

For Immediate Release

TIAN GE ANNOUNCES 2015 SECOND QUARTER AND INTERIM RESULTS

Hong Kong, AUGUST 21, 2015 – Tian Ge Interactive Holdings Limited (Tian Ge, 1980.HK, TGRVY.US), the largest “many-to-many” live social communities platform in China, today announced the unaudited consolidated results for the six months ended June 30, 2015.

Financial Highlights of the First Half 2015

- Total revenues up 8.0% YoY to RMB371.8 million from RMB344.3 million in the corresponding period of 2014, mainly driven by the success of our online businesses, which mainly include our online platforms and mobile games. Excluding the VAT effect¹, revenue increased by 13.3% YoY, as our revenues are recorded as net off 6% VAT tax after June 1, 2014.
- Gross profit increased by 4.9% to RMB304.5 million from RMB290.2 million in the corresponding period of 2014.
- Adjusted EBITDA increased 19.8% to RMB190.1 million from RMB158.7 million in the corresponding period of 2014. Adjusted EBITDA margin increased to 51.1% from 46.1%, respectively.
- IFRS net profit was RMB116.8 million, compared to IFRS net loss of RMB174.2 million.
- Adjusted net profit increased by 15.3% to RMB151.9 million from RMB131.7 million in the corresponding period of 2014. Adjusted net margin increased to 40.9% from 38.3%, respectively.
- IFRS basic earnings per share was RMB 0.093 per share. Adjusted basic earnings per share was RMB 0.122 per share.

Mr. Mike Fu, Chairman and CEO of Tian Ge, commented, “The first half 2015 marked a steady growth by recording a satisfactory financial performance as a result of stable growth in the number of active and paying users as well as the number of mobile active users on our live social community platform. Meanwhile, we have successfully launched and operated several new mobile games, completed several acquisitions and entered into several cooperation alliances in the first half of 2015 for the purpose of expanding our live social video platform communities and realizing our vertical integration strategy. The significant performance achieved in the first half of 2015 lays a solid foundation for us in maintaining healthy income, profit and stronger growth in the future.”

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

Operating Highlights of the Second Quarter of 2015

- Monthly Active Users (“MAU”) were 18.9 million, an increase of 37.3% from 13.7 million in the corresponding period of 2014 or an increase of 8.6% from 17.4 million in the previous quarter.
- The percentage of our mobile MAU’s reached 18.0% from 7.4% in the corresponding period of 2014 or 14.8% from the previous quarter.
- Quarterly Paying Users (“QPU”) were 810,000, an increase of 27.8% from 634,000 in the corresponding of 2014 or an increase of 5.3% from 769,000 in the previous quarter.
- Quarterly Average Revenue Per User (“QARPU”) was RMB222, compared to RMB 225 in the previous quarter, mainly due to the significant increase in mobile user base.
- Number of Hosts and Number of Rooms remained stable at 39,264 and 29,374 respectively, mainly due to room consolidation and increase of average room size of popular rooms in recent quarters to meet growing popularity for larger rooms.
- The total registered users as at June 30, 2015 are 283.2 million, compared to 268.5 million as at December 31, 2014.

Business Review and Outlook

In the first half of 2015, we continued to make healthy progress in expanding and developing our overall business. Thanks to the improved functionality of our services and strong user activity on our platform, we achieved robust financial results in the first half of 2015.

Our successful and highly profitable ecosystem based business remains highly dependent on the PC interface today for user interaction. Nonetheless, we continue to see resilience in our PC users, and long term sustainability of the business model, but we also realize that the next generation of users will seek new forms of live social video products on new mobile devices and other smart technologies.

To date, we have several major initiatives to grow our business:

Mobile

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

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announced by Ministry of Industry and Information Technology and cheaper purchasing costs for mobile devices.

In the second quarter of 2015, our mobile monthly active users (“MAU”) increased to 18.0% from 14.8% in the previous quarter and compared to 7.4% in the corresponding period of 2014.

Games

In the first half of 2015, the Group has successfully launched and operated three mobile games namely “Feng Huo Jia Ren”, 3 Kingdoms and Power Pets with test feature on live social integration. In addition, we are currently in the process of soft-launching a new 3D interactive game, which is a new Diablo-style ARPG game with unique 3D visual features and interactive motion control technology.

The Group planned to launch another 2-3 new games in the second half of 2015 and is looking into licensing proprietary technology and contents from leading gaming partners overseas to enhance its user experience and core competency in the gaming field.

Online to Offline (O2O) Entertainment

In the first half of 2015, we successfully introduced and tested our new products in several pilot stores in China. Our cloud-based software solution has successfully expanded the user demographic and increased the offline asset’s yield through the introduction of O2O promotions, gamification, virtual gifting and virtual economies, and other innovative features.

Going forward, we plan to expand our existing user base and online experience into other offline venues, such as bars, pubs, clubs and restaurants, etc. We believe the addressable market for our O2O product is massive, and could potentially generate outsized shareholder returns.

Healthcare Management

In the first half of 2015, we expanded our business into healthcare industry through the investment in Hangzhou Seehealth Information Technology Co., Ltd. We are currently actively developing our mobile healthcare management application. As part of our strategic plan, we are also in the process of creating a healthcare oriented live social ecosystem in a larger scale, supported by our internal technology incubation team and strategic investment

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divisions.

Overseas Expansion

As one of our overseas expansion strategy, we successfully established our first overseas subsidiary in Japan, Dimensional Media Inc. in the first half of 2015, which would allow us to replicate our proven successful business model overseas, increase our global presence and at the same time introduce new premium international contents to our live social platforms. Moreover, we are licensing some of our proprietary live social video technologies to the overseas market as well.

We aim to leverage our strong technological capabilities and infrastructure, large and loyal user base and established social ecosystem to advance our penetration and global presence outside of Mainland China in countries and regions with large number of Chinese speakers and similar cultural background in the karaoke and entertainment area.

First Half 2015 Financial Results

Revenues

In the first half of 2015, the Company registered 8.0% growth in revenues to RMB371.8 million from RMB344.3 million in the corresponding period in 2014, driven by the success of our online businesses, which mainly include our online platforms and mobile games. Excluding the VAT effect, our revenue in the first half of 2015 increased approximately 13.3% year-on-year compared to the corresponding period of 2014, as our revenues are recorded as net off 6% VAT tax after June 1, 2014.

Gross Profit

Gross profit increased by 4.9% to RMB304.5 million from RMB290.2 million in the corresponding period of 2014, despite a slight increase in gross margin to 81.9% from 84.3%.

Selling & Marketing Expenses

Selling and marketing expenses decreased by 2.5% to RMB92.4 million from RMB94.8 million in the corresponding period in 2014, mainly due to the decrease of marketing and promotion expenses.

Administrative Expenses

Administrative expense decreased by 19.3% to RMB56.2 million from RMB69.6 million in the corresponding period in 2014, primarily due to the decrease of listing expenses of

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RMB31.9 million and business tax and related surcharges of RMB7.2 million benefiting from the VAT reform, partially offset by the increase in share-based compensation of RMB16.8 million.

Research & Development Expenses

Research and development expenses increase by 17.6% to RMB40.0 million from RMB34.0 million in the corresponding period in 2014, primarily due to the increase in employee benefits and new research and development investment in mobile games.

Adjusted EBITDA

Adjusted EBITDA increased by 19.8% to RMB190.1 million from RMB158.7 million in the corresponding period of 2014. Adjusted EBITDA margin was 51.1%, compared to 46.1% in the corresponding period of 2014. Adjusted EBITDA represents operating profit adjusted to exclude non-cash share-based compensation expenses, listing expenses, depreciation and amortization.

IFRS Net Income and Earnings Per Share

IFRS net profit was RMB116.8 million, compared to a IFRS net loss of RMB174.2 million in the corresponding period of 2014. IFRS basic earnings per share was RMB0.093.

Adjusted Net Income and Earnings Per Share

Adjusted net profit increased by 15.3% to RMB151.9 million from RMB131.7 million in the corresponding period of 2014. Adjusted basic earnings per share was RMB0.122.

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

Balance Sheet

As of June 30, 2015, the Company had cash and cash equivalents, term deposits with initial terms over 6 months, principal-protected structured deposits (recorded under current available-for-sale financial assets and current financial assets at fair value through profit or loss) in the aggregate amount of RMB1,627.3 million. The Company adopts conservative treasury policies in cash and financial management, and does not use any financial instruments for hedging purposes. As at June 30, 2015 and December 31, 2014, the Company had no bank loans and other borrowings outstanding.

Capital Expenditures

In the first half of 2015, our capital expenditures were approximately RMB43.9 million, including approximately RMB30.1 million related to the purchase of new office space located

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in Beijing, which had been transferred to our fixed assets in February 2015, approximately RMB8.9 million related to the pre-payment of our newly purchased office space in Hangzhou, RMB1.8 million related to the decoration of our new offices and RMB3.1 million related to servers and other office equipment, etc.

Recent Events

- In March 2015, the Company issued and fully paid a special dividend of HK\$0.06 per ordinary share or HK\$75,209,715 in total out of the Company's share premium account.
- In April 2015, the Company has granted restricted share units in respect of a total of 3,499,000 shares pursuant to the Company's Post-IPO Restricted Share Unit Scheme.
- During the 6 months ended June 30, 2015, the Company has repurchased a total of 5,944,000 ordinary shares listed on HKEx with an aggregate amount of HK\$20.3 million. As of the date of announcement, all of the above repurchased shares were cancelled.

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Conference Call Information

The Company will host a conference call at 9:30 p.m. ET on August 20, 2015 (9:30 a.m. Beijing Time on August 21, 2015) to review the Company's financial results and answer questions. You may access the live interactive call via:

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

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

A replay will be available until 9:30 p.m. ET on August 28, 2015 and may be accessed via:

- 1-877-344-7529 (US Toll Free)
- 1-412-317-0088 (International Toll)
- 855-669-9658 (Canada Toll Free)
- Replay access code: 10069741

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

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About Tian Ge

Tian Ge (1980.HK) is one of the largest live social online video community platforms in China. The Company was founded in Hangzhou, China in 2008 and went public on the main board of the stock exchange of Hong Kong in July 2014. It currently operate eight “many-to-many” live social video communities on both mobile and PC, including 9158 and Sina Show, the two largest communities; and one “one-to-many” community, Sina Showcase.

Our communities offer diverse selection of user-generated content in the live social online video community industry. Through our “many-to-many” ecosystem where multiple users can simultaneously stream to other viewers in the same real-time video room, Tian Ge enables users to interact, socialize, share interest, send virtual items & gifts, and encourages our users to showcase their talents or knowledge for open and public exposure. Recently, we expanded our ecosystem to the online-to-offline (O2O) karaoke, live social games and emerging healthcare mobile applications.

For more information, please visit www.tiange.com

To visit our communities:

9158: www.9158.com; **Sina Show:** <http://show.sina.com.cn/>; **Sina Showcase:** <http://ok.sina.com.cn/>

For media inquiries, please feel free to contact:

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Forward-Looking Statements

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

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Condensed Consolidated Statements of Comprehensive Income

	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	186,294	172,612	371,837	344,257
Cost of revenue	(38,329)	(26,711)	(67,383)	(54,054)
Gross profit	147,965	145,901	304,454	290,203
Selling and marketing expenses	(43,558)	(44,807)	(92,413)	(94,824)
Administrative expenses	(28,731)	(45,191)	(56,210)	(69,614)
Research and development expenses	(19,518)	(18,849)	(40,047)	(33,977)
Other gains, net	12,546	8,083	27,806	14,077
Operating profit	68,704	45,137	143,590	105,865
Finance income	2,891	1,686	1,469	2,993
Finance costs	(100)	(1,042)	(673)	(1,839)
Finance income, net	2,791	644	796	1,154
Fair value loss of convertible redeemable preferred shares	-	(237,517)	-	(260,502)
Share of loss of investment accounted for using the equity method	(122)	-	(373)	-
Profit/(Loss) before income tax	71,373	(191,736)	144,013	(153,483)
Income tax expense	(13,018)	(9,869)	(27,173)	(20,693)
Profit/(Loss) for the period	58,355	(201,605)	116,840	(174,176)
Other comprehensive income / (loss) <i>Items that may be reclassified to profit or loss</i>				
Currency translation differences	(4,774)	263	(377)	(6,169)
Total comprehensive income/(loss) for the period	<u>53,581</u>	<u>(201,342)</u>	<u>116,463</u>	<u>(180,345)</u>
Profit / (loss) attributable to:				
- Shareholders of the Company	56,982	(202,014)	114,911	(174,353)
- Non-controlling interests	1,373	409	1,929	177
	<u>58,355</u>	<u>(201,605)</u>	<u>116,840</u>	<u>(174,176)</u>
Total comprehensive income/(loss) attributable to:				
- Shareholders of the Company	52,208	(201,751)	114,534	(180,522)
- Non-controlling interests	1,373	409	1,929	177
	<u>53,581</u>	<u>(201,342)</u>	<u>116,463</u>	<u>(180,345)</u>
Earnings/(Loss) per share (expressed in RMB per share)				
- Basic	0.046	(0.316)	0.093	(0.272)
- Diluted	0.043	(0.316)	0.088	(0.272)
Dividends	-	-	59,573	-

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Condensed Consolidated Statements of Financial Position

	Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
Assets		
Non-current assets		
Property and equipment	184,495	142,280
Intangible assets	125,965	49,002
Investment in associates	29,501	3,863
Available-for-sale financial assets	76,754	26,776
Prepayments and other receivables	25,679	40,744
Deferred income tax assets	28,037	32,466
Term deposits with initial term over 3 months	422,226	479,869
	892,657	775,000
Current assets		
Trade receivables	22,090	14,049
Prepayments and other receivables	222,730	159,032
Available-for-sale financial assets	292,084	313,029
Financial assets at fair value through profit or loss	241,309	109,481
Term deposits with initial term over 3 months	482,471	602,917
Cash and cash equivalents	189,172	289,083
Inventories	10,121	-
	1,459,977	1,487,591
Total assets	2,352,634	2,262,591
Equity		
Equity attribute to shareholders of the Company		
Share capital	794	779
Share premium	2,313,184	2,381,529
Shares held for RSU Scheme	(17)	(19)
Other reserves	157,159	122,473
Accumulated deficits	(306,162)	(421,073)
	2,164,958	2,083,689
Non-controlling interests	25,117	4,799
Total equity	2,190,075	2,088,488

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Condensed Consolidated Statements of Financial Position (Continued)

	Unaudited	Audited
	<u>June 30, 2015</u>	<u>December 31, 2014</u>
	RMB'000	RMB'000
Liabilities		
Non-current liabilities		
Deferred income tax liabilities	5,404	361
Other non-current liabilities	1,368	1,389
	<u>6,772</u>	<u>1,750</u>
Current liabilities		
Trade payables	18,014	24,278
Other payables and accruals	68,965	52,530
Income tax liabilities	43,087	51,523
Customer advance and deferred revenue	25,721	44,022
	<u>155,787</u>	<u>172,353</u>
Total liabilities	<u>162,559</u>	<u>174,103</u>
Total equity and liabilities	<u>2,352,634</u>	<u>2,262,591</u>
Net current assets	<u>1,304,190</u>	<u>1,315,238</u>
Total assets less current liabilities	<u>2,196,847</u>	<u>2,090,238</u>

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