During the six months ended 30 June 2020 and 2019, no share options were granted to any directors of the Company.

As a result of the options exercised during the six months ended 30 June 2020, 1,127,000 ordinary shares (six months ended 30 June 2019: 1,437,500 ordinary shares) were issued by the Company (Note 26). The weighted average price of the shares at the time these options were exercised was HK\$1.6943 per share (six months ended 30 June 2019: HK\$2.3454 per share).

28 SHARE-BASED PAYMENTS – *continued*

(b) Restricted share units

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

On 28 April 2020, the Company granted 15,000,000 ordinary shares to an independent trust nominee for the purpose of granting Post-IPO RSUs to certain employees under the Post-IPO RSU Scheme. Pursuant to the vesting schedule, 50% of these newly issued shares shall vest in May 2020, and the remaining 50% shall vest in July 2020. The fair value of Post-IPO RSUs granted during the six months ended 30 June 2020 was HK\$1.34 per share (equivalent to approximately RMB1.23 per share).

Movements of the number of outstanding RSUs during the six months ended 30 June 2020 and 2019 are as follows:

| | Number of Post-IPO RSUs |
|-------------------|----------------------------|
| At 1 January 2020 | – |
| Granted | 15,000,000 |
| Vest and transfer | (7,500,000) |
| | <hr/> |
| At 30 June 2020 | <u>7,500,000</u> |
| At 1 January 2019 | – |
| Granted | 10,000,000 |
| | <hr/> |
| At 30 June 2019 | <u>10,000,000</u> |

As at 30 June 2020 and 2019, all vested shares had been transferred to the grantees.

28 SHARE-BASED PAYMENTS – *continued*

(c) Fair value of share options and RSUs

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

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

Fair value of share options

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

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

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

Fair value of RSUs

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

(d) Shares held for RSU Scheme

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

29 DEFERRED INCOME TAX

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

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2020 RMB' 000 | 2019 RMB' 000 |
| Opening balance as at 1 January | (94,532) | (71,591) |
| Recognised in the consolidated statements of comprehensive income (Note 10) | 11,535 | (95,935) |
| Disposal of a subsidiary | 462 | – |
| Reclassified to 'liabilities associated with assets held for sale' | – | 932 |
| Currency translation difference | – | 9 |
| Closing balance as at 30 June | (82,535) | (166,585) |

As at 30 June 2020, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the undistributed profits of approximately RMB378,987 thousand (31 December 2019: RMB918,619 thousand). Such earnings were expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on the management's estimation.

30 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group for all the periods presented.

| Company | Relationship | Period of related party relationship |
|---|--|--------------------------------------|
| Weibo Internet Technology (China) Co., Ltd. | Subsidiary of the non-controlling shareholder who has significant influence of the Group | Since 15 July 2010 |
| Beijing Weimeng Chuangke Investment Management Co., Ltd | Subsidiary of the non-controlling shareholder who has significant influence of the Group | Since 19 August 2013 |
| Winnine Interactive Co., Ltd. | Associate | Since 9 August 2016 |
| Engge Technology Holdings Limited | Associate | Since 2 January 2018 |
| Tghy Trustrock Private Ltd. | Joint venture | Since 20 September 2019 |
| Hangzhou Xihe Information Technology Co., Ltd | Associate | Since 12 February 2015 |
| Jinhua Xinglu Network Technology Co., Ltd | Joint venture | From 2 August 2016 to 15 June 2020 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 RELATED PARTY TRANSACTIONS – *continued*

(b) Significant transactions with related parties

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2020 RMB' 000 | 2019 RMB' 000 |
| (i) Other revenue generated from related parties: | | |
| Hangzhou Xihe Information Technology Co., Ltd | 209 | – |
| Winnine Interactive Co., Ltd. | – | 151 |
| | <u>209</u> | <u>151</u> |
| (ii) Loans granted to related parties: | | |
| Tghy Trustrock Private Ltd. | 10,172 | – |
| Engge Technology Holdings limited | – | 1,517 |
| | <u>10,172</u> | <u>1,517</u> |

On 1 June 2020, the Group granted a loan of RMB20,000 thousand to Jinhua Xinglu Network Technology Co., Ltd, which was no longer the Group's related party from 15 June 2020. The loan is guaranteed by an independent third party company, and is repayable within 12 months.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 RELATED PARTY TRANSACTIONS – *continued*

(c) Balances with related parties

| | As at 30 June 2020 RMB' 000 | As at 31 December 2019 RMB' 000 |
|--|--------------------------------------|--|
| (i) Receivables from related parties | | |
| Prepayments and other receivables | | |
| Tghy Trustrock Private Ltd. | 15,074 | 4,975 |
| Engge Technology Holdings Limited | 3,060 | 3,001 |
| | <u>18,134</u> | <u>7,976</u> |
| Less: allowance for impairment | (8,387) | (3,001) |
| | <u>9,747</u> | <u>4,975</u> |
| (ii) Payables to related parties | | |
| Other payables | | |
| Hangzhou Xihe Information Technology Co., Ltd | 37 | – |
| | <u>37</u> | <u>–</u> |
| Redemption liabilities | | |
| Beijing Weimeng Chuangke Investment Management Co. Ltd | 277,262 | 311,451 |
| | <u>277,262</u> | <u>311,451</u> |

31 CONTINGENCIES

In July 2019, the Group entered into agreements with some lessors to lease certain land overseas (Note 18). In August 2019, a lawsuit was lodged by a third party against one of the lessors and the Group, alleging that it has the right to lease the lands based on the option agreement entered into with the lessor. As the matter is still being considered by the court, the Group considered it not practical to estimate the potential effect of this lawsuit. Legal advice indicates that it is not probable that a significant liability will arise and therefore the Group didn't recognise a provision in relation to this lawsuit as at 30 June 2020.

32 COMMITMENT

The Group had no significant capital expenditure contracted for but not recognised as liabilities as at 30 June 2020 and 31 December 2019.

The Group leases office buildings and servers under non-cancellable operating leases. From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 13 for further information. As at 30 June 2020 and 31 December 2019, the operating expenditure contracted but not provided for amounted to RMB206 thousand and RMB137 thousand, respectively.