

Interim Report 2015



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)
Prof. Gong Zhankui
Mr. Wang Linan

AUDIT COMMITTEE

Dr. Loke Yu (alias Loke Hoi Lam) (*Chairman*)
Prof. Gong Zhankui
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
Prof. Gong Zhankui
Mr. Wang Linan

CORPORATE GOVERNANCE COMMITTEE

Prof. Gong Zhankui (*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
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

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STOCK CODE

00082

Condensed Consolidated Statement of Comprehensive Income

The board of directors (the "Board") of V1 Group 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 2015, together with the comparative figures of the corresponding period in 2014, are as follows:

		Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Notes		
Revenue	5	1,012,751	748,034
Cost of revenue		<u>(481,948)</u>	<u>(314,428)</u>
Gross profit		530,803	433,606
Other gains and losses	6	5,444	13,920
Selling and marketing expenses		(301,070)	(163,662)
Administrative expenses		(267,084)	(281,355)
Share of profit of a joint venture		604	–
Share of profit of associates		<u>8</u>	<u>260</u>
(Loss)/profit before income tax	7	(31,295)	2,769
Income tax expense	8	<u>(12,622)</u>	<u>(2,743)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(43,917)</u>	<u>26</u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Change in value of available-for-sale financial assets		5,734	(16,215)
Exchange differences arising on translation of foreign operations		<u>36,299</u>	<u>(28,942)</u>
Other comprehensive income for the period		<u>42,033</u>	<u>(45,157)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(1,884)</u>	<u>(45,131)</u>
(Loss)/profit attributable to:			
Owners of the Company		(93,098)	(63,259)
Non-controlling interests		<u>49,181</u>	<u>63,285</u>
		<u>(43,917)</u>	<u>26</u>
Total comprehensive income attributable to:			
Owners of the Company		(57,201)	(114,630)
Non-controlling interests		<u>55,317</u>	<u>69,499</u>
		<u>(1,884)</u>	<u>(45,131)</u>
Loss per share			
– Basic (HK cents)	9	<u>(2.82) cents</u>	<u>(1.92) cents</u>
– Diluted (HK cents)	9	<u>(2.82) cents</u>	<u>(1.92) cents</u>

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	10	47,478	57,421
Interests in associates	11	51,994	51,436
Interest in a joint venture	12	2,947	2,329
Goodwill	13	947,937	942,857
Intangible assets		1,310,982	1,321,501
Other financial assets	15	213,528	179,597
		<u>2,574,866</u>	<u>2,555,141</u>
CURRENT ASSETS			
Trade receivables	14	985,274	713,121
Other receivables, deposits and prepayments		563,828	535,867
Inventories		2,907	1,013
Other financial assets	15	8,589	30,183
Amounts due from associates	21(d)	170,166	90,076
Amounts due from related companies	21(c)	34	34
Bank balances and cash		550,668	602,725
		<u>2,281,466</u>	<u>1,973,019</u>
CURRENT LIABILITIES			
Trade payables	16	421,764	254,892
Deposits received, other payables and accruals		173,357	172,959
Amount due to an associate		6,346	550
Amounts due to related companies		40,223	5,895
Deferred revenue		71,494	22,619
Tax payable		45,837	7,773
		<u>759,021</u>	<u>464,688</u>
NET CURRENT ASSETS		<u>1,522,445</u>	<u>1,508,331</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,097,311</u>	<u>4,063,472</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		44,850	45,999
NET ASSETS		<u>4,052,461</u>	<u>4,017,473</u>

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
EQUITY			
Share capital	17	32,979	32,979
Reserves		<u>3,110,850</u>	<u>3,144,231</u>
Equity attributable to owners of the Company		3,143,829	3,177,210
Non-controlling interests		<u>908,632</u>	<u>840,263</u>
TOTAL EQUITY		<u>4,052,461</u>	<u>4,017,473</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 compensation 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 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
Recognition of share-based payment expense	-	-	-	9,776	-	-	-	7,595	17,371
Deemed disposal of partial interest in a subsidiary	-	-	283,124	-	-	-	-	421,031	704,155
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>
At 1 January 2015 (audited)	32,979	1,488,282	1,060,812	59,273	(9,454)	230,987	314,331	840,263	4,017,473
Profit or loss	-	-	-	-	-	-	(93,098)	49,181	(43,917)
Other comprehensive income	-	-	-	-	5,734	30,163	-	6,136	42,033
Total comprehensive income for the period	-	-	-	-	5,734	30,163	(93,098)	55,317	(1,884)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(19,428)	(19,428)
Recognition of share-based payment expense	-	-	-	23,809	-	-	-	31,520	55,329
Deemed disposal of partial interest in a subsidiary	-	-	11	-	-	-	-	960	971
At 30 June 2015 (unaudited)	<u>32,979</u>	<u>1,488,282</u>	<u>1,060,823</u>	<u>83,082</u>	<u>(3,720)</u>	<u>261,150</u>	<u>221,233</u>	<u>908,632</u>	<u>4,052,461</u>

Condensed Consolidated Statement of Cash Flows

Six months ended 30 June

	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	583	(59,077)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(54,562)	(338,983)
NET CASH INFLOW FROM FINANCING ACTIVITIES	—	593,605
	<hr/>	<hr/>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(53,979)	195,545
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	1,922	(5,733)
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	602,725	616,137
	<hr/>	<hr/>
CASH AND CASH EQUIVALENT AT END OF PERIOD	550,668	805,949
	<hr/>	<hr/>

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 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.

The Company and its subsidiaries (hereafter referred to as the "Group") are 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 2015 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 Rule") 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 2014, 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 2014 annual financial statements. Statutory financial statements for the year ended 31 December 2014 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 2014.

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 2015:

Amendments to HKAS 19 (2011) HKFRSs (Amendments)	Defined Benefit Plans: Employee Contributions Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

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 2015:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKAS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ³

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

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

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 also operating in mobile internet-related business, including on-line games, on-line shows and E-commerce services etc..
- Lottery-related business – Provision of a 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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue from external customers	57,162	14,137	29,164	102,503	926,425	631,394	1,012,751	748,034
Reportable segment (loss)/profit	(86,767)	(91,896)	(17,134)	24,916	93,422	116,859	(10,479)	49,879
Interest income	16	182	337	–	4,697	5,077	5,050	5,259
Depreciation and amortisation	(21,465)	(22,227)	(15,017)	(16,982)	(34,459)	(36,103)	(70,941)	(75,312)
	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
Reportable segment assets	1,129,282	819,574	716,974	1,071,780	2,896,168	2,531,135	4,742,424	4,422,489
Additions to non-current assets	171	5,683	–	–	79,588	294,752	79,759	300,435
Reportable segment liabilities	70,260	6,457	52,781	45,634	676,936	455,213	799,977	507,304

Notes to Financial Statements

4. SEGMENT REPORTING (Continued)

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

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
(Loss)/profit before income tax		
Reportable segment (loss)/profit	(10,479)	49,879
Other gains and losses	2,112	504
Share of profit of associates	8	260
Share of profit of a joint venture	604	–
Advertising expenses	(20,252)	(32,328)
Share-based payment expenses	–	(2,690)
Unallocated corporate expenses	(3,288)	(12,856)
	<u>(31,295)</u>	<u>2,769</u>
Consolidated (loss)/profit before income tax		
	<u>(31,295)</u>	<u>2,769</u>
	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Assets		
Reportable segment assets	4,742,424	4,422,489
Other financial assets	8,589	30,183
Interests in associates	51,994	51,436
Interest in a joint venture	2,947	2,329
Unallocated corporate assets	50,378	21,723
	<u>4,856,332</u>	<u>4,528,160</u>
Consolidated total assets		
	<u>4,856,332</u>	<u>4,528,160</u>
Liabilities		
Reportable segment liabilities	799,977	507,304
Deposits received, other payables and accruals	3,894	3,383
	<u>803,871</u>	<u>510,687</u>
Consolidated total liabilities		
	<u>803,871</u>	<u>510,687</u>

Notes to Financial Statements

4. SEGMENT REPORTING (Continued)

(C) GEOGRAPHICAL INFORMATION

During 2015 and 2014, 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 21(a), the Group's associate is the only major customer with whom transactions have exceeded 7% (2014: 10%) of the Group's revenues. Revenues from the Group's associate amounted to approximately HK\$45,572,000 (2014: HK\$9,049,000) in the tele-media segment and amounted to approximately HK\$29,164,000 (2014: HK\$102,503,000) 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue		
Tele-media business:		
– advertising and service income	57,162	14,137
Lottery-related business:		
– service income	29,164	102,503
Mobile games business:		
– sales of mobiles games and mobile communication products	926,425	631,394
	<u>1,012,751</u>	<u>748,034</u>

Notes to Financial Statements

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest income	5,050	5,259
Rebate for public shares offering	–	2,828
Government grant	1,742	1,194
Others	1,116	1,906
Net foreign exchange (losses)/gains	(2,464)	2,733
	<u>5,444</u>	<u>13,920</u>

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	10,688	6,369
Amortisation of intangible assets	60,261	68,988
Carrying amount of inventories sold	10,791	–
Auditor's remuneration	80	65
Staff costs (excluding directors' remuneration)		
Salaries and wages	122,312	93,933
Pension fund contributions	24,629	19,025
Share-based payments	49,974	16,672
	<u>196,915</u>	<u>129,630</u>

Notes to Financial Statements

8. INCOME TAX EXPENSE

Taxation in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current tax – the PRC		
– provision for the period	13,702	5,133
Current tax – Overseas income tax		
– provision for the period	69	–
Deferred taxation		
– attributable to the reversal of temporary differences	(1,149)	(2,390)
	<u>12,622</u>	<u>2,743</u>

The Hong Kong profits tax of OWX Hong Kong Limited is calculated at 16.5% (2014: 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.

成都卓星科技有限公司 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 CIT for years 2014 to 2015, followed by a 50% reduction in CIT for the next 3 years, 2016 to 2018.

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 a 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	
	2015 (Unaudited) HK cents	2014 (Unaudited) HK cents
Basic loss per share	<u>(2.82)</u>	<u>(1.92)</u>
Diluted loss per share	<u>(2.82)</u>	<u>(1.92)</u>

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

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company, used in the basic and diluted loss per share calculation	<u>(93,098)</u>	<u>(63,259)</u>
Number of shares		
Weight average number of ordinary shares for the purpose of basic and diluted loss per share	<u>3,297,925,262</u>	<u>3,292,309,262</u>

No adjustment has been made to the basic loss per share presented for the six months ended 30 June 2015 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 2015 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\$12,167,000 (2014: HK\$11,927,000).

11. INTERESTS IN ASSOCIATES

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Share of net liabilities	(16,144)	(16,337)
Goodwill	<u>68,138</u>	<u>67,773</u>
	<u>51,994</u>	<u>51,436</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
北京天雨網絡科技有限公司	Corporation	PRC	25%	Inactive

Notes to Financial Statements

11. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information (material associate):

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Total assets	164,855	113,920
Total liabilities	<u>(201,981)</u>	<u>(151,017)</u>
Net liabilities of the associate	<u>(37,126)</u>	<u>(37,097)</u>
Carrying amount of the Group's interest in an associate	<u>43,259</u>	<u>42,842</u>

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	<u>75,112</u>	<u>166,435</u>
Profit for the period	<u>170</u>	<u>604</u>
Group's share of the associate's profit for the period	<u>84</u>	<u>296</u>

Notes to Financial Statements

12. INTERESTS IN A JOINT VENTURE

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Share of net assets	<u>2,947</u>	<u>2,329</u>

Particulars of the Group's interest in a joint venture 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
北京奇文網絡科技 有限公司	Corporation	PRC	50%	Provision of tele-media business support and content services

Summarised financial information:

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	<u>1,382</u>	<u>–</u>
Profit for the period	<u>1,208</u>	<u>–</u>
Group's share of the joint venture's profit for the period	<u>604</u>	<u>–</u>

13. GOODWILL

	HK\$'000
Cost:	
At 1 January 2014	993,169
Exchange adjustments	<u>(14,727)</u>
At 31 December 2014	978,442
Exchange adjustments	<u>5,271</u>
At 30 June 2015	<u>983,713</u>
Accumulated impairment losses:	
At 1 January 2014	36,120
Exchange adjustments	<u>(535)</u>
At 31 December 2014	35,585
Exchange adjustments	<u>191</u>
At 30 June 2015	<u>35,776</u>
Carrying amount:	
At 30 June 2015 (unaudited)	<u>947,937</u>
At 31 December 2014 (audited)	<u>942,857</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 2015 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.

Notes to Financial Statements

14. 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 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Within 1 month	206,771	234,763
2 to 3 months	516,776	260,587
4 to 6 months	168,753	160,515
7 to 12 months	92,189	56,406
Over 1 year	785	850
	<u>985,274</u>	<u>713,121</u>

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

15. OTHER FINANCIAL ASSETS

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Current portion:-		
Available-for-sale financial assets:-		
Compensation arising from profit guarantee arrangement of – 3GUU Group (note (a))	<u>8,589</u>	<u>30,183</u>
Non-current portion:-		
Available-for-sale financial assets:-		
– Unlisted (note (b))	162,680	162,045
– Investment funds (note (c))	<u>50,848</u>	<u>17,552</u>
	<u>213,528</u>	<u>179,597</u>

15. OTHER FINANCIAL ASSETS (Continued)

Note:

- (a) Pursuant to the profit guarantee arrangement in relation to the acquisition of 3GUU Group, 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 has 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 investments included:
- 4% interest in Shanghai Douwan Network Technology Co., Ltd. ("Shanghai Douwan"), a company established in the PRC.
 - 12.994% interest in InPlay Interactive Co., Limited ("InPlay"), a company established in the Korea.
 - 10% interest in MAS Technology Company Limited ("MAS"), a company established in the PRC.
 - 10% interest in 深圳雲娃科技有限公司 ("雲娃"), a company established in the PRC.
 - 4.76% interest in Beijing Superflash Software Co., Ltd ("Superflash"), a company established in the PRC.

The above investments are classified as available-for-sale investments as the Group does not have the power to control or significant influence on the investees. It is stated at cost as it does not have readily determinable fair value as at year end.

- (c) Investment funds included:
- In November 2014, the Group and other three independent third parties invested in 深圳市志成千里投資企業 (the "Fund") with total capital of RMB61,500,000 (equivalent to HK\$77,631,000), in which RMB30,000,000 (equivalent to HK\$37,869,000) was contributed by the Group. Pursuant to the Supplementary Agreement entered into between the existing four parties and three new independent third parties on 18 March 2015, the total capital increased to RMB101,500,000 (equivalent to HK\$128,813,650), in which RMB50,000,000 (equivalent to HK\$63,455,000) was contributed by the Group. This Fund is engaged in investment in mobile games and apps development business, and derives its return through investment income. The Group is a limited partner in the Fund and does not have control nor significant influence in the Fund's operational and financing decisions. The directors of the Company ("Directors") classified the investment as an available-for-sales financial asset. The Directors consider that there was no significant change in the fair value of the investment from the dates of acquisition to 30 June 2015 as underlying investment projects are at a start-up stage.
 - In January 2015, the Group and other five independent third parties invested in Fontaine Capital Fund, L.P. (the "Fontaine Fund") with total capital of USD40,000,000 (equivalent to HK\$310,100,000), in which USD3,000,000 (equivalent to HK\$23,257,500) was contributed by the Group. This Fontaine Fund is engaged in making venture investments, primarily through acquiring, holding and disposing of equity securities issued by private companies. The Group is a limited partner in the Fontaine Fund and does not have control nor significant influence in the Fund's operational and financing decisions. The directors of the Company ("Directors") classified the investment as an available-for-sales financial asset. The Directors consider that there was no significant change in the fair value of the investment from the dates of acquisition to 30 June 2015 as underlying investment projects are at a start-up stage.

Notes to Financial Statements

16. 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 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Current or less than 1 month	136,682	208,842
1 to 3 months	111,090	32,021
More than 3 months but less than 12 months	160,470	13,168
Over 1 year	<u>13,522</u>	<u>861</u>
	<u>421,764</u>	<u>254,892</u>

17. SHARE CAPITAL

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
<i>Authorised:</i>		
50,000,000 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 2014: 3,297,925,262) ordinary shares of HK\$0.01 each	<u>32,979</u>	<u>32,979</u>

Notes to Financial Statements

17. SHARE CAPITAL (Continued)

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 2014	3,286,693,262	32,867
Exercise of share options	<u>11,232,000</u>	<u>112</u>
At 31 December 2014 (audited)	<u>3,297,925,262</u>	<u>32,979</u>
At 1 January 2015	3,297,925,262	32,979
Exercise of share options	<u>—</u>	<u>—</u>
At 30 June 2015 (unaudited)	<u>3,297,925,262</u>	<u>32,979</u>

18. OPERATING LEASE ARRANGEMENTS

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Minimum lease payments paid under operating leases	<u>22,368</u>	<u>18,406</u>

At 30 June 2015, 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 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Within one year	46,402	51,220
In the second to fifth years, inclusive	<u>86,785</u>	<u>103,452</u>
	<u>133,187</u>	<u>154,672</u>

Notes to Financial Statements

19. COMMITMENTS

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Contracted, but not provided for:		
– Acquisition of mobile games license and platform	9,680	29,033
– Investment in other financial assets	32,991	18,935
	<u>32,991</u>	<u>18,935</u>

20. 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 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 Old V1 Group Scheme and 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 2015, no share options were exercised by the participants.

Notes to Financial Statements

21. 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Service fee income earned from an associate, TMD1	<u>74,736</u>	<u>111,552</u>
Management fee charged by TMD1	<u>64,509</u>	<u>82,771</u>

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

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short term benefits	6,620	5,382
Share-based payments	<u>5,355</u>	<u>699</u>
	<u>11,975</u>	<u>6,081</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.

22. EVENT AFTER THE REPORTING PERIOD

On 10 August 2015, the Group disposed of its entire interest in China Mobile Games and Entertainment Group Limited, a company incorporated in Cayman Islands and a non-wholly owned subsidiary of the Company, at a consideration of approximately USD297,964,000. Details of the transaction are disclosed in the circular of the Company dated 30 June 2015.

23. 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 2015.

Management Discussion and Analysis

OPERATING RESULTS

Turnover of the Group for the six months ended 30 June 2015 amounted to HK\$1,012,751,000 representing an increase of around 35.4% as compared with the corresponding period last year. Loss attributable to the owners of the Company was HK\$93,098,000, representing an increase of around 47% as compared with the corresponding period last year.

BUSINESS REVIEW AND DEVELOPMENT

• Tele-media Business

Transforming to a PGC Platform and Promoting “Crowd-funding for Videos”

In 2015, V1 Portal (www.v1.cn) took the lead in launching its plan of building a PGC (Professionally Generated Content) platform, and developed more than 500 PGC content partners. V1 Portal will build this “Crowd-funding for Videos” model in which the public invest on creators, creators provide contents, contents attract traffic, and investors share revenue with creators.



In the first half of 2015, V1 Portal had been committed to building itself into a Chinese “Youtube” platform. The new version of the website has been launched while completing the transformation to a PGC platform and achieving the public-to-creator revenue sharing.

Rapid Transformation to a PGC Platform with 500 Content Partners

Since March 2015, V1 Portal has started its transformation into a PGC platform. As of 30 June 2015, V1 Portal had secured more than 500 PGC partners, representing more than 150 per month on average. Among those partners are media and institutional partners such as Modern Sky (摩登天空), Trends Online (时尚传媒), Feidieshuo (飞碟说), Yi Du (壹读传媒), Mars Zone (火星文化), BJmain (明恩传媒), Titan Media (体坛视频) and Takungpao.com (大公网), and celebrity and studio users such as Zhengyun TV (郑云影视工作室), SiWenPiZi Studio (司文痞子), Yule Xinxianzhan (娱乐新鲜站), Big Wave of Tech (科技波波秀), Big Xiao (Big笑工坊), Watson Animation (沃森动画), Jie Cao Xie Hui (节操协会) and Qiushi Baike (糗事百科)。

Fresh Tailor-made Programs for PGC

A diversified strategy of combining self-produced programs with PGC customized contents has been adopted on program production. Apart from the fast and accurate “V1 Comment”(「V1锐评」) which focuses on coverage and commentary on popular issues on a timely basis, V1 Portal has launched three new programs, namely, the variety show “Music Monitors”(「乐坛纠察队」)

Management Discussion and Analysis

which is positioned for niche entertainment, the spitslot show “News Crackers”(「新聞啖嘍啖」) which targets the Post-90s news audience, and “Entertainment Big Mouth”(「娛樂大嘴巴」) which offers entertainment gossips. V1 Portal seeks to break through outdated models of news programs and focus on attracting the new generations of users who were born in the 1980s and 1990s.

In addition, V1 Portal has cooperated with renowned PGC celebrities to roll out two programs. The first program namely “Influential TV Series”(「影響劇大」) focuses on hot TV series and is a TV commentary program cooperated with the famous Chinese film commentator Sima Pingbang; the other program namely “Interpreting History”(「解舊歷史」) focuses on interesting interpretation of history, which is cooperated with the renowned columnist Liu Song.

Expansion of Music Live Broadcast

V1 Portal served as the official partner designated by the Internet Society of China to provide exclusive live broadcast of the 2015 China Internet Conference. For the three-day event, V1 Portal dispatched a 15-member reporter team and produced a total of 185 news videos and exclusively interviewed 13 important guests. It was well recognized by the industry and delivered a good publicity effect. Moreover, V1 Portal has also won the “2014-2015 Public Welfare Award of Chinese Internet”.

Since April 2015, V1 Portal has collaborated with Modern Sky to provide online live broadcast of the famous Strawberry Music Festival and has finished by now the live broadcast in Wuhan, Xi’an and Changsha, with peak concurrent users exceeding 500,000. V1 Portal has substantially improved its brand awareness among music lovers.

The Coverage of Two Sessions

In respect of the coverage on The National People’s Congress (“NPC”) and The National Committee of the Chinese People’s Political and Consultative Conference (“CPPCC”) (“Two Sessions”) in 2015, V1 Portal produced a special program series “New Normal, New Layout”(「新常態·新佈局」), including 12 times of video live streaming, 10 programs, over 20 interviews with experts and more than 100 self-produced videos promoted across 100-plus media channels. Moreover, in the exclusive program “Wishes Across China”(「東西南北說心願」), V1 Portal mobilized its video bloggers across the country to interview people from all walks of life, in a bid to make the masses’ voice heard. A total of 87 exclusive videos were shot and produced. V1 Portal has also won the “2015 Two Sessions Excellent Online Reporting Organization Award”, with its two key editors attaining the title of “Advanced Individual”(先進個人). During the conference, the total click rate of the Two Sessions feature webpage reached 11.89 million times.

Management Discussion and Analysis

New Self-produced Programs

In addition to retaining “World of Soldiers”(「兵論天下」) and “National Spitslot”(「全民大吐槽」), V1 Portal has continued to produce quality self-produced programs such as “Influential TV Series”(「影響劇大」), “Interpreting History”(「解舊曆史」), “V1 Comment”(「V1銳評」), “News Crackers”(「新聞啾啾」),



“Music Monitors”(「樂壇糾察隊」), “Entertainment Big Mouth”(「娛樂大嘴巴」) and “Entertainment Latest”(「娛樂爆一爆」), together with the partnership program such as “Talking about Football with Celebrities”(「搜達論球」). In particular, V1 Portal has cooperated with Kaola FM (考拉FM) broadcasting “V1 Comment”, “Talking about Football with Celebrities”, “National Spitslot”, “Big Coming”(「大牌來襲」), “World of Soldiers”, “News Crackers” and “Influential TV Series” through its platform, thus boosting the awareness of V1 Portal.

V1 Mobile App: Mobile Distribution Platform for Short Videos

“V1 Mymedia”, a V1 mobile app, is a brand-new all-in-one video app integrating video recommendation, searching, broadcasting, uploading and sharing, album management and interaction. The app stands as the first We Media video-distribution platform in China.

Since the V1 Mymedia app released its new version in April 2015, millions of users have downloaded the app where users follow the latest and hottest original videos offered by PGC partners everyday and subscribe to their favorite Mymedia video channels.

From March through July 2015, V1 Portal introduced heavyweight PGC players such as Zhengyun TV, Trends Online, Feidieshuo, efengvoice (一風之音) and Showplan Works (策秀坊). At present, over 500 PGC media and celebrities have registered on V1 Portal, enriching its content base, focusing on its target users and increasing its user activity. Furthermore, V1 Portal has joined hands with over 100 media agencies, such as The Beijing News (新京報), china.com.cn (中國網) and 1905.com (電影網) to initiate a series of activities on brand planning, public welfare and rewards. These activities have been exposed on Weibo for 70 million times and attract approximately 3 million WeChat fans. On top of that, V1 Portal has collaborated with Baidu and 1905.com in producing HTML5 pages in an effort to showcase V1 PGC classic contents on the collaborators’ platforms.

Developing PGC Industrial Ecosystem

On 24 June 2015, V1 Portal together with over 500 content providers, initiated a plan for building the biggest PGC platform in China. The plan aimed to provide PGC teams with all-round “butler value-added services”, including helping them in equipment and office rental, distribution channels development and advertising marketing. The PGC products supported by the plan are not only disseminated on their own platform, but also being distributed through all the PGC partners’ networks, which indicating that the video programs will attain a wider influence.

The PGC plan of V1 Portal is distinct from that of other websites. In addition to providing support and butler value-added services to its PGC partners, V1 Portal will introduce “crowd-funding for videos” service in the second half of this year.

V1Game (V1遊戲) (<http://g.v1.cn>)

The first half of 2015 was a sluggish period for web games. Due to major holidays such as New Year’s Day and Chinese Spring Festival, the market saw only a few new games being launched and almost no prime web games being rolled out. Given the situation, the game center formulated an emergency strategy of progressing while ensuring stability. The center boosted its income by exploring more charging items and value-added services out of every product according to product and user characteristics and marketing approaches.



Meanwhile, the key to development is the building and maintaining of the industrial relationship by our commercial department. During the first half of 2015, V1Game had established partnerships with over 100 web game developers and half of them have started the cooperation with us.

As of 30 June 2015, the web game platform had gathered more than 60 joint-operating products, half of which were prime games, 10% of which were top products (i.e. game products with monthly gross billings over RMB50 million through the whole channel). In addition, an average of over 300 sets of new servers are opened up each month. For merely half a year, the V1Game platform has ranked top among Tier 2 platforms, bringing hot topics across the industry.

Management Discussion and Analysis

Launching the New Version of V1Game and Cooperating with 50 Media Institutions

In May 2015, the new version of the V1Game platform was officially launched as a supreme web game platform in terms of both functions and designs in the domestic market.

In terms of marketing promotion, the V1Game platform has conducted in-depth cooperation with over 50 professional media institutions in China in a wide array of fields, including trial-play websites, server-opening tables, game media and website alliance, such as telecommunications resource websites, novel websites, music websites and game website pop-ups.

Tapping into HTML5, Efficiency is the Key to Success

In March 2015, V1Game officially launched the project to develop a HTML5 game platform and urgently recruit professional elites. Within only three months, a four-member team had completed the development of a HTML5 game platform for both PC and mobile terminals, providing a complete range of functions such as registration, login, recharge, ranking and advertising.



V1Game currently offers over 1,000 HTML5 mini-games, being one of the best approaches to attract and maintain the platform users. Out of which 10% were self-developed games. Going forward, there will be more mini-games of different types and styles being launched on the V1Game platform.

At present, V1Game has started acting as an exclusive agent of and jointly operating top HTML5 web games, and has generated a major income source in V1Game. Concrete plans will be carried out in the second half of 2015, while certain renowned domestic HTML5 products have cooperated commercially and technically via the platform. New products in the pipeline include Summoner College (召唤师学院), Little Bird's Lover (小鸟情人), Crazy On-hook Legend (狂挂传奇), Ceaseless Running (无疆奔跑), Who is the Singer (歌手是谁), Sicong's Days (思聪的日子) and Run, Goddess (奔跑吧女神) .

Furthermore, V1Game has diversified in cooperations by securing mobile users through short video apps such as Miaopai (秒拍小影) and grasping its market share and downloads by the app market recommendation, content cooperation and mutual recommendation of vertical apps, with in-depth cooperation with PGC contents.

Management Discussion and Analysis

V1 Family (V1家)

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 text, photo, audio and video.

At present, a number of web celebrities have participated in the platform, including Yu Jianrong (于建嵘), a famous commentator on current affairs, Chen Li (陳里), an expert commentator, Kong Qingdong (孔慶東), a web celebrity, Sima Nan (司馬南), Deng Fei (鄧飛), and Sima Pingbang (司馬平邦) etc. In particular, the product of Kong Qingdong platform has over 2 million downloads.

- **Lottery-related business**

Zhongguozucaiwang (中國足彩網)
(www.zgzcw.com) and *Diyicai (第一彩)*
(www.diyicai.com)

The first half of 2015 witnessed the policy reform of the Chinese internet lottery industry and the exploration for the development of internet lottery businesses. In early 2015, the monthly lottery sales at www.zgzcw.com and www.diyicai.com reached another historical high, stimulated by the Asian Cup and game bets on fixed single matches.

In March 2015, the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sport of the People's Republic of China (the "PRC") jointly promulgated the *Notice on Issues Regarding Conducting Self-examination and Self-correction Activities of the Unauthorised Sale of Lottery through Internet (關於開展擅自利用互聯網銷售彩票行為自查自糾工作有關問題的通知)*, leading to the suspension of internet sale of lottery tickets.

Thus, the Chinese internet lottery industry is facing the fifth time of rectification, and again the entire industry entered into a period of confusion on development. During the period of policy reform, the lottery-related business partners of V1 Group decided to develop through three main aspects, including "Information and Data", "Value-added Services" and "Innovative Service Models", exploring an efficient operating approach to boost user activity.



Management Discussion and Analysis

Grasping Key Matches and Analyzing Information and Data

In April 2015, Zhongguozucaiwang launched a “Lottery Information” channel and its brand-new HTML5 version, with a precise focus on seven key matches, namely, “Five European League Matches”, “UEFA Champions League”, “AFC Champions League”, “Copa America”, “FIFA Women’s World Cup”, “European Championship Qualifiers”, and “Chinese Football Association Super League”. The website has concentrated its resources on building a leading matches center of the industry and rolled out special features, schedule points, key rivals and matches analysis for important matches, with full coverage of the homepage search results of three main search engines – Baidu, 360 and Sogou. Furthermore, in respect of scores and information, Zhongguozucaiwang and Diycail have introduced the real-time scores and odds data from Sportradar, encompassing more than 70 league and cup matches of such countries as England, Germany, Italy, Spain, France, Portugal, Switzerland, Norway, Brazil and China. The two websites lead the industry in terms of the speed and accuracy of real-time scores and odds changes, substantially enhancing the user experience of information access.



In May 2015, Zhongguozucaiwang and Diycail saw a full recovery of their page views; in June 2015, the page views of both websites surpassed the record prior to the sales suspension. “Information and Data” played a key role in retaining users and maintaining user activity for the two websites.

“Value-added Services” and “Innovative Service Models”

In respect of value-added services and innovative service models, the Group’s business partner has collaborated with “Football” newspaper, No.1 professional print media of sports in China, to jointly roll out paid expert schemes and an expert recommendation platform at Zhongguozucaiwang. A large number of famous domestic experts, such as Su Qun (蘇群), Boshu (波叔) and Ding Weijie (丁偉傑) are invited to join the platform, providing users with paid expert schemes in the form of revenue sharing. After its launch of the expert recommendation platform on Zhongguozucaiwang on May 28 2015, the platform has attracted more than 200 experts to join for authentication, with an average of over 500 expert-recommended schemes released on a daily basis.



- **Mobile Games Business**

Heading into 2015, CMGE is facing an increasingly intense market competition in both publishing and self-developed game businesses. Despite of that, for the first half of 2015, CMGE’s revenue maintained a steady year-over-year growth.

Management Discussion and Analysis

CMGE's social games have continued to perform solidly, including *San Guo Wei Li Jia Qiang Ban* (三國威力加強版), *Super Hero* (超級英雄) and *Crisis Action* (全民槍戰). Another unique 3D dance-themed game, *Charming Dancer* (天天炫舞), began its closed beta testing on 21 January 2015. In early February 2015, CMGE published *Uncharted Waters V* (大航海時代5) in cooperation with Tecmo Koei, it became one of the few successful Japanese mobile games published in China in 2015.

CMGE's overseas publishing business made progress. *Blood Reincarnation* (戰國陰陽師) was published in Taiwan. *Age of Tank* (坦克世界) was published in Russia and Korea and has been distributed on KAKAO Talk in Korea. In addition, CMGE published *Super Hero* (超級英雄) on 10 February 2015 in Thailand, it was a top 5 in popularity rankings on App Store and Google Play in Thailand. In addition, CMGE also published *Rise of Darkness* (全民破壞神) in North America on both Android and iOS on 20



May 2015. *Rise of Darkness* (全民破壞神) is an MMORPG mobile game published by Tencent in Mainland China, for which CMGE has the rights to publish in the United States, Canada, Australia and the United Kingdom. CMGE currently has a strong publishing pipeline in Mainland China as well as overseas. In particular, CMGE is cooperating with Disney and has obtained rights to publish the combat strategy mobile game *Star Wars™: Commander* (星戰指揮官) in Mainland China, Hong Kong, Macau and Taiwan.

In late January 2015, CMGE published *Pleasant Goat and Big Big Wolf Rush* (喜羊羊快跑) ("*Pleasant Goat*"), the world's first 3D running game that CMGE co-developed based on the *Pleasant Goat* IP rights that it acquired. In its first day of launch, *Pleasant Goat* reached 2.85 million downloads. CMGE began closed beta testing of *New Legend of Sword and Fairy* (新仙劍奇俠傳), co-developed with Softstar Technology (大宇資訊), on 9 April 2015. In addition, CMGE has a number of games in various stages of development, both self-developed and co-developed, based on IP rights that CMGE has obtained.

On 19 June 2015, the Company announced that CMGE had entered into a merger agreement with Pegasus Investment Holdings Limited ("Offeror") and Pegasus Merger Sub Limited ("Merger Sub") pursuant to which CMGE and Merger Sub will effectuate a merger ("Merger"). Under the Merger all the Class A Shares, Class B Shares and American Depositary Shares ("ADSs") of CMGE will be cancelled and the holder thereof will be entitled to receive payment from the Offeror for each Class A Share, Class B Share and ADS at the price of US\$1.5714, US\$1.5714 and US\$22.00 respectively. The Merger was approved by the Company's shareholders and CMGE's shareholder at their respective extraordinary meetings held on 16 July 2015 and 27 July 2015, respectively. On 11 August 2015, the Company further announced that the Merger had completed on 10 August 2015, which resulted in CMGE ceasing to be a subsidiary of the Company. The Group's mobile games business has discontinued since then.

For details of the Merger, please refer to the very substantial disposal circular of the Company dated 30 June 2015 in relation to the Merger.

Management Discussion and Analysis

FINANCIAL REVIEW

BUSINESS SEGMENTS

	Tele-media business		Lottery-related business		Mobile games business		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>57,162</u>	<u>14,137</u>	<u>29,164</u>	<u>102,503</u>	<u>926,425</u>	<u>631,394</u>	<u>1,012,751</u>	<u>748,034</u>
Reportable segment profit/(loss)	<u>(86,767)</u>	<u>(91,896)</u>	<u>(17,134)</u>	<u>24,916</u>	<u>93,422</u>	<u>116,859</u>	<u>(10,479)</u>	<u>49,879</u>

TELE-MEDIA BUSINESS

The tele-media business contributed a turnover of HK\$57,162,000 to the Group for the six months ended 30 June 2015, as compared with HK\$14,137,000 for the corresponding period last year. Segment loss was HK\$86,767,000 for the period as compared with loss of HK\$91,896,000 for the corresponding period last year.

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

LOTTERY-RELATED BUSINESS

For the six months ended 30 June 2015, the Group recorded a lottery-related income of HK\$29,164,000, representing a decrease of around 71.5% as compared with the corresponding period last year. Segment loss was HK\$17,134,000 for the period as compared with profit of HK\$24,916,000 for the corresponding period last year.

The unsatisfactory result for the period was mainly attributable to the adverse effects of the suspension of the operations of online sale of paperless lottery tickets and sale of lottery tickets through mobile phones of the Group's business partners in Mainland China with effect from 1 March 2015.

The Group's business partners will observe and comply with any new rules and regulations promulgated by the relevant PRC regulatory authorities and make adjustments to their operations of online sale of lottery tickets and sale of lottery tickets through mobile phones where necessary. The Group will actively cooperate with its business partners with an aim to have lottery-related business of the Group back on the track as soon as possible.

Management Discussion and Analysis

MOBILE GAMES BUSINESS

For the six months ended 30 June 2015, revenue from Mobile games business increased to HK\$926,425,000, representing an increase of around 46.7% as compared with the corresponding period of last year. Segment profit was HK\$93,422,000 (2014: Profit of HK\$116,859,000).

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group had HK\$550,668,000 cash and cash equivalents (31 December 2014: HK\$602,725,000). Working capital was HK\$1,522,445,000 as compared with the working capital of HK\$1,508,331,000 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 2015, the Group's current ratio was 3.0 (31 December 2014: 4.2). 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 2015, the Group had total assets of HK\$4,856,332,000 (31 December 2014: HK\$4,528,160,000) which were financed by shareholders' funds of HK\$3,143,829,000 (31 December 2014: HK\$3,177,210,000), total liabilities of HK\$803,871,000 (31 December 2014: HK\$510,687,000) and minority interests of HK\$908,632,000 (31 December 2014: HK\$840,263,000).

EMPLOYEES REMUNERATION AND BENEFITS

As at 30 June 2015, the Group had a total of 1,400 employees. They include the management and the employees in administration, production and sales departments. The Group regularly reviews its professional team members and will expand its management team whenever necessary.

The Group remunerates the Directors and its staff primarily based on their contribution, responsibilities, qualification and experience. The Group has implemented staff stock option plans. The Group has granted options to the 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 2015.

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 2015, 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 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/ Corporate interest/ Interest of spouse	10,274,274 (Note 1)	2.33%	4,695,694 (Note 2)	1.06%	4,515,000 (Note 3)	1.02%
Wang Chun	Beneficial owner/ Interest of spouse	10,274,274 (Note 4)	2.33%	4,695,694 (Note 5)	1.06%	4,515,000 (Note 6)	1.02%

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: Of these warrants (in total 322,500 warrants) carrying the rights to subscribe for total 322,500 American Depositary Shares ("ADSs") (each ADS represents 14 Class A ordinary shares of CMGE) of CMGE, 136,500 warrants confers rights entitling holder to subscribe for 136,500 ADSs of CMGE at an exercise price of US\$20.23 per ADS and 186,000 warrants confers rights entitling holder to subscribe for 186,000 ADSs of CMGE at an exercise price of US\$15.76 per ADS.

Note 4: Ms. Wang Chun is deemed to be interested in these shares through the interest of her spouse, Dr. Zhang Lijun.

Note 5: 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 6: Ms. Wang Chun is also deemed to be interested in these warrants 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: *(Continued)*

On 13 February 2015, CMGE issued 186,000 warrants to Dr. Zhang Lijun. Each warrant allows Dr. Zhang Lijun to purchase ADS of CMGE at US\$15.76 per ADS. Dr. Zhang Lijun can exercise 46,500 warrants on or after the date falling the expiry of the first anniversary of the Issuance Date; and 11,625 warrants within each quarter between 12 May 2016 and 11 February 2020 (both days inclusive).

Save as disclosed herein, as at 30 June 2015, 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.

On 10 August 2015, the Company disposed of its entire interest in CMGE. After that CMGE ceased to be an associated corporation of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, 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.

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 31 December 2014 and 30 June 2015, there was no outstanding share options granted under 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 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 2015	Exercise price HK\$	Exercise period
		At 1 January 2015	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>3,600,000</u>	<u>-</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>3,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,600,000</u>		
Sub-total		<u>7,200,000</u>	<u>-</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 2015	Exercise price HK\$	Exercise period
		At 1 January 2015	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>800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800,000</u>		
Wang Linan	17 April 2014	300,000	-	-	-	300,000	0.750	17/04/2014 to 16/04/2017
		<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>		
Sub-total		<u>1,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,100,000</u>		
Employees								
	13 September 2012	1,700,000	-	-	-	1,700,000	0.700	13/09/2012 to 12/09/2015
	9 September 2013	800,000	-	-	-	800,000	0.604	09/09/2013 to 08/09/2016
	17 April 2014	15,100,000	-	-	-	15,100,000	0.750	17/04/2014 to 16/04/2017
Sub-total		<u>17,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,600,000</u>		
Total		<u>25,900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,900,000</u>		

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 29 May 2015, 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 29 May 2015.

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 2015	Exercise price US\$	Exercise period
		At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled 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>-</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>-</u>	<u>4,695,694</u>		
Employees									
	6 February 2012 (Note 1)	14,359,172	-	(47,488)	(38,052)	-	14,273,632	0.605	06/02/2012-05/02/2017
	8 February 2013 (Note 1)	11,574,304	-	(627,004)	(420,000)	-	10,527,300	6.500 (Note 2)	08/02/2013-07/02/2018
	8 February 2013 (Note 3)	2,722,415	-	-	-	(711,410)	2,011,005	0.605	08/02/2013-07/02/2018
	13 January 2014 (Note 4)	5,851,482	-	-	-	(5,851,482)	-	29.03 (Note 5)	13/01/2014-12/01/2019
	8 October 2014 (Note 6)	1,462,860	-	-	-	-	1,462,860	20.23 (Note 7)	08/10/2014-07/10/2019
	12 February 2015 (Note 8)	-	9,660,000	-	(280,000)	-	9,380,000	15.76 (Note 9)	12/02/2015-11/02/2020
	7 June 2015 (Note 10)	-	4,388,622	-	-	-	4,388,622	20.23 (Note 7)	07/06/2015-06/06/2020
Sub-total		<u>35,970,233</u>	<u>14,048,622</u>	<u>(674,492)</u>	<u>(738,052)</u>	<u>(6,562,892)</u>	<u>42,043,419</u>		
Total		<u>40,665,927</u>	<u>14,048,622</u>	<u>(674,492)</u>	<u>(738,052)</u>	<u>(6,562,892)</u>	<u>46,739,113</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. 50,815 share options (carrying the rights to subscribe for 711,410 CMGE Class A Shares) of CMGE granted on 8 February 2013 were cancelled during the six months ended 30 June 2015.*
- Note 4: 417,963 share options (carrying the rights to subscribe for 5,851,482 CMGE Class A Shares) of CMGE granted on 13 January 2014 were cancelled during the six months ended 30 June 2015.*
- 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 the grantees from 8 October 2015 to 7 October 2019. The remaining 75% of the share options become exercisable by the grantees in 12 equal quarterly tranches during the period from 8 January 2016 to 7 October 2019.*
- Note 7: US\$20.23 to subscribe for 14 CMGE Class A Shares which equals to one ADS of CMGE.*
- Note 8: 25% of the share options become exercisable by the grantees from 12 February 2016 to 11 February 2020. The remaining 75% of the share options become exercisable by the grantees in 12 equal quarterly tranches during the period from 12 May 2016 to 11 February 2020.*
- Note 9: US\$15.76 to subscribe for 14 CMGE Class A Shares which equals to one ADS of CMGE.*
- Note 10: 25% of the share options become exercisable by the grantees from 7 June 2016 to 6 June 2020. The remaining 75% of the share options become exercisable by the grantees in 12 equal quarterly tranches during the period from 7 September 2016 and 6 June 2020.*

On 12 February 2015 (United States Eastern time), a total of 690,000 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 690,000 ADSs (representing in aggregate 9,660,000 CMGE Class A Shares) at an exercise price of US\$15.76 per ADS, with closing price immediately before the date on which the share options of CMGE were granted at US\$15.50 per ADS. The options may be exercisable during the period from 12 February 2015 to 11 February 2020 with restrictions.

On 7 June 2015 (United States Eastern time), a total of 313,473 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 313,473 ADSs (representing in aggregate 4,388,622 CMGE Class A Shares) at an exercise price of US\$20.23 per ADS, with closing price immediately before the date on which the share options of CMGE were granted at US\$19.90 per ADS. The options may be exercisable during the period from 7 June 2015 to 6 June 2020 with restrictions.

The weighted average closing share price immediately before the dates of exercise of share options of CMGE during the period was US\$19.32.

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 throughout the six months ended 30 June 2015 except for the deviations with explanations as set out 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 fastening the development of the Group, since it allows contributions from all executive Directors with different expertise and enhances coherence in planning and implementation of the policies and long term business strategies of the Company. 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 should attend general meetings. Two of the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 29 May 2015 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions and dealings, which applies to all the relevant persons as defined in the Model Code, including the Directors, any employee of the Company, or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment or involvement, are likely to come into contact or be in possession of unpublished price sensitive information in relation to the Company or its securities. Specific enquiry has been made of all the Directors who have confirmed their compliance with the required standards set out in the Model Code during the period under review.

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 2014 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 28 July 2015, has been appointed as an independent non-executive director of China New Energy Power Group Limited, a company 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 17 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 2015 have been reviewed by the audit committee of the Company which comprises three independent non-executive Directors.

By Order of the Board
V1 Group Limited
ZHANG Lijun
Chairman

Hong Kong, 28 August 2015