

CMGE
中国手游娱乐集团
China Mobile Games and Entertainment Group

V1CN **第一视频**
www.v1.cn

第1彩
[DIYICAI.COM](http://diyicai.com)

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INTERIM REPORT 2014

V1 Group Limited

(Incorporated in Bermuda with limited liability)

Stock code: 82

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Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Zhang Lijun (*Chairman*)
Ms. Wang Chun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Loke Yu (alias Loke Hoi Lam)
Mr. Wang Zhichen
Mr. Wang Linan

AUDIT COMMITTEE

Dr. Loke Yu (alias Loke Hoi Lam) (*Chairman*)
Mr. Wang Zhichen
Mr. Wang Linan

NOMINATION COMMITTEE AND REMUNERATION COMMITTEE

Dr. Zhang Lijun
(*Chairman of Nomination Committee*)
Dr. Loke Yu (alias Loke Hoi Lam)
(*Chairman of Remuneration Committee*)
Ms. Wang Chun
Mr. Wang Zhichen
Mr. Wang Linan

CORPORATE GOVERNANCE COMMITTEE

Mr. Wang Zhichen (*Chairman*)
Dr. Zhang Lijun
Dr. Loke Yu (alias Loke Hoi Lam)
Mr. Wang Linan

COMPANY SECRETARY

Mr. Kwok Chi Keung, Andy

AUDITORS

BDO Limited

PRINCIPAL BANKERS

The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
(Formerly known as Butterfield Fulcrum Group (Bermuda) Limited)
The Belvedere Building
69 Pitts Bay Road, Pembroke HM08
Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street, Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS

16-18/F, Tower 1
Recero International Centre
No 8, Wang Jing East Road
Chao Yang District, Beijing
PRC 100102

Room 3006, 30th Floor
Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

WEBSITES AND E-MAIL ADDRESSES

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STOCK CODE

00082

Condensed Consolidated Statement of Comprehensive Income

The board of directors (the "Board") of V1 Group Limited (formerly known as VODone Limited) (the "Company" or "V1 Group") announces that the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014, together with the comparative figures of the corresponding period in 2013, are as follows:

		Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
	Notes		
Revenue	5	748,034	215,409
Cost of revenue		<u>(314,428)</u>	<u>(115,480)</u>
Gross profit		433,606	99,929
Other gains and losses	6	13,920	6,100
Selling and marketing expenses		(163,662)	(101,989)
Administrative expenses		(281,355)	(98,723)
Finance cost		–	(1,560)
Share of profit of associates		<u>260</u>	<u>60</u>
Profit/(loss) before income tax	7	2,769	(96,183)
Income tax expense	8	<u>(2,743)</u>	<u>(7,008)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>26</u>	<u>(103,191)</u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets		(16,215)	30,290
Exchange differences arising on translation		<u>(28,942)</u>	<u>30,020</u>
Other comprehensive income for the period		<u>(45,157)</u>	<u>60,310</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(45,131)</u>	<u>(42,881)</u>
Profit/(loss) attributable to:			
Owners of the Company		(63,259)	(93,333)
Non-controlling interests		<u>63,285</u>	<u>(9,858)</u>
		<u>26</u>	<u>(103,191)</u>
Total comprehensive income attributable to:			
Owners of the Company		(114,630)	(32,849)
Non-controlling interests		<u>69,499</u>	<u>(10,032)</u>
		<u>(45,131)</u>	<u>(42,881)</u>
Loss per share			
– Basic (HK cents)	9	<u>(1.92) cents</u>	<u>(2.98) cents</u>
– Diluted (HK cents)	9	<u>(1.92) cents</u>	<u>(2.98) cents</u>

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	10	50,203	48,444
Interests in associates	11	42,914	42,654
Goodwill	12	941,542	957,049
Intangible assets		1,285,644	1,186,246
Deferred tax assets		3,250	3,250
Deposits for acquisition of property, plant and equipment		29,517	836
Other financial assets	14	122,257	2,563
		<u>2,475,327</u>	<u>2,241,042</u>
CURRENT ASSETS			
Trade receivables	13	375,066	179,032
Other receivables, deposits and prepayments		512,869	458,131
Other financial assets	14	28,283	44,498
Amounts due from associates	20(d)	103,373	75,355
Amounts due from related companies	20(c)	8,482	8,523
Bank balances and cash		805,949	616,137
		<u>1,834,022</u>	<u>1,381,676</u>
CURRENT LIABILITIES			
Trade payables	15	163,498	58,920
Deposits received, other payables and accruals		124,508	106,710
Amount due to a related company		53	53
Other financial liabilities		–	99,372
Bank borrowings		–	17,938
Consideration shares		–	22,680
Deferred revenue		16,781	15,466
Tax payable		12,721	14,061
		<u>317,561</u>	<u>335,200</u>
NET CURRENT ASSETS		<u>1,516,461</u>	<u>1,046,476</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,991,788	3,287,518
NON-CURRENT LIABILITIES			
Deferred tax liabilities		47,257	49,624
NET ASSETS		<u>3,944,531</u>	<u>3,237,894</u>

Condensed Consolidated Statement of Financial Position

		As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
	Notes		
EQUITY			
Share capital	16	32,979	32,651
Reserves		<u>3,026,605</u>	<u>2,818,421</u>
Equity attributable to owners of the Company		<u>3,059,584</u>	2,851,072
Non-controlling interests		<u>884,947</u>	<u>386,822</u>
TOTAL EQUITY		<u>3,944,531</u>	<u>3,237,894</u>

Condensed Consolidated Statement of Changes in Equity

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Share-based compen- sation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2013 (audited)	30,981	1,364,058	462,432	44,815	-	215,365	597,220	175,513	2,890,384
Profit or loss	-	-	-	-	-	-	(93,333)	(9,858)	(103,191)
Other comprehensive income	-	-	-	-	30,290	30,194	-	(174)	60,310
Total comprehensive income for the period	-	-	-	-	30,290	30,194	(93,333)	(10,032)	(42,881)
Transfer of consideration share for business acquisitions in prior year	299	21,831	-	-	-	-	-	-	22,130
Recognition of share-based payment expense	-	-	-	12,241	-	-	-	-	12,241
At 30 June 2013 (unaudited)	<u>31,280</u>	<u>1,385,889</u>	<u>462,432</u>	<u>57,056</u>	<u>30,290</u>	<u>245,559</u>	<u>503,887</u>	<u>165,481</u>	<u>2,881,874</u>
At 1 January 2014 (audited)	32,651	1,457,197	614,296	31,641	6,242	269,498	439,547	386,822	3,237,894
Profit or loss	-	-	-	-	-	-	(63,259)	63,285	26
Other comprehensive income	-	-	-	-	(16,215)	(35,156)	-	6,214	(45,157)
Total comprehensive income for the period	-	-	-	-	(16,215)	(35,156)	(63,259)	69,499	(45,131)
Transfer of consideration share for business acquisitions in prior year	216	22,464	-	-	-	-	-	-	22,680
Exercise of share options	112	8,641	883	(2,074)	-	-	-	-	7,562
Deemed disposal of partial interest in a subsidiary	-	-	283,124	-	-	-	-	421,031	704,155
Recognition of share-based payment expense	-	-	-	9,776	-	-	-	7,595	17,371
At 30 June 2014 (unaudited)	<u>32,979</u>	<u>1,488,302</u>	<u>898,303</u>	<u>39,343</u>	<u>(9,973)</u>	<u>234,342</u>	<u>376,288</u>	<u>884,947</u>	<u>3,944,531</u>

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(59,077)	29,471
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(338,983)	(84,215)
NET CASH INFLOW FROM FINANCING ACTIVITIES	593,605	—
	<hr/>	<hr/>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	195,545	(54,744)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	(5,733)	5,275
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	616,137	364,503
	<hr/>	<hr/>
CASH AND CASH EQUIVALENT AT END OF PERIOD	805,949	315,034

Notes to Financial Statements

1. GENERAL INFORMATION

V1 Group Limited is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Its principal place of business is located at Room 3006, 30th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong.

Pursuant to the special resolution passed at the annual general meeting of the Company on 30 May 2014, the Certificate of Incorporation on Change of Name and the Certificate of Secondary Name issued by the Registrar of Companies in Bermuda on 24 June 2014 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on 17 July 2014, the English name of the Company has been changed from "VODone Limited" to "V1 Group Limited" while the current Chinese secondary name "第一視頻集團有限公司" of the Company remains unchanged.

The Group is principally engaged in tele-media business, lottery-related business and mobile games business in the People's Republic of China ("PRC"). In 2012, a non-wholly owned subsidiary of the Company, China Mobile Games and Entertainment Group Limited ("CMGE"), which is principally engaged in mobile game business, was successfully listed on the Nasdaq Global Market in the United States.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountant (the "HKICPA"). The condensed consolidated financial statements should be read in conjunction with the Group's annual financial statement as at 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") issued by the HKICPA.

The condensed consolidated financial statements have not been audited.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office.

The condensed consolidated financial statements are presented in Hong Kong Dollars ("HK\$").

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Except as described below, the condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's annual financial statement as at 31 December 2013.

The Group has adopted the following standards, amendments and interpretations to published standards issued by the HKICPA, which are effective for the accounting periods beginning on or after 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS27 (2011)	Investment entities

The adoption of the abovementioned new or revised standards, amendments and interpretation did not result in any substantial changes to the Group's significant accounting policies and presentation of the condensed consolidated financial statements.

The HKICPA has also issued the following new or revised standards, amendments or interpretations which are not yet effective for the financial period beginning on 1 January 2014:

HKFRS 9	Financial Instruments ⁴
Amendments to HKAS 16	Properties, Plant and Equipment ³
Amendments to HKAS 38	Intangible Assets ³
HKFRS15	Revenue from contracts with Customers ⁵
HKFRSs (Amendments) Annual	Improvements 2010-2012 Cycle ²
HKFRSs (Amendments) Annual	Improvements 2011-2013 Cycle ¹

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning or transactions occurring, on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ No mandatory effective date yet determined but is available for adoption

⁵ Effective for annual periods beginning on or after 1 January 2017

The Group has not early adopted the above new or revised standards, amendments or interpretations in the condensed consolidated financial statements. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies or presentation of the Group's consolidated financial statements will be resulted.

Notes to Financial Statements

4. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Tele-media business – Provision of internet information services, including mini-video news portal and self-produced original news commentary programs, as well as mini-video news platform for the mobile clients and operation of online shopping platform.
- Lottery-related business – Provision of lottery-related business services through the corresponding services offered to and the complementary support of lottery information, mobile phone lottery betting system and the lottery weibo.
- Mobile games business – Development and provision of mobile games, as well as provision of mobile and internet value-added services, and also developing and designing of mobile communication products.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-makers for assessment of segment performance.

(A) BUSINESS SEGMENTS

	Tele-media business		Lottery-related business		Mobile games business		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	14,137	20,666	102,503	47,548	631,394	147,195	748,034	215,409
Reportable segment profit/(loss)	(91,896)	(77,060)	24,916	11,930	116,859	(23,646)	49,879	(88,776)
Interest income	182	122	-	-	5,077	2,167	5,259	2,289
Interest expenses	-	-	-	-	-	1,560	-	1,560
Depreciation and amortisation	(22,227)	(17,312)	(16,982)	(13,039)	(36,103)	(10,555)	(75,312)	(40,906)
	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
Reportable segment assets	948,976	1,180,764	1,069,118	1,023,515	2,185,552	1,309,351	4,203,646	3,513,630
Additions to non-current assets	2,469	228,483	-	101,177	164,082	106,030	166,551	435,690
Reportable segment liabilities	8,608	4,181	44,529	46,353	309,728	163,270	362,865	213,804

Notes to Financial Statements

4. SEGMENT REPORTING (Continued)

(B) RECONCILIATION OF REPORTABLE SEGMENT PROFIT/(LOSS), ASSETS AND LIABILITIES

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Profit/(loss) before income tax		
Reportable segment profit/(loss)	49,879	(88,776)
Other gains and losses	504	4,184
Share of profit of associates	260	60
Advertising expense	(32,328)	–
Share based payment	(2,690)	–
Unallocated corporate expenses	(12,856)	(11,651)
Consolidated profit/(loss) before income tax	<u>2,769</u>	<u>(96,183)</u>
	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Assets		
Reportable segment assets	4,203,646	3,513,630
Other financial assets	28,283	44,498
Interests in associates	42,914	42,654
Bank balances and cash	30,630	18,083
Unallocated corporate assets	<u>3,876</u>	<u>3,853</u>
Consolidated total assets	<u>4,309,349</u>	<u>3,622,718</u>
Liabilities		
Reportable segment liabilities	362,865	213,804
Deposits received, other payables and accruals	1,933	48,899
Other financial liabilities	–	99,372
Consideration shares	–	22,680
Unallocated corporate liabilities	<u>20</u>	<u>69</u>
Consolidated total liabilities	<u>364,818</u>	<u>384,824</u>

Notes to Financial Statements

4. SEGMENT REPORTING *(Continued)*

(C) GEOGRAPHICAL INFORMATION

During 2014 and 2013, over 90% of the Group's revenue is attributable to customers in the PRC and over 90% of the Group's total non-current assets are located in the PRC and the remaining non-current assets are located in Hong Kong.

(D) MAJOR CUSTOMERS

As disclosed in note 20(a), the Group's associate is the only major customers with whom transactions have exceeded 10% of the Group's revenues. Revenues from the Group's associate amounted to approximately HK\$9,049,000 (2013: HK\$20,666,000) in the tele-media segment and amounted to approximately HK\$102,503,000 (2013: HK\$47,548,000) in the lottery-related segment.

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for goods returned and trade discounts, and services fees earned. An analysis of turnover and revenue is as follows:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue		
Tele-media business:		
– advertising and service income	14,137	20,666
Lottery-related business:		
– service and advertising income	102,503	47,548
Mobile games business:		
– sales of mobile games and mobile communication products	631,394	147,195
	<u>748,034</u>	<u>215,409</u>

Notes to Financial Statements

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest income	5,259	2,289
Rebate for public shares offering	2,828	–
Net foreign exchange gains/(losses)	2,733	(10)
Government grant	1,194	–
Others	1,906	(283)
Fair value gain on consideration shares	–	4,104
	<u>13,920</u>	<u>6,100</u>

7. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	6,369	5,567
Amortisation of intangible assets	68,988	35,351
Carrying amount of inventories sold	–	3,761
Auditor's remuneration	65	50
Staff costs (excluding directors' remuneration)		
Salaries and wages	93,933	49,816
Pension fund contributions	19,025	7,182
Share-based payments	16,672	6,909
	<u>129,630</u>	<u>63,907</u>

Notes to Financial Statements

8. INCOME TAX EXPENSE

Taxation in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current tax – the PRC		
– provision for the period	5,133	1,347
– withholding tax on distribution of retained profits of subsidiaries	–	6,287
Current tax – Hong Kong Profits Tax		
– provision for the period	–	290
Deferred taxation		
– attributable to the reversal of temporary differences	(2,390)	(916)
	<u>2,743</u>	<u>7,008</u>

The Hong Kong profits tax of OWX Hong Kong Limited is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the period.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Group is calculated based on the statutory tax rate of 25%, except for the following subsidiaries.

VODone Information Engineering Co. Ltd. (TMD2) is recognised as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 15%.

廣州億通天下軟件開發有限公司 is regarded as a high-technology company according to PRC tax regulations and is entitled to a tax concession from local tax authority in which the company was fully exempted from PRC corporate income tax ("CIT") for years 2011 to 2012, followed by a 50% reduction in CIT for the next 3 years, 2013 to 2015.

Huiyou Digital (Shenzhen) Ltd. is regarded as a high-technology company according to PRC tax regulations and is entitled to a tax concession from local tax authority in which the company was fully exempted from CIT for years 2012 to 2013, followed by a 50% reduction in CIT for the next 3 years, 2014 to 2016.

深圳市嵐悅網絡科技有限公司 is regarded as a high-technology company according to PRC tax regulations and is entitled to tax concession from local tax authority in which the company was fully exempted from CIT for years 2014 to 2015, followed by a 50% reduction in CIT for the next 3 years, 2016 to 2018.

9. LOSS PER SHARE

	Six months ended 30 June	
	2014 (Unaudited) HK cents	2013 (Unaudited) HK cents
Basic loss per share	<u>(1.92)</u>	<u>(2.98)</u>
Diluted loss per share	<u>(1.92)</u>	<u>(2.98)</u>

The calculation of basic and diluted loss per share is based on the following data:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company, used in the basic and diluted loss per share calculation	<u>(63,259)</u>	<u>(93,333)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>3,292,309,262</u>	<u>3,127,963,195</u>

No adjustment has been made to the basic loss per share presented for the six months ended 30 June 2014 as the share options outstanding at the period end had an anti-dilutive effect on the basic loss per share. Therefore, the basic and diluted loss per share for the six months ended 30 June 2014 are the same.

Notes to Financial Statements

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$11,927,000 (2013: HK\$3,147,000).

11. INTERESTS IN ASSOCIATES

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Share of net liabilities	(17,951)	(19,284)
Goodwill	<u>60,865</u>	<u>61,938</u>
	<u>42,914</u>	<u>42,654</u>

Particulars of the Group's associates are as follows:–

Name of company	Form of business structure	Place of incorporation and operation	Percentage of ownership interests/ voting rights/ profit share	Principal activity
VODone Datamedia Technology Co., Ltd ("TMD1")	Corporation	PRC	49%	Provision of tele-media business support and content services
北京迷你威網絡科技有限公司	Corporation	PRC	49%	Inactive

Notes to Financial Statements

11. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information (material associate):

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Total assets	97,052	67,984
Total liabilities	<u>(135,899)</u>	<u>(108,129)</u>
Net liabilities of the associate	<u>(38,847)</u>	<u>(40,145)</u>
Carrying amount of the Group's interests in an associate	<u>41,830</u>	<u>42,267</u>

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	<u>166,435</u>	<u>62,369</u>
Profit for the period	<u>604</u>	<u>217</u>
Group's share of the associate's profit for the period	<u>296</u>	<u>106</u>

Notes to Financial Statements

12. GOODWILL

	HK\$'000
Cost:	
At 1 January 2013	904,304
Acquisition of subsidiaries	62,051
Exchange adjustments	<u>26,814</u>
At 31 December 2013	993,169
Exchange adjustments	<u>(16,133)</u>
At 30 June 2014	<u>977,036</u>
Accumulated impairment losses:	
At 1 January 2013	35,080
Exchange adjustments	<u>1,040</u>
At 31 December 2013	36,120
Exchange adjustments	<u>(626)</u>
At 30 June 2014	<u>35,494</u>
Carrying amount:	
At 30 June 2014 (unaudited)	<u>941,542</u>
At 31 December 2013 (audited)	<u>957,049</u>

Goodwill is allocated to the Group's cash generating units ("CGUs") identified to country of operation and business segment. The carrying amounts as at 30 June 2014 were related to the Group's tele-media service business and mobile games business in the PRC.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Group engaged a professional appraiser to conduct valuations of the intellectual properties, including patent, trademarks and related technologies, to test goodwill created from acquiring the CGUs.

13. TRADE RECEIVABLES

An aging analysis of the trade receivables as at the end of reporting period, based on invoice date, is as follows:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Within 1 month	170,744	95,109
2 to 3 months	150,968	73,900
4 to 6 months	48,699	8,679
7 to 12 months	4,290	22
Over 1 year	365	1,322
	<u>375,066</u>	<u>179,032</u>

The credit period of the Group's trade receivables range from 30 days to 180 days.

14. OTHER FINANCIAL ASSETS

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Current portion:-		
Available-for-sale financial assets:-		
Compensation arising from profit guarantee arrangement of		
– 3GUU Group (note (a))	<u>28,283</u>	<u>44,498</u>
Non-current portion:-		
Available-for-sale financial assets:-		
– Unlisted (note (b))	<u>122,257</u>	<u>2,563</u>

Notes to Financial Statements

14. OTHER FINANCIAL ASSETS (Continued)

Notes:

- (a) Pursuant to the profit guarantee arrangement with vendors, the Company is entitled to recover the related consideration shares at no cost as the actual result of 3GUU Group for the year ended 31 December 2013 was less than the relevant profit target. The Company had decided not to recall the consideration shares and asked the vendors to dispose of the related shares to settle the compensation in cash. Further, as the value of the surrendered consideration shares was insufficient to cover the shortfall in the profit guarantee arrangement, the vendors had agreed to dispose part of their interests in China Mobile Games and Entertainment Group Limited, a subsidiary of the Company, and pay the Company the sale proceeds to make good the shortfall in actual profit of 3GUU Group. Compensation is determined on the agreed number of shares to be disposed of at their fair value at the end of reporting period. The compensation is classified as available-for-sale financial asset in the consolidated statement of financial position. It is carried at fair value with changes in fair value recognized in the other comprehensive income.
- (b) The Group's strategic investment is a 4% interest in Shanghai Douwan Network Technology Co., Ltd. ("Shanghai Douwan"), a company established in the PRC. It was classified as available-for-sale investments as the Group does not have the power to control Shanghai Douwan. It was stated at cost as it did not have readily determinable fair value as at the period end.

During the period, the Group acquired a 10% interest in MAS Technology Company Limited ("MAS"), a company established in the British Virgin Islands. It was classified as available-for-sale investments as the Group does not have the power to control MAS. It was stated at cost as it did not have readily determinable fair value as at the period end.

15. TRADE PAYABLES

Generally, the credit term received from suppliers of the Group is 30 days. An aging analysis of the trade payables as at the end of reporting period, based on invoice date is as follows:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Current or less than 1 month	63,713	36,011
1 to 3 months	49,757	14,623
More than 3 months but less than 12 months	35,377	8,286
Over 1 year	14,651	—
	<u>163,498</u>	<u>58,920</u>

16. SHARE CAPITAL

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
<i>Authorised:</i>		
50,000,000,000 ordinary shares of HK\$0.01 each	<u>500,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
3,297,925,262 (31 December 2013: 3,265,093,195) ordinary shares of HK\$0.01 each	<u>32,979</u>	<u>32,651</u>

The movements in the issued share capital of the Company during the year/period are as follows:

	Number of ordinary share	Shares capital HK\$'000
At 1 January 2013	3,149,563,262	31,496
Share issue for acquisition of subsidiaries	<u>137,130,000</u>	<u>1,371</u>
	3,286,693,262	32,867
Less: consideration shares which are subject to recall	<u>(21,600,067)</u>	<u>(216)</u>
At 31 December 2013 (audited)	<u>3,265,093,195</u>	<u>32,651</u>
At 1 January 2014	3,286,693,262	32,867
Exercise of share options	<u>11,232,000</u>	<u>112</u>
At 30 June 2014 (unaudited)	<u>3,297,925,262</u>	<u>32,979</u>

Notes to Financial Statements

17. OPERATING LEASE ARRANGEMENTS

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Minimum lease payments paid under operating leases	<u>18,406</u>	<u>9,079</u>

At 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases in respect of its premises falling due as follows:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Within one year	22,807	24,429
In the second to fifth years, inclusive	<u>17,290</u>	<u>30,635</u>
	<u>40,097</u>	<u>55,064</u>

18. COMMITMENTS

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Contracted, but not provided for:		
– Acquisition of property, plant and equipment	<u>–</u>	<u>1,073</u>

19. SHARE-BASED PAYMENT

EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY

On 27 April 2012, the shareholders of the Company approved a new share option scheme (the "V1 Group Scheme") and adopted it on 30 April 2012, and terminated the share option scheme adopted on 7 June 2002 (the "Old V1 Group Scheme"). Upon the termination of the Old V1 Group Scheme, no further share options will be offered under the Old V1 Group Scheme. However, the share options granted prior to such termination shall continue to be valid and exercisable in accordance with the Old V1 Group Scheme.

Under the V1 Group Scheme, the directors of the Company may, at their discretion, invite any eligible participants to take up options to subscribe for shares in the capital of the Company. The exercise price for the share options shall be determined in accordance with the V1 Group Scheme and the relevant provisions of the Listing Rules. The costs for the value of the grant of share options were recognised as an expense during the period.

During the six months ended 30 June 2014, 11,232,000 share options were exercised by the participants.

20. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the period:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Service fee income earned from an associate, TMD1	111,552	68,214
Management fee charged by TMD1	82,771	22,510

Notes to Financial Statements

20. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) The remuneration of directors and other member of key management during the period is as follows:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short term benefits	5,382	5,246
Share-based payments	<u>699</u>	<u>—</u>
	<u>6,081</u>	<u>5,246</u>

- (c) The amounts due from related companies are interest-free, unsecured and repayable on trading terms.
- (d) The amounts due from associates mainly arising from the trading transaction detailed in note (a) above are unsecured, interest free and repayable on demand.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were reviewed by the audit committee of the Company and approved and authorised for issue by the Board on 28 August 2014.

OPERATING RESULTS

Turnover of the Group for the six months ended 30 June 2014 amounted to HK\$748,034,000 representing an increase of around 247% as compared with the corresponding period last year. Loss attributable to the owners of the Company was HK\$63,259,000, representing a decrease of around 32% as compared with the corresponding period last year.

BUSINESS REVIEW AND DEVELOPMENT

- **Tele-media business**

V1 Portal (www.v1.cn)

Constantly Increasing Influence

As of 30 June 2014, V1 Portal has witnessed a dramatic increase in its pageviews as compared with the corresponding period of the previous year, thus earning an ALEXA (www.alexa.com) ranking of 358 globally.

Significant Breakthroughs in Major Event Reports and Exclusive Production

V1 Portal has produced and arranged as many as 41 large-scale reports and produced more than 1,000 pieces of video news. The daily average pageviews of the feature stories exceed 2,000. 172 cases were reported for the first time and of which 37 cases were provided directly by Internet users. The first reported exclusive news involved nine local governments and 22 enterprises.



In respect of 2014 The National People's Congress ("NPC") and The National Committee of the Chinese People's Political Consultative Conference ("CPPCC") reports, V1 Portal provided live streaming videos for 19 times, planned 12 programs, produced 237 video clips and extensively disseminated them through approximately 100 media and channels. Consequently, V1 Portal was honored with the "2014 National NPC & CPPCC Online Reporting Organization Award".

During the period, the website launched a large-scale report on Mr. Xi Jinping named "Running the Country Over a Year" ("治國理政一年間") which was highly recommended on the front-page of various portals and central media websites, indicating V1 Portal's important role among its partners.

V1 Portal planned two exclusive video programs on 2014 NPC and CPPCC, namely, "I Have a Question for the Premier" ("我有問題問總理") and "8 Seconds in Politics" ("8秒問政"). Both were transmitted over multiple channels, including the official Weibo of the Xinhua News Agency (新華社), Xinhua Daily Telegraph (新華每日電訊報) and Tencent Weishi (騰訊微視).

Management Discussion and Analysis

Features

The disappearance of Malaysian Airlines Flight MH370 in March 2014 captured the attention of millions of Internet users throughout China. V1 Portal immediately arranged and sent journalists to the front line to give reports and provide live broadcasting. The online feature reports were completed and launched without delay. The website pageviews on the day of the MH370 disappearance broke the one-day record. Part of the reported materials were adopted by the global documentary of Flight MH370 launched by Australian Broadcasting Corporation (ABC).



The investigative report “With house demolition and land-file disappearance, farmers tried in vain to safeguard their rights for four years”(「農民房屋遭拆遷土地檔案失蹤維權四年未果」) jointly produced with Xinhua News Agency was forwarded by more than 50 authoritative media websites and various print media.

A program titled “Exposition”(「曝光台」) revealed the quality problems discovered in KFC’s soybean milk, Toshiba home appliances, Kama automobile, Buick GL8 cars, the Changchun Automobile Testing Center and BMW. Among which the report on the quality problems of Buick GL8 cars has earned V1 Portal a silk banner from Internet users.

Feature Program Cooperation

V1 Portal planned the exclusive feature program “Gorgeous Turn of Working Mothers”(「職場媽媽變身計」) for Mother’s Day, and co-operated with a variety of media sites, for instance, Weibo (微博), WeChat (微信) and the main BBS forums (Tianya (天涯), Babytree (寶寶樹) and Haoyunmom (好孕媽媽)). The program covered nearly 10 million Internet users through the joint promotion with well-known women and network celebrities and around 100 media websites, comprising ent.cntv.cn (央視網綜藝), bbs.people.com.cn (人民網強國論壇), The Beijing News (新京報), meilishuo.com (美麗說), news.163.com (網易頭條), bddsb.bandao.cn (半島都市報), 591hx.com (華訊財經), sxsb.tynews.com.cn (山西商報), ku6.com (酷六網), health.enorth.com.cn (健康之家), Guangxi News Radio (廣西電臺新聞) and the Chinese Police website (中國員警網). The program has been viewed over 5 million times on Weibo, shared nearly 3,000 times via WeChat, had more than 100,000 hits on forums and received approximately 10,000 comments.

Management Discussion and Analysis

Program Lineup Beginning to Gain Scale

V1 Portal, as exemplified by its first online live broadcast news program “The First View of News”(「新聞第一眼」), has launched a series of self-produced programs, such as “World of Soldiers”(「兵論天下」), “National Spitslot”(「全民大吐槽」), “Big Coming”(「大牌來襲」), “Entertainment Weathervane”(「娛樂風向標」), “Stars Topic”(「星光邦」), “News Interpretation”(「新聞大字曝」) and the commercially designed program “Oh, My CAR”(「哎喲我CAR」). Collectively, these programs now have more than 1,000 episodes. Meanwhile, V1 Portal has released “V1 Exposition”(「V1曝光台」), “Careful Thoughts”(「左思右想」), “V1 Test Drive”(「V1試駕」) and other characteristic programs. V1 Portal is now launching an abundance of self-generated content, thereby strengthening its popularity in the industry. “National Spitslot” has been placed in prominent positions in various cyber-media, such as the Tianya and Netease (網易) user terminals. It even has more than a million hits on a single episode.

V1 Portal has successively cooperated with wireless terminals of Ifeng.com (鳳凰網), CCTV.com (央視網) and Todou.com (土豆網) and reached the agreement on revenue sharing based on hits on programs such as “World of Soldiers”, “National Spitslot” and “News Interpretation”. “V1 Test Drive,” “T Stage for New Cars”(「新車T型台」) and other qualified programs are broadcasted on weekends over Shaanxi TV and Hubei TV.



Expansion to Mobile Terminals

“V1 Family”(「V1家」)

Amid the intense competition in the mobile-applications market, by virtue of V1 Portal’s unique background and resource advantages, it took the lead to put forward V1 Family, which is a “media APP for individual celebrity” and a platform integrating contents in the forms of texts, photos, audios and videos.

At present, the platform is hosted by a number of renowned commentators including Yu Jianrong (于建嶸), a famous commentator; the expert commentator Chen Li (陳里); network celebrities Kong Qingdong (孔慶東), Sima Nan (司馬南) and Deng Fei (鄧飛) etc. Out of which, the Apps of Kong Qingdong has been downloaded and installed more than a million times. Based on its extraordinary performance, V1 Family earned the “2014 Mobile Internet Conference Annual Innovation Award”.

“V1 Circle”(「V1圈」)

V1 Portal has capitalized on its advantage in having news license and the 4G core technology to develop V1 Circle, a news terminal for user-generated content. The application is a brand-new mobile video platform that integrates browsing, producing, editing and sharing of video news as well as the photographic community. Users can record anything fresh around them by means of video and then quickly upload it, anywhere and anytime. The ability to share and interact with others at the earliest gives users a multifunctional mobile-video social platform.

Management Discussion and Analysis

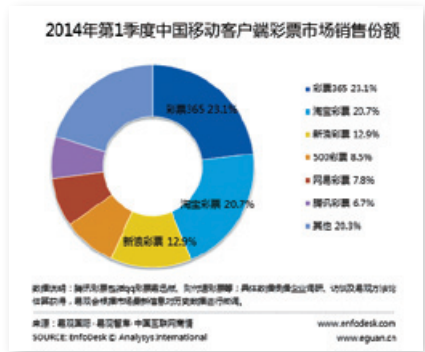
New Business Expansion

Pursuant to the Group's overall strategy and future business development plan, in order to adapt to the new 4G mobile Internet age, V1 Portal has transformed from a single line of business to diversified business development. Based on the existing mini-video news portal websites, V1 Portal has expanded its principal business into mobile Internet and e-commerce in 2014, with addition of such business activities as news and community user terminal, e-commerce, interactive entertainment media and joint game operation. The diversity of operations will expand the source of income for V1 Portal and lay a solid foundation for early strategic adjustment and further development of the website.

- **Lottery-related business**

"Lottery 365" (「彩票365」)

In the first half of 2014, Lottery 365 developed rapidly taking advantage of the 2014 World Cup Brazil. The number of users and awareness of the brand increased dramatically during the period. Thus Lottery 365, developed by an affiliate of the Group, has made significant progress in user base, market share, strategic cooperation and brand-building during the past half year.



Number of Users

Lottery 365 has become the first mobile application for lottery purchases which exceeds 50 million downloads in China, with a record high of over 1.2 million downloads within a single day. In terms of market share, according to the "Survey Report on China's Internet Lottery Market for the First and Second Quarters of 2014" issued by Analysys International, Lottery 365 championed the online lottery market in China with a market share of over 23%.



Strategic Cooperation

Lottery 365 has also developed in all aspects of strategic cooperation. It has established partnerships with municipal public service platforms, telecom operators, mobile phone manufacturers, popular apps, Wi-Fi-based distribution platforms, print media and fund companies, and has jointly launched a range of products with them to increase its popularity among users in various groups.

Management Discussion and Analysis

Among the newly launched products, “Caijinbao”(「彩金寶」), jointly released by Lottery 365 and E Fund Management Co., Ltd., is the first wealth-management product launched by a company in the lottery industry. As different from other wealth-management products such as Yuebao (餘額寶), users who buy the currency fund of E Fund Management Co., Ltd. on the official wealth-management website of Lottery 365 will gain income from the currency fund and receive, from Lottery 365, a bonus lottery in an amount equal to the monetary value of the fund purchased. This is the first cross-industry attempt to adopt the mode of “Income Plus”(「收益+」), and consequently it has received enthusiastic coverage in the media. For users, the income from currency funds is much higher than the interest from current deposits, and therefore lottery buyers can increase their return. Users have thronged to the program.



In respect of co-operation with mobile manufacturers, Lottery 365 has also established strategic cooperation with Coolpad (酷派), a famous mobile phone manufacturer in China, and launched “Ku Caipiao”(「酷彩票」) to 20 million active Coolpad users. Moreover, Lottery 365 has cooperated with Lenovo (聯想), Huawei (華為), Xiaomi (小米), Gionee (金立), OPPO (歐珀) and VIVO in the form of lottery revenue-sharing and distribution. Also, Lottery 365 has been recognized by the two major mobile phone manufacturers in the world, becoming the first lottery mobile application recommended by the Apple’s App Store and being included in Samsung’s “Necessary Application in App Store”.

Brand Promotion

In April, Lottery 365 formally became the sponsor of Beijing Guoan F.C. (北京國安足球隊), being the only sponsor from the lottery industry for the Chinese Football Association Super League in the 2014 season. The 3-D advertisement in the goal poles area kept appearing on the CCTV broadcasts, drawing extensive attention from football fans and the public throughout Beijing. This led to an all-time record in terms of downloads in Beijing. Subsequently, in May, Lottery 365 was invited to attend the 2014 Global Mobile Internet Conference (GMIC), in which the launch of “World Cup Lottery”(「世界盃彩票」) was a highlight.



Lottery 365, by virtue of its exceptional performance in the field of lottery in the first half of 2014, was awarded the “Leading Brand of China’s Lottery Industry”(「中國彩票行業領導品牌」), “2014 Best Lottery App”(「二零一四年度最佳彩票APP」) and “Top Ten Apps Excellence Award”(「十佳應用風尚獎」).

Management Discussion and Analysis

Zhongguozucaiwang (中國足彩網) (www.zgzcw.com)

Website Improvement and New Games

To better serve its extensive population of users, Zhongguozucaiwang has launched a new webpage for information on football lottery. The new webpage, with stunning visual effects, a clear display of all lottery games and rich information, provides a greater platform for our users to pursue their dreams of winning prizes.

To bring our new and existing users a better experience in lottery purchasing, this year the website was upgraded with the addition of remarkable functions. Switching of a variety of game bets and quicker and more convenient screening of sports events and betting odds are available to users. The new functions are completely comparable with those of any other lottery websites.

In addition, five new lottery games, namely “Jiangsu Kuai 3” (「江蘇快3」), “PK10”, “Kuaile 8” (「快樂8」), “Guangdong 5 out of 11” (「廣東11選5」) and “Chongqing Shishicai” (「重慶時時彩」), have been added to the website, enhancing the entertainment level of the games and allowing users to enjoy a more convenient lottery purchasing experience even without leaving home.



Channel Cooperation

In the first half of 2014, Zhongguozucaiwang has dramatically increased its number of users and sales by cooperating with a variety of channels. In the process it has widened the brand exposure and improved its corporate image and reputation. Channel cooperation with platforms such as China Telecom Besttone Group (電信號百集團), Readphone (閱豐手機), Beijing Appsports Information Technology (掌控體育), yiqifa.com (億起發), JJWorld (Beijing) Network Technology (競技世界), cnwest.com (陝西西部網), fengyunzhibo.com (風雲直播), Go Market (安智市場), chinagpay.com (愛農驛站), Youdao GPS (友道導航), YC Media (銀橙廣告) and FengBuy.com (威鋒商城), is sufficient to confirm Zhongguozucaiwang’s leading position in lottery-related business.

Management Discussion and Analysis

- **Mobile games business**

We are pleased with the strong financial performance of our mobile games business in the first half of 2014 as well as the developments with respect to self-developed games, game publishing, intellectual property cooperation, user acquisition, game engine and user community.

Self-developed games



CMGE currently has 21 game development workshops. We continue to develop self-developed mobile games based on intellectual property (“IP”) that we have already acquired. The majority of them is expected to launch in the second half of the year due to the current smooth development progress. Beginning in September, CMGE plans to launch one popular self-developed game each month. At the end of September, CMGE plans to launch a massively multiplayer online action role playing game (“MMOARPG”) co-developed

with 7cool, The New Legend (血戰沙巴克 (tentative name)), whose IP has been authorized by Shanda Games. This is the first official mobile game based on The Legend series in the PRC. The World of Legend (傳奇世界) has accumulated an extensive player base over the past 11 years in China. This Legend series-based game published by CMGE will be the first official mobile game of this series incorporating real-time communication, allowing players to interact by voice in real-time. Our first large scale multiplayer action role-playing (“ARPG”) game, Shang Gu Dou Hun (上古鬥魂) will enter open beta testing in early October. The closed beta testing of another mobile game, Xing Yue Chuan Qi (星月傳奇), will be conducted during early November and is scheduled to be launched simultaneously with the TV drama of the same name, for which we obtained the IP rights. Apart from new products, our existing self-developed game Joyful Da Ying Jia (快樂大贏家) continued to maintain a strong revenue growth in the first half of 2014. CMGE will start a strong growth in respect of its self-developed games in the second half of 2014 with an aim to become one of the top five mobile game developers in China.

Management Discussion and Analysis

Publishing business

Our existing published games such as Wu Xia Q Zhuan (武俠Q傳), Ji Zhan San Guo (激戰三國), previously San Guo Zhi Wei Li Jia Qiang Ban (三國志威力加強版), Minion Rush (神偷奶爸之小黃人快跑) and Riptide 2(激流快艇2) continue to generate growth in the number of active users, paid users and revenues. Our newly-launched games, namely, Super Hero (超級英雄), Barcode Footballer (全民足球(BFB)), Bu Bu Jing Qing (步步驚情) and Da Nao Tian Gong HD (大鬧天宮HD) have been successful. Super Hero was launched on all Android platforms on May 20 with next day retention rates reaching 55% and 7-Day retention rates reaching near 30%. Within two days after its launch in Apple Inc.'s App Store on June 12, it was ranked No. 1 among free-download games and No. 9 among best-selling games and has remained one of the best-selling games in the App Store. In addition, Super Hero has already generated monthly gross billings of over RMB40 million. Barcode Footballer and Bu Bu Jing Qing (步步驚情) are scheduled to officially launch by the end of August after a new round of data test. Among our products published overseas in Taiwan, Hong Kong & Macau, including Wu Shuang San Guo (無雙三國), Monster Island, Da Hua Xi You (大話西遊) and Wei Shou Lai Xi (尾獸來襲), Monster Island (怪獸島) and Da Hua Xi You (大話西遊) have been consistently ranked among the top 20 paid games for iOS, while Da Hua Xi You (大話西遊) has continuously ranked among the top 5 free games for iOS. In the second half of the year, CMGE has more exciting games to be published overseas, including games such as Chao Shen Xue Yuan (超神學院), Chao Shen Lian Meng (超神聯盟), Chao Shen Xiao Jing Ling (超神小精靈) and Da Nao Tian Gong HD (大鬧天宮HD). In addition, we expect to begin promoting Re Xue Zhan Ji (熱血戰紀) in Hong Kong, Macau and Taiwan in September, after finishing a round of test."

IP cooperation



CMGE has commenced IP cooperation on adaptation rights in the areas of animation, television, online novel and famous games in 2014, preparing for the future development of the segment. In the arrangement of animation IP, CMGE has entered into an IP licensing agreement with Toei Animation Co., Ltd. in respect of One Piece (航海王) and Ikkyu San (聰明的一休), and has begun the related research and

development. We have formed a strategic partnership with GREE on Naruto (火影忍者), to co-develop a mobile game product of Naruto suitable for Chinese players. We have been granted the exclusive right of the classic masterpiece Uncharted Water 5(大航海時代5) (mobile game version) by Tecmo Koei. CMGE has also signed a cooperation agreement with SNK PLAYMORE for the authorisation of three classic games including King of Fighters'97(拳皇97), Samurai Shodown II(侍魂2) and Metal Slug 2(萬能戰車合金彈頭2). In addition, CMGE was also granted the adaptation rights of Samurai Shodown (侍魂), so that it can develop card games.

Management Discussion and Analysis

In the area of television, CMGE has obtained both of the exclusive adaptation rights to produce mobile games based on Bu Bu Jing Qing (步步驚情) (a time traveling love story hit in 2014) and Xing Yue Chuan Qi (星月傳奇), which will be a hit on the major TV channels in China in the second half of the year. The game of Bu Bu Jing Qing has already begun closed beta testing in the second quarter of the year. Finally, we have also obtained rights from the Shaolin Temple to develop mobile games with themes based on the Shaolin Temple. Moreover, CMGE has been self-developing its own IP called Hero's Blade (英雄之刃), the backdrop and sound effect of which are being produced by the former Blizzard team (暴雪文案) and the world-class team that previously produced League of Legend (英雄聯盟) and Fates Forever (永恆命運). CMGE intends to develop independent mobile games based on Hero's Blade as well as develop related products such as cartoons and figures.

User acquisition

CMGE is proceeding to expand its user acquisition in two major offline channels, i.e. pre-installation of game center application and free WiFi networks. We have pre-installed our game center application on over 35 million handsets by the first half of 2014, and we are on target to achieve over 80 million handsets pre-installation for the full 2014 year. CMGE continues to intensify the strategic cooperation on free WiFi networks with Bus Online Holdings Company Limited, Shenzhen Ju Yang Information Media Co. Ltd., Shenzhen Pay1pay Technology Co., Ltd., Beijing Zhong Jiao Xun Tong and Beijing Zhong Jiao Hui Neng in the second quarter of the year. At present, some of our partners have commenced the deployment of WiFi equipment in different locations. We believe our user acquisition resulting from the expansion of free WiFi networks will increase significantly in the upcoming quarters.

Game Engine and User Community

On August 2, Beijing Super Flash Software Co. Ltd. ("Beijing Super Flash"), a company in which CMGE has made a strategic investment, launched "Mobimirage", a game engine open to all game developers. We believe the high efficiency and excellent performance of this game engine will attract many game developers. We also believe that our strategic partnership with Beijing Super Flash will add many more outstanding games to our pipeline. In addition, in the second quarter of the year, CMGE began to incorporate YAYA Yu Yin Voice and WAYA Shi Pin Video of Shenzhen Yunwa Technology (深圳雲娃科技), a company in which CMGE has made a strategic investment, into its products, including a series of poker and games with live interactive voice and video communication that CMGE plans to launch in August. Moreover, in the many social games published by to be launched thereafter by CMGE, we will incorporate YAYA Yu Yin to facilitate real time communication among players. Finally, during the second quarter of the year, CMGE made an investment in Shenzhen Jin Huan Tian Lang Technology Co. Ltd. ("Jin Huan Tian Lang"), a leading mobile poker and chess game developer in China. Jin Huan Tian Lang's wawagame.cn has a history of over 10 years dedicated to be a social platform based on poker and chess games with multiple social functions, such as the "buddy system", instant messaging, virtual marriage, forums, photo albums and auctions, among others. Currently, Jin Huan Tian Lang has monthly gross billings of more than RMB45 million and MAUs of over 20 million.

According to the 2014 First Quarter China's Mobile Game Market Analysis Report published by Analysys International, CMGE again ranked first among China's mobile game publishers with 18.1% of market share in China (in terms of gross billings). We believe CMGE's self-developed games business will develop rapidly in the second half of 2014 and its publishing business is also expected to hit a new record high.

Management Discussion and Analysis

FINANCIAL REVIEW

BUSINESS SEGMENTS

	Tele-media business		Lottery-related business		Mobile games business		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue from external customers	<u>14,137</u>	<u>20,666</u>	<u>102,503</u>	<u>47,548</u>	<u>631,394</u>	<u>147,195</u>	<u>748,034</u>	<u>215,409</u>
Reportable segment profit/(loss)	<u>(91,896)</u>	<u>(77,060)</u>	<u>24,916</u>	<u>11,930</u>	<u>116,859</u>	<u>(23,646)</u>	<u>49,879</u>	<u>(88,776)</u>
Interest income	182	122	-	-	5,077	2,167	5,259	2,289
Interest expenses	-	-	-	-	-	1,560	-	1,560
Depreciation and amortisation	(22,227)	(17,312)	(16,982)	(13,039)	(36,103)	(10,555)	(75,312)	(40,906)

TELE-MEDIA BUSINESS

The tele-media business contributed a turnover of HK\$14,137,000 to the Group for the six months ended 30 June 2014, as compared with HK\$20,666,000 for the corresponding period last year. Segment loss was HK\$91,896,000 for the period as compared with loss of HK\$77,060,000 for the corresponding period last year.

The unsatisfactory performance was mainly attributable to the Group's tele-media business was still undergoing a strategic realignment process. As a result, the relevant advertising and platform development costs was still increased during the period and the relevant advertising and service income suffered.

LOTTERY-RELATED BUSINESS

For the six months ended 30 June 2014, the Group recorded a lottery-related income of HK\$102,503,000, representing an increase of around 116% as compared with the corresponding period last year. Profit of the segment increased around 109% to HK\$24,916,000 when compared with last year's corresponding period.

The lottery-related business of the Group continue the pattern of high growth in the first half of the year as a result of the impact of various promotional campaigns in accordance with features of market planning and lottery seasonality launched by the Group during the period. With such continuous trend of results, we are optimistic that the lottery-related business of the Group will have rapid and steady development in the long run.

Management Discussion and Analysis

MOBILE GAMES BUSINESS

For the first half of 2014, revenue increased to HK\$631,394,000, representing an increase of around 329% as compared with the corresponding period in 2013. Segment profit was HK\$116,859,000 (2013: loss of HK\$23,646,000).

The strong financial performance of the Group's mobile game business was driven by the success of its self-developed game and publishing distribution platform after its successful business transitioning process as well as prudent cost control management.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group had HK\$805,949,000 cash and cash equivalents (31 December 2013: HK\$616,137,000). Working capital was HK\$1,516,461,000 as compared with the working capital of HK\$1,046,476,000 at the end of last year. Since the Group generates most of the revenue and incurs most of the costs in Renminbi, there was no material foreign exchange risk. As at 30 June 2014, the Group's current ratio was 5.8 (31 December 2013: 4.1). Taking into account the financial resources available, the directors of the Company are of the view that the Group will have sufficient working capital for its present requirement.

CAPITAL STRUCTURE

As at 30 June 2014, the Group had total assets of HK\$4,309,349,000 (31 December 2013: HK\$3,622,718,000) which were financed by shareholders' funds of HK\$3,059,584,000 (31 December 2013: HK\$2,851,072,000), total liabilities of HK\$364,818,000 (31 December 2013: HK\$384,824,000) and minority interests of HK\$884,947,000 (31 December 2013: HK\$386,822,000).

EMPLOYEES REMUNERATION AND BENEFITS

As at 30 June 2014, the Group had a total of 1,926 employees in the PRC (Beijing, Guangdong, Chengdu and Shanghai) and Hong Kong. They include the management and the employees in administration, production and sales personnel. The Group regularly reviews its professional team members and will expand its management team whenever necessary.

The Group remunerates its directors and staff primarily based on their contribution, responsibilities, qualification and experience. The Group has implemented staff stock option plans. The Group has granted options to directors and other employees to encourage them towards enhancing the value of the Group and promote the long-term growth of the Group.

Furthermore, the Group offers training programs for employees to upgrade their skills and knowledge on a regular basis.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2014.

Disclosure of Interests in the Share Capital of the Company

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATION

As at 30 June 2014, the directors of the Company and their associates had the following interests in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

(A) LONG POSITION IN THE ORDINARY SHARES AND UNDERLYING SHARES OF THE COMPANY:

Name of director	Capacity	Number of ordinary shares held	% of total issued share capital	Number of underlying shares in respect of the share option granted	% of total issued share capital
Zhang Lijun	Beneficial owner/ Interest of spouse	371,214,113 (Note 1)	11.26%	7,200,000 (Note 2)	0.22%
Wang Chun	Beneficial owner/ Interest of spouse	371,214,113 (Note 3)	11.26%	7,200,000 (Notes 4)	0.22%
Loke Yu (alias Loke Hoi Lam)	Beneficial owner	–	–	800,000	0.02%
Wang Zhichen	Beneficial owner	–	–	600,000	0.02%
Wang Linan	Beneficial owner	1,400,000	0.04%	300,000	0.01%

Note 1: Of these 371,214,113 shares, 355,264,113 shares are directly held by Dr. Zhang Lijun. Dr. Zhang is also deemed to be interested in the remaining 15,950,000 shares through the interest of his spouse, Ms. Wang Chun.

Note 2: Of these 7,200,000 share options, 3,600,000 share options are directly held by Dr. Zhang Lijun. Dr. Zhang is also deemed to be interested in the remaining 3,600,000 share options through the interest of his spouse, Ms. Wang Chun.

Note 3: Of these 371,214,113 shares, 15,950,000 shares are directly held by Ms. Wang Chun. Ms. Wang is also deemed to be interested in the remaining 355,264,113 shares through the interest of her spouse, Dr. Zhang Lijun.

Note 4: Of these 7,200,000 share options, 3,600,000 share options are directly held by Ms. Wang Chun. Ms. Wang is also deemed to be interested in the remaining 3,600,000 share options through the interest of her spouse, Dr. Zhang Lijun.

Disclosure of Interests in the Share Capital of the Company

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATION

(Continued)

(B) LONG POSITION IN THE ORDINARY SHARES AND UNDERLYING SHARES OF CHINA MOBILE GAMES AND ENTERTAINMENT GROUP LIMITED, A NON-WHOLLY OWNED SUBSIDIARY OF THE COMPANY:

Name of director	Capacity	Number of ordinary shares held	% of total issued share capital	Number of underlying shares in respect of the share options granted	% of total issued share capital	Number of underlying shares in respect of the warrants granted	% of total issued share capital
Zhang Lijun	Beneficial owner/ Interest of spouse	10,274,274 (Note 1)	2.33%	4,695,694 (Note 2)	1.06%	1,911,000	0.43%
Wang Chun	Beneficial owner/ Interest of spouse	10,274,274 (Note 3)	2.33%	4,695,694 (Note 4)	1.06%	1,911,000 (Note 5)	0.43%

Note 1: Of these 10,274,274 shares, 6,977,614 shares are held by Big Step Group Limited which is wholly owned by Dr. Zhang Lijun.

Note 2: Of these share options carrying the rights to subscribe for 4,695,694 shares, share options carrying the rights to subscribe for 3,175,947 shares are directly held by Dr. Zhang Lijun. Dr. Zhang is also deemed to be interested in the remaining share options carrying the rights to subscribe for 1,519,747 shares through the interest of his spouse, Ms. Wang Chun.

Note 3: Ms. Wang Chun is deemed to be interested in these shares through the interest of her spouse, Dr. Zhang Lijun.

Note 4: Of these share options carrying the rights to subscribe for 4,695,694 shares, share options carrying the rights to subscribe for 1,519,747 shares are directly held by Ms. Wang Chun. Ms. Wang is also deemed to be interested in the remaining share options carrying the rights to subscribe for 3,175,947 shares through the interest of her spouse, Dr. Zhang Lijun.

Note 5: Ms. Wang Chun is also deemed to be interested in these warrants through the interest of her spouse, Dr. Zhang Lijun.

On 26 January 2014, CMGE issued 136,500 warrants to Dr. Zhang Lijun. Each warrant allows Dr. Zhang Lijun to purchase ADS of CMGE at US\$29.34 per ADS. Dr. Zhang Lijun can exercise the warrants in four equal annual tranches beginning one calendar year after the date of issue.

Save as disclosed herein, as at 30 June 2014, none of the directors or the chief executive of the Company and their associates had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO; or notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, other than the directors of the Company whose interests are disclosed above, the Company was not aware of any persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO.

Share Option Schemes

THE COMPANY

On 27 April 2012, the shareholders of the Company approved a new share option scheme, the V1 Group Scheme, and adopted it on 30 April 2012; and terminated the share option scheme adopted on 7 June 2002, the Old V1 Group Scheme.

Upon the termination of the Old V1 Group Scheme, no further share options will be offered under the Old V1 Group Scheme. However, the share options granted prior to such termination shall continue to be valid and exercisable in accordance with the Old V1 Group Scheme. As at 30 June 2014, the outstanding share options granted under the Old V1 Group Scheme entitled the eligible participants to subscribe for 14,282,400 shares.

Under the V1 Group Scheme, the directors of the Company may, at their discretion, invite any eligible participants to take up options to subscribe for shares in the capital of the Company. The exercise price for the share options shall be determined in accordance with the V1 Group Scheme and the relevant provisions of the Listing Rules. 20,000,000 share options were granted under the V1 Group Scheme during the period.

The terms and conditions of the grants and movements in the number of share options under the Old V1 Group Scheme during the period were as follows:

THE OLD V1 GROUP SCHEME

Category/Name of participant	Date of grant	Number of shares issuable under share options				At 30 June 2014	Exercise price HK\$	Exercise period
		At 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period			
Executive directors								
Zhang Lijun	30 March 2011	258,500	-	-	(258,500)	-	2.273	30/03/2011 to 29/03/2014
Wang Chun	30 March 2011	258,500	-	-	(258,500)	-	2.273	30/03/2011 to 29/03/2014
Sub-total		517,000	-	-	(517,000)	-		
Employees/others								
	7 August 2009	3,997,400	-	(132,000)	-	3,865,400	1.064	07/08/2009 to 06/08/2014
	12 October 2009	10,417,000	-	-	-	10,417,000	1.527	12/10/2009 to 11/10/2014
	3 January 2011	3,300,000	-	-	(3,300,000)	-	2.209	03/01/2011 to 02/01/2014
	30 March 2011	21,483,000	-	-	(21,483,000)	-	2.273	30/03/2011 to 29/03/2014
	3 January 2012	3,300,000	-	(1,000,000)	(2,300,000)	-	0.909	03/01/2012 to 02/01/2014
Sub-total		42,497,400	-	(1,132,000)	(27,083,000)	14,282,400		
Total		43,014,400	-	(1,132,000)	(27,600,000)	14,282,400		

THE COMPANY (Continued)

The terms and conditions of the grants and movements in the number of share options under the V1 Group Scheme during the period were as follows:

THE V1 GROUP SCHEME

Category/Name of participant	Date of grant	Number of shares issuable under share options				At 30 June 2014	Exercise price HK\$	Exercise period
		At 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period			
Executive directors								
Zhang Lijun	9 September 2013	1,500,000	-	-	-	1,500,000	0.604	09/09/2013 to 08/09/2016 17/04/2014 to 16/04/2017
	17 April 2014	-	2,100,000	-	-	2,100,000	0.750	
		<u>1,500,000</u>	<u>2,100,000</u>	<u>-</u>	<u>-</u>	<u>3,600,000</u>		
Wang Chun	9 September 2013	1,500,000	-	-	-	1,500,000	0.604	09/09/2013 to 08/09/2016 17/04/2014 to 16/04/2017
	17 April 2014	-	2,100,000	-	-	2,100,000	0.750	
		<u>1,500,000</u>	<u>2,100,000</u>	<u>-</u>	<u>-</u>	<u>3,600,000</u>		
Sub-total		<u>3,000,000</u>	<u>4,200,000</u>	<u>-</u>	<u>-</u>	<u>7,200,000</u>		

Share Option Schemes

THE COMPANY (Continued)

THE V1 GROUP SCHEME (Continued)

Category/Name of participant	Date of grant	Number of shares issuable under share options				At 30 June 2014	Exercise price HK\$	Exercise period
		At 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period			
Independent non-executive directors								
Loke Yu (alias Loke Hoi Lam)	9 September 2013	400,000	-	-	-	400,000	0.604	09/09/2013 to 08/09/2016
	17 April 2014	-	400,000	-	-	400,000	0.750	17/04/2014 to 16/04/2017
		<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>800,000</u>		
Wang Zhichen	9 September 2013	300,000	-	-	-	300,000	0.604	09/09/2013 to 08/09/2016
	17 April 2014	-	300,000	-	-	300,000	0.750	17/04/2014 to 16/04/2017
		<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>600,000</u>		
Wang Linan	9 September 2013	300,000	-	(300,000)	-	-	0.604	09/09/2013 to 08/09/2016
	17 April 2014	-	300,000	-	-	300,000	0.750	17/04/2014 to 16/04/2017
		<u>300,000</u>	<u>300,000</u>	<u>(300,000)</u>	<u>-</u>	<u>300,000</u>		
Sub-total		<u>1,000,000</u>	<u>1,000,000</u>	<u>(300,000)</u>	<u>-</u>	<u>1,700,000</u>		
Employees/others	13 September 2012	6,000,000	-	(4,300,000)	-	1,700,000	0.700	13/09/2012 to 12/09/2015
	9 September 2013	6,000,000	-	(5,500,000)	-	500,000	0.604	09/09/2013 to 08/09/2016
	17 April 2014	-	14,800,000	-	-	14,800,000	0.750	17/04/2014 to 16/04/2017
		<u>12,000,000</u>	<u>14,800,000</u>	<u>(9,800,000)</u>	<u>-</u>	<u>17,000,000</u>		
Total		<u>16,000,000</u>	<u>20,000,000</u>	<u>(10,100,000)</u>	<u>-</u>	<u>25,900,000</u>		

On 17 April 2014, a total of 20,000,000 share options were granted to directors of the Company and eligible participants and entitled the grantees to subscribe for ordinary shares at an exercise price of HK\$0.75 per share, with closing price per share immediately before the date on which the share options were granted at HK\$0.72. The options may be exercisable during the period from 17 April 2014 to 16 April 2017.

The weighted average closing share price immediately before the dates of exercise of share options of the Company during the period was HK\$1.33.

THE SUBSIDIARY

Under the share option scheme of China Mobile Games and Entertainment Group Limited (CMGE), a non-wholly owned subsidiary of the Company, adopted by CMGE and approved by the Company on 15 November 2011 (the "CMGE Scheme"), the directors of CMGE may, at their discretion, invite any eligible participants to take up options to subscribe for shares in the capital of CMGE. The exercise price for the share options shall be determined in accordance with the CMGE Scheme and the relevant provisions of the Listing Rules.

On 30 May 2014, the shareholders of the Company approved the refreshment of the 10% scheme mandate limit under the CMGE Scheme. The total number of shares of CMGE which may be issued upon exercise of all options to be granted under the CMGE Scheme, as refreshed, represents 10% of the shares of CMGE in issue as at 30 May 2014.

The terms and conditions of the grants and movements in the number of share options under the CMGE Scheme during the period were as follows:

Category/Name of participant	Date of grant	Number of shares issuable under share options				At 30 June 2014	Exercise price US\$	Exercise period
		At 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period			
Executive directors								
Zhang Lijun	6 February 2012 (Note 1)	1,519,747	-	-	-	1,519,747	0.605	06/02/2012-05/02/2017
	8 February 2013 (Note 1)	1,656,200	-	-	-	1,656,200	6.500 (Note 2)	08/02/2013-07/02/2018
		<u>3,175,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,175,947</u>		
Wang Chun	6 February 2012 (Note 1)	1,519,747	-	-	-	1,519,747	0.605	06/02/2012-05/02/2017
Sub-total		<u>4,695,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,695,694</u>		
Employees/others								
	6 February 2012 (Note 1)	18,380,951	-	(958,720)	(1,946,755)	15,475,476	0.605	06/02/2012-05/02/2017
	8 February 2013 (Note 1)	12,765,200	-	(251,384)	-	12,513,816	6.500 (Note 2)	08/02/2013-07/02/2018
	8 February 2013 (Note 3)	2,739,495	-	-	-	2,739,495	0.605	08/02/2013-07/02/2018
	13 January 2014 (United States Eastern time) (Note 4)	-	25,365,956	-	-	25,365,956	29.030 (Note 5)	13/01/2014-14/09/2017
	13 January 2014 (United States Eastern time) (Note 6)	-	5,851,482	-	-	5,851,482	29.030 (Note 5)	13/01/2014-12/01/2019
Sub-total		<u>33,885,646</u>	<u>31,217,438</u>	<u>(1,210,104)</u>	<u>(1,946,755)</u>	<u>61,946,225</u>		
Total		<u>38,581,340</u>	<u>31,217,438</u>	<u>(1,210,104)</u>	<u>(1,946,755)</u>	<u>66,641,919</u>		

Share Option Schemes

THE SUBSIDIARY (Continued)

- Note 1: 25% of the share options become exercisable by each grantee on the first anniversary of the date of grant. The remaining 75% of the share options become exercisable by each grantee in 12 equal quarterly tranches beginning one calendar quarter after the first anniversary of the date of grant.*
- Note 2: US\$6.5 to subscribe for 14 Class A ordinary shares of US\$0.001 each in the share capital of CMGE ("CMGE Class A Shares") which equals to one American Depositary Share ("ADS") of CMGE.*
- Note 3: Up to 25% of the share options become exercisable by each grantee on each of the first anniversary, second anniversary, third anniversary and fourth anniversary of the date of grant, subject to such grantee serving as the senior management of the designated joint venture company of CMGE (the "JV Company"), and attainment of a prescribed annual performance target for each of the year 2012, 2013, 2014 and 2015 respectively set by the board of directors of CMGE being met by the JV Company. If the JV Company shall fail to attain the prescribed annual performance target for any particular years in 2012, 2013, 2014 or 2015 (the "Attaining Target"), then the respective share options which would otherwise become exercisable in such years will not become exercisable due to the failing of achieving the Attaining Target (the "Share Options under the Attaining Target"). However, the Share Options under the Attaining Target may become exercisable by each grantee in the event that there will be an attainment of an aggregate prescribed annual performance targets for the four years from 2012 to 2015 upon a final assessment of such performance targets to be conducted by CMGE in early 2016.*
- Note 4: 603,951 share options (carrying the rights to subscribe for 8,455,314 CMGE Class A Shares) become exercisable by the grantees from 15 March 2015 to 14 September 2015, 603,951 share options (carrying the rights to subscribe for 8,455,314 CMGE Class A Shares) become exercisable by the grantees from 15 March 2016 to 14 September 2016, and 603,952 share options (carrying the rights to subscribe for 8,455,328 CMGE Class A Shares) become exercisable by the grantees from 15 March 2017 to 14 September 2017, subject to the attainment of a prescribed annual profit target for each of the year 2014, 2015 and 2016 respectively set by the board of directors of CMGE being met by CMGE.*
- Note 5: US\$29.03 to subscribe for 14 CMGE Class A Shares which equals to one ADS of CMGE.*
- Note 6: 25% of the share options become exercisable by each grantee from 13 January 2015 to 12 January 2019. The remaining 75% of the share options become exercisable by each grantee in 12 equal quarterly tranches beginning on 13 April 2015.*

On 13 January 2014 (United States Eastern time), a total of 1,811,854 share options of CMGE were granted to eligible participants, who are not directors or substantial shareholders of the Company, and entitled the grantees to subscribe for a total of 1,811,854 ADSs (representing in aggregate 25,365,956 CMGE Class A Shares) at an exercise price of US\$29.03 per ADS, with closing price immediately before the date on which the share options of CMGE were granted at US\$28.20 per ADS. The options may be exercisable during the period from 13 January 2014 to 14 September 2017 with restrictions.

On 13 January 2014 (United States Eastern time), a total of 417,963 share options of CMGE were granted to eligible participants, who are not directors or substantial shareholders of the Company, and entitled the grantees to subscribe for a total of 417,963 ADSs (representing in aggregate 5,851,482 CMGE Class A Shares) at an exercise price of US\$29.03 per ADS, with closing price immediately before the date on which the share options of CMGE were granted at US\$28.20 per ADS. The options may be exercisable during the period from 13 January 2014 to 12 January 2019 with restrictions.

The weighted average closing share price immediately before the dates of exercise of share options of CMGE during the period was US\$21.51.

Corporate Governance and Other Information

CORPORATE GOVERNANCE PRACTICES

The Company had applied and complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the period for the six months ended 30 June 2014 except as noted hereunder.

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Up to the date of this report, the Board has not appointed an individual to the post of chief executive. The role of the chief executive has been performed collectively by all the executive directors, particularly by the chairman of the Company. The Board considers that this arrangement is appropriate and cost effective in the initial phase of development of the Group and allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies. Going forward, the Board will periodically review the effectiveness of this arrangement and consider appointing an individual as chief executive when it is appropriate.

According to the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two of the independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 30 May 2014 due to various work commitments.

The Board shall continue to monitor and review the Company's corporate governance practices to ensure compliance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules during the period for the six months ended 30 June 2014. Having made specific enquiry to all the directors of the Company, each of them has confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by directors.

CHANGES IN INFORMATION WITH REGARDS TO DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the biographical details of the director of the Company during the course of the director's term of office since the publication of the Company's 2013 Annual Report is set out as follows:

Dr. Loke Yu (alias Loke Hoi Lam), an independent non-executive director of the Company, with effect from May 2014 and 20 June 2014, has been appointed as an independent non-executive director of Tianhe Chemicals Group Limited and Wing Lee Holdings Limited respectively, companies listed on the Stock Exchange.

Save as those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in note 16 to the financial statements, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

REVIEW BY AUDIT COMMITTEE

The Group's unaudited interim financial results for the six months ended 30 June 2014 have been reviewed by the audit committee of the Company which comprises three independent non-executive directors of the Company.

By Order of the Board
V1 Group Limited
ZHANG Lijun
Chairman

Hong Kong, 28 August 2014