



第一视频
V1 GROUP LIMITED



Interim
Report
2017

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
Mr. Ji Qiang (*appointed on 24 March 2017*)

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. Leung Wai Tong

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 3506, 35th Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

WEBSITES AND E-MAIL ADDRESSES

<http://www.v1.cn>, <http://ir.v1group.com.hk>,
<http://ir.v1.cn>
info@vodone.com.hk, ir@v1.cn

STOCK CODE

00082

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 2017, together with the comparative figures of the corresponding period in 2016.

Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
	Notes	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	5	92,182	70,026
Cost of revenue		<u>(162,398)</u>	<u>(137,365)</u>
Gross loss		(70,216)	(67,339)
Other gains and losses	6	6,736	1,622
Selling and marketing expenses		(13,497)	(5,389)
Administrative expenses		(41,491)	(58,978)
Share of (losses)/profits of associates		<u>(4,979)</u>	<u>47</u>
Loss before income tax	7	(123,447)	(130,037)
Income tax credit	8	<u>–</u>	<u>651</u>
LOSS FOR THE PERIOD		<u>(123,447)</u>	<u>(129,386)</u>
Other comprehensive income			
Items that maybe reclassified subsequently to profit or loss:			
Change in value of available-for-sale financial assets		1,540	(1,211)
Exchange differences arising on translation of foreign operations		<u>15,716</u>	<u>(17,858)</u>
Other comprehensive income for the period		<u>17,256</u>	<u>(19,069)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(106,191)</u>	<u>(148,455)</u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(120,749)	(129,504)
Non-controlling interests		<u>(2,698)</u>	<u>118</u>
		<u>(123,447)</u>	<u>(129,386)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(104,346)	(148,025)
Non-controlling interests		<u>(1,845)</u>	<u>(430)</u>
		<u>(106,191)</u>	<u>(148,455)</u>
LOSS PER SHARE			
– Basic (HK cents)	9	<u>(3.66) cents</u>	<u>(3.93) cents</u>
– Diluted (HK cents)	9	<u>(3.66) cents</u>	<u>(3.93) cents</u>

Condensed Consolidated Statement of Financial Position

		As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	10	47,771	16,305
Interests in associates	11	288,796	198
Goodwill	12	103,611	86,867
Intangible assets		458,668	468,008
Other financial assets	13	267,212	229,050
		<u>1,166,058</u>	<u>800,428</u>
CURRENT ASSETS			
Other receivables, deposits and prepayments		46,798	44,511
Other financial assets	13	390,253	391,410
Amount due from an associate		5,913	4,924
Amounts due from related companies		3,579	5,164
Bank balances and cash		286,454	745,535
		<u>732,997</u>	<u>1,191,544</u>
CURRENT LIABILITIES			
Trade payables	14	5,497	–
Deposits received, other payables and accruals		25,266	11,864
Amount due to an associate		380	391
Amounts due to related companies		4,608	10,318
Tax payable		112,094	112,094
		<u>147,845</u>	<u>134,667</u>
NET CURRENT ASSETS		<u>585,152</u>	<u>1,056,877</u>
NET ASSETS		<u>1,751,210</u>	<u>1,857,305</u>

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
EQUITY			
Share capital	15	32,979	32,979
Reserves		<u>1,696,023</u>	<u>1,800,241</u>
Equity attributable to owners of the Company		1,729,002	1,833,220
Non-controlling interests		<u>22,208</u>	<u>24,085</u>
TOTAL EQUITY		<u>1,751,210</u>	<u>1,857,305</u>

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company								Total HK\$'000
	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/ (accumulated losses) HK\$'000	Non- controlling interests HK\$'000	
At 1 January 2016 (audited)	32,979	1,488,282	1,059,408	7,382	(6,056)	59,562	223,675	20,183	2,885,415
Profit or loss	-	-	-	-	-	-	(129,504)	118	(129,386)
Other comprehensive income	-	-	-	-	(1,211)	(17,310)	-	(548)	(19,069)
Total comprehensive income for the period	-	-	-	-	(1,211)	(17,310)	(129,504)	(430)	(148,455)
At 30 June 2016 (unaudited)	32,979	1,488,282	1,059,408	7,382	(7,267)	42,252	94,171	19,753	2,736,960
At 1 January 2017 (audited)	32,979	1,488,282	1,059,408	8,060	(7,834)	9,370	(757,045)	24,085	1,857,305
Profit or loss	-	-	-	-	-	-	(120,749)	(2,698)	(123,447)
Other comprehensive income	-	-	-	-	1,540	14,863	-	853	17,256
Total comprehensive income for the period	-	-	-	-	1,540	14,863	(120,749)	(1,845)	(106,191)
Capital injection in a subsidiary	-	-	-	-	-	-	32	(32)	-
Recognition of share-based payment expenses	-	-	-	96	-	-	-	-	96
At 30 June 2017 (unaudited)	32,979	1,488,282	1,059,408	8,156	(6,294)	24,233	(877,762)	22,208	1,751,210

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(118,438)	(121,701)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(338,385)</u>	<u>(528,973)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(456,823)	(650,674)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	(2,258)	(246)
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	<u>745,535</u>	<u>1,591,389</u>
CASH AND CASH EQUIVALENT AT END OF PERIOD	<u>286,454</u>	<u>940,469</u>

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 in Hong Kong is located at Room 3506, 35th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

The Company and its subsidiaries (hereafter referred to as the "Group") are principally engaged in tele-media business, including internet audio-visual new media, online games, internet medical and other internet plus businesses and lottery-related business in the People's Republic of China ("PRC").

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2017 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 2016, 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 2016 annual financial statements. Statutory financial statements for the year ended 31 December 2016 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 2016.

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 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the abovementioned new or revised standards, amendments and interpretation do 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 and interpretations which are not yet effective for the financial period beginning on 1 January 2017:

Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions ¹
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ¹
HKFRS 16	Leases ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

² Effective for annual periods beginning on or after 1 January 2019

³ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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 two 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 internet audio-visual new media, internet medical and other internet plus businesses; and also operating in internet-related business, including online games and online shows etc..
- 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.

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.

Notes to Financial Statements

4. SEGMENT REPORTING (Continued)

(a) Business segments

	Tele-media business		Lottery-related business		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue from external customers	(92,182)	70,026	-	-	(92,182)	70,026
Reportable segment loss	(103,633)	(70,423)	(5,118)	(19,697)	(108,751)	(90,120)
Interest income	67	16	-	-	67	16
Depreciation and amortisation	(4,727)	(21,189)	(35)	(13,607)	(4,762)	(34,796)
	As at 30 June (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000	As at 30 June (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000	As at 30 June (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Reportable segment assets	737,641	701,319	6,572	13,637	744,213	714,956
Additions to non-current assets	27,848	4,575	-	-	27,848	4,575
Reportable segment liabilities	11,052	13,186	21,467	3,927	32,519	17,113

(b) Reconciliation of reportable segment loss, assets and liabilities

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Loss before income tax credit		
Reportable segment loss	(108,751)	(90,120)
Other gains and losses	7,477	1,707
Share of (losses)/profits of associates	(4,979)	47
Unallocated corporate expenses		
– Advertising expenses	(35)	(23,810)
– Staff costs	(11,898)	(9,513)
– Others	(5,261)	(8,348)
Total loss before income tax for the period	(123,447)	(130,037)

Notes to Financial Statements

4. SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment loss, assets and liabilities (Continued)

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Assets		
Reportable segment assets	744,213	714,956
Other financial assets	657,465	620,460
Cash at banks	204,325	650,430
Interests in associates	288,796	198
Unallocated corporate assets	<u>4,256</u>	<u>5,928</u>
Consolidated total assets	<u>1,899,055</u>	<u>1,991,972</u>

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Liabilities		
Reportable segment liabilities	32,519	17,113
Deposits received, other payables and accruals	3,232	5,460
Tax provision for gain on disposal of subsidiaries	<u>112,094</u>	<u>112,094</u>
Consolidated total liabilities	<u>147,845</u>	<u>134,667</u>

(c) Geographical information

During the six months ended 30 June 2016 and 2017, over 90% of the Group's revenue was 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 and Dubai.

Notes to Financial Statements

4. SEGMENT REPORTING (Continued)

(d) Major customers

The Group's associate is the only major customer with whom transactions have exceeded 10% of the Group's revenues. Revenues from the Group's associate amounted to approximately HK\$90,779,000 (2016: HK\$69,739,000) in the tele-media 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Tele-media business:		
– advertising and service income, and sales of internet games products	<u>92,182</u>	<u>70,026</u>

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Gain on disposal of other financial assets	6,290	–
Interest income	1,339	1,437
Net foreign exchange (losses)/gains	(570)	188
Others	(321)	38
Loss on disposal of property, plant and equipment	<u>(2)</u>	<u>(41)</u>
	<u>6,736</u>	<u>1,622</u>

Notes to Financial Statements

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	4,947	2,573
Amortisation of intangible assets	17,801	32,223
Carrying amount of inventories sold	–	521
Auditor's remuneration	28	85
Staff costs (excluding directors' remuneration)		
Salaries and wages	12,569	6,512
Pension fund contributions	1,462	913
Share-based payments	96	–
	<u>14,127</u>	<u>7,425</u>

8. INCOME TAX CREDIT

Tax credit of HK\$651,000 in the condensed consolidated statement of comprehensive income in 2016 represented deferred taxation attributable to the reversal of temporary differences.

No provision was made for Hong Kong profits tax as the Group had no assessable profits during 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 VODone Information Engineering Co., Ltd. ("TMD2") which is recognised as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 15%. No provision was made for PRC income tax as the Group had no assessable income during the period.

Arab Business TV FZ-LLC is incorporated as a free zone limited liability company in Dubai. Pursuant to the income tax rules and regulations in Dubai, it is exempted from income tax for a period of 50 years.

Notes to Financial Statements

9. LOSS PER SHARE

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

Loss

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Loss for the period for the purpose of basic and diluted loss per share calculation	<u>(120,749)</u>	<u>(129,504)</u>

Number of shares

	Six months ended 30 June	
	2017 (Unaudited) '000	2016 (Unaudited) '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>3,297,925</u>	<u>3,297,925</u>

Loss per share

	Six months ended 30 June	
	2017 (Unaudited) HK cents	2016 (Unaudited) HK cents
Basic loss per share	<u>(3.66)</u>	<u>(3.93)</u>
Diluted loss per share	<u>(3.66)</u>	<u>(3.93)</u>

The computation of diluted loss per share for the six months ended 30 June 2017 and 2016 does not assume the exercise of the outstanding share options as they had an anti-dilutive effect on the loss per share calculation.

Notes to Financial Statements

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$18,625,000 (2016: HK\$14,000).

11. INTERESTS IN ASSOCIATES

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Share of net assets/(liabilities)	87,196	(15,540)
Goodwill	<u>239,844</u>	<u>53,982</u>
	327,040	38,442
Less: impairment	<u>(38,244)</u>	<u>(38,244)</u>
	<u>288,796</u>	<u>198</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
Bank of Asia (BVI) Limited ("BOA")	Corporation	BVI	37.53%	Provision of offshore internet banking services
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):

TMD1

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Total assets	87,253	70,964
Total liabilities	<u>(120,317)</u>	<u>(103,082)</u>
Net liabilities of the associate	<u>(33,064)</u>	<u>(32,118)</u>
Carrying amount of the Group's interest in the associate	<u>–</u>	<u>–</u>

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	<u>91,073</u>	<u>59,115</u>
Profit for the period	<u>61</u>	<u>161</u>
Group's share of the associate's profit for the period	<u>–</u>	<u>79</u>

Notes to Financial Statements

11. INTERESTS IN ASSOCIATES (Continued)

BOA

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Total assets	280,368	–
Total liabilities	<u>(6,647)</u>	<u>–</u>
Net assets	<u>273,721</u>	<u>–</u>
Carrying amount of the Group's interest in the associate	<u>288,602</u>	<u>–</u>

	Six months ended 30 June 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	<u>–</u>	<u>–</u>
Loss for the period	<u>(13,238)</u>	<u>–</u>
Group's share of the associate's loss for the period	<u>(4,969)</u>	<u>–</u>

12. GOODWILL

	HK\$'000
Cost:	
At 1 January 2016	446,057
Acquisition of subsidiaries	4,472
Exchange adjustments	<u>(28,871)</u>
At 31 December 2016	421,658
Acquisition of a subsidiary	8,566
Exchange adjustments	<u>13,086</u>
At 30 June 2017	<u>443,310</u>
Accumulated impairment losses:	
At 1 January 2016	–
Additions	<u>334,791</u>
At 31 December 2016	334,791
Exchange adjustments	<u>4,908</u>
At 30 June 2017	<u>339,699</u>
Carrying amount:	
At 30 June 2017 (unaudited)	<u>103,611</u>
At 31 December 2016 (audited)	<u>86,867</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 2017 were related to the Group's tele-media service 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

13. OTHER FINANCIAL ASSETS

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Current portion:–		
Available-for-sale financial assets:–		
– Compensation arising from profit guarantee arrangement of 3GUU Group (<i>note (a)</i>)	2,752	3,909
Held-to-maturity investments:		
– Certificates of deposit (<i>note (b)</i>)	<u>387,501</u>	<u>387,501</u>
	<u>390,253</u>	<u>391,410</u>
Non-current portion:–		
Available-for-sale financial assets:–		
– Investment fund (<i>note (c)</i>)	259,841	182,550
– Unlisted (<i>note (d)</i>)	<u>7,371</u>	<u>46,500</u>
	<u>267,212</u>	<u>229,050</u>

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. 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 recognised in the other comprehensive income.
- (b) The Group's held-to-maturity investments represent certificates of deposit that are issued by commercial banks with original maturities over three months, carried at the fixed interest rates ranging from 1.58% to 1.75% per annum and will be expired in July 2017. The directors of the Company ("Directors") classified the investments as held-to-maturity investments as the Directors intend to hold the investments to maturity.

13. OTHER FINANCIAL ASSETS (Continued)

Note: (Continued)

- (c) (i) On 14 December 2015, the Company entered into a Limited Partnership Agreement (the "Agreement") to subscribe, as a limited partner, in the total amount of US\$31,250,000 (equivalent to HK\$242,266,000) of China Prosperity Capital Mobile Internet Fund, L.P. (the "Mobile Internet Fund"). The timing of capital contribution of the investment is generally on an "as needed" basis. This Mobile Internet Fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in equity and/or equity-related securities of companies that operate in or otherwise derive significant business opportunities from the mobile internet sector, its related technologies, products and services. The Group is a limited partner in this Mobile Internet Fund and does not have control nor significant influence in this Mobile Internet Fund's operational and financing decisions. The Directors classified the investment as an available-for-sales financial asset carried at cost as it linked to different unquoted equity instruments and there has no active market for determining its fair value as at period ended.

At the end of the reporting period, the Group had invested US\$18,203,000 (equivalent to HK\$141,075,000) (2016: HK\$116,856,000) to the Mobile Internet Fund.

- (ii) In 2016, the Group invested in the CICC Global Jinpu Selective Fund (Class B) issued by the China International Capital Corporation Hong Kong Securities Limited, in the total amount of US\$8,500,000 (equivalent to HK\$68,391,000). The investment 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 recognised in the other comprehensive income. During the period, a gain of HK\$2,697,000 (2016: HK\$Nil) was recognised in the other comprehensive income.
- (iii) On 23 February 2017, the Company entered into a limited partnership agreement to subscribe, as a limited partner, in the total amount of US\$6,500,000 (equivalent to HK\$50,375,000) of Golden Rock Cayman LP (the "Golden Rock"). The fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in securities and/or equity of companies that operate in internet related sectors. The Group is a limited partner in Golden Rock and does not have control nor significant influence in its operational and financing decisions. The Directors classified the investment as an available-for-sales financial asset carried at cost as it linked to different unquoted equity instruments and there has no active market for determining its fair value as at period ended.
- (d) (i) As at 31 December 2016, the Group held a strategic investment in 9.99% interest in Bank of Asia (BVI) Limited ("BOA"), a company incorporated in the British Virgin Island. The investment was classified as available-for-sale financial asset as the Group did not have the power to control or significant influence on the investee. As at 31 December 2016, it was stated at cost as there had no active market for determining its fair value as at year end.

On 21 April 2017, the Group completed the subscription of 50,190,323 new shares of BOA (the "Subscription"), representing 30.7% of the total issued shares of BOA as enlarged by the Subscription, at a consideration of US\$30,800,000 (equivalent to HK\$238,700,000). After the Subscription, the Group holds 37.53% interest in BOA and has the power to exercise significant influence on BOA. The interest in BOA is recognised as an interest in an associate and equity accounted for after the Subscription.

- (ii) On 28 February 2017, the Group invested in 10% equity interest in 杭州翼心信息科技有限公司, a company incorporated in the PRC, at a consideration of RMB6,400,000 (equivalent to HK\$7,371,000). The investment was classified as available-for-sale financial asset as the Group did not have the power to control or significant influence on the investee. As at 30 June 2017, it was stated at cost as there was no active market for determining its fair value as at period end.

Notes to Financial Statements

14. 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 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Current or less than 1 month	5,483	–
1 to 3 months	5	–
More than 3 months but less than 12 months	9	–
	<u>5,497</u>	<u>–</u>

15. SHARE CAPITAL

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (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 2016: 3,297,925,262) ordinary shares of HK\$0.01 each	<u>32,979</u>	<u>32,979</u>

There was movement in the issued share capital of the Company during the period.

Notes to Financial Statements

16. OPERATING LEASE ARRANGEMENTS

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Minimum lease payments paid under operating leases	<u>6,608</u>	<u>5,391</u>

At 30 June 2017, 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 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Within one year	9,063	12,648
In the second to fifth years, inclusive	<u>5,642</u>	<u>7,530</u>
	<u>14,705</u>	<u>20,178</u>

17. COMMITMENTS

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Contracted, but not provided for:		
– Investment of Mobile Internet Fund (<i>note 13(c)(i)</i>)	<u>101,191</u>	<u>125,410</u>

Notes to Financial Statements

18. 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 the same on 30 April 2012, and terminated the share option scheme adopted on 7 June 2002 (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 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 2017, no share options were exercised by the option holders.

19. 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Service fee income earned from an associate, TMD1	<u>90,779</u>	<u>69,739</u>
Management fee charged by TMD1	<u>134,505</u>	<u>104,661</u>
Acquisition of interests in subsidiaries from VODone Telemedia Co. Ltd.	<u>2,591</u>	<u>—</u>

Notes to Financial Statements

19. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short term benefits	9,100	6,972

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

20. EVENT AFTER THE REPORTING PERIOD

On 1 August 2017, the Group entered into a limited partnership agreement with CICC Qianhai (Shenzhen) Equity Investment Fund Management Co., Ltd to jointly initiate a private equity fund (the "CICC Qianhai Fund"), pursuant to which the Group, as a limited partner, agreed to invest in the total amount of RMB100,000,000 (equivalent to HK\$115,175,000). The CICC Qianhai Fund was established principally to achieve long-term capital appreciation primarily through investment in unlisted companies with high growth and innovative industries engaging in internet, artificial intelligence, and medical and health care or small and medium size enterprises whose shares are traded over the counter in the trading system of the stock exchanges in the PRC. The Group is a limited partner of the CICC Qianhai Fund and does not have control nor significant influence in its operational and financing decisions.

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 29 August 2017.

Management Discussion and Analysis

OPERATING RESULTS

Turnover of the Group for the six months ended 30 June 2017 amounted to HK\$92,182,000 representing an increase of around 31.6% as compared with the corresponding period last year. Loss attributable to the owners of the Company for the period was HK\$120,749,000, representing a decrease of around 6.8% as compared with the corresponding period last year.

BUSINESS REVIEW AND DEVELOPMENT

- **Tele-media Business**

- **V1 New Media**

In the first half of 2017, V1 New Media continued to promote its diversified development strategies and new content marketing to keep pace with the increasing number of mini-video users, emergence of the virtual reality (“VR”) equipment ecosystem, significant expansion of the VR market and the gradual establishment of the profit model relying on content and services. The contents of mini-videos are evolving from funny and entertainment videos to those finance and commentaries related themes progressively, and its live broadcast contents are promoted and distributed in the whole network.

To fulfill the responsibilities and missions of media, V1 New Media has also properly and firmly guided the public opinion by delivering comprehensive report on major events from innovative perspectives, improved the quality of news coverage constantly and given top priority to the necessity of live broadcasts related to major news events. V1 New Media was awarded the “Most Innovative New Media of the Year” (年度最具創新新媒體獎) at the 2017 World Mobile Internet & New Media Gateway Conference by virtue of its persistent efforts in the exploration and innovation of products and business models.

Shaping the Chinese PGC Mini-Video Platform

V1 New Media has collaborated with hundreds of well-known Professionally Generated Content (“PGC”) institutions to keep refreshing its contents continually 24 hours a day in order to create a website with massive amount of high-quality Chinese PGC mini-videos being made available.

Management Discussion and Analysis

In July 2017, V1 New Media launched a criticism activity named “Arrogant but not Dominating, I’m the King of Criticism” (囂張不跋扈·我是嗶嗶King) jointly with over 40 renowned PGC institutions including Feidieshuo (飛碟說), Menya Video (門牙視頻), Ishizh (視知) and Zheng’s Talk Show (鄭在秀). The activity recorded total page views of 40.858 million in the whole network, among which 33.748 million, 1.19 million, 1.72 million and 4.2 million page views were recorded in new media, Weibo topics, H5 activity pages and mobile applications, respectively.

Live Broadcasting Commentary Programs and Enhancing its Influence in the Whole Network

To further enhance its influence in the whole network, V1 New Media jointly produced the live show with senior producers from China Central Television (“CCTV”), namely “Quick Comments and Quick Debate”(秒評•快辯), being the first live show featuring quick debate on hot topics in the PRC. The show broke through the conventions of normal live broadcasts that the invited guests will debate on hot topics in the society and it combines serious comments with entertaining elements. There was an episode themed “Xu Xiaodong challenged Taiji master in a duel. Which martial art is the best?”(徐曉東約戰太極傳人·功夫·怎樣才算「行」?), the live broadcast and follow up reports were recommended by dozens of media in the whole network such as Toutiao, Netease News (網易新聞), ifeng News (鳳凰新聞), Btime (北京時間) and iQiyi (愛奇藝) which led Xu Xiaodong hot topic event to its climax, attracting nearly a million page views and enhancing our influence in the whole network.



China Arab TV (“CATV”)



In 2017, CATV entered into strategic partnerships with the News Center of CCTV, Guangdong Television, Beijing Television and etc., which placed CATV to become the key partner between Arab countries and mainstream media in China. In May 2017, with the approval from Ministry of Foreign Affairs of the PRC, CATV set up a permanent news agency in Beijing, namely, “CATV China News Center”.

CATV is positioned to report important news on China and Arab countries as well as the news, activities, cultural communication, economic and trade information and tourism information of the Chinese communities in Dubai. CATV also helps local Chinese there to learn more about the UAE society. In addition to the key program “Dubai News”(杜拜新聞快訊), CATV has also produced high-end talk shows. For instance, the Director of the Education Bureau of Dubai and Deputy Economy Minister of the UAE and other important guests were interviewed in the programme “Belt and Road – Chinese-Arabic Interview”(一帶一路•中阿訪談錄) and also Economy Minister of Saudi Arabia during Saudi Arabia king’s visit to China. In May 2017, a team of CATV reporters interviewed “Belt and Road Forum for International Cooperation” in Beijing.

Management Discussion and Analysis

Events

In 2017, CATV held two major events in Dubai, namely “Global Overseas Chinese Spring Gala Dubai”（全球海外華人杜拜春晚）and “Movie Premiere of True Love in Dubai”（電影《真愛》杜拜展映會）. “Global Overseas Chinese Spring Gala Dubai” was primarily aimed to celebrate the Chinese New Year in Dubai and introduce outstanding Chinese culture to the UAE with impressive shows. The programme “Movie Premiere of True Love in Dubai”, hosted by CATV and jointly held by the State Administration of Press, Publication, Radio, Film and Television of the PRC and Chinese Consulate General in Dubai, has also achieved great success and was highly rated by overseas Chinese in the UAE and the local Arabs.

VR Business

V1 VR (former name: Liu Lian VR)

V1 VR (former name: Liu Lian VR) is the pioneer in VR panoramic live broadcasts and paid VR live broadcasts. It has cooperated with HTC VIVE, one of the leading players in the industry, to create a new profit model based on VR advertisement plus VR live broadcasts. Meanwhile, V1 VR collaborated with a number of platforms including Baofeng Mojing（暴風魔鏡）and iQiyi VR to usher in the new era of VR panoramic live broadcasts 2.0. V1 VR has also broadcasted the whole event of the 16th China Internet Conference 2017 in the manner of live video plus VR live, and promoted and distributed such live broadcast content in the whole network.

V1 VR has formed partnership with platforms including Baofeng Mojing and iQiyi VR in respect of VR live broadcast to provide users with high-quality and interesting contents. If users download the latest version of V1 VR from the iQiyi 4K VR headsets, the headset will display its recommendations regarding to live broadcasts on its home page before the broadcast starts.



Meanwhile, V1 VR has established extensive cooperation with Baofeng Mojing to allow users to watch exciting live broadcasts provided by V1 VR with Baofeng Mojing’s Matrix headset without downloading. Users can also experience the best VR live entertainment shows of internet celebrities timely.

Management Discussion and Analysis

Launching VR Panoramic Live Broadcasts

At the beginning of 2017, V1 VR launched the VR live entertainment shows of internet celebrities, which had attracted almost a hundred internet celebrities joining the platform. V1 VR is dedicated to building it into a VR interaction and entertainment platform for the whole community with innovative mobile internet technologies including its proprietary VR live show task system, VR panoramic live broadcast, 180 degrees 3D interaction, voice recognition and e-gift rewards.

Looking forward, V1 VR intends to actively expand its business by signing agreements with about one thousand artists, internet celebrities, anchors and experts to develop the VR live entertainment shows of internet celebrities jointly with VR hardware equipment providers, VR content platforms and data platforms, and to solve the problem of inadequate content in the VR industry, aiming to become one of the key players in the VR live broadcast market.

Game Business

To coordinate with the monetization of the traffic generated from the mini-video news of V1 Portal, V1 Portal launched web games. After nearly two years of cultivation, the revenue of web games is on a growth trend, but its rapid growth depends on the traffic of the mini-video news of V1 Portal.

“Internet Plus” Business

Quick To (快兔出行)



Since its launch, Quick To has adhered to the concept of “Easier Travel”(出行變簡單) and provides users with intelligent, convenient, environment-friendly, low-carbon and efficient ways to travel, which help solve the problem of inconvenient transportation modes faced by people living in the cities for many years. By combining the advantages of mobile internet, bike sharing and new energy automobile, Quick To addresses the difficulties in travel for the user’s 30-50 km and last 3 km journey in the city. The current services have covered Beijing, Tianjin, Shijiazhuang, Nanjing, Guiyang, Haikou, Inner Mongolia, Dali (Yunnan), Danxia

Mountain of Shaoguan, Qinhuangdao, Jilin and other cities and scenic areas. In the second half of the year, based on the operating environment of the cities in China, Quick To will expand into four major areas, including “bike friendly city”, “bike franchise”, “new energy automobile city” and “scenic area expansion”, etc., so as to extend the service area coverage of Quick To. Users simply need to download a Quick To application to start a trip. At the mean time, Quick To also actively assumes social responsibilities and participates in public welfare activities, through which it shares the strength of sharing economy with the public.

Management Discussion and Analysis

Promotional Activities

On 16 March 2017, the “Cute Rabbit Attack, Share Green Bikes”(萌兔來襲·共用綠色輕騎) media salon organized by Quick To was successfully held in Guanshanhu District of Guiyang. In this media salon, Quick To put forward and discussed the future development plan of the brand in respect of how to provide a more convenient short-distance travel service for the people of Guiyang under the wave of domestic sharing economy. The media salon has attracted the attention of various local TV stations, radio, print media, internet media and stakeholders from the bike industry.

Quick To’s shared automobiles successfully landed on Hainan, and a launching ceremony was held in the provincial capital Haikou’s Top United (上邦百匯城). The ceremony attracted the attention of local people and medias. Free charging, free parking, national rescue and car returning in different cities and other supporting services are provided to Quick To shared automobile, which will better meet the living demand of the urban people for a green travel with zero emissions and pollution-free.



On 25 May 2017, the China International Big Data Industry Expo (“Big Data Expo”) was held in Guiyang. In an effort to support the Big Data Expo, Quick To launched the free ride shared bike activity. During the event, participants could ride Quick To’s bikes for unlimited times and miles, which provide logistics support service to the Big Data Expo.

The 6th China Finance Summit 2017 was held in Beijing. Through the public recommendation and selection, the summit elected some outstanding enterprises and individuals in the business sectors. In the witness of many well-known domestic enterprises and authoritative media, Quick To was awarded “The Highest Growth Value Award in 2017”(二零一七最具成長價值獎), which not only represented a recognition of Quick To in the industry, but also an encouragement for Quick To’s continuous growth.

Management Discussion and Analysis

Homeicare (醫護到家)

排名	名称
1	平安好医生
2	好大夫在线
3	微医
4	春雨掌上医生
5	医护到家
6	小豆苗疫苗助手
7	用药助手
8	丁香园
9	医生站
10	数医 160

Based on the solid foundation laid in 2016, Homeicare focuses on the development of vertical integration in home nursing and healthcare in 2017, striving to become a leading home healthcare service provider in China, and specialising in providing home nursing, rehabilitation, maternal and infant care as well as health management services.

The Homeicare is the largest platform to provide home nursing services in China in terms of both number of nurses and number of subscribers. As at 30 June 2017, Homeicare has certified about 32,000 registered nurses covering nearly 300 cities across the country. More than

70% of these nurse practitioners work at Third-level Grade-A hospitals in China. The application has been crowned as “Uber” in the Chinese medical industry.

Since Homeicare is in line with the national elderly home care and combined medical-nursing care related policies, it has received favourable support from various government departments including Beijing Municipal Commission of Health and Family Planning, Ministry of Civil Affairs, China National Committee on Aging and other relevant associations. Various seminars have been convened to discuss the mode of sustainable



development and recommended services. Meanwhile, Homeicare has been elected as the vice president unit of Beijing Community Health Promotion Association, which is the first regional non-profit community group at the provincial level in China whose main task is to promote community health. With its innovative operating model, Homeicare has been further admitted by Beijing Medical Doctor Association as an enterprise board member. In addition, Homeicare has successfully obtained the ISO 9001:2015 Quality Management System Certification, which effectively demonstrates Homeicare’s home nursing service standards have been recognized by an authoritative organization. This means Homeicare will implement stricter standards on home nursing services and provide customers with more reliable services, enhancing its competitive edge over its peers. Homeicare also commenced cooperation with AIG Insurance (美亞保險), the largest foreign-funded insurer in China, by maintaining medical liability insurance for its home nursing services. This made Homeicare become the first underwriting platform of medical liability insurance in China, and enabled its registered nurses and users to be covered by the medical liability insurance.

Management Discussion and Analysis

Homeincare was invited by the international organization ACCESS Health to represent Chinese enterprises to attend the “Aging Asia and the Pacific: Developing Long-Term Care Systems and Effective Responses” meeting convened by Asian Development Bank (“ADB”) in Manila to jointly discuss the vision of elderly care services. Attendees included representatives from the World Health Organization, special project team of ADB, officials, scholars and managers from the government bodies, universities and relevant organizations in countries and regions such as China, Japan, Philippines, Singapore, Malaysia, Thailand, Hong Kong and Taiwan. At the meeting, attendees made special reports and discussions on the current situation of aging issues in Asia from the perspectives of policy condition, economy condition, human resources and enterprise development as well as technical and social support and urban environment needed for the provision of long-term caring.

All-round Publicity Activities to Enhance the Brand Awareness of Homeincare

Homeincare has entered into a brand promotion agreement with Focus Media, Popower and FM103.9 in order to effectively enhance its brand awareness across the country by leveraging the advantages of network media including informativeness, timeliness, interactivity and no geographical limitation on internet. Homeincare also worked jointly with vcbeat.net (動脈網) to release the first home nursing operational big data for 2016, which presents the development status of home nursing services. The demand and development of home nursing service market were well demonstrated through analysis of over 32,000 certified nurse practitioners, more than 30,000 users and more than 100,000 valid orders.

By virtue of its favourable results from comprehensive public assessment and its brand influence, Homeincare was awarded the “Outstanding Brand Image Award in 2017”(二零一七傑出品牌形象獎) at the 6th China Finance Summit 2017.

- **Lottery-related business**

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

The above two websites currently only play the role of publishing lottery information. Sale of lottery tickets in the Internet has ceased and both the assets and goodwill of the Group relating to the lottery-related business were impaired and amortised in 2016.

Management Discussion and Analysis

FINANCIAL REVIEW

Business Segments

	Tele-media business Six months ended 30 June		Lottery-related business Six months ended 30 June		Total Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue from external customers	<u>92,182</u>	<u>70,026</u>	<u>—</u>	<u>—</u>	<u>92,182</u>	<u>70,026</u>
Reportable segment loss	<u>(103,633)</u>	<u>(70,423)</u>	<u>(5,118)</u>	<u>(19,697)</u>	<u>(108,751)</u>	<u>(90,120)</u>

Tele-media Business

The tele-media business contributed a turnover of HK\$92,182,000 to the Group for the six months ended 30 June 2017, representing an increase of around 31.6% as compared with HK\$70,026,000 for the corresponding period last year. Segment loss was HK\$103,633,000 for the period as compared with HK\$70,423,000 for the corresponding period last year.

The growth of tele-media business was driven by the success of newly launched game platforms. During the period, the number of users of our game platforms increased steadily. Pay rate and user retention rate are on the rise. Segment loss was mainly attributable to the fact that the Group's tele-media business was still undergoing a strategic realignment process and cost incurred for the development of a series of new Internet Plus businesses for the coming future.

Lottery-related Business

For the six months ended 30 June 2017, the Group has ceased the sale of lottery tickets in the Internet. The Group currently maintains two websites that only play the role of publishing lottery information. Segment loss was minimised to HK\$5,118,000 as compared with HK\$19,697,000 for the corresponding period last year.

Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 30 June 2017, the Group had HK\$286,454,000 cash and cash equivalents (31 December 2016: HK\$745,535,000). Working capital was HK\$585,152,000 as compared with the working capital of HK\$1,056,877,000 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 2017, the Group's current ratio was 5.0 (31 December 2016: 8.8). Taking into account the financial resources available, the directors ("Director") 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 2017, total assets of the Group amounted to HK\$1,899,055,000 (31 December 2016: HK\$1,991,972,000) which were substantially financed by shareholders' fund of HK\$1,729,002,000 (31 December 2016: HK\$1,833,220,000). There was no change to the Group's capital structure for the period and the number of the issued shares of the Company was 3,297,925,262 shares. The Group's capital structure, as well as cash inflow, are therefore very healthy.

EMPLOYEES REMUNERATION AND BENEFITS

As at 30 June 2017, the Group had a total of 422 employees. That included 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 2017.

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 2017, 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 share options granted	% of total issued share capital
Zhang Lijun	Beneficial owner/ Interest of spouse/ Founder of discretionary trust	371,214,113 (Note 1)	11.26%	12,700,000 (Note 2)	0.39%
Wang Chun	Beneficial owner/ Interest of spouse/ Founder of discretionary trust	371,214,113 (Note 3)	11.26%	12,700,000 (Note 4)	0.39%
Ji Qiang	Beneficial owner	–	–	1,000,000	0.03%
Loke Yu (alias Loke Hoi Lam)	Beneficial owner	–	–	2,700,000	0.08%
Gong Zhankui	Beneficial owner	–	–	2,700,000	0.08%
Wang Linan	Beneficial owner	1,400,000	0.04%	2,700,000	0.08%

Disclosure of Interests in the Share Capital of the Company

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

Note 1: As at 30 June 2017, Dr. Zhang Lijun ("Dr. Zhang") held and was deemed to hold under the SFO in aggregate 371,214,113 Shares, representing approximately 11.26% of the Company's issued share capital. These 371,214,113 Shares comprised: (i) 40,514,113 Shares directly held by Dr. Zhang; (ii) deemed interest of 9,350,000 Shares directly held by Ms. Wang Chun ("Ms. Wang"), the spouse of Dr. Zhang; and (iii) deemed interest of 321,350,000 Shares held by Big Step Group Limited. Big Step Group Limited is a company wholly-owned by J&C Dragon Limited, which in turn is wholly-owned by UBS Trustees (BVI) Limited. UBS Trustees (BVI) Limited is acting in the capacity as the trustee of a discretionary family trust established by Dr. Zhang and Ms. Wang as settlors, and the discretionary beneficiaries of the trust include Dr. Zhang, Ms. Wang and their family members.

Note 2: Of these 12,700,000 share options, 5,000,000 share options are directly held by Dr. Zhang. Dr. Zhang is also deemed to be interested in the remaining 7,700,000 share options through the interest of his spouse, Ms. Wang.

Note 3: As at 30 June 2017, Ms. Wang held and was deemed to hold under the SFO in aggregate 371,214,113 Shares, representing approximately 11.26% of the Company's issued share capital. These 371,214,113 Shares comprised: (i) 9,350,000 Shares directly held by Ms. Wang; (ii) deemed interest of 40,514,113 Shares directly held by Dr. Zhang, the spouse of Ms. Wang; and (iii) deemed interest of 321,350,000 Shares held by Big Step Group Limited. Big Step Group Limited is a company wholly-owned by J&C Dragon Limited, which in turn is wholly-owned by UBS Trustees (BVI) Limited. UBS Trustees (BVI) Limited is acting in the capacity as the trustee of a discretionary family trust established by Ms. Wang and Dr. Zhang as settlors, and the discretionary beneficiaries of the trust include Ms. Wang, Dr. Zhang and their family members.

Note 4: Of these 12,700,000 share options, 7,700,000 share options are directly held by Ms. Wang. Ms. Wang is also deemed to be interested in the remaining 5,000,000 share options through the interest of her spouse, Dr. Zhang.

Disclosure of Interests in the Share Capital of the Company

(B) LONG POSITION IN THE ORDINARY SHARES OF ASSOCIATED CORPORATIONS:

Name of director	Name of associated corporation	Capacity	Number of ordinary shares held	% of total issued share capital
Zhang Lijun	Clear Concept International Limited (Note 1)	Interest of controlled corporation	98	49%
	VODone Holdings Limited (Note 2)	Interest of controlled corporation	2	100%
	VODone Datamedia Technology Co. Ltd. (Note 3)	Interest of controlled corporation	49,000,000	49%
	Bank of Asia (BVI) Limited (Note 6)	Interest of controlled corporation of spouse	8,800,000	5.39%
Wang Chun	Clear Concept International Limited (Note 4)	Interest of controlled corporation of spouse	98	49%
	VODone Holdings Limited (Note 4)	Interest of controlled corporation of spouse	2	100%
	VODone Datamedia Technology Co. Ltd. (Note 4)	Interest of controlled corporation of spouse	49,000,000	49%
	Bank of Asia (BVI) Limited (Note 5)	Interest of controlled corporation	8,800,000	5.39%

Note 1: Clear Concept International Limited ("Clear Concept") is owned as to 51% by the Company and 49% by Bigland Limited, a company wholly-owned by Dr. Zhang. Dr. Zhang is deemed to be interested in Bigland Limited's 49% in Clear Concept under the SFO.

Note 2: VODone Holdings Limited (formerly known as Bentex (Hong Kong) Limited) ("VHL") is a wholly-owned subsidiary of Clear Concept. Dr. Zhang is deemed to be interested in 100% of VHL under the SFO by virtue of his deemed interest in Clear Concept.

Note 3: VODone Datamedia Technology Co. Ltd. ("TMD1") is owned as to 49% by VHL. Dr. Zhang is deemed to be interested in TMD1 under the SFO by virtue of his deemed interest in VHL.

Note 4: Ms. Wang is deemed to be interested in Clear Concept, VHL and TMD1 through Dr. Zhang's deemed interest in the three companies.

Note 5: Bank of Asia (BVI) Limited ("BOA") is owned as to 37.53% by the Company and 5.39% by Oasis Sun Investment Limited ("Oasis Sun"), a company wholly-owned by Ms. Wang. Ms. Wang is deemed to be interested in Oasis Sun's 5.39% in BOA under the SFO.

Note 6: Dr. Zhang is deemed to be interested in BOA through Ms. Wang's deemed interest in BOA.

Disclosure of Interests in the Share Capital of the Company

(B) LONG POSITION IN THE ORDINARY SHARES OF ASSOCIATED CORPORATIONS: *(Continued)*

Save as disclosed herein, as at 30 June 2017, 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 2017, 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”).

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:

Category/Name of participant	Date of grant	Number of shares issuable under share options				At 30 June 2017	Exercise price HK\$	Exercise period
		At 1 January 2017	Granted during the period	Exercised during the period	Lapsed during the period			
Executive directors								
Zhang Lijun	17 April 2014	2,100,000	–	–	(2,100,000)	–	0.750	17/04/2014 to 16/04/2017
	16 October 2015	3,000,000	–	–	–	3,000,000	0.570	16/10/2015 to 15/10/2018
	2 September 2016	2,000,000	–	–	–	2,000,000	0.371	02/09/2016 to 01/09/2019
		<u>7,100,000</u>	<u>–</u>	<u>–</u>	<u>(2,100,000)</u>	<u>5,000,000</u>		
Wang Chun	17 April 2014	2,100,000	–	–	(2,100,000)	–	0.750	17/04/2014 to 16/04/2017
	16 October 2015	5,700,000	–	–	–	5,700,000	0.570	16/10/2015 to 15/10/2018
	2 September 2016	2,000,000	–	–	–	2,000,000	0.371	02/09/2016 to 01/09/2019
		<u>9,800,000</u>	<u>–</u>	<u>–</u>	<u>(2,100,000)</u>	<u>7,700,000</u>		
Ji Qiang <i>(note)</i>	17 April 2014	200,000	–	–	(200,000)	–	0.750	17/04/2014 to 16/04/2017
	16 October 2015	1,000,000	–	–	–	1,000,000	0.570	16/10/2015 to 15/10/2018
		<u>1,200,000</u>	<u>–</u>	<u>–</u>	<u>(200,000)</u>	<u>1,000,000</u>		
Sub-total		<u>18,100,000</u>	<u>–</u>	<u>–</u>	<u>(4,400,000)</u>	<u>13,700,000</u>		

Share Option Schemes

Category/Name of participant	Date of grant	Number of shares issuable under share options				At 30 June 2017	Exercise price HK\$	Exercise period
		At 1 January 2017	Granted during the period	Exercised during the period	Lapsed during the period			
Independent non-executive directors								
Loke Yu (alias Loke Hoi Lam)	17 April 2014	400,000	-	-	(400,000)	-	0.750	17/04/2014 to 16/04/2017
	16 October 2015	2,000,000	-	-	-	2,000,000	0.570	16/10/2015 to 15/10/2018
	2 September 2016	700,000	-	-	-	700,000	0.371	02/09/2016 to 01/09/2019
		<u>3,100,000</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>2,700,000</u>		
Gong Zhankui	16 October 2015	2,000,000	-	-	-	2,000,000	0.570	16/10/2015 to 15/10/2018
	2 September 2016	700,000	-	-	-	700,000	0.371	02/09/2016 to 01/09/2019
		<u>2,700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,700,000</u>		
Wang Linan	17 April 2014	300,000	-	-	(300,000)	-	0.750	17/04/2014 to 16/04/2017
	16 October 2015	2,000,000	-	-	-	2,000,000	0.570	16/10/2015 to 15/10/2018
	2 September 2016	700,000	-	-	-	700,000	0.371	02/09/2016 to 01/09/2019
		<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>2,700,000</u>		
Sub-total		<u>8,800,000</u>	<u>-</u>	<u>-</u>	<u>(700,000)</u>	<u>8,100,000</u>		
Employees	17 April 2014	14,900,000	-	-	(14,900,000)	-	0.750	17/04/2014 to 16/04/2017
	16 October 2015	32,300,000	-	-	-	32,300,000	0.570	16/10/2015 to 15/10/2018
	2 September 2016	8,900,000	-	-	-	8,900,000	0.371	02/09/2016 to 01/09/2019
Sub-total		<u>56,100,000</u>	<u>-</u>	<u>-</u>	<u>(14,900,000)</u>	<u>41,200,000</u>		
Total		<u>83,000,000</u>	<u>-</u>	<u>-</u>	<u>(20,000,000)</u>	<u>63,000,000</u>		

Note: Mr. Ji Qiang was appointed as an executive director of the Company on 24 March 2017. Accordingly, his share options are reclassified from the employees category to executive directors category.

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 2017 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 22 May 2017 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.

Corporate Governance and Other Information

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 2016 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 31 May 2017, has been appointed as an independent non-executive director of Hong Kong Resources Holdings Company 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.

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

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 2017 have been reviewed by the audit committee of the Company which comprises the three independent non-executive Directors.

By Order of the Board
V1 Group Limited
ZHANG Lijun
Chairman

Hong Kong, 29 August 2017