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**For Immediate Release****TIAN GE ANNOUNCES 2014 SECOND QUARTER AND INTERIM RESULTS**

**Hangzhou, August 26, 2014** – Tian Ge Interactive Holdings Limited (“Tian Ge” or the “Company”, 1980.HK), a leading provider of comprehensive Internet services in China, today announced the unaudited consolidated results for the second quarter and the first half year of 2014 ended June 30, 2014.

***Highlights of the First Half of 2014***

- Total revenues increased by 32.5% to RMB344.3 million from RMB259.8 million in the corresponding period of 2013.
- Revenues from Live Social Video Platform increased by 24.6% to RMB316.5 million from RMB254.0 million in the corresponding period of 2013.
- Revenues from Games and Others increased by 380.5% to RMB27.8 million from RMB5.8 million in the corresponding period of 2013.
- Gross profit increased by 26.4% to RMB290.2 million from RMB229.6 million in the corresponding period of 2013. Gross margin was 84.3%, compared to 88.4% in the corresponding period of 2013.
- Adjusted EBITDA increased by 30.3% to RMB158.7 million from RMB121.8 million in the corresponding period of 2013. Adjusted EBITDA margin was 46.1%, compared to 46.9% in the corresponding period of 2013.
- Adjusted net profit increased by 31.1% to RMB131.7 million from RMB100.5 million in the corresponding period of 2013. Adjusted net margin was 38.3%, compared to 38.7% in the corresponding period of 2013.
- Adjusted diluted earnings per share were RMB0.14, as compared to RMB0.10 in the corresponding period of 2013.
- Adjusted basic earnings per share were RMB0.21, as compared to RMB0.16 in the corresponding period of 2013.

***Highlights of the Second Quarter of 2014***

- Total revenues increased by 0.6% to RMB172.6 million from RMB171.6 million in the previous quarter.
- Revenues from Live Social Video Platform remained stable at RMB158.0 million, compared with RMB158.5 million in the previous quarter.
- Revenues from Games and Others increased by 11.9% to RMB14.7 million from RMB13.1 million in the previous quarter.
- Gross profit increased by 1.1% to RMB145.9 million from RMB144.3 million in the previous quarter. Gross margin increased to 84.5% from 84.1% in the previous quarter.
- Adjusted EBITDA increased by 6.8% to RMB81.9 million from RMB76.8 million in the previous quarter. Adjusted EBITDA margin increased to 47.5% from 44.7% in the previous quarter.
- Adjusted net profit increased by 8.9% to RMB68.6 million from RMB63.1 million in the previous quarter. Adjusted net margin increased to 39.8% from 36.7% in the previous quarter.

<sup>1</sup> Pursuant to the Circular on the Pilot Practice of Levying VAT in Place of Business Tax for the Telecommunication Industry (Caishui #43, 2014) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenue from operation of live social video communities, interactive social video games was subject to VAT since June 1, 2014, and the applicable tax rate was 6%. After that, majority revenue of the Company is subject to the VAT instead of the business tax, which will have a downward impact on reported net revenues and our cost of revenues.

- Adjusted diluted earnings per share were RMB0.07, as compared to RMB0.07 in the previous quarter.
- Adjusted basic earnings per share increased to RMB0.11 from RMB0.10 in the previous quarter.

### ***Live Social Community platform statistics for the Second Quarter of 2014***

- Monthly Active Users were 13.4 million, an increase of 10.3% from 12.2 million in the previous quarter or an increase of 27.4% from 10.5 million in the corresponding period of 2013.
- Monthly Paying Users were 332,000, an increase of 2.5% from 324,000 in the previous quarter or an increase of 35.0% from 246,000 in the corresponding period of 2013.
- Monthly Average Revenue Per User (“ARPU”) was RMB158, compared to RMB163 in the previous quarter or RMB174 in the corresponding period of 2013.
- Number of Rooms was 29,449, an increase of 3.7% from 28,411 in the previous quarter or an increase of 19.7% from 24,609 in the corresponding period of 2013.
- Number of Hosts was 38,448, an increase of 0.4% from 38,303 in the previous quarter or an increase of 22.2% from 31,467 in the corresponding period of 2013.

“The past quarter was an exciting period for Tian Ge marked by our successful listing on the Hong Kong Stock Exchange,” stated Mr. Mike Fu, Chairman and CEO of Tian Ge. “In addition, we also made significant progress in expanding and developing our business, focusing on initiatives to grow user engagement across our nine live social video communities.”

“Our second quarter and first half financial performance was driven by strong growth in the number of active and paying users on our live social community platform, and by our investment in mobile gaming. Going forward, we intend to leverage our strong position in music and entertainment and large user base to expand into new content genres including finance, health, live social video embedded games, and e-commerce.”

## **First Half 2014 Financial Results**

### **Revenues**

For the first half of 2014, the Company registered 32.5% year-over-year (“YoY”) growth in revenues to RMB344.3 million, driven by continued solid growth of our live social video platform, and from the launch of Tian Ge’s first mobile game “Three Kingdoms” in the second half of 2013, which began to generate significant revenues in the first half of 2014. Revenues from our Live Social Video Platform increased 24.6% YoY, led by an approximate 35% growth in our monthly paying users and partially offset by a moderate 9% decline in our monthly ARPU.

### **Cost of Revenues and Gross Margins**

Cost of revenues increased 78.9% to RMB54.1million in the first half of 2014 as compared with the corresponding period in 2013. The increase in cost of revenue for the first half of 2014 was primarily due to the higher costs related to launch and operation of our mobile game “Three Kingdoms”. Gross margins for our Game and other revenues are lower than our live social video platform. As a result, gross margin for the first half of 2014 was 84.3%, compared with 88.4% in the corresponding period.

### **Selling & Marketing Expenses**

Selling and marketing expenses increased by 23.2% year over year to RMB94.8 million for the first half of 2014 from RMB77.0 million in the corresponding period in 2013, primarily due to the increase of promotion and advertising expenses.

### **Administrative Expenses**

Administrative expenses increased by 221.2% year over year to RMB69.6 million for the first half of 2014 from RMB21.7 million in the corresponding period in 2013, primarily due to the impact of RMB31.9 million of listing expenses related to our IPO and increase of share-based compensation expenses.

### **Research & Development Expenses**

Research and development expenses increased by 7.6% year over year to RMB34.0 million for the first half of 2014 from RMB31.6 million in the corresponding period in 2013, primarily due to the increase in share-based compensation expenses.

### **Operating Profit**

Operating profit decreased by 5.7% year over year to RMB105.9 million for the first half of 2014 from RMB112.3 million in the corresponding period in 2013, primarily due to the impact of RMB31.9million of listing expenses related to our IPO. Excluding the effect of listing expenses, operating profit would have increased YoY.

Operating profit also includes an increase in share-based compensation expenses to RMB13.5million for the first half 2014 compared with RMB3.0million for corresponding period in 2013, largely related to “Pre-IPO RSU Scheme” adopted on May 22, 2014 as disclosed in our Global Offering prospectus dated June 25, 2014.

### **Adjusted EBITDA**

Adjusted EBITDA increased by 30.3% to RMB158.7 million from RMB121.8 million in the corresponding period of 2013. Adjusted EBITDA margin was 46.1%, compared to 46.9% in the corresponding period of 2013. Adjusted EBITDA represents operating profit adjusted to exclude share-based compensation expenses, listing expenses, depreciation and amortization. The Company believes that these non-IFRS measures provide useful information to help investors and others understand and evaluate the Company’s consolidated results of operations in the same manner as management and in comparing financial results across accounting periods and to those of our peer companies.

### **Impact of Convertible Redeemable Preferred Shares**

As disclosed and discussed in our recent Global Offering prospectus dated June 25, 2014 and in accordance with IFRS reporting standards, we incurred a fair value loss of convertible redeemable preferred shares of RMB185.9 million and RMB260.5 million for the six months ended June 30, 2013 and 2014, respectively. The loss and changes in fair value are the result of the continued increase in the equity value of the Company. Upon completion of the IPO, these convertible redeemable preferred shares had automatically converted into Ordinary shares on a one-to-one basis and there will be no fair value gain or loss associated with these shares after December 31, 2014.

### **Adjusted Net Profit and Earnings Per Share**

For the first half 2014, adjusted net profit increased by 31.1% to RMB131.7 million from RMB100.5 in year ago period. Adjusted diluted earnings per share increased to RMB0.14 from RMB0.10.

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

### **Balance Sheet**

As of June 30, 2014, the Company had cash, cash equivalents, and available for sale financial assets in the aggregate amount of RMB448.1million. The amount does not reflect net proceeds from the IPO in July 2014 of HKD\$1,725.0 million (after the exercise of the over-allotment option and after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the global offering). The Company did not have any term deposits with initial terms over three months as of June 30, 2014, and adopts conservative treasury policies in cash and financial management, and does not use any financial instruments for hedging purposes.

As of June 30, 2014, the Company had bank borrowings of RMB172.3million, which were pledged by restricted bank deposits of RMB187.0million. Restricted cash are RMB denominated restricted deposits held at bank as a pledge for corresponding USD denominated bank borrowings.

### **Capital Expenditures**

For the six months ended June 30, 2014, our capital expenditures were approximately RMB63million, and includes RMB45million related to purchasing of platform licenses, RMB6million related to decorations of our office space, and RMB8million related to pre-payment of new office space located in Shanghai, and RMB4million related to other office equipment, servers, etc.

### **Recent Developments**

- In July 2014, Tian Ge successfully completed its Hong Kong initial public offering and listing of 1,217.1 million shares on the Hong Kong Stock Exchange under the ticker symbol "1980.HK".
- As of August 1, 2014, after the Completion of the Company's Hong Kong Exchange listing and over-allotment of shares, the total number of shares of the Company in issue were 1,262.7 million.
- As a result, net proceeds that the Company received from the IPO were HKD\$1,725.0 million (after the exercise of the over-allotment option and after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the global offering).
- In July and August 2014, Tian Ge began beta-testing a new live social video-embedded game. This new product will allow gamers to interact, play and exchange gifts with other gamers and hosts through the Company's embedded real-time video window.

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## Conference Call Information

The Company will host a conference call at 8:00 a.m. ET on August 27, 2014 (8:00 p.m. Beijing Time on August 27, 2014) to review the Company's financial results and answer questions. You may access the live interactive call via:

- 1-877-870-4263 (U.S. Toll Free)
- 1-412-317-0790 (International)
- 1-855-669-9657 (Canada Toll Free)
- 800-905945 (Hong Kong Toll Free)
- 4001-201203 (China South Toll Free)
- 4001-201203 (China North Toll Free)

Please dial-in approximately 5 minutes in advance to facilitate a timely start.

A replay will be available until 9:00 p.m. ET on September 2, 2014 and may be accessed via:

- 1-877-344-7529 (U.S. Toll Free)
- 1-412-317-0088 (International)
- Replay Access Code: 10051535

A live and archived webcast of the call will be available on the Company's website at <http://www.tiange.com/enInvestor/Index1.html>.

## About Tian Ge

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

The Company currently operates eight "many-to-many" live social video communities, including 9158 Video Community and Sina Show, the two primary communities; and one "one-to-many" community, Sina Showcase. Tian Ge's users are able to meet and stay connected with others who share similar backgrounds, interests, cultures and dialects.

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

For more information, please visit [www.tiange.com](http://www.tiange.com)

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**Non-IFRS Financial Measures – Adjusted Net Profit and EBITDA**

To supplement our consolidated results of the Company prepared in accordance with IFRS, adjusted net profit and adjusted EBITDA are used as additional financial measures. These financial measures are presented because they are used by management to evaluate operating performance. The Company also believes that these non-IFRS measures provide useful information to help investors and others understand and evaluate the Company's consolidated results of operations in the same manner as management and in comparing financial results across accounting periods and to those of our peer companies.

**Forward-Looking Statements**

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

## Condensed Consolidated Statements of Comprehensive Income

in RMB '000s (unless otherwise stated)

	Unaudited	
	Six months ended June 30,	
	2014	2013
	RMB'000	RMB'000
Revenue	344,257	259,777
Cost of revenue	(54,054)	(30,211)
<b>Gross profit</b>	<u>290,203</u>	<u>229,566</u>
Selling and marketing expenses	(94,824)	(76,952)
Administrative expenses	(69,614)	(21,670)
Research and development expenses	(33,977)	(31,579)
Other gains, net	14,077	12,903
<b>Operating profit</b>	<u>105,865</u>	<u>112,268</u>
Finance income	2,993	34,624
Finance costs	(1,839)	(35,804)
Finance income / (costs), net	1,154	(1,180)
Fair value loss of convertible redeemable preferred shares	(260,502)	(185,942)
<b>Loss before income tax</b>	<u>(153,483)</u>	<u>(74,854)</u>
Income tax expense	(20,693)	(17,086)
<b>Loss for the period</b>	<u>(174,176)</u>	<u>(91,940)</u>
<b>Other comprehensive (loss) / income</b>		
Item that may be reclassified subsequently to profit or loss :		
Currency translation differences	(6,169)	8,921
<b>Total comprehensive loss for the period</b>	<u>(180,345)</u>	<u>(83,019)</u>
<b>Loss attributable to:</b>		
- Shareholders of the Company	(174,353)	(91,940)
- Non-controlling interests	177	-
	<u>(174,176)</u>	<u>(91,940)</u>
<b>Total comprehensive loss attributable to:</b>		
- Shareholders of the Company	(180,522)	(83,019)
- Non-controlling interests	177	-
	<u>(180,345)</u>	<u>(83,019)</u>
<b>Loss per share</b> (expressed in RMB per share)		
- Basic	(0.27)	(0.14)
- Diluted	(0.27)	(0.14)
Dividends	-	89,739

**Condensed Consolidated Statements of Financial Position**

in RMB '000s (unless otherwise stated)

	<b>Unaudited June 30, 2014</b>	<b>Audited December 31, 2013</b>
	RMB'000	RMB'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property and equipment	122,920	16,736
Intangible assets	49,003	5,864
Investment in associates	3,196	4,900
Available-for-sale financial assets	2,300	2,300
Prepayments and other receivables	23,691	110,737
Deferred income tax assets	23,254	24,348
Restricted cash	87,000	87,000
	<u>311,364</u>	<u>251,885</u>
<b>Current assets</b>		
Trade receivables	21,117	20,804
Prepayments and other receivables	41,239	66,788
Available-for-sale financial assets	382,525	278,140
Term deposits with initial term over 3 months	-	21,873
Cash and cash equivalents	65,553	171,896
Restricted cash	100,000	33,000
	<u>610,434</u>	<u>592,501</u>
<b>Total assets</b>	<u><u>921,798</u></u>	<u><u>844,386</u></u>
<b>Equity</b>		
<b>Equity attribute to shareholders of the Company</b>		
Share capital	46	42
Shares held for RSU Scheme	(4)	-
Reserves	212,749	205,408
Accumulated deficits	(468,359)	(294,006)
	<u>(255,568)</u>	<u>(88,556)</u>
Non-controlling interests	5,074	4,897
<b>Total deficits</b>	<u>(250,494)</u>	<u>(83,659)</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	79,986	79,260
Convertible redeemable preferred shares	813,757	548,471
Deferred income tax liabilities	482	595
	<u>894,225</u>	<u>628,326</u>
<b>Current liabilities</b>		
Trade payables	28,480	13,883
Other payables and accruals	79,923	114,631
Income tax liabilities	42,530	42,532
Dividend payable	-	74,161
Borrowings	92,292	30,485
Customer advance and deferred revenue	34,842	24,027
	<u>278,067</u>	<u>299,719</u>
<b>Total liabilities</b>	<u>1,172,292</u>	<u>928,045</u>
<b>Total equity and liabilities</b>	<u><u>921,798</u></u>	<u><u>844,386</u></u>
<b>Net current assets</b>	<u>332,367</u>	<u>292,782</u>
<b>Total assets less current liabilities</b>	<u><u>643,731</u></u>	<u><u>544,667</u></u>

**Non-IFRS Profit Disclosure**

in RMB '000s (unless otherwise stated)

	Unaudited			
	Three months ended		Six months ended	
	30-Jun-14	31-Mar-14	30-Jun-14	30-Jun-13
<b>(in RMB 000's)</b>				
<b>Reconciliation to non-IFRS Net Income</b>				
<b>Net Profit/(Loss)</b>	(201,605)	27,429	(174,176)	(91,940)
Share-based compensation expense	12,460	1,050	13,510	2,997
Listing expense	20,269	11,596	31,865	-
Gain on repurchase of preferred shares	-	-	-	(32,284)
Dividend appropriation to preferred shareholders	-	-	-	35,769
Fair value loss of convertible redeemable preferred shares and redeemable ordinary shares	237,517	22,985	260,502	185,942
<b>Non-IFRS Net Income</b>	68,641	63,060	131,701	100,484