

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, Hang Seng Broad Consumption Index and Hang Seng Global Composite Index. In September 2016, Tian Ge was included in Hang Seng Software & Services 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, including 9158 Video Community and Sina Show. Leveraging on its leading industrial position, Tian Ge launched “Crystal Live Broadcasting” (水晶直播) and “Miao Broadcasting” (喵播) respectively in the first half of 2016. The wide acceptance of the two live streaming mobile applications allows Tian Ge to fully capture the opportunities arising from the rapidly growing demand for mobile entertainment in China, other part of 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 and Chief Executive Officer*)

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

Non-executive Directors

Mr. Mao Chengyu

Mr. Herman Cheng-Chun, Yu

Independent non-executive Directors

Ms. Yu Bin

Mr. Wu Chak Man

Mr. Chan Wing Yuen Hubert

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. Wu Chak Man

Mr. Chan Wing Yuen Hubert

REMUNERATION COMMITTEE

Mr. Wu Chak Man (*Chairman*)

Mr. Chan Wing Yuen Hubert

Mr. Mao Chengyu

NOMINATION COMMITTEE

Mr. Fu Zhengjun (*Chairman*)

Ms. Yu Bin

Mr. Wu Chak Man

REGISTERED OFFICE

Floor 4, Willow House

Cricket Square

P.O. Box 2804

Grand Cayman KY1-1112

Cayman Islands

HEADQUARTERS

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Hangzhou, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Matheson Street

Causeway Bay

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Offshore Incorporations (Cayman) Limited

Floor 4, Willow House

Cricket Square

P.O. Box 2804

Grand Cayman KY1-1112

Cayman Islands

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

Corporate Information

LEGAL ADVISERS

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
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

Financial Highlights

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

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

Financial Highlights

(in RMB'000)	Unaudited Three months ended			June 30, 2015	Year-on- Year Change
	June 30, 2016	March 31, 2016	Quarter- on-Quarter Change		
Revenue ⁽²⁾	198,131	151,576	30.7%	186,294	6.4%
– Online interactive entertainment	177,274	133,729	32.6%	164,330	7.9%
– Others	20,857	17,847	16.9%	21,964	-5.0%
Gross Profit	142,535	110,086	29.5%	147,965	-3.7%
Gross Margin	71.9%	72.6%	79.4%	81.9%	
Profit attributable to shareholders of the Company	49,049	27,650	77.4%	56,982	-13.9%
Total Comprehensive Income attributable to shareholders of the Company	74,514	38,141	95.4%	52,208	42.7%
Net Profit	47,802	26,533	80.2%	58,355	-18.1%
Net Profit Margin	24.1%	17.5%		31.3%	31.4%
Earnings Per Share (expressed in RMB per share)					
– basic	0.038	0.022	72.7%	0.046	-17.4%
– diluted	0.037	0.021	76.2%	0.043	-14.0%
Adjusted Net Profit ⁽³⁾	58,908	37,921	55.3%	77,621	-24.1%
Adjusted EBITDA ⁽⁴⁾	76,608	50,678	51.2%	93,424	-18.0%

Notes:

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

BUSINESS OVERVIEW AND OUTLOOK

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

OVERALL FINANCIAL PERFORMANCE

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

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

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

BUSINESS HIGHLIGHTS

Mobile Live Streaming

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

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

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

Chairman's Statement

BUSINESS HIGHLIGHTS (continued)

Mobile Games

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

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

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

BUSINESS HIGHLIGHTS (continued)

Financial Technology

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

OUTLOOK

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

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

Management Discussion and Analysis

1. OPERATING INFORMATION

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

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

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

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

- The number of MAUs for Tian Ge's online interactive entertainment service was approximately 18.6 million for the three months ended June 30, 2016, representing an increase of approximately 16.3% from the three months ended March 31, 2016 and representing an increase of approximately 1.9% from the three months ended June 30, 2015.
- Our mobile MAUs as at June 30, 2016 represents 37.7% of our total MAUs, while the percentage as at March 31, 2016 and June 30, 2015 were 27.1% and 18.0%, respectively.
- The number of QPUs for Tian Ge's online interactive entertainment service was approximately 1,029,000 for the three months ended June 30, 2016, representing an increase of approximately 29.8% from the three months ended March 31, 2016 and representing an increase of approximately 35.8% from the three months ended June 30, 2015.
- Our mobile QPUs as at June 30, 2016 represents 51.8% of our total QPUs, while the percentage as at March 31, 2016 and June 30, 2015 were 31.7% and 21.8%, respectively.

Management Discussion and Analysis

1. OPERATING INFORMATION (continued)

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

2. FINANCIAL INFORMATION

Revenue

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

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

Management Discussion and Analysis

2. FINANCIAL INFORMATION (continued)

Cost of Revenue and Gross Margins

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

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Research and Development Expenses

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

Management Discussion and Analysis

2. FINANCIAL INFORMATION (continued)

Gain attributable to shareholders of the Company

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

Non-IFRS Measures

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

The following table sets forth the Group's non-IFRS financial data for the periods presented:

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

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

Management Discussion and Analysis

2. FINANCIAL INFORMATION (continued)

Adjusted EBITDA

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

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

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

Management Discussion and Analysis

2. FINANCIAL INFORMATION (continued)

Adjusted Net Profit and Earnings Per Share

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

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

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

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

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

Management Discussion and Analysis

3. LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

Since there are no cost-effective hedges against the fluctuation of Renminbi (“**RMB**”) and no effective manner to generally convert a significant amount of non-RMB currencies into RMB, which is not a freely exchangeable currency, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits and investments. We recorded the foreign exchange loss of approximately RMB6.4 million for the six months ended June 30, 2016.

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

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

Bank Loans and Other Borrowings

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

Gearing Ratio

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

Capital Expenditures

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

3. LIQUIDITY AND FINANCIAL RESOURCES (continued)

Significant Investment

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

Mergers and Acquisitions

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

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

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

Charges on Assets

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

Contingent Liabilities

As at June 30, 2016, the Group did not have any significant contingent liabilities.

Foreign Exchange Risk

Most of our subsidiaries’ functional currencies are RMB, as the majority of the revenues of these companies are derived from our operations in mainland China. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets as at June 30, 2016. We do not hedge against any fluctuation in foreign currency.

Management Discussion and Analysis

4. CORPORATE INFORMATION

Staff

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

Relevant staff cost was RMB86.0 million for the six months ended June 30, 2016, while our staff cost was RMB95.0 million for the six months ended June 30, 2015. The Group's remuneration policies are formulated according to the duty, experience, ability and performance of individual employees and are reviewed annually. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and discretionary incentive.

The Company's employees have not formed any employee union or association. Tian Ge believes that it maintains a good working relationship with its employees and the Company did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the period under review.

Share Option Schemes

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

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

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

4. CORPORATE INFORMATION (continued)

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

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

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

5. USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds from the global offering (after the exercise of the over-allotment option and after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the global offering) amounted to approximately HK\$1,725.0 million (equivalent to approximately RMB1,376.0 million). As at June 30, 2016, approximately HK\$1,337.6 million (equivalent to approximately RMB1,084.3 million) had been used in investing in potential acquisitions, expanding our marketing and promotion activities, developing our mobile applications and enhancing our research and development efforts. We have utilized, and will continue to utilize the net proceeds from the IPO for the purposes consistent with those set out in the section headed “Future Plans and Use of Proceeds” contained in the prospectus of the Company dated June 25, 2014 (the “**Prospectus**”). The unutilized net proceeds had been deposited into term deposits in the bank account maintained by the Group as well as used in money markets principal protected instruments as classified under available-for-sale financial assets and financial assets at fair value through profit or loss in our consolidated balance sheet.

CORPORATE GOVERNANCE PRACTICES

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

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Fu Zhengjun (傅政軍) is our chairman and chief executive officer and has been a Director of our Board since July 28, 2008. He was designated to our Board as an executive Director on March 11, 2014. Mr. Fu is the founder of our Group and has served as the chief executive officer of all our wholly foreign-owned enterprises and PRC operating entities since their respective incorporations. With extensive experience in the internet industry, Mr. Fu is responsible for the overall strategic planning, management and operation of our Group and is instrumental to our growth and business expansion since our establishment in 2008. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-calibre individuals. Our Board currently comprises two executive Directors (including Mr. Fu), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS AND BOARD COMMITTEES

The compositions of the Board, the Audit Committee, the nomination committee and the remuneration committee of the Company remain the same as set out in the latest annual report of the Company published on April 21, 2016.

DIVIDEND

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

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

AUDIT COMMITTEE

The Board has established an Audit Committee, which comprises three independent non-executive Directors, namely Ms. Yu Bin (Chairman), Mr. Wu Chak Man 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 review of the interim results for the six months ended June 30, 2016.

CHANGES TO DIRECTORS' INFORMATION

One of our Directors, Mr. Chan, Wing Yuen Hubert, has been appointed as an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd (上海拉夏貝爾服飾股份有限公司) (stock code: 6116), whose H shares are listed on the Stock Exchange, with effect from July 25, 2016.

Save as disclosed above, the Directors have confirmed 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 its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2016.

Corporate Governance/Other Information

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

As of June 30, 2016, the interests or short positions of the Directors or chief executives 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 taken 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	Nature of interests	Number of shares held	Approximate percentage of shareholding as at June 30, 2016
Mr. Fu Zhengjun (“Mr. Fu”)	Founder of a discretionary trust (Note 1)	306,000,000	23.63%
	Beneficiary of a trust (Note 2)	26,231,000	2.03%

Notes:

- UBS Trustees (BVI) 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 306,000,000 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 (BVI) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 306,000,000 shares held by Blueberry Worldwide Holdings Limited.
- UBS Trustees (BVI) Limited is also the trustee of Mr. Fu Yanchang’s Trust (“Mr. Fu Yanchang’s Trust”) and holds the entire issued share capital of Star Wonder Holding Ltd through its nominee, UBS Nominee Limited. Star Wonder Holding Ltd holds the entire issued share capital of Cloud Investment Holding Limited. Cloud Investment Holding Limited in turn holds 26,231,000 shares in our Company. Mr. Fu Yanchang’s Trust is a discretionary trust established by Mr. Fu’s father, Mr. Fu Yanchang (as the settlor) and the discretionary beneficiaries of which are Mr. Fu Yanchang and his family members. Accordingly, each of Mr. Fu Yanchang, Mr. Fu, UBS Trustees (BVI) Limited, Star Wonder Holding Limited and Cloud Investment Holding Limited is deemed to be interested in the 26,231,000 shares held by Cloud Investment Holding Limited.

Corporate Governance/Other Information

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

Interests in underlying shares of the Company:

Name of Director	Position held within our Group	Nature	Number of shares represented by		Approximate percentage of shareholding as at June 30, 2016
			options or RSUs	Exercise price (US\$)	
Mr. Fu Zhengjun	Chairman, executive Director and chief executive officer	RSUs (Note 1)	10,000,000	Nil	0.77%
		Interest of Spouse (Note 4)	20,000,000	Nil	1.54%
Mr. Mai Shi'en	Executive Director, chief operating officer and acting chief financial officer	RSUs (Note 2)	5,000,000	Nil	0.39%
Mr. Mao Chengyu	Non-executive Director	Options (Note 3)	200,000	0.35	0.02%
Mr. Herman Cheng-Chun, Yu	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. Wu Chak Man	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%

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

Notes:

1. *Mr. Fu is interested in 1,000,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 shares subject to vesting.*
2. *Mr. Mai Shi'en is interested in 500,000 Pre-IPO RSUs granted to him on May 22, 2014 under the Pre-IPO RSU Scheme entitling him to receive 5,000,000 shares subject to vesting.*
3. *Mr. Mao Chengyu, Mr. Herman Cheng Chun, Yu, Ms. Yu Bin, Mr. Wu Chak Man 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 subject to vesting.*
4. *Ms. Hong Yan is Mr. Fu's spouse and she is interested in 2,000,000 Pre-IPO RSUs granted to her on May 22, 2014 under the Pre-IPO RSU Scheme entitling her to receive 20,000,000 shares subject to vesting. Accordingly, Mr. Fu is deemed to be interested in the 20,000,000 shares which are interested by Ms. Hong Yan under the SFO.*

Save as disclosed above, as at June 30, 2016, none of the Directors or chief executives 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 were 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 taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Corporate Governance/Other Information

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

As at June 30, 2016, to the best knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register 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, 2016
UBS Trustees (BVI) Limited	Trustee (Note 1)	332,231,000	25.65%
Three-Body Holdings Ltd	Interest in Controlled Corporation (Note 1)	306,000,000	23.63%
Blueberry Worldwide Holdings Limited	Beneficial Owner (Note 1)	306,000,000	23.63%
Sina Hong Kong Limited	Beneficial Owner	300,000,000	23.16%
Ho Chi Sing	Interest in Controlled Corporation (Note 2)	180,000,000	13.90%
Zhou Quan	Interest in Controlled Corporation (Note 2)	180,000,000	13.90%
IDG-Accel China Growth Fund GP II Associates Ltd.	Interest in Controlled Corporation (Note 2)	180,000,000	13.90%
IDG-Accel China Growth Fund II Associates L.P.	Interest in Controlled Corporation (Note 2)	166,392,000	12.85%
IDG-Accel China Growth Fund II L.P.	Beneficial Owner (Note 2)	166,392,000	12.85%
Li Jingyi	Beneficial Owner	116,961,000	9.03%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

- (1) UBS Trustees (BVI) Limited, the trustee of Mr. Fu's Trust and Mr. Fu Yanchang's Trust (as defined below), holds the entire issued share capital of Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited through Three-Body Holdings Ltd and Star Wonder Holding Ltd, respectively. Blueberry Worldwide Holdings Limited and Cloud Investment Holding Limited hold 306,000,000 shares and 26,231,000 shares in our Company, respectively. 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 (BVI) Limited, Three-Body Holdings Ltd and Blueberry Worldwide Holdings Limited is deemed to be interested in the 306,000,000 shares held by Blueberry Worldwide Holdings Limited. Mr. Fu Yanchang's trust is a discretionary trust established by Mr. Fu Yanchang (as the settlor) and the discretionary beneficiaries of which are Mr. Fu Yanchang and his family members. Accordingly, each of Mr. Fu Yanchang, Mr. Fu, UBS Trustees (BVI) Limited, Cloud Investment Holding Limited and Star Wonder Holding Ltd is deemed to be interested in the 26,231,000 shares held by Cloud Investment Holding 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 166,392,000 shares held by IDG-Accel China Growth Fund II L.P.. Separately, IDG-Accel Growth 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 13,608,000 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 180,000,000 shares which IDG-Accel China Growth Fund GP II Associates Ltd. is interested in total.

Save as disclosed above, as at June 30, 2016, the Directors and the chief executives of the Company are 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 as 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 Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Incentive Schemes" in this report and in note 25 to the 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 executives 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 Post-IPO Share Option Scheme (collectively, the **“Share Option Schemes”**), the Pre-IPO RSU Scheme and Post-IPO RSU Scheme (collectively, the **“RSU Schemes”**) 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, 2016, options representing a total of 46,934,959 shares (taking into account 27,702,055 options which have lapsed and options in respect of an aggregate of 39,042,986 shares which have been exercised in accordance with the terms of the Pre-IPO Share Option Scheme) were outstanding. If all the options under the Pre-IPO Share Option Scheme are exercised, there would be a dilution effect on the shareholdings of our Shareholders of approximately 3.62% as at June 30, 2016. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per Share may be staggered over several years, and the remaining life of the Pre-IPO Share Option Scheme is around 2 years and 3 months.

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 Limited.

Corporate Governance/Other Information

SHARE INCENTIVE SCHEMES (continued)

Outstanding Share Options (continued)

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, 100,000 share options were exercised and no share option was granted, lapsed and cancelled under the Post-IPO Share Option Scheme. As a result, as at June 30, 2016, options representing a total of 3,900,000 shares were outstanding, representing approximately 0.30% of the issued shares of the Company.

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date and the remaining life of this scheme is around 7 years and 10 months. The options are exercisable over a 10-year period from the date of grant.

Amongst the options granted on September 22, 2015, 1,625,000 options have been vested on December 22, 2015, and the other 1,125,000, 875,000 and 375,000 options will be vested on September 22, 2016, September 22, 2017 and September 22, 2018, respectively. 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, 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 5.6% of the total number of shares of the Company.

The duration of the Pre-IPO RSU Scheme is 10 years commencing on May 22, 2014 and the remaining life of this scheme is around 7 years and 9 months.

SHARE INCENTIVE SCHEMES (continued)

Outstanding RSUs (continued)

Pre-IPO RSU Scheme (continued)

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 10,141,000 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, 2016, 55,657,000 shares have been issued and allotted to Tangguo Limited.

Post-IPO RSU Scheme

During the Reporting Period, RSUs in respect of a total of 1,048,688 shares pursuant to the Company's Post-IPO RSU Scheme have been granted on April 1, 2016.

Amongst the RSUs granted on April 20, 2015, 1,749,500 RSUs have been vested on August 16, 2015, and the other 1,749,500 RSUs have been vested on August 16, 2016. The closing price of the shares immediately before the date of grant was HK\$5.48.

Amongst the RSUs granted on September 15, 2015, 1,646,000 RSUs have been vested on December 15, 2015, and the other 930,000 and 144,000 RSUs will be vested on September 15, 2016 and September 15, 2017, respectively. The closing price of the shares immediately before the date of grant was HK\$2.90.

Amongst the RSUs granted on April 1, 2016, 524,350 RSUs have been vested on August 3, 2016 and the other 524,338 RSUs will be vested on August 3, 2017. The closing price of the shares immediately before the date of grant was HK\$4.96.

The duration of the Post-IPO RSU Scheme is 10 years commencing on June 16, 2014 and the remaining life of this scheme is around 7 years and 10 months.

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 2,741,960 shares have been exercised by grantees under the Post-IPO RSU Scheme and no RSUs have lapsed and cancelled, as a result, as at June 30, 2016, 3,406,409 shares have been allotted and issued to Xinshow Limited.

Corporate Governance/Other Information

SHARE INCENTIVE SCHEMES (continued)

Details of the options granted under the Pre-IPO Share Option Scheme and the RSUs granted under the Pre-IPO RSU Scheme

The following table shows the details of the options and/or the Pre-IPO RSUs granted and outstanding under the Pre-IPO Share Option Scheme and the Pre-IPO RSU Scheme to, on an individual basis, the Directors, senior management members and other connected person of the Group as at June 30, 2016.

Name of Grantee	Position Held within Our Group	Nature	Number of Shares Represented by Option or RSUs	Date of Grant	Outstanding as at January 1, 2016	Exercise Price (US\$)	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2016
Director of our Company										
Mr. Fu Zhengjun	Chairman, executive Director and chief executive officer	RSUs	10,000,000	May 22, 2014	10,000,000	Nil	0	0	0	10,000,000
Mr. Mai Shi'en	Executive Director, chief operating officer and acting chief financial officer	RSUs	5,000,000	May 22, 2014	5,000,000	Nil	0	0	0	5,000,000
Mr. Mao Chengyu	Non-executive Director	Options	200,000	May 22, 2014	200,000	0.35	0	0	0	200,000
Mr. Herman Cheng Chun, Yu	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. Wu Chak Man	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
Other connected persons of our Group										
Ms. Hong Yan	Vice president of Tiange Technology (Hangzhou) Co., Ltd. (天格科技(杭州)有限公司)	RSUs	20,000,000	May 22, 2014	20,000,000	Nil	0	0	0	20,000,000
Seven Directors and one connected person		Options	1,000,000							
		RSUs	35,000,000							
		Sub-total	36,000,000							

Corporate Governance/Other Information

SHARE INCENTIVE SCHEMES (continued)

Details of the options granted under the Pre-IPO Share Option Scheme and the RSUs granted under the Pre-IPO RSU Scheme (continued)

The following is a summary table showing further details of the options and/or the RSUs granted and outstanding under the Share Option Scheme, and the RSU Scheme to individuals who are neither a Director nor a connected person of the Group as at June 30, 2016.

Rank/Position Held With Our Group	Nature	Number of Shares Represented by Option or RSUs	Date of Grant	Outstanding as at January 1, 2016	Exercise Price (US\$/HK\$)	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2016
279 other employees,	Options	12,470,000	January 14, 2009	12,914,000	US\$0.01	444,000	0	0	12,470,000
26 other consultants and		2,440,000	July 23, 2009	2,552,000	US\$0.021	112,000	0	0	2,440,000
24 ex-employees (Note 1)		4,042,540	July 23, 2009	5,403,540	US\$0.03	1,361,000	0	0	4,042,540
		2,344,380	June 17, 2010	2,816,380	US\$0.06	472,000	0	0	2,344,380
		300,000	September 6, 2010	800,000	US\$0.06	500,000	0	0	300,000
		6,601,000	September 6, 2010	8,971,000	US\$0.035	2,370,000	0	0	6,601,000
		2,864,050	December 20, 2010	3,169,050	US\$0.06	305,000	0	0	2,864,050
		86,000	December 20, 2010	142,000	US\$0.03	56,000	0	0	86,000
		1,800,000	December 26, 2011	2,000,000	US\$0.06	200,000	0	0	1,800,000
		1,225,000	December 26, 2011	1,545,000	US\$0.1	320,000	0	0	1,225,000
		940,439	December 26, 2011	1,419,814	US\$0.12	479,375	0	0	940,439
		2,285,100	October 14, 2012	3,502,940	US\$0.15	1,212,000	0	5,840	2,285,100
		1,198,030	September 14, 2013	1,794,540	US\$0.2	569,000	0	27,510	1,198,030
		7,338,420	May 22, 2014	8,817,205	US\$0.35	1,163,715	0	315,070	7,338,420
		3,900,000	September 22, 2015	4,000,000	HK\$3.50	100,000	0	0	3,900,000
		Options total	49,834,959		59,847,469		9,664,090	0	348,420
	RSUs	20,657,000	May 22, 2014	30,798,000	Nil	10,141,000	0	0	20,657,000
		2,071,709	April 20, 2015	3,428,369	Nil	1,356,660	0	0	2,071,709
		1,334,700	September 15, 2015	2,720,000	Nil	1,385,300	0	0	1,334,700
		1,048,688	April 1, 2016	0	Nil	0	0	0	1,048,688
	RSUs total	25,112,097		36,946,369		12,882,960	0	0	25,112,097
	Sub-total	74,947,056							

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, a total of 37,749,200 options have been granted to 26 consultants as at June 30, 2016.
2. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the Reporting Period was approximately HKD5.45.
3. The weighted average closing price of the shares immediately before the dates on which the RSUs were exercised during the Reporting Period was approximately HKD4.96.

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 common usage of these terms.

“Quarterly Average Revenue Per User” or “ARPU”	Average quarterly revenue in a particular period divided by the average MPUs in that period.
“MAU”	Number of registered active users that accessed our products or services in the relevant month.
“QPU”	Number of paying users for our products and services in the relevant quarter.
“Users on air”	Number of non-host users who generate content, typically through singing songs or chatting via our rooms’ live stream video function.
“Host”	User 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. A user who has registered accounts with two live social video communities is counted as two registered users.

Report on Review of Interim Financial Information

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF TIAN GE INTERACTIVE HOLDINGS LIMITED

(incorporated in Cayman Island with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 78, which comprises the condensed consolidated balance sheet of Tian Ge Interactive Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2016 and the related condensed consolidated statements of comprehensive income for the three and six months then ended, condensed consolidated statements of changes in equity and cash flows for the six months 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 is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 August 2016

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	6	198,131	186,294	349,707	371,837
Cost of revenue	7	(55,596)	(38,329)	(97,086)	(67,383)
Gross profit		142,535	147,965	252,621	304,454
Selling and marketing expenses	7	(44,948)	(43,558)	(87,310)	(92,413)
Administrative expenses	7	(27,714)	(28,731)	(55,758)	(56,210)
Research and development expenses	7	(22,965)	(19,518)	(42,109)	(40,047)
Other gains, net	8	13,649	12,546	27,279	27,806
Operating profit		60,557	68,704	94,723	143,590
Finance income	9	189	2,891	964	1,469
Finance costs	9	(576)	(100)	(1,079)	(673)
Finance income/(loss), net		(387)	2,791	(115)	796
Share of loss of investment accounted for using the equity method	17	(1,915)	(122)	(2,697)	(373)
Profit before income tax		58,255	71,373	91,911	144,013
Income tax expense	10	(10,453)	(13,018)	(17,576)	(27,173)
Profit for the period		47,802	58,355	74,335	116,840
Other comprehensive income/(loss)					
<i>Items that may be reclassified to profit or loss</i>					
Changes in value of available-for-sale financial assets		(84)	–	15,649	–
Currency translation differences		25,666	(4,774)	20,833	(377)
Total comprehensive income for the period		73,384	53,581	110,817	116,463

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Profit/(loss) attributable to:					
– Shareholders of the Company		49,049	56,982	76,699	114,911
– Non-controlling interests		(1,247)	1,373	(2,364)	1,929
		47,802	58,355	74,335	116,840
Total comprehensive income/(loss) attributable to:					
– Shareholders of the Company		74,514	52,208	112,655	114,534
– Non-controlling interests		(1,130)	1,373	(1,838)	1,929
		73,384	53,581	110,817	116,463
Earnings per share (expressed in RMB per share)					
– Basic	11	0.038	0.046	0.060	0.093
– Diluted	11	0.037	0.043	0.058	0.088

The notes on pages 43 to 78 form an integral part of these condensed consolidated financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2016

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Assets			
Non-current assets			
Property and equipment	13	188,423	190,843
Investment properties	14	23,948	–
Intangible assets	15	168,239	121,312
Investments accounted for using the equity method	17	46,053	52,078
Available-for-sale financial assets	20	190,833	100,008
Prepayments and other receivables	19	371,775	154,917
Deferred income tax assets	28	37,635	33,460
Term deposits with initial term over 1 year		–	168,138
		1,026,906	820,756
Current assets			
Inventories	22	3,365	10,307
Trade receivables	18	35,356	32,006
Prepayments and other receivables	19	245,370	247,501
Available-for-sale financial assets	20	444,903	370,058
Term deposits with initial term over 3 months		871,409	786,732
Cash and cash equivalents	21	99,892	232,848
Restricted cash	21	2,614	–
		1,702,909	1,679,452
Total assets		2,729,815	2,500,208
Equity			
Equity attribute to shareholders of the Company			
Share capital	23	801	797
Share premium	23	2,246,701	2,305,423
Shares held for RSU Scheme	23	(10)	(14)
Other reserves	24	329,349	273,425
Accumulated deficits		(216,220)	(292,919)
		2,360,621	2,286,712
Non-controlling interests		24,852	21,960
Total equity		2,385,473	2,308,672

Condensed Consolidated Balance Sheet

As at 30 June 2016

	<i>Note</i>	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	28	9,703	5,148
Other non-current liabilities		1,325	1,347
		11,028	6,495
Current liabilities			
Trade payables	26	30,552	23,212
Other payables and accruals	27	184,122	63,451
Income tax liabilities		52,030	48,554
Customer advance and deferred revenue		61,610	43,824
Provisions for other liabilities and charges	29	5,000	6,000
		333,314	185,041
Total liabilities		344,342	191,536
Total equity and liabilities		2,729,815	2,500,208

The notes on pages 43 to 78 form an integral part of these condensed consolidated financial information.

Fu Zhengjun
Director

Mai Shi'en
Director

Condensed Consolidated Statement of Change in Equity

For the six months ended 30 June 2016

		Unaudited							
		Equity attributable to shareholders of the company							
Note		Shares held				Accumulated deficits	Total	Non- controlling interests	Total equity
		Share capital	Share premium	for RSU Scheme	Other reserves				
	Balance at 1 January 2016	797	2,305,423	(14)	273,425	(292,919)	2,286,712	21,960	2,308,672
	Comprehensive income								
	Profit/(loss) for the six months ended 30 June 2016	-	-	-	-	76,699	76,699	(2,364)	74,335
	Other comprehensive income								
	Currency translation differences	24	-	-	20,307	-	20,307	526	20,833
	Changes in value of available-for-sale financial assets	24	-	-	15,649	-	15,649	-	15,649
	Total other comprehensive income, net of tax		-	-	35,956	-	35,956	526	36,482
	Total comprehensive income/(loss)		-	-	35,956	76,699	112,655	(1,838)	110,817
	Transactions with shareholders of the Company, recognised directly in equity								
	Share-based compensation	24	-	-	19,968	-	19,968	-	19,968
	Non-controlling interests arising from step-acquisition of a subsidiary	16	-	-	-	-	-	4,730	4,730
	Exercise of share options	23	4	6,915	-	-	6,919	-	6,919
	Appropriation of final dividend	23	-	(65,633)	-	-	(65,633)	-	(65,633)
	Vest and transfer of RSUs	23	-	(4)	4	-	-	-	-
	Total transactions with shareholders of the Company, recognised directly in equity		4	(58,722)	4	19,968	(38,746)	4,730	(34,016)
	Balance at 30 June 2016		801	2,246,701	(10)	329,349	(216,220)	24,852	2,385,473

Condensed Consolidated Statement of Change in Equity

For the six months ended 30 June 2016

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

The notes on pages 43 to 78 form an integral part of these condensed consolidated financial information.

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2016

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations		127,854	110,386
Income tax paid		(19,011)	(31,437)
Net cash generated from operating activities		108,843	78,949
Cash flows from investing activities			
Step-acquisition of a subsidiary, net of cash acquired	16	(23,780)	–
Acquisition of subsidiaries, net of cash acquired		(5,000)	(29,378)
Investment in associates		–	(20,011)
Purchase of and prepayment for property and equipment, investment property		(28,511)	(43,930)
Proceeds on disposal of property and equipment		628	34
Purchase of intangible assets and game license		(305)	(2,847)
Payment of term deposits with initial term of over 3 months and available-for-sales financial assets		(1,331,378)	(501,278)
Repayment from disposal of term deposits with initial term of over 3 months and available-for-sales financial assets		1,296,384	661,453
Payments of financial assets at fair value through profit or loss		–	(133,342)
Interest received		1,121	11,243
Cash paid for refundable prepayments of potential investments		–	(25,000)
Receipt for refundable prepayments of potential investments		145,000	–
Cash paid for prepayments of investments		(218,500)	–
Loans granted to third parties and a related party		(22,620)	(27,219)
Repayment of loans granted to related parties & third parties		10,629	–
Loans granted to borrowers through investment and financing platforms		(215,699)	–
Repayment of loans from borrowers through financial platforms		92,150	–
Increase in restricted cash		(2,614)	–
Cash paid for other investing activities		(109)	–
Net cash used in investing activities		(302,604)	(110,275)

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2016

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Cash flows from financing activities			
Funds from individual investors		119,303	–
Proceeds from exercise of share options	23	6,691	7,319
Payments for repurchase of ordinary shares	23	–	(16,074)
Dividends paid to the Company's shareholders	12	(65,633)	(59,573)
Capital injection from non-controlling interests of subsidiaries		–	1,953
Net cash used in financing activities		60,361	(66,375)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period		232,848	289,083
Exchange gain/(loss) on cash and cash equivalents		444	(2,210)
Cash and cash equivalents at end of period		99,892	189,172

The notes on pages 43 to 78 form an integral part of these condensed consolidated financial information.

Notes to the 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 Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in the operating of live social video platforms, mobile and online games 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 25 August 2016.

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

Key events

- (a) Pursuant to the resolution of the board meeting held in March 2016 and approval of the annual general meeting held in May 2016, the Company declared a final dividend for the year ended 31 December 2015 of HK\$77,700 thousand (approximately RMB65,633 thousand) in total or HK\$0.06 per ordinary share out of the Company’s share premium account. The dividends were fully paid in June 2016 (Note 12).
- (b) In April 2016, the Company granted 1,048,688 restricted share units pursuant to the Company’s Post-IPO Restricted Share Unit Scheme, which is yet to be issued upon the consummation of this condensed consolidated financial information (Note 25(b)).
- (c) In April 2016, the Group further acquired 65% of the equity interests and obtained the control of Chengdu Happy Alliance Technology Co., Ltd. (“**Happy Alliance**”), a third party company engaged in design and development of mobile games in the PRC, after which the Group held in aggregate 80% equity interests in Happy Alliance (Note 16).

2 BASIS OF PREPARATION

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

Notes to the Condensed Consolidated Financial Information

3 ACCOUNTING POLICIES

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

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

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

4 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 2015, with the exception of changes in estimates that are required in determining the provision for income taxes (see Note 10).

Notes to the Condensed Consolidated Financial Information

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 condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015.

There have been no changes in the risk management department or in any risk management policies since the year end.

5.2 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's non-derivative financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group

	Less than 3 Months	3-6 Months	6 Months- 1 Year	More than 1 Year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2015					
Trade payables	23,212	-	-	-	23,212
Other payables and accruals (excluding deposit payable, accrued payroll and other tax liabilities)	50,035	-	-	-	50,035
At 30 June 2016					
Trade payables	30,552	-	-	-	30,552
Other payables and accruals (excluding deposit payable, accrued payroll and other tax liabilities)	171,286	-	-	-	171,286

Notes to the Condensed Consolidated Financial Information

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets	–	–	635,736	635,736
	–	–	635,736	635,736

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets	–	–	470,066	470,066
	–	–	470,066	470,066

Notes to the Condensed Consolidated Financial Information

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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

The following table presents the changes in level 3 instruments as at 30 June 2016.

	Available-for-sale financial assets RMB'000
Opening balance at 1 January 2016	470,066
Additions	943,490
Disposals of available-for-sale financial assets	(795,267)
Fair value gain recognized in consolidated statements of comprehensive income	15,649
Exchange difference	1,798
Closing balance at 30 June 2016	635,736

The following table presents the changes in level 3 instruments as at 30 June 2015.

	Available- for-sale financial assets RMB'000	Financial assets at fair value through profit or loss RMB'000
Opening balance at 1 January 2015	339,805	109,481
Additions	431,278	193,206
Disposals of available-for-sale financial assets	(402,223)	(60,901)
Fair value loss recognized in consolidated statements of comprehensive income	-	(477)
Exchange difference	(22)	-
Closing balance at 30 June 2015	368,838	241,309
Total unrealised losses for the period included in profit or loss for assets held at the end of the reporting period	-	(477)

6 SEGMENT INFORMATION

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

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

- Online interactive entertainment service;
- Others.

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

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

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

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

Notes to the Condensed Consolidated Financial Information

6 SEGMENT INFORMATION (continued)

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

	Three months ended 30 June 2016			Three months ended 30 June 2015		
	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000
Segment Revenue	177,274	20,857	198,131	164,330	21,964	186,294
Gross Profit	131,255	11,280	142,535	137,438	10,527	147,965
- Depreciation, amortization and impairment charges included in segment cost	1,508	63	1,571	1,901	121	2,022
Operating profit			60,557			68,704
Finance income			189			2,891
Finance costs			(576)			(100)
Shares of profits/(losses) of investments accounted for using the equity method	(1,692)	(223)	(1,915)	(220)	98	(122)
Profit before income tax			58,255			71,373

Notes to the Condensed Consolidated Financial Information

6 SEGMENT INFORMATION (continued)

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000	Online interactive entertainment service RMB'000	Others RMB'000	Total RMB'000
Segment Revenue	311,003	38,704	349,707	337,642	34,195	371,837
Gross Profit	235,298	17,323	252,621	281,696	22,758	304,454
- Depreciation, amortization and impairment charges included in segment cost	2,542	567	3,109	3,321	121	3,442
Operating profit			94,723			143,590
Finance income			964			1,469
Finance costs			(1,079)			(673)
Shares of profits/(losses) of investments accounted for using the equity method	(2,564)	(133)	(2,697)	(471)	98	(373)
Profit before income tax			91,911			144,013

Notes to the Condensed Consolidated Financial Information

7 EXPENSES BY NATURE

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Employee benefit expenses (including share-based compensation expenses)	42,263	50,112	86,020	95,002
Commission charged by platforms and game developers	30,003	10,842	47,735	25,470
Promotion and advertising expenses	27,863	23,397	54,320	58,629
Cost of inventories sold	8,309	12,394	17,031	12,394
Bandwidth and server custody fees	7,338	7,734	13,898	16,332
Provision of bad debts	5,500	–	8,000	–
Game development costs	4,309	2,847	6,227	6,103
Travelling and entertainment expenses	3,905	3,988	9,071	8,125
Depreciation of property and equipment (Note 13)	3,797	4,048	7,609	7,966
Amortization of intangible assets (Note 15)	2,852	2,228	4,986	3,512
Utilities and office expenses	2,584	2,262	5,397	4,943
Operating lease rentals in respect of office buildings	1,673	1,897	3,308	3,412
Professional and consultancy fees	1,553	1,052	2,657	3,395
Payment handling costs	1,924	1,157	2,911	2,273
Turnover tax and related surcharges	1,704	1,030	2,640	1,853
Auditors' remuneration	1,362	1,375	2,682	2,658
Write-down of inventories to net realizable value	751	–	2,182	–
Others	3,533	3,773	5,589	3,986
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	151,223	130,136	282,263	256,053

Notes to the Condensed Consolidated Financial Information

8 OTHER GAINS, NET

	Three months ended June 30		Six months ended June 30	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Investment Interest	10,151	10,042	19,366	22,064
Gain on remeasuring existing interest in Happy Alliance on acquisition (Note 16)	4,351	–	4,351	–
Financial assets at fair value through profit or loss				
– Fair value loss	–	(1,293)	–	(438)
Government grants				
– Technology award	5,114	1,838	6,361	2,318
– Scientific project fund	463	1,975	463	3,878
Foreign exchange loss on non-financing activity	(8,002)	–	(5,379)	–
Interest income on loans to third parties and loans to employees	846	–	1,277	–
Gains on disposal of property and equipment, net	367	27	495	27
Others	359	(43)	345	(43)
	13,649	12,546	27,279	27,806

9 FINANCE INCOME/(LOSS), NET

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

Notes to the Condensed Consolidated Financial Information

10 INCOME TAX EXPENSE

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

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

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

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.

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

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 Plan and Post-IPO Share Option Scheme and restricted share units ("RSUs") granted to employees under Pre-IPO Restricted Share Unit Scheme and Post-IPO Restricted Share Unit Scheme. The share options and restricted share units are assumed to have been fully vested and released from restrictions with no impact on earnings.

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

12 DIVIDENDS

	Three months ended 30 June		Six months ended 30 June	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Dividends paid by the Company	65,633	–	65,633	59,573

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

Notes to the Condensed Consolidated Financial Information

13 PROPERTY AND EQUIPMENT

	Building	Decorations	Furniture and Office Equipment	Server and Other Equipment	Motor Vehicles	Leasehold Improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six Months ended 30 June 2016								
Net book value								
Opening amount as at 1 January 2016	157,510	7,836	3,140	9,312	1,573	496	10,976	190,843
Additions	-	1	200	1,826	986	274	1,890	5,177
Step acquisition of a subsidiary (Note 16)	-	-	-	145	-	-	-	145
Transferred from/(to) construction in progress	-	-	428	-	-	2,143	(2,571)	-
Disposals	-	-	-	(112)	(21)	-	-	(133)
Depreciation charge	(2,192)	(1,251)	(631)	(2,483)	(460)	(592)	-	(7,609)
Closing amount as at 30 June 2016	155,318	6,586	3,137	8,688	2,078	2,321	10,295	188,423
At 30 June 2016								
Cost	163,729	11,886	6,608	41,846	6,180	9,888	10,295	250,432
Accumulated depreciation and impairment	(8,411)	(5,300)	(3,471)	(33,158)	(4,102)	(7,567)	-	(62,009)
Net book amount	155,318	6,586	3,137	8,688	2,078	2,321	10,295	188,423
Six Months ended 30 June 2015								
Net book value								
Opening amount as at 1 January 2015	115,549	7,208	2,566	14,841	1,889	227	-	142,280
Acquisition of subsidiaries	-	-	435	539	603	145	-	1,722
Additions	46,212	947	192	1,115	-	-	-	48,466
Disposals	-	-	-	(7)	-	-	-	(7)
Depreciation charge	(2,059)	(1,087)	(480)	(3,656)	(440)	(244)	-	(7,966)
Closing amount as at 30 June 2015	159,702	7,068	2,713	12,832	2,052	128	-	184,495
At 30 June 2015								
Cost	163,729	9,655	5,092	41,173	5,615	7,127	-	232,391
Accumulated depreciation	(4,027)	(2,587)	(2,379)	(28,341)	(3,563)	(6,999)	-	(47,896)
Net book amount	159,702	7,068	2,713	12,832	2,052	128	-	184,495

Notes to the Condensed Consolidated Financial Information

14 INVESTMENT PROPERTIES

	Investment properties RMB'000
Six months ended 30 June 2016	
Net book value	
Opening amount as at 1 January 2016	–
Additions (<i>Note a</i>)	23,334
Currency translation differences	614
Closing amount as at 30 June 2016	23,948

- (a) In March 2016, the Group entered into agreements with a third party brokerage firm to purchase a real estate property at a cash consideration of US\$3,611 thousand. The property is held as an investment property for long-term rental yields, and is not occupied by the Group. As at 30 June 2016, the Group had paid US\$3,611 thousand (approximately RMB23,334 thousand).

Notes to the Condensed Consolidated Financial Information

15 INTANGIBLE ASSETS

	Goodwill	Computer Software	Domain Name and Technology	Brand name	Platform and game license	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2016						
Net book value						
Opening amount as at 1 January 2016	44,843	20,431	2,344	13,618	40,076	121,312
Step-acquisition of a subsidiary (Note 16)	30,370	-	-	-	21,166	51,536
Additions	-	305	-	-	-	305
Amortization charge	-	(1,485)	(463)	(1,043)	(1,995)	(4,986)
Exchange difference	42	-	30	-	-	72
Closing amount as at 30 June 2016	75,255	19,251	1,911	12,575	59,247	168,239
At 30 June 2016						
Cost	75,255	26,551	9,437	15,183	65,694	192,120
Accumulated amortization and impairment	-	(7,300)	(7,526)	(2,608)	(6,447)	(23,881)
Net book amount	75,255	19,251	1,911	12,575	59,247	168,239
Six months ended 30 June 2015						
Net book value						
Opening amount as at 1 January 2015	1,891	949	3,860	-	42,302	49,002
Acquisition of subsidiaries	42,837	6,034	-	15,183	-	64,054
Additions	-	16,403	21	-	-	16,424
Amortization charge	-	(1,064)	(813)	(522)	(1,113)	(3,512)
Exchange difference	(2)	-	(1)	-	-	(3)
Closing amount as at 30 June 2015	44,726	22,322	3,067	14,661	41,189	125,965
At 30 June 2015						
Cost	44,726	25,456	9,308	15,183	44,528	139,201
Accumulated amortization	-	(3,134)	(6,241)	(522)	(3,339)	(13,236)
Net book amount	44,726	22,322	3,067	14,661	41,189	125,965

Notes to the Condensed Consolidated Financial Information

16 BUSINESS COMBINATION

(a) Happy Alliance

In May 2015, the Group acquired 15% of the equity interest in of Happy Alliance, which was accounted for as an investment in an associate for a cash consideration of RMB2,000 thousand. In April 2016, the Group further acquired 65% of the equity interests and obtained control of Happy Alliance, for a consideration of RMB41,610 thousand in cash.

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

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

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

Notes to the Condensed Consolidated Financial Information

16 BUSINESS COMBINATION (continued)

(a) Happy Alliance (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

Provisional fair value

	1 April 2016 RMB'000
Cash and cash equivalents	16,005
Receivables	2,288
Property and equipment	145
Intangible assets (a)	
– Game license	21,166
Payables	(8,651)
Deferred revenue	(2,012)
Deferred income tax liabilities (a)	(5,292)
Total identifiable net assets	23,649
Non-controlling interests (c)	(4,730)
Goodwill	30,370
Total purchase consideration	49,289
Acquisition-related costs (included in administrative expenses in the condensed consolidated statement of comprehensive income for the period ended 30 June 2016)	28

Notes to the Condensed Consolidated Financial Information

16 BUSINESS COMBINATION (continued)

(a) Happy Alliance (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed (continued)

Provisional fair value (continued)

	1 April 2016 RMB'000
Outflow of cash to acquire business, net of cash acquired	
– Cash consideration	41,610
– Cash and cash equivalents in subsidiary acquired	(16,005)
Cash outflow on acquisition	25,605
Payables for acquisition of subsidiary	(1,825)
Cash outflow for the six months ended 30 June 2016	23,780

(a) Fair value of acquired identifiable intangible assets

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

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

The Group recognised a gain of RMB4,351 thousand as a result of measuring at fair value its 15% equity interest in Happy Alliance held before the business combination. The gain is included in “Other gains, net” in the Group’s condensed consolidated statement of comprehensive income for the six months ended 30 June 2016.

(c) Non-controlling interests

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

(d) Revenue and profit contribution

The acquired business contributed revenues of RMB18,964 thousand and net profit of RMB4,372 thousand to the Group for the period from 1 April 2016 to 30 June 2016.

Notes to the Condensed Consolidated Financial Information

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Associates	29,962	33,390
Joint venture	16,091	18,688
	46,053	52,078

(a) Investments in associates

	Six months ended	
	30 June 2016 RMB'000	30 June 2015 RMB'000
Beginning of the period	33,390	3,863
Additions	–	25,979
Cash contribution to associates	–	32
Reclassification of revaluation of previously held interest in Happy Alliance (Note 16)	(3,328)	–
Share of loss of investment accounted for using the equity method	(100)	(373)
End of the period	29,962	29,501

(b) Investment in joint venture

	Six months ended	
	30 June 2016 RMB'000	30 June 2015 RMB'000
Beginning of the period	18,688	–
Share of loss of investment accounted for using the equity method	(2,597)	–
End of the period	16,091	–

(c) Transactions with associates and joint venture

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

Notes to the Condensed Consolidated Financial Information

18 TRADE RECEIVABLES

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Third parties	26,920	22,594
Amount due from related parties (Note 30(c))	8,436	9,533
	35,356	32,127
Less: provision for impairment	-	(121)
	35,356	32,006

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

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

Notes to the Condensed Consolidated Financial Information

19 PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Included in non-current assets		
Prepayments for purchase of investments	346,500	125,000
Capital surplus attributable to non-controlling interests of newly established subsidiaries	9,697	9,966
Loans to employees	9,376	9,338
Long-term prepayment for game licenses, net	6,202	10,613
	371,775	154,917
Included in current assets		
Loans to borrowers through investing and financing platforms	125,933	–
Loans to third parties	42,220	29,000
Refundable prepayment for potential investments	25,000	173,000
Deferred commission charges	19,062	12,038
Prepaid promotion expenses	5,419	8,279
Rental deposits and other deposits	4,751	856
Loan to a related party (Note 30(c))	4,540	5,769
Prepaid commission charges	3,870	–
Staff advance	2,701	1,721
Advance to suppliers	2,581	444
Prepayment for investments in film production	2,280	–
Prepaid professional service fees	1,379	1,416
Prepaid insurance	1,284	–
Interest receivable	1,214	338
Prepaid rental fees	1,035	1,262
Others	10,101	13,378
	253,370	247,501
Less: provision for impairment (a)	(8,000)	–
	245,370	247,501
	617,145	402,418

(a) The provision for impairment represents the bad debt provided for loans granted to a third party.

Notes to the Condensed Consolidated Financial Information

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

Notes to the Condensed Consolidated Financial Information

21 CASH AND CASH EQUIVALENTS

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Cash at bank and on hand	92,994	153,711
Short-term bank deposits	–	64,000
Cash at other financial institutions	6,898	15,137
Restricted cash (<i>Note a</i>)	2,614	–
	102,506	232,848
Maximum exposure to credit risk	102,506	232,848

- (a) The restricted cash primarily represents the cash balances held on the account of SINA Pay online payment platform intended for guarantee of the entrusted funds from the customers who provide entrusted funds through investment and financing platforms.

22 INVENTORIES

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Trading stocks	5,649	10,555
Others	905	759
	6,554	11,314
Less: provisions	(3,189)	(1,007)
	3,365	10,307

For the three and six months ended 30 June 2016, the cost of inventories recognised as expense and included in 'cost of revenue' amounted to RMB9,060 thousand (three months ended 30 June 2015: RMB12,394 thousand) and RMB19,213 thousand (six months ended 30 June 2015: RMB12,394 thousand), which included inventory write-down of RMB751 thousand (three months ended 30 June 2015: Nil) and RMB2,182 thousand (six months ended 30 June 2015: Nil) respectively.

Notes to the Condensed Consolidated Financial Information

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

	Number of Shares	Share capital		Share	Shares held
		US\$'000	RMB'000	premium	for RSU
				RMB'000	Scheme
					RMB'000
At 1 January 2016	1,285,538,896	128.55	797	2,305,423	(14)
Exercise of share options (a)	9,664,090	0.97	4	6,915	-
Appropriation of final dividends (Note 12)	-	-	-	(65,633)	-
Vest and transfer of RSUs (Note 25(b))	-	-	-	(4)	4
At 30 June 2016	1,295,202,986	129.52	801	2,246,701	(10)

	Number of Shares	Share capital		Share	Shares held
		US\$'000	RMB'000	premium	for RSU
				RMB'000	Scheme
					RMB'000
At 1 January 2015	1,259,401,000	125.94	779	2,381,529	(19)
Exercise of share options (a)	27,358,000	2.74	17	7,302	-
Repurchase and cancellation of ordinary shares (b)	(5,944,000)	(0.59)	(4)	(16,070)	-
Appropriation of special dividends (Note 12)	-	-	-	(59,573)	-
Vest and transfer of RSUs (Note 25(b))	-	-	-	(4)	4
Issuance of shares held for Post-IPO RSU Scheme (c)	3,499,000	0.35	2	-	(2)
At 30 June 2015	1,284,314,000	128.43	794	2,313,184	(17)

- (a) Employees share options plan: options exercised during the period to 30 June 2016 resulted in 9,664,090 ordinary shares being issued (30 June 2015: 27,358,000), with exercise proceeds of approximately RMB6,919 thousand (30 June 2015: RMB7,319 thousand). The related weighted average price at the time of exercise was US\$0.1095 per share.
- (b) In January 2015, the Company repurchased 5,944,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited. All the repurchased ordinary shares had been cancelled as at 30 June 2015. The total amount paid to repurchase these ordinary shares was HK\$20,303 thousand (approximately RMB16,074 thousand) and had been deducted from the share capital and share premium within shareholders' equity.
- (c) In April 2015, the Company issued 3,499,000 ordinary shares to an independent trust nominee for the purpose of granting Post-IPO RSUs to the participants under Post-IPO RSU Scheme (Note 25(b)). The ordinary shares held for Post-IPO RSU scheme was deducted from shareholders' equity as the directors are of the view that such shares are within the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance (Note 25(d)).

Notes to the Condensed Consolidated Financial Information

24 RESERVES

	Statutory Reserves RMB'000	Share-based Compensation Reserve RMB'000	Translation Differences RMB'000	Step Acquisition RMB'000	Change in the value of available-for-sale financial assets RMB'000	Total RMB'000
Opening balance at 1 January 2016	56,839	133,719	81,054	1,813	-	273,425
Share-based compensation	-	19,968	-	-	-	19,968
Change in the value of available-for-sale financial assets	-	-	-	-	15,649	15,649
Currency translation differences	-	-	20,307	-	-	20,307
At 30 June 2016	56,839	153,687	101,361	1,813	15,649	329,349
Opening balance at 1 January 2015	35,437	67,777	19,259	-	-	122,473
Share-based compensation	-	35,063	-	-	-	35,063
Currency translation differences	-	-	(377)	-	-	(377)
At 30 June 2015	35,437	102,840	18,882	-	-	157,159

Notes to the Condensed Consolidated Financial Information

25 SHARE-BASED PAYMENTS

(a) Share Options

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

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

	Average Exercise Price in USD per Share Option	Number of Pre- IPO Share Options	Average Exercise Price in HKD per Share Option	Number of Post- IPO Share Options	Total Number of Share Options
At 1 January 2016		56,847,469		4,000,000	60,847,469
Exercised (Note 23)	US\$0.1095	(9,564,090)	HK\$3.5000	(100,000)	(9,664,090)
Forfeited	US\$0.3348	(348,420)		–	(348,420)
At 30 June 2016		46,934,959		3,900,000	50,834,959
At 1 January 2015		87,721,320		–	87,721,320
Exercised (Note 23)	US\$0.0438	(27,358,000)		–	(27,358,000)
Forfeited	US\$0.3407	(769,250)		–	(769,250)
At 30 June 2015		59,594,070		–	59,594,070

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

During the six months ended 30 June 2016 and 2015, no share options were granted to any directors of the Company.

As a result of options exercised during the six months ended 30 June 2016, 9,664,090 ordinary shares (six months ended 30 June 2015: 27,358,000 ordinary shares) were issued by the Company (Note 23). The weighted average price of the shares at the time these options were exercised was HK\$5.4313 per share (equivalent to approximately RMB4.5715 per share) (30 June 2015: HK\$6.4047 per share (equivalent to approximately RMB5.0633 per share)).

Notes to the Condensed Consolidated Financial Information

25 SHARE-BASED PAYMENTS (continued)

(b) Restricted share units

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

Pursuant to a resolution passed by the Board of the Company on 1 April 2016, the Company granted restricted share units (“**Post-IPO RSUs**”) in respect of a total of 1,048,688 ordinary shares of US\$0.0001 each of the Company to 22 grantees with below vesting schedule, 524,350 shares shall vest on 3 August 2016 and 524,338 shall vest on 3 August 2017. The weighted average fair value of Post-IPO RSUs granted during the six month period ended 30 June 2016 was HKD4.95 per share (equivalent to approximately RMB4.18 per share). The shares were yet to be issued upon the consummation of this condensed consolidated financial information.

Movements in the number of outstanding RSUs are as follows:

	Number of Pre-IPO RSUs	Number of Post-IPO RSUs	Total
At 1 January 2016	19,071,875	2,823,500	21,895,375
Granted	–	1,048,688	1,048,688
Vested and transferred	(5,460,420)	–	(5,460,420)
At 30 June 2016	13,611,455	3,872,188	17,483,643
Shares vested but not transferred to the grantees as at 30 June 2016			–

	Number of Pre-IPO RSUs	Number of Post-IPO RSUs	Total
At 1 January 2015	31,343,750	–	31,343,750
Granted	–	3,499,000	3,499,000
Vested and transferred	(8,521,875)	–	(8,521,875)
At 30 June 2015	22,821,875	3,499,000	26,320,875
Shares vested but not transferred to the grantees as at 30 June 2015			–

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

25 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

26 TRADE PAYABLES

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Third parties	25,260	17,920
Amount due to related parties (Note 30(c))	5,292	5,292
	30,552	23,212

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

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

Notes to the Condensed Consolidated Financial Information

27 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Funds from individual investors through investment and financing platforms	121,103	–
Payables for acquisition of a subsidiary and a joint venture	6,825	10,000
Marketing and administrative expense accruals	11,628	9,835
Amount due to related parties (<i>Note 30(c)</i>)	8,504	8,962
Audit expenses payable	3,056	6,016
Staff costs and welfare accruals	8,821	11,319
Government grant for scientific project in progress	4,365	3,700
VAT & other tax liabilities (<i>Note a</i>)	3,884	2,097
Human resource outsourcing service fee payable	2,786	2,782
Others	13,150	8,740
	184,122	63,451

(a) The balances represent liabilities arising from turnover tax and other surcharges in the PRC.

Notes to the Condensed Consolidated Financial Information

28 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities are as follows:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	20,751	18,659
– to be recovered within 12 months	16,884	14,801
	37,635	33,460
Deferred income tax liabilities:		
– to be recovered after more than 12 months	(7,869)	(4,217)
– to be recovered within 12 months	(1,834)	(931)
	(9,703)	(5,148)
Deferred income tax assets – net	27,932	28,312

The movements of deferred income tax assets-net are as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Opening balance as at 1 January	28,312	32,105
Acquisition of subsidiaries (Note 16)	(5,292)	(5,299)
Recognized in the consolidated statements of comprehensive income	4,912	(4,173)
Closing balance as at 30 June	27,932	22,633

As at 30 June 2016, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB955,268 thousand. Such earnings are expected to be substantially retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future.

Notes to the Condensed Consolidated Financial Information

29 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Legal claims RMB'000
At 31 December 2015	6,000
Utilised during period (<i>Note a</i>)	(1,000)
At 30 June 2016	5,000

Analysis of total provisions:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Current	5,000	6,000

(a) Copyright infringement

In early 2015, the Group entered into a cooperation agreement with a third party company to enable the Group to provide online karaoke services to users. However, the Group have been receiving notice from certain copyright holders in respect of copyright infringement of contents provided by the third party company and the possible legal proceedings that these copyright holders would bring to the Group. The Group has disconnected the infringed copyright from its services and assessed the potential outcome of the possible legal proceedings. Based on the assessment, the Group concluded that provisions for compensation would be necessary for the Group as such infringed copyright was shown on the Group's platform. In May 2016, a provision of RMB1,000 thousand was utilized as the settlement was agreed with one of the copyright holders. Nevertheless, in the management's opinion, the results of legal proceedings with other copyright holders would not give rise to any significant loss beyond the amounts provided at 30 June 2016.

Notes to the Condensed Consolidated Financial Information

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
SINA Hong Kong Limited	Non-controlling shareholder	Since 15 July 2010
Beijing Sina Internet Information Service Co., Ltd.	Subsidiary of non-controlling shareholder	Since 15 July 2010
Shanghai Sina Advertising Co., Ltd.	Subsidiary of non-controlling shareholder	Since 15 July 2010
Beijing Sina Advertising Co., Ltd.	Subsidiary of non-controlling shareholder	Since 15 July 2010
Weibo Internet Technology (China) Co., Ltd.	Subsidiary of non-controlling shareholder	Since 15 July 2010
Beijing Star World Technology Co., Ltd.	Non-controlling shareholder of subsidiary	Since 19 August 2013
Mr. Fu HS	Non-controlling shareholder of subsidiary	Since 1 April 2015
Mr. Li X	Non-controlling Shareholder of Subsidiary	Since 1 April 2015
Beijing Sina Payment Technology Co., Ltd	Subsidiary of Non-Controlling Shareholder	Since 26 February 2016
Mr. Zhang GL	Non-controlling shareholder of subsidiary	Since 1 April 2016

Notes to the Condensed Consolidated Financial Information

30 RELATED PARTY TRANSACTIONS (continued)

(b) Significant transactions with related parties

In the opinion of the executive directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

Related party transactions	Three Months Ended 30 June		Six Months Ended 30 June	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
(i) Other revenue generated from related parties:				
Weibo Internet Technology (China) Co., Ltd.	–	1	–	8
Beijing Sina Internet Information Service Co., Ltd.	–	461	71	789
	–	462	71	797
(ii) Commission charges paid to related parties:				
Beijing Star World Technology Co., Ltd.	307	1,166	1,061	2,308
Others	12	–	24	–
	319	1,166	1,085	2,308
(iii) Other expenses paid to related parties:				
Beijing Sina Internet Information Service Co., Ltd.	–	17	2	34
Others	2	2	5	2
	2	19	7	36

Notes to the Condensed Consolidated Financial Information

30 RELATED PARTY TRANSACTIONS (continued)

(c) Period end balances arising from sales and purchase of services

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
(i) Receivables from related parties		
Trade receivables		
Mr. Li X	7,591	6,564
Beijing Star World Technology Co., Ltd.	357	1,064
Shanghai Sina Advertising Co., Ltd.	340	340
Beijing Sina Internet Information Service Co., Ltd.	86	1,479
Beijing Sina Advertising Co., Ltd.	46	46
SINA Hong Kong Limited	7	7
Others	9	33
	8,436	9,533
Other receivables		
Mr. Fu HS	4,540	5,769
Beijing Sina Payment Technology Co., Ltd	150	-
	4,690	5,769
	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
(ii) Payables to related parties		
Trade payables		
Beijing Sina Internet Information Service Co., Ltd.	5,292	5,292
Trade payables due to related parties arose from outsourcing information and technical services and software development expense.		
	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Other payables		
Mr. Li X	7,462	8,962
Mr. Zhang GL	1,042	-
	8,504	8,962

Notes to the Condensed Consolidated Financial Information

31 CONTINGENCIES

The Group did not have any material contingent liabilities as at 30 June 2016 and 31 December 2015.

32 COMMITMENT

As at 30 June 2016 and 31 December 2015, the capital expenditure contracted but not provided for amounted to RMB417 thousand and RMB1,028 thousand, respectively.

33 EVENTS AFTER THE BALANCE SHEET DATE

- (a) In July 2016, the Group and four other third parties together entered into a series of agreements (the “**Agreement**”) to subscribe for 41,000 shares of Series B Preferred Shares of GROVE, Inc. (“**Grove**”), an independent third party Japanese company at a cash consideration of JPY53,300 thousand (approximately RMB3,411 thousand) or JPY1,300 (approximately RMB83.2) per share. In addition, the Group agreed to further purchase 15,000 Series B Preferred Shares from the shareholders of Grove after the reclassification and re-designation of the same number of Common Shares held by the shareholders as such Series B Preferred Shares, at a cash consideration of JPY19,500 thousand (approximately RMB1,248 thousand) or JPY1,300 (approximately RMB83.2) per share. After the transaction, the Group holds 33.5% equity interest of Grove.