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**For Immediate Release****TIAN GE ANNOUNCES 2015 FIRST QUARTER AND INTERIM RESULTS**

**Hong Kong, November 21, 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 Third Quarter of 2014 ended September 30, 2014.

***Highlights of the Third Quarter of 2014***

- Total revenues up 23.9% to RMB173.1 million from RMB139.7 million in the corresponding period of 2013.
- Revenues from Live Social Video Platform increased by 16.8% to RMB161.5 million, from RMB138.3 million, however the actual growth rate should have reached 23.8% year-over-year (“YoY”) excluding the VAT effect as our revenues are now recorded as net off 6% VAT tax after June 1, 2014.
- Revenues from Games and Others increased seven-fold by recording a 731.9% growth to RMB11.6 million from RMB1.4 million in the corresponding period of 2013.
- Gross profit up 26.2% to RMB153.1 million from RMB121.3 million. Gross margin increased to 88.5% from 86.8% in the corresponding period of 2013.
- Adjusted EBITDA increased by 32.1% to RMB80.7 million. Adjusted EBITDA margin increased to 46.6%.
- Adjusted net profit significantly increased by 44.4% to RMB71.6 million and adjusted net margin increased to 41.4% from 35.5% in the corresponding period of 2013.
- Adjusted diluted earnings per share were RMB0.05 remains the same as in the previous quarter.
- Adjusted basic earnings per share slightly decreased to RMB0.06.

***Live Social Community Platform statistics for the Third Quarter of 2014***

- Monthly Active Users (“MAU”) were 14.4 million, an increase of 6.9% from 13.4million in the previous quarter or an increase of 23.1% from 11.7 million in the corresponding period of 2013.
- Monthly Paying Users were 335,000, an increase of 0.9% from 332,000 in the previous quarter or an increase of 30.9% from 256,000 in the corresponding period of 2013.
- Monthly Average Revenue Per User (“ARPU”) was RMB161, compared to RMB158 in the previous quarter or RMB180 in the corresponding period of 2013.
- Number of Rooms was 29,676, an increase of 0.8% from 29,449 in the previous quarter or an increase of 11.1% from 26,710 in the corresponding period of 2013.
- Number of Hosts was 39,309, an increase of 2.2% from 38,448 in the previous quarter or an increase of 21.0% from 32,493 in the corresponding period of 2013.

**Business Review**

Our encouraging performance in the third quarter was mainly driven by continued solid growth of growth in the number of our live social community platform, and our

mobile game. Our mobile MAU in the third quarter of 2014 increased to 10.0% from 7.4% in the previous quarter.

During the reviewing period, we launched an open beta version of our new live social video embedded RPG game, JS Beauty, in September. Early results are encouraging as we are able to leverage our established host ecosystem and resources to attract new users, and our innovative socialization features could potentially increase monetization, user engagement and user life cycle.

The introduction and expansion of games on our platform allows us to leverage our large social video community, diversify our revenue mix and drive future growth. We believe that our large and rapidly growing user base enhances cross-promotion potential and minimizes customer acquisition costs.

In view of our O2O karaoke test locations results have been positive and we are evaluating opportunities to possibly expand our testing with additional partners with regional or national scale.

Commented on the third quarter performance, Mr. Mike Fu, Chairman and CEO of Tian Ge, stated, “We achieve another solid growth in our platforms, revenue and earnings. Our growth in mobile MAU in the third quarter witnesses the success of our mobile strategy. 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.”

## **Financial Review**

### **Revenues**

For the third quarter of 2014, the Company registered 23.9% YoY growth in revenues to RMB173.1million, driven by continued solid growth of our Live Social Video Platform, and from the continued success of Tian Ge’s mobile game “Three Kingdoms”. Revenues from our Live Social Video Platform was primarily led by an approximate 30.9% growth in our monthly paying users and partially offset by a 10.6% decline in our monthly ARPU.

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

Cost of revenues experienced a slight increase of 8.7% to RMB20.0 million in the third quarter of 2014 as compared with the corresponding period in 2013. The slight increase was primarily due to the higher costs related to the launch and operation of our mobile game “Three Kingdoms” and offset by the saving of business tax and surcharges after the VAT reform as mentioned in the above section. As a result, gross margin for the third quarter of 2014 was 88.5%, compared with 86.8% in the corresponding period in 2013.

### **Selling & Marketing Expenses**

Selling and marketing expenses increased by 56.5% to RMB61.2 million for the third quarter of 2014 from RMB39.1 million in the corresponding period in 2013, primarily due to the increase of promotion and advertising expenses applied to (a) our existing Live Social Video Platforms, including to promote our live social mobile traffic; (b) our

newly launched mobile games and beta-testing soft launched live social video-embedded games, and (c) an increase in share-based compensation.

### **Administrative Expenses**

Administrative expenses increased by 199.2% to RMB36.8million for the third quarter of 2014 from RMB12.3 million in the corresponding period in 2013, primarily due to an increase in share-based compensation of RMB17.0 million and listing expenses related to our IPO of RMB8.2 million. The increase is partially offset by the decrease of business tax and related surcharges of RMB3.8 million benefiting from the VAT reform effective from June 1, 2014.

### **Research & Development Expenses**

Research and development expenses increased by 38.6% year over year to RMB23.0 million for the third quarter of 2014 from RMB16.6 million in the corresponding period in 2013, primarily due to the increase in employee cost and new research and development investment in mobile games.

### **Operating Profit**

Operating profit decreased by 14.7% to RMB48.5 million for the third quarter of 2014 from RMB56.9 million in the corresponding period in 2013, primarily due to (a) the increase in share-based compensation expenses to RMB19.5million for the third quarter of 2014 compared with RMB0.9million for the 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 and (b) the impact of RMB8.2million of listing expenses related to our IPO. Excluding these effects, operating profit would have increased 31.8% YoY.

### **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 RMB23.1million and RMB79.0million for the three months ended September 30, 2014 and 2013, respectively. The loss and changes in fair value are the result of the continued increase in the equity value of the Company. Upon completion of the IPO on July 9, 2014, these convertible redeemable preferred shares were automatically converted into Ordinary shares on a one-to-one basis and there will be no fair value gain or loss associated with these shares to be recognized in periods afterwards.

### **Adjusted EBITDA**

Adjusted EBITDA increased by 32.1% to RMB80.7 million from RMB61.1 million in the corresponding period of 2013. Adjusted EBITDA margin was 46.6%, compared to 43.7% in the corresponding period of 2013. Adjusted EBITDA represents operating profit adjusted to exclude non-cash share-based compensation expenses, listing expenses, depreciation and amortization.

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

For the third quarter of 2014, adjusted net profit increased by 44.4% to RMB71.6 million from RMB49.6million in the corresponding period of 2013. Adjusted diluted

earnings per share is RMB0.05, same as in the corresponding period of 2013.

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

### **Balance Sheet / Net Cash Position**

As of September 30, 2014, the Company had cash, cash equivalents, term deposits with initial terms over three months and RMB-denominated principal-protected structured deposits (recorded under current available-for-sale financial assets) in the aggregate amount of RMB1,878.3 million. The Company adopts conservative treasury policies in cash and financial management, and does not use any financial instruments for hedging purposes.

All bank borrowings had been repaid before September 30, 2014.

### **Capital Expenditures**

For the third quarter of 2014, our capital expenditures were approximately RMB24.4 million, including approximately RMB7.0 million related to the purchase of our new office space located in Shanghai, which had transferred to our fixed assets in August 2014 with total amount of approximately RMB15.0 million; approximately RMB8.9 million related to the pre-payment of new office space located in Beijing, and RMB8.5 million related to other office equipment, servers, etc.

### **Outlook**

Looking forward, in order to strengthen our game business, we scheduled to launch “Power Pets”, the second and newest RPG style mobile game licensed from a third party developer. We expect to release in total, 6 to 8 self-developed and third-party developed mobile games through 2015, some of which could enable interactive video functionality.

Our mobile strategy will continue to take full advantage of the technological and infrastructure improvements in China, including the ongoing recent rollout of 4G services, which will support high-quality video streams on mobile devices.

We plan to pursue business expansion by carefully considering partnerships, acquisitions and industrial consolidations with big industry players and/or potential partners. We will initially target companies with large user bases and similar interactive product offerings, or those in our upstream and downstream markets. We received strong interest for new vertical cooperation opportunities from our existing cornerstone investors and strategic partners. We aim to leverage our strong technological capabilities and infrastructure, large and loyal user base and established social ecosystem to successfully expand into new markets and sectors.

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## Conference Call Information

The Company will host a conference call at 7:30 p.m. ET on November 23, 2014 (8:30 a.m. Beijing Time on November 24, 2014) to review the Company's financial results and answer questions. You may access the live interactive call via:

- **1-888-346-8982** (U.S. Toll Free)
- **1-412-902-4272** (International)
- **852-301-84992** (Hong Kong-Local Toll Free)
- **800-905945** (Hong Kong Toll Free)
- **4001-201203** (China Toll Free)
- **86-105-357-3132** (Beijing-Local 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:

- **Dial-in number: 1-877-344-7529 (US Toll Free), 1-412-317-0088 (International Toll) and 855-669-9658 (Canada Toll Free)**
- **Replay Access Code: 10056457**
- **Replay link: <http://mms.pnasia.com/tiange/20141123/default.aspx>**

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.

	Unaudited			
	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	173,086	139,672	517,343	399,449
Cost of revenue	(19,986)	(18,382)	(74,040)	(48,593)
<b>Gross profit</b>	<b>153,100</b>	<b>121,290</b>	<b>443,303</b>	<b>350,856</b>
Selling and marketing expenses	(61,227)	(39,122)	(156,051)	(116,074)
Administrative expenses	(36,762)	(12,263)	(106,376)	(33,933)
Research and development expenses	(22,984)	(16,632)	(56,961)	(48,211)
Other gains, net	16,378	3,589	30,455	16,492
	48,505	56,862	154,370	169,130
<b>Operating profit</b>				
Finance income	3,325	1,307	6,318	35,931
Finance costs	(725)	(559)	(2,564)	(36,363)
Finance income / (costs), net	2,600	748	3,754	(432)
Fair value loss of convertible redeemable preferred shares	(23,057)	(79,034)	(283,559)	(264,976)
<b>Profit / (loss) before income tax</b>	<b>28,048</b>	<b>(21,424)</b>	<b>(125,435)</b>	<b>(96,278)</b>
Income tax expense	(7,189)	(8,938)	(27,882)	(26,024)
<b>Profit / (loss) for the period</b>		<b>(30,362)</b>	<b>(153,317)</b>	<b>(122,302)</b>
	20,859			
<b>Other comprehensive income / (loss)</b>				
Item that may be reclassified subsequently to profit or loss :				
Currency translation differences	(3,001)	3,213	(9,170)	12,134
<b>Total comprehensive income / (loss) for the period</b>	<b>17,858</b>	<b>(27,149)</b>	<b>(162,487)</b>	<b>(110,168)</b>
<b>Profit / (loss) attributable to:</b>				
- Shareholders of the Company	20,582	(30,180)	(153,771)	(122,120)
	277	(182)	454	(182)
- Non-controlling interests	20,859	(30,362)	(153,317)	(122,302)
<b>Total comprehensive income / (loss) attributable to:</b>				
- Shareholders of the Company	17,581	(26,967)	(162,941)	(109,986)
- Non-controlling interests	277	(182)	454	(182)
	17,858	(27,149)	(162,487)	(110,168)

**Earnings / (loss) per share** (expressed in RMB per share)

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			(0.190)	(0.191)
- Basic	<u>0.018</u>	<u>(0.047)</u>	<u>(0.190)</u>	<u>(0.191)</u>
- Diluted	<u>0.016</u>	<u>(0.047)</u>		
Dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,739</u>

**TIAN GE INTERACTIVE HOLDINGS LIMITED  
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014**



**TIAN GE INTERACTIVE HOLDINGS LIMITED**

	Unaudited September 30, 2014	Audited December 31, 2013
	RMB'000	RMB'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property and equipment	142,677	16,736
Intangible assets	48,210	5,864
Investment in associates	2,977	4,900
Available-for-sale financial assets	26,910	2,300
Prepayments and other receivables	27,173	110,737
Deferred income tax assets	23,319	24,348
Term deposits with initial term over 3 months	478,224	-
Restricted cash	-	87,000
	<u>749,490</u>	<u>251,885</u>
<b>Current assets</b>		
Trade receivables	19,106	20,804
Prepayments and other receivables	55,894	66,788
Available-for-sale financial assets	527,627	278,140
Term deposits with initial term over 3 months	485,631	21,873
Cash and cash equivalents	386,812	171,896
Restricted cash	-	33,000
	<u>1,475,070</u>	<u>592,501</u>
<b>Total assets</b>	<u><u>2,224,560</u></u>	<u><u>844,386</u></u>
<b>Equity</b>		
<b>Equity attribute to Shareholders of the Company</b>		
Share capital	781	42
Shares held for RSU Scheme	(44)	-
Reserves	2,481,485	205,408
Accumulated deficits	(447,777)	(294,006)
	<u>2,034,445</u>	<u>(88,556)</u>
Non-controlling interests	5,351	4,897
<b>Total equity</b>	<u><u>2,039,796</u></u>	<u><u>(83,659)</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT SEPTEMBER 30, 2014**

**TIAN GE INTERACTIVE HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEET**

	Unaudited September 30, 2014	Audited December 31, 2013	AS AT SEPT EMB ER 30, 2014
	RMB'000	RMB'000	
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	-	79,260	
Convertible redeemable preferred shares	-	548,471	
Deferred income tax liabilities	422	595	
Other non-current liabilities	1,400	-	
	<u>1,822</u>	<u>628,326</u>	
<b>Current liabilities</b>			
Trade payables	31,322	13,883	
Other payables and accruals	75,035	114,631	
Income tax liabilities	42,992	42,532	
Dividend payable	-	74,161	
Borrowings	-	30,485	
Customer advance and deferred revenue	33,593	24,027	
	<u>182,942</u>	<u>299,719</u>	
<b>Total liabilities</b>	<u>184,764</u>	<u>928,045</u>	
<b>Total equity and liabilities</b>	<u>2,224,560</u>	<u>844,386</u>	
<b>Net current assets</b>	<u>1,292,128</u>	<u>292,782</u>	
<b>Total assets less current liabilities</b>	<u>2,041,618</u>	<u>544,667</u>	