



第一视频
V1 GROUP LIMITED

Interim Report
2018

V1 GROUP LIMITED

(Incorporated in Bermuda with limited liability)
Stock code: 82

	Pages
Corporate Information	2
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to Financial Statements	8
Management Discussion and Analysis	37
Disclosure of Interests in the Share Capital of the Company	44
Share Option Schemes	48
Share Award Scheme	50
Corporate Governance and Other Information	51

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Zhang Lijun (*Chairman*)
Ms. Wang Chun
Mr. Ji Qiang

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

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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 2018, together with the comparative figures of the corresponding period in 2017.

Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
	Notes	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	6	1,565,159	92,182
Cost of revenue		1,571,638	(162,398)
Gross loss		(6,479)	(70,216)
Other gains and losses	7	3,632	6,736
Selling and marketing expenses		(22,677)	(13,497)
Administrative expenses		(91,731)	(41,491)
Share of losses of associates		(15,549)	(4,979)
Loss before income tax	8	(132,804)	(123,447)
Income tax	9	-	-
LOSS FOR THE PERIOD		(132,804)	(123,447)
Other comprehensive income			
Items that maybe reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		21,544	1,540
Exchange differences arising on translation of foreign operations		(11,641)	15,716
Other comprehensive income for the period		9,903	17,256
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(122,901)	(106,191)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(130,083)	(120,749)
Non-controlling interests		(2,721)	(2,698)
		(132,804)	(123,447)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(120,361)	(104,346)
Non-controlling interests		(2,540)	(1,845)
		(122,901)	(106,191)
LOSS PER SHARE			
- Basic (HK cents)	10	(3.94) cents	(3.66) cents
- Diluted (HK cents)	10	(3.94) cents	(3.66) cents

Condensed Consolidated Statement of Financial Position

		As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	11	13,935	16,429
Interests in associates	12	259,155	273,617
Goodwill	13	102,490	102,702
Intangible assets		369,640	386,325
Financial assets at fair value through other comprehensive income	14	374,662	–
Financial assets at fair value through profit or loss	14	40,801	–
Other financial assets	14	–	364,450
		<u>1,160,683</u>	<u>1,143,523</u>
CURRENT ASSETS			
Inventories		62,575	–
Other receivables, deposits and prepayments		129,309	63,560
Financial assets at fair value through other comprehensive income	14	5,285	–
Other financial assets	14	–	2,312
Amount due from an associate		35,105	60,645
Amounts due from related companies		4,004	4,099
Bank balances and cash		266,971	451,771
		<u>503,249</u>	<u>582,387</u>
CURRENT LIABILITIES			
Trade payables	15	580	–
Deposits received, other payables and accruals		103,560	37,599
Amount due to an associate		338	379
Amounts due to related companies		3,353	58,304
Tax payable		112,094	112,094
		<u>219,925</u>	<u>208,376</u>
NET CURRENT ASSETS		<u>283,324</u>	<u>374,011</u>
NET ASSETS		<u>1,444,007</u>	<u>1,517,534</u>

Condensed Consolidated Statement of Financial Position

		As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
	Notes		
EQUITY			
Share capital	16	33,392	32,979
Reserves		<u>1,391,914</u>	<u>1,463,279</u>
Equity attributable to owners of the Company		<u>1,425,306</u>	<u>1,496,258</u>
Non-controlling interests		<u>18,701</u>	<u>21,276</u>
TOTAL EQUITY		<u>1,444,007</u>	<u>1,517,534</u>

Condensed Consolidated Statement of Changes in Equity

Attributable to owners of the Company

	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/(accumulated losses) HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000	
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	
Balance at 31 December 2017 as originally presented	32,979	1,488,282	1,059,408	5,307	(5,518)	36,514	(1,120,714)	21,276	1,517,534	
Initial application of HKFRS 9 (note 3)	-	-	-	-	7,375	-	-	-	7,375	
Restated balances at 1 January 2018	32,979	1,488,282	1,059,408	5,307	1,857	36,514	(1,120,714)	21,276	1,524,909	
Profit or loss	-	-	-	-	-	-	(130,083)	(2,721)	(132,804)	
Other comprehensive income	-	-	-	-	21,544	(11,822)	-	181	9,903	
Total comprehensive income	-	-	-	-	21,544	(11,822)	(130,083)	(2,540)	(122,901)	
Capital injection in a subsidiary	-	-	-	-	-	-	35	(35)	-	
Exercise of share option (note 16)	413	21,115	-	(3,357)	-	-	-	-	18,171	
Recognition of share-based payment expenses	-	-	-	23,828	-	-	-	-	23,828	
At 30 June 2018 (unaudited)	33,392	1,509,397	1,059,408	25,778	23,401	24,692	(1,250,762)	18,701	1,444,007	

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(173,662)	(118,438)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(22,426)	(338,385)
NET CASH INFLOW FROM FINANCING ACTIVITIES	18,171	—
	<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS	(177,917)	(456,823)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	(6,883)	(2,258)
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	451,771	745,535
	<hr/>	<hr/>
CASH AND CASH EQUIVALENT AT END OF PERIOD	266,971	286,454
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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 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 telemedia 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. BASIC OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements were authorised for issue on 31 August 2018.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2017 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018. This is the first set of the Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 3.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

2. BASIC OF PREPARATION *(Continued)*

These condensed consolidated interim financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2017 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2017 consolidated financial statements.

These condensed consolidated interim financial statements are unaudited.

3. ACCOUNTING POLICIES

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28 HK(IFRIC)-Interpretation 22	Investments in Associates and Joint Ventures Foreign Currency Transactions and Advance Considerations

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3A below) and HKFRS 15 Revenue from Contracts with Customers (see note 3B below) have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the group’s accounting policies.

Notes to Financial Statements

3. ACCOUNTING POLICIES *(Continued)*

A. HKFRS 9: Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

(i) Classification and measurement of financial instruments

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

3. ACCOUNTING POLICIES *(Continued)*

A. HKFRS 9: Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes to Financial Statements

3. ACCOUNTING POLICIES (Continued)

A. HKFRS 9: Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

3. ACCOUNTING POLICIES (Continued)

A. HKFRS 9: Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as	Carrying amount as
			at 1 January 2018 under HKAS 39 HK\$'000	at 1 January 2018 under HKFRS 9 HK\$'000
Unlisted debt investments	Available-for-sale (at FVOCI)	FVOCI	2,312	2,312
Investment funds	Available-for-sale (at FVOCI)	FVOCI	69,607	69,607
Investment funds	Available-for-sale (at cost) <i>(note 3A(i)(a))</i>	FVOCI	287,157	294,532
Unlisted equity investments	Available-for-sale (at cost)	FVTPL	7,686	7,686
Other receivables	Loans and receivables	Amortised cost	7,593	7,593
Amounts due from an associate	Loans and receivables	Amortised cost	60,645	60,645
Amount due from related companies	Loans and receivables	Amortised cost	4,099	4,099
Bank balances and cash	Loans and receivables	Amortised cost	451,771	451,771

- (a) As of 1 January 2018, certain investment funds were reclassified from available-for-sale financial assets to FVOCI. The Group intends to hold these equity investments for long term strategic purposes. These investment funds has no quoted price in an active market. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVOCI. As a result, financial assets with a fair value of approximately HK\$294,532,000 were reclassified from available-for-sale financial assets to FVOCI. As at 1 January 2018, the difference between the previous carrying amount and the fair value of HK\$7,375,000 has been credited to investment revaluation reserve.

Notes to Financial Statements

3. ACCOUNTING POLICIES *(Continued)*

A. HKFRS 9: Financial Instruments *(Continued)*

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for financial assets at amortised costs, and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, other receivables: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

3. ACCOUNTING POLICIES *(Continued)*

A. HKFRS 9: Financial Instruments *(Continued)*

(ii) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For all the financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Impact of the ECL model

The Group established expected credit losses model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of expected credit losses on financial assets is insignificant as at 1 January 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

Notes to Financial Statements

3. ACCOUNTING POLICIES *(Continued)*

A. HKFRS 9: Financial Instruments *(Continued)*

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

3. ACCOUNTING POLICIES *(Continued)*

B. HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The Group has applied the following accounting policy for revenue recognition in the preparation of these condensed consolidated interim financial statements:

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations.
- Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group has reviewed the impact of HKFRS 15 and considered that HKFRS 15 has no significant financial effect on these condensed consolidated interim financial statements.

Notes to Financial Statements

3. ACCOUNTING POLICIES *(Continued)*

B. HKFRS 15: Revenue from Contracts with Customers *(Continued)*

Details of the new significant accounting and the nature of the changes to previous accounting policy in relation to the Group's various goods are set out below:

Products	Nature of the goods and satisfaction of performance obligations	Nature of change in accounting policy and impact on 1 January 2018
Advertising and service income	Revenue is recognised over time as those services are provided. Invoices for advertising and services are issued on a monthly basis and are usually payable within 30 days.	HKFRS 15 did not result in significant impact on the Group's accounting policies.
E-commerce trading income	Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. All e-commerce invoices are issued after the acceptance of products and all amount has been prepaid by the customers before delivery.	HKFRS 15 did not result in significant impact on the Group's accounting policies.

4. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2017, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in Note 3.

5. SEGMENT REPORTING

(a) Reportable segments

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

In 2017, 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:

- Telemedia business – Provision of internet information services, including mini-video news portal and self-produced original news commentary programs, mini-video news platform for the mobile clients, online games, online shows, other internet plus business; and online trading platform which applies the blockchain technology.
- Lottery-related business – Provision of lottery information services.

Due to the suspension of lottery related business by the PRC Government since 1 March 2015, the Group recorded a continuous contraction of the lottery segment. Since the lottery segment became insignificant to the operation of the Group, the Chief Operating Decision Maker ("CODM") will not make strategic decisions based on segment results of the lottery segment.

Notes to Financial Statements

5. SEGMENT REPORTING *(Continued)*

(a) Reportable segments *(Continued)*

During the period, information reported to the CODM, for the purposes of resource allocation and assessment of segment performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the CODM have determined that the Group has only one single reportable segment which is the tele-media business. The CODM allocate resources and assess performance on an aggregated basis.

(b) Geographical information

During the six months ended 30 June 2017 and 2018, 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.

(c) Major customers

Revenue from three customers (2017: one customer) of the corresponding periods contributing over 10% of the total sales of the Group are as follows:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
TMD1 <i>(note)</i>	25,280	90,779
Customer A	471,428	–
Customer B	211,611	–
Customer C	204,768	–

Note: In 2017, the Group's associate was a major customer with whom transactions have exceeded 10% of the Group's revenues. For the period ended 30 June 2017, revenue from the Group's associate amounted to approximately HK\$90,779,000. For the period ended 30 June 2018, revenue from the Group's associate amounted to approximately HK\$25,280,000.

Notes to Financial Statements

6. 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Telemedia business:		
– advertising and service income, sales of internet games products and e-commerce trading income	1,565,159	92,182

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	3,895	1,339
Government grants	1,228	–
Net foreign exchange losses	(810)	(570)
Others	(681)	(321)
Gain on disposal of other financial assets	–	6,290
Loss on disposal of property, plant and equipment	–	(2)
	<u>3,632</u>	<u>6,736</u>

Notes to Financial Statements

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	1,411	4,947
Amortisation of intangible assets	15,798	17,801
Carrying amount of inventories sold	1,537,963	–
Auditor's remuneration	513	28
Staff costs (excluding directors' remuneration)		
Salaries and wages	25,671	12,569
Pension fund contributions	1,918	1,462
Share-based payments	23,259	96
	<hr/>	<hr/>
	50,848	14,127

9. INCOME TAX

No provision was made for Hong Kong profits tax as the Group had no assessable profits in 2017 and 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% in 2017. No provision was made for PRC income tax as the Group had no assessable income in 2017 and 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

10. 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss for the period for the purpose of basic and diluted loss per share calculation	<u>(130,083)</u>	<u>(120,749)</u>

Number of shares

	Six months ended 30 June	
	2018 (Unaudited) '000	2017 (Unaudited) '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>3,301,429</u>	<u>3,297,925</u>

Loss per share

	Six months ended 30 June	
	2018 (Unaudited) HK cents	2017 (Unaudited) HK cents
Basic loss per share	<u>(3.94)</u>	<u>(3.66)</u>
Diluted loss per share	<u>(3.94)</u>	<u>(3.66)</u>

The computation of diluted loss per share for the six months ended 30 June 2018 and 2017 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

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$906,000 (2017: HK\$18,625,000).

12. INTERESTS IN ASSOCIATES

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Share of net assets	55,234	70,245
Goodwill	244,533	244,543
	<hr/>	<hr/>
	299,767	314,788
Less: impairment	(40,612)	(41,171)
	<hr/>	<hr/>
	259,155	273,617
	<hr/>	<hr/>

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 telemedia business support and content services
北京迷你威網絡科技有限公司	Corporation	PRC	49%	Inactive
Bank of Asia (BVI) Limited ("BOA")	Limited company	BVI	37.53%	Provision of offshore internet banking services
Roc and Partners Limited	Limited company	BVI	30%	Inactive

Notes to Financial Statements

12. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information (material associate):

TMD1	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Total assets	124,013	149,497
Total liabilities	<u>(158,143)</u>	<u>(183,956)</u>
Net liabilities of the associate	<u>(34,130)</u>	<u>(34,459)</u>
Carrying amount of the Group's interest in the associate	<u>—</u>	<u>—</u>
	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	<u>25,407</u>	<u>91,073</u>
(Loss)/profit for the period	<u>(86)</u>	<u>61</u>
Group's share of the associate's loss for the period	<u>(50)</u>	<u>—</u>

Notes to Financial Statements

12. INTERESTS IN ASSOCIATES *(Continued)*

BOA	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Total assets	186,819	235,601
Total liabilities	<u>(735)</u>	<u>(6,829)</u>
Net assets	<u>186,084</u>	<u>228,772</u>
Carrying amount of the Group's interest in the associate	<u>186,084</u>	<u>270,528</u>
	Six months ended 30 June 2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	<u>–</u>	<u>–</u>
Loss for the period	<u>(40,721)</u>	<u>(13,238)</u>
Group's share of the associate's loss for the period	<u>(15,489)</u>	<u>(4,969)</u>

13. GOODWILL

	HK\$'000
Cost:	
At 1 January 2017	421,658
Acquisition of subsidiaries	18,549
Exchange adjustments	<u>31,482</u>
At 31 December 2017	471,689
Acquisition of a subsidiary	1,006
Exchange adjustments	<u>(5,793)</u>
At 30 June 2018	<u>466,902</u>
Accumulated impairment losses:	
At 1 January 2017	334,791
Additions	8,932
Exchange adjustments	<u>25,264</u>
At 31 December 2017	368,987
Exchange adjustments	<u>(4,575)</u>
At 30 June 2018	<u>364,412</u>
Carrying amount:	
At 30 June 2018 (unaudited)	<u>102,490</u>
At 31 December 2017 (audited)	<u>102,702</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 2018 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

14. OTHER FINANCIAL ASSETS

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Current portion:		
Financial assets at fair value through other comprehensive income:		
– Compensation arising from profit guarantee arrangement of 3GUU Group (<i>note (a)</i>)	5,285	2,312
Non-current portion:		
Financial assets at fair value through other comprehensive income:		
– Investment funds (<i>note (b)</i>)	374,662	356,764
Financial assets at fair value through profit or loss:		
– Unlisted equity investments (<i>note (c)</i>)	40,801	7,686
	415,463	364,450

These investments were reclassified from available-for-sale investments of HK\$364,450,000 at 1 January 2018 after the adoption of HKFRS 9 as detailed in Note 3. The fair value of these investments as at 1 January 2018 and 30 June 2018 were estimated by the management.

Notes:

- (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 financial asset at fair value through other comprehensive income (2017: the compensation was classified as available-for-sale financial asset at fair value through other comprehensive income).

14. OTHER FINANCIAL ASSETS *(Continued)*

Notes: *(Continued)*

(b) The investment funds are as follows:

- (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 of this Mobile Internet Fund and does not have control nor significant influence in the Mobile Internet Fund's operational and financing decisions. The Directors classified the investment as financial asset at fair value through other comprehensive income of approximately HK\$214,848,000. (2017: it is classified as available-for-sales financial asset carried at cost of approximately HK\$189,512,000).

At the end of the reporting period, the Group had invested US\$24,453,153 (equivalent to HK\$191,705,000)(2017: HK\$189,512,000) to the Mobile Internet Fund.

- (ii) 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\$65,875,000). The fund is classified as financial asset as fair value through other comprehensive income at approximately HK\$69,892,000. (2017: it is classified as available-for-sale financial asset at fair value through other comprehensive income at approximately HK\$69,607,000).

Notes to Financial Statements

14. OTHER FINANCIAL ASSETS (Continued)

Notes: (Continued)

(b) (Continued)

- (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 of Golden Rock and does not have control nor significant influence in its operational and financing decisions. The Directors classified the investment as financial asset as fair value through other comprehensive income. (2017: it is classified as available-for-sale financial asset at cost).
- (iv) On 1 August 2017, the Company entered into a Limited Partnership Agreement (the "Agreement") to subscribe, as a limited partner, in the total amount of RMB100,000,000 (equivalent to HK\$118,610,000) of Hangzhou CICC Qianhai Weiyi Investment Partnership (previously known as "Hangzhou Jieqiao Investment Management Partnership") (the "CICC Qianhai Weiyi Fund"). The timing of capital contribution of the investment is generally on an "as needed" basis.

CICC Qianhai Weiyi Fund is established in the PRC and is principally engaged in asset and investment management. It is established to achieve long-term capital appreciation primarily through privately-negotiated investments in internet, artificial intelligence and medical and health care industries. The Group is a limited partner of this CICC Qianhai Weiyi Fund and does not have control nor significant influence in the CICC Qianhai Weiyi Fund's operational and financing decisions. The Directors classified the investment as financial asset as fair value through other comprehensive income (2017: it is classified as available-for-sale financial asset at cost).

(c) The unlisted equity investments are as follows:

- (i) On 28 February 2017, the Group invested in 10% equity interest in Hangzhou Yixin Technology Limited, a company incorporated in the PRC, at a consideration of RMB6,400,000 (equivalent to HK\$7,686,000). The Group does not have control nor significant influence on the investee. The investment is classified as a financial asset as fair value through profit or loss (2017: it is classified as available-for-sale financial asset at cost).
- (ii) On 9 February 2018, the Group invested in 8% equity interest in Shenzhen Qianhai Shou Hui Technology Cultural Limited, a company incorporated in the PRC, at a consideration of RMB28,000,000 (equivalent to HK\$33,210,000). The Group does not have control nor significant influence on the investee. The investment is classified as a financial asset as fair value through profit or loss.

Notes to Financial Statements

15. TRADE PAYABLES

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

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Current or less than 1 month	<u>580</u>	<u>–</u>

16. SHARE CAPITAL

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (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>		
3,339,175,262 (31 December 2017: 3,297,925,262) ordinary shares of HK\$0.01 each	<u>33,392</u>	<u>32,979</u>

During the period, certain options were exercised to subscribe for a total of 41,250,000 ordinary shares in the Company ("Shares") at an aggregate consideration of HK\$18,171,000 of which HK\$413,000 was credited to share capital and the balance of HK\$17,758,000 was credited to the share premium account. HK\$3,357,000 has been transferred from the share-based compensation reserve to the share premium account accordingly.

Notes to Financial Statements

17. OPERATING LEASE ARRANGEMENTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases	<u>9,389</u>	<u>6,608</u>

At 30 June 2018, 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 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Within one year	16,598	19,159
In the second to fifth years, inclusive	<u>30,464</u>	<u>38,165</u>
	<u>47,062</u>	<u>57,324</u>

18. COMMITMENTS

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Contracted, but not provided for:		
– Investment of investment fund (note 14(b)(i) and (iv))	<u>127,633</u>	<u>125,650</u>

19. SHARE-BASED PAYMENT

Equity-settled share option scheme of the Company

On 27 April 2012, the shareholders of the Company approved a new share option scheme (the "V1 Group Scheme") and adopted 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.

2018

	Number of shares issuable under share options				At the end of the period	Exercise price HK\$	Exercise period
	At beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period			
Executive directors							
Zhang Lijun							
- on 16 October 2015	3,000,000	-	-	-	3,000,000	0.570	16/10/2015 to 15/10/2018
- on 2 September 2016	2,000,000	-	-	-	2,000,000	0.371	02/09/2016 to 01/09/2019
- on 25 January 2018	-	2,000,000	-	-	2,000,000	0.229	25/01/2018 to 24/01/2021
	<u>5,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>7,000,000</u>		
Wang Chun							
- on 16 October 2015	5,700,000	-	-	-	5,700,000	0.570	16/10/2015 to 15/10/2018
- on 2 September 2016	2,000,000	-	-	-	2,000,000	0.371	02/09/2016 to 01/09/2019
- on 25 January 2018	-	3,000,000	-	-	3,000,000	0.229	25/01/2018 to 24/01/2021
	<u>7,700,000</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>10,700,000</u>		
Li Qiang							
- on 16 October 2015	1,000,000	-	-	-	1,000,000	0.570	16/10/2015 to 15/10/2018
- on 25 January 2018	-	750,000	(750,000)	-	-	0.229	25/01/2018 to 24/01/2021
	<u>1,000,000</u>	<u>750,000</u>	<u>(750,000)</u>	<u>-</u>	<u>1,000,000</u>		
Sub-total	<u>13,700,000</u>	<u>5,750,000</u>	<u>(750,000)</u>	<u>-</u>	<u>18,700,000</u>		

Notes to Financial Statements

19. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme of the Company (Continued)

2018 (Continued)

	Number of shares issuable under share options				At the end of the period	Exercise price HK\$	Exercise period
	At beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period			
Independent non-executive directors							
Loke Yu (alias Loke Hoi Lam)							
- on 16 October 2015	2,000,000	-	-	-	2,000,000	0.570	16/10/2015 to 15/10/2018
- on 2 September 2016	700,000	-	-	-	700,000	0.371	02/09/2016 to 01/09/2019
- on 25 January 2018	-	750,000	-	-	750,000	0.229	25/01/2018 to 24/01/2021
	<u>2,700,000</u>	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>3,450,000</u>		
Wang Linan							
- on 16 October 2015	2,000,000	-	-	-	2,000,000	0.570	16/10/2015 to 15/10/2018
- on 2 September 2016	700,000	-	-	-	700,000	0.371	02/09/2016 to 01/09/2019
- on 25 January 2018	-	750,000	-	-	750,000	0.229	25/01/2018 to 24/01/2021
	<u>2,700,000</u>	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>3,450,000</u>		
Gong Zhankui							
- on 16 October 2015	2,000,000	-	-	-	2,000,000	0.570	16/10/2015 to 15/10/2018
- on 2 September 2016	700,000	-	-	-	700,000	0.371	02/09/2016 to 01/09/2019
- on 25 January 2018	-	750,000	-	-	750,000	0.229	25/01/2018 to 24/01/2021
	<u>2,700,000</u>	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>3,450,000</u>		
Sub-total	<u>8,100,000</u>	<u>2,250,000</u>	<u>-</u>	<u>-</u>	<u>10,350,000</u>		
Employees/others							
- on 16 October 2015	32,300,000	-	(23,500,000)	-	8,800,000	0.570	16/10/2015 to 15/10/2018
- on 2 September 2016	8,900,000	-	(5,000,000)	-	3,900,000	0.371	02/09/2016 to 01/09/2019
- on 25 January 2018	-	12,000,000	(12,000,000)	-	-	0.229	25/01/2018 to 24/01/2021
- on 3 May 2018	-	150,000,000	-	-	150,000,000	0.550	03/05/2018 to 02/05/2019
	<u>41,200,000</u>	<u>162,000,000</u>	<u>(40,500,000)</u>	<u>-</u>	<u>162,700,000</u>		
Sub-total	<u>41,200,000</u>	<u>162,000,000</u>	<u>(40,500,000)</u>	<u>-</u>	<u>162,700,000</u>		
Total	<u>63,000,000</u>	<u>170,000,000</u>	<u>(41,250,000)</u>	<u>-</u>	<u>191,750,000</u>		

20. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Service fee income earned from an associate, TMD1	<u>25,280</u>	<u>90,779</u>
Management fee charged by TMD1	<u>30,465</u>	<u>134,505</u>
Acquisition of interests in subsidiaries from VODone Telemedia Co. Ltd.	<u>–</u>	<u>2,591</u>

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

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Short term benefits	<u>12,422</u>	<u>9,100</u>

- (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.

Notes to Financial Statements

21. EVENT AFTER THE REPORTING PERIOD

On 30 July 2018, the Company and Rising Green Limited entered into a conditional sale and purchase agreement pursuant to which the Company has conditionally agreed to acquire the entire issued shares of Easy Prime Developments Limited at a consideration of HK\$630,000,000, which will be satisfied by cash and the issue of consideration shares and convertible bonds, as detailed in the Company's announcement dated 30 July 2018. After completion of the acquisition, the Company will gain effective control over the financing and operations and enjoy the economic interest and benefits of the 北京瘋狂體育產業管理有限公司 (Beijing Crazy Sports Management Company Limited*).

22. 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 31 August 2018.

* *for identification purposes only*

OPERATING RESULTS

Turnover of the Group for the six months ended 30 June 2018 amounted to HK\$1,565,159,000, representing an increase of around 1,598.0% as compared with the corresponding period last year. Loss attributable to the owners of the Company for the period was HK\$130,083,000, representing an increase of around 7.7% as compared with the corresponding period last year. If the share-based payment expenses of HK\$23,828,000 (six months ended 30 June 2017: nil) in relation to share options granted during the current period were not taken into account, loss attributable to the owners of the Company for the period was HK\$106,255,000, representing a decrease of around 12.0% as compared with the corresponding period last year.

BUSINESS REVIEW AND DEVELOPMENT

In the first half of 2018, the Group adheres to the principle of “digital + new culture and entertainment”, and focuses on developing the telemedia business, which includes internet audio-visual new media, China Arab TV and Liangzi Gang, among which Liangzi Gang, as a new business, has the courage to expand in the market and has significantly increased the Group’s turnover.

- **Telemedia Business**

V1 Portal

In the first half of 2018, the short video industry in the PRC was surging as industry tycoons took the plunge in short videos, which intensified competition. The market scale for the year has been expanded rapidly, while the user base will soon exceed 350 million.

Against this backdrop, V1 Portal increased the input in research and development of short video products and continued to introduce new product features to cater for the personalized needs of younger users and explore the new content marketing under the new market environment. The contents of short videos primarily features original commentary programs, which set up a discussion forum comprising of renowned experts and scholars in the PRC plus the grass root, thus achieving video socialization by attracting users to read, comment on and stay tuned for the posts.

Introducing a Brand-New Application

V1 Portal is positioned as the first short video commentary and social platform in the PRC. In May 2018, a brand-new V1.CN application was revealed to introduce the first dual interface function in the video media industry. It allows users to switch between pages with a single tap to browse contents of different styles. The application is also equipped with new social video functions for users to comment by producing videos. It provides users with various personalized templates for video comments, highlighting social personalities. Since the launch of the brand-new V1.CN application, its active users have increased dramatically by 227%.

Management Discussion and Analysis

Richly Cultivated in Original Programs

V1 Portal endeavors to produce a live commentary program, namely “World Insight” (坐視天下), which invites renowned experts, scholars and commentators to comment on hot social affairs with their incisive vision and unique perspective. Since the program was broadcast in March this year, it has been featured on many online media including Toutiao (今日頭條), Yidianzixun (一點資訊), ifeng News (鳳凰新聞), Sohu News (搜狐新聞), Tencent News (騰訊新聞), Kuaibao (天天快報), Sina Video (新浪視頻) and Baidu (百度). The accumulated video views of the 70 episodes of the program have reached 70,000,000 times, increasing the influence of V1 Group’s original contents.



Exploring New Live Broadcast Business

Ever since V1 Portal joined the “New Times Online Positive Energy Live” (新時代網上正能量直播矩陣), it has regarded the task as a major annual project and has thus made deployments and arrangements accordingly. In particular, the themed broadcasts of “Drums of War” (戰鼓陣陣), “Here Comes the Judge” (法官來了) and “The 40th Anniversary of Reform and Opening-up Concert” (改革開放40周年音樂會) achieved good dissemination effect and received great compliments from netizens.

Apart from completing the live broadcasting activities of the “New Times Online Positive Energy Live”, we also strengthened our collaboration with our partners. For example, we maintained cooperation with CCTV with respect to the ongoing grand joint-media program “Waiting for Me” (等著我在行動·我會找到你); we also cooperated with Tianyin Interactive (天音互動) to broadcast live concerts such as the “in-Music Concert Tour” (in-Music “音”為你巡迴演唱會) series, enriching the live content of platforms while accumulating rich experience in commercialized live broadcast.

Development Direction in the Second Half of 2018

A new membership awards program

V1.CN application offers a membership awards program to connect contents plus retail, enabling registered users to earn award points after completing missions given by the platform. Award points can be redeemed as cash or exchanged for products or services.

Continuous production of quality contents

Based on verticalized contents including finance, culture and food etc. V1 Portal will refine the procedures of content production and professional operation, focusing on achieving the commercialization of short video contents. We place the emphasis on the IP right of its live commentary and video on demand programs, such as “World Insight” and “Learning Chinese Idioms with Wenyun” (文運成語), to distribute and attain commercial value on the internet.

Management Discussion and Analysis

Commercialized live broadcast

V1 Portal will actively expand the team of high quality anchors, initiate commercial live broadcast cooperation with vertical platforms and output live broadcast and on demand contents to achieve commercialization.

Update on the License

On 15 March 2018, Vodone Telemedia Co., Ltd (“VODONE”) made an application to State Administration of Radio and Television (formerly known as the State Administration of Press, Publication, Radio, Film and Television of the PRC) (“SAPPRFT”) for the renewal of the License for Spreading Audio-Visual Programs via Information Network (信息網絡傳播視聽節目許可證) (the “License”). The License had expired following 30 April 2018. However, up to the date of this report, VODONE has not obtained the approval from SAPPRFT for such renewal. In this regard, the Company’s PRC legal adviser had consulted SAPPRFT in June 2018 and it was understood that if there are changes in the VIE structure and/or ownership of the Company (i.e. the shareholding interest of Dr. Zhang Lijun in the Company) and VODONE, there might be concerns from SAPPRFT as it will take into account these factors in considering the renewal/grant of the License, as detailed in the Company’s announcements dated 12 June 2018 and 30 July 2018.

China Arab TV (“CATV”)

CATV continued to increase its influence in the Arabic regions by introducing its Arabic official website (<http://www.catv.ae>) and social media platform in 2018. The official website contents include an introduction of the CATV platform, prime programs, news reports, marketing activities and information on external partnerships. Demonstrating the international position held by and the quality contents broadcast by CATV, the website is one of the essential channels for people living in Arabic regions to obtain the latest updates of the PRC.

Strategic Partnerships

In April 2018, CATV organized the “CATV Strategic Partnerships Conference” in Beijing. Programs under the partnerships mainly include: (1) cooperation with central media of the PRC to accelerate information dissemination, and share information and knowledge between the PRC and Arab in a timely manner; (2) inviting renowned Chinese educational institutions as the think tanks of CATV in the PRC, which not only facilitates personnel exchange between both sides, but also provides us with updates of professional think tank research results; (3) crossover collaboration with platforms such as entertainment and fashion to complement each other’s strengths and broaden the line of business. Representatives from the State Council Information Office of the PRC and Ministry of Foreign Affairs of the PRC, person in charge of various mainstream media of the PRC, think tank experts of renowned Chinese educational institutions and strategic crossover partners attended the event that day.



Management Discussion and Analysis

The Contract Signing and Inauguration Ceremony of the “China Theatre”



In July 2018, the China Media Group and CATV organized the contract signing and inauguration ceremony of China-UAE “China Theatre” (中國劇場) in Dubai. Pursuant to the agreement between both parties, China Media Group will translate Chinese TV programs “Ode to Joy” (歡樂頌), “Beijing Youth” (北京青年) and “Jin Tailang’s Happy Life” (金太狼的幸福生活) into Arabic versions, which will be broadcast on the CATV in UAE. A prominent lineup of guests were

present at the inauguration ceremony, including Wang Xiaohui (王曉輝), the Deputy Head of Publicity Department of China and the Commissioner of the National Film Council, Kifaya Ollier, Counselor of the UAE Information Office, Li Lingbing (李凌冰), Consul-General of the People’s Republic of China in Dubai, Sun Yusheng (孫玉勝), Deputy Head of China Central Television, Ossma Taleb Morra, Senior Counselor of CATV and around a hundred of guests from media in China and Arab and other sectors.

Development Direction in the Second Half of 2018

To actively develop the Arabian markets, CATV is putting continuous effort into strengthening and enriching the content of its programs, with focus on program production such as “Orient New Windows” (東方新視窗), “Middle East’s Perspective of China” (中東看中國), “Middle East Live” (直播中東), “Middle East, Look East” (中東向東) and “China Theatre”. Among these, “Orient New Windows” is the key production of CATV, a news TV program that mainly reports important events concerning political, diplomatic, economic and cultural exchanges between the PRC and Arab, including headlines, brief news, finance, news photos, news texts and collection of Tik Tok Chinese Positive Energy. The program is highly regarded and has obtained massive support from China Global Television Network (CGTN), the Arabic channels of People’s Daily and Sinhua Daily, China Daily and Huanqiu.com.

In the future, CATV will continue to enrich its program content by introducing TV programs such as “New Vision” (馨•視野), “Halal Food Map” (清真美食地圖) (tentative title), “Search” (尋) and “Yummy Tour” (去哪找食遊). In particular, the new key program “New Vision”, a high-end talk show, will be hosted by Xin Yue (馨玥), the chief correspondent of CATV, and will be co-produced with CATV’s external partners. The program will feature talks with celebrities focusing the perspective on the exchanges between the PRC and Arab, including diplomatic exchanges of high officials and cultural exchanges.



Currently, the program is contemplated to invite guests including Jackie Chan (成龍), Yuan Longping (袁隆平), Yao Ming (姚明), Yi Jianlian (易建聯) and ambassadors of Arab to the PRC and so on.

Management Discussion and Analysis

To improve market coverage, CATV cooperated with a number of institutions such as Air China Media, Air China, Air Algeria and Air Etihad, to make the prime programs of CATV to be broadcast on air media, covering precisely the population of exchange between the PRC and Arab and thus increasing the influence of CATV.

To enhance the exchange between the PRC and Arab, CATV played an active role in participating and organizing a variety of activities such as summit forums, exhibitions, performance in tournaments, cultural exchange, consultancy of economy and trade and business tours.

In November 2018, CATV will organize the “CATV Annual Brand Summit Forum” (中阿衛視年度品牌高峰論壇) in Dubai. The forum will focus on five main agenda: brand forums, professional exhibitions, honorary ceremonies, report announcements and the launch of China-Arab Film and Television Alliance (中阿影視聯盟). The forum will include brand summit forums and honorary ceremonies, and the sub-forums will cover industries including manufacturing, film and television, travel, internet, Chinese medicine and investment, in order to build a platform for the exchange of economic and trade cultures. CATV will also undertake external promotion projects of the government or business promotion activities and it is now negotiating projects such as “Xiaoxiang Culture Enters the Middle East” (瀟湘文化走進中東), “Ningxia-Oman Industrial Park Presentation” (寧夏阿曼產業園推介會).

“Internet Plus” Business

Liangzi Gang (量子港)

Liangzi Gang is an online trading platform under V1 Group which was officially launched in September 2017. The platform serves to establish intelligent contract standards to digitalize assets, while applying the blockchain technology to record every session of commodity transaction to form scale effect.

The team has rich practical experience in the internet, financial and new retail industries. It is also highly capable of adept product design, stringent risk control and outstanding business management, and is devoted to building a professional, honest, innovative and an efficient online trading platform.

Liangzi Gang aims to establish cooperation with more than 150 countries around the world in the future, including the G20 countries, the countries along the Belt and Road, and APEC countries based on “digital +”, focusing on providing competitive new retail solutions, products and services to various enterprises, customers, value-added service providers, shops and their consumers. It is also committed to building a borderless, shared and win-win business community for participants in the ecosystem to maximize its growth in the most economic manner. At the same time, Liangzi Gang insists on providing investors and financiers in a professional and soundness manner.

Management Discussion and Analysis

FINANCIAL REVIEW

Telemedia Business

For the six months ended 30 June 2018, total revenue was significantly increased to approximately HK\$1,565,200,000. This was mainly attributable to the launch of the new digital economic exchange platform under the tele-media business, Liangzi Gang, in September 2017. The platform sales products to some of the major e-commerce online shopping platforms and distributors of IT products in the PRC.

Benefiting from the launching of the new digital economic exchange platform, gross loss for the six months ended 30 June 2018 decreased by 90.8% to approximately HK\$6,500,000, as compared to approximately HK\$70,200,000 in the corresponding period in 2017.

Administrative expenses increased by approximately HK\$50,200,000, from approximately HK\$41,500,000 for the six months ended 30 June 2017 to approximately HK\$91,700,000 for the six months ended 30 June 2018. The increase was mainly attributable to the recognition of approximately HK\$23,800,000 share-based payment expenses in relation to the share options granted during the period under review and increase in staff cost and research and development costs incurred for the expansion of the digital economic exchange platform.

Loss attributable to the owners for the period was approximately HK\$130,100,000, representing an increase of around 7.7% as compared to the corresponding period in 2017, primarily attributable to (i) recognition of approximately HK\$23,800,000 (six months ended 30 June 2017: nil) share-based payment expenses in relation to the share options granted during the period under review; and (ii) the increase in share of losses of the Group's associates, by approximately HK\$10,500,000 to approximately HK\$15,500,000 during the period under review (six months ended 30 June 2017: approximately HK\$5,000,000), since the operation of the Bank of Asia (BVI) Limited was still in preliminary stage.

Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

Liquidity and Financial Resources

As at 30 June 2018, the Group had HK\$266,971,000 cash and cash equivalents (31 December 2017: HK\$451,771,000). Working capital was HK\$283,324,000 as compared with the working capital of HK\$374,011,000 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 2018, the Group's current ratio was 2.3 (31 December 2017: 2.8). 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 2018, total assets of the Group amounted to HK\$1,663,932,000 (31 December 2017: HK\$1,725,910,000) which were substantially financed by shareholders' fund of HK\$1,425,306,000 (31 December 2017: HK\$1,496,258,000). The number of the issued shares of the Company was increased from 3,297,925,262 shares (31 December 2017) to 3,339,175,262 (30 June 2018), which was due to the issuance of new shares upon exercise of share options granted pursuant to the share option scheme of the Company. The Group's capital structure, as well as cash inflow, are therefore very healthy.

EMPLOYEES REMUNERATION AND BENEFITS

As at 30 June 2018, the Group had a total of 257 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 2018.

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

Save as otherwise disclosed in the notes below, as at 30 June 2018, 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	380,063,113 <i>(Note 1)</i>	11.38%	17,700,000 <i>(Note 2)</i>	0.53%
Wang Chun	Beneficial owner/Interest of spouse/Founder of discretionary trust	380,063,113 <i>(Note 3)</i>	11.38%	17,700,000 <i>(Note 4)</i>	0.53%
Ji Qiang	Beneficial owner	750,000	0.02%	1,000,000	0.03%
Loke Yu (alias Loke Hoi Lam)	Beneficial owner	—	—	3,450,000	0.10%
Gong Zhankui	Beneficial owner	—	—	3,450,000	0.10%
Wang Linan	Beneficial owner	1,400,000	0.04%	3,450,000	0.10%

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: *Big Step Group Limited ("Big Step") is a company wholly-owned by Avis Trend Limited, which in turn is wholly-owned by Dr. Zhang Lijun ("Dr. Zhang"). As announced by the Company on 14 May 2018, Big Step, the Company and 11 independent placees entered into respective placing agreements ("Top-up Placing Agreements") on 14 May 2018, pursuant to which Big Step agreed to sell an aggregate of 317,857,000 Shares ("Placing Shares") to the 11 placees at the placing price of HK\$0.385 per Placing Share. Sale of the Placing Shares were completed on 21 May 2018. As a result of which, Big Step's shareholding in the Company was reduced to 3,493,000 Shares after the sale. And accordingly, as at 30 June 2018, Dr. Zhang held and was deemed to hold under the SFO in aggregate 53,357,113 Shares, representing approximately 1.60% of the Company's issued share capital. These 53,357,113 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 3,493,000 Shares held by Big Step.*

Subsequently, Big Step acquired from other independent third parties an aggregate of 326,706,000 Shares ("Subsequent Acquisition") on 19 July 2018 and 23 July 2018. As at the date of this report, Big Step holds direct interest of 330,199,000 Shares, and accordingly, Dr. Zhang holds and is deemed to hold 380,063,113 Shares, representing approximately 11.38% of the Company's issued share capital, after taking into account the Shares held by Big Step and the foregoing direct and deemed interests of Dr. Zhang.

Note 2: *Of these 17,700,000 share options, 7,000,000 share options are directly held by Dr. Zhang. Dr. Zhang is also deemed to be interested in the remaining 10,700,000 share options through the interest of his spouse, Ms. Wang.*

Note 3: *As at 30 June 2018 after the sale of the Placing Shares as disclosed in Note 1 above, Ms. Wang held and was deemed to hold under the SFO in aggregate 53,357,113 Shares, representing approximately 1.60% of the Company's issued share capital. These 53,357,113 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 3,493,000 Shares held by Big Step.*

Following the Subsequent Acquisition, as at the date of this report, Ms. Wang holds and is deemed to hold 380,063,113 Shares, representing approximately 11.38% of the Company's issued share capital, after taking into account the Shares held by Big Step and the foregoing direct and deemed interests of Ms. Wang.

Note 4: *Of these 17,700,000 share options, 10,700,000 share options are directly held by Ms. Wang. Ms. Wang is also deemed to be interested in the remaining 7,000,000 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 2018, 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 2018, 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

SHARE OPTION SCHEMES

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. 170,000,000 share options were granted under the V1 Group Scheme during the period.

The terms and conditions of the grants and movements in the number of share options under the 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 2018	Exercise price HK\$	Exercise period
		At 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period			
Executive directors								
Zhang Lijun	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
	25 January 2018	—	2,000,000	—	—	2,000,000	0.229	25/01/2018 to 24/01/2021
		5,000,000	2,000,000	—	—	7,000,000		
Wang Chun	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
	25 January 2018	—	3,000,000	—	—	3,000,000	0.229	25/01/2018 to 24/01/2021
		7,700,000	3,000,000	—	—	10,700,000		
Ji Qiang (note)	16 October 2015	1,000,000	—	—	—	1,000,000	0.570	16/10/2015 to 15/10/2018
	25 January 2018	—	750,000	(750,000)	—	—	0.229	25/01/2018 to 24/01/2021
		1,000,000	750,000	(750,000)	—	1,000,000		
Sub-total		13,700,000	5,750,000	(750,000)	—	18,700,000		

Share Option Schemes

Category/Name of participant	Date of grant	Number of shares issuable under share options					Exercise price HK\$	Exercise period
		At 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2018		
Independent non-executive directors								
Loke Yu (alias Loke Hoi Lam)	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
	25 January 2018	—	750,000	—	—	750,000	0.229	25/01/2018 to 24/01/2021
		<u>2,700,000</u>	<u>750,000</u>	<u>—</u>	<u>—</u>	<u>3,450,000</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
	25 January 2018	—	750,000	—	—	750,000	0.229	25/01/2018 to 24/01/2021
		<u>2,700,000</u>	<u>750,000</u>	<u>—</u>	<u>—</u>	<u>3,450,000</u>		
Wang Linan	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
	25 January 2018	—	750,000	—	—	750,000	0.229	25/01/2018 to 24/01/2021
		<u>2,700,000</u>	<u>750,000</u>	<u>—</u>	<u>—</u>	<u>3,450,000</u>		
Sub-total		<u>8,100,000</u>	<u>2,250,000</u>	<u>—</u>	<u>—</u>	<u>10,350,000</u>		
Employees/Others	16 October 2015	32,300,000	—	(23,500,000)	—	8,800,000	0.570	16/10/2015 to 15/10/2018
	2 September 2016	8,900,000	—	(5,000,000)	—	3,900,000	0.371	02/09/2016 to 01/09/2019
	25 January 2018	—	12,000,000	(12,000,000)	—	—	0.229	25/01/2018 to 24/01/2021
	3 May 2018	—	150,000,000	—	—	150,000,000	0.550	03/05/2018 to 02/05/2019
Sub-total		<u>41,200,000</u>	<u>162,000,000</u>	<u>(40,500,000)</u>	<u>—</u>	<u>162,700,000</u>		
Total		<u>63,000,000</u>	<u>170,000,000</u>	<u>(41,250,000)</u>	<u>—</u>	<u>191,750,000</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.

Share Award Scheme

SHARE AWARD SCHEME

On 14 May 2018, the Company has adopted the share award scheme (the "Scheme"), pursuant to which the shares to be awarded will be purchased by a trustee to be appointed by the Company for the purpose of the Scheme, which will hold shares for the benefit of the Selected Grantees and others subject to the terms and conditions of the trust deed from the open market and held on trust for the grantee(s) selected by the Remuneration Committee pursuant to the terms of the Scheme for participation in the Scheme (the "Selected Grantees") until such shares are vested on the relevant Selected Grantees in accordance with the terms of the Scheme. The purpose of the Scheme is to recognise the contributions by certain (i) key management personnel including Directors and senior management of the Group; and (ii) employee of any member of the Group (the "Eligible Persons") and to provide them with incentives in order to retain them for the continual operation and development of the Group. The Scheme shall be subject to administration of the Board and the Remuneration Committee in accordance with the rules of the Scheme.

The Scheme shall be effective from the date of adoption of the Scheme and shall continue in full force and effect for a term of 10 years unless sooner terminated as determined by the Board by a 3 months prior notice and the termination shall not affect any subsisting rights of any Selected Grantee.

The Remuneration Committee shall not make any further award of shares by the Board to a Selected Grantee pursuant to the Scheme which will result in the aggregate number of Shares awarded by the Board under the Scheme in excess of 10% of the issued share capital of the Company as at the date of adoption of the Scheme. The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

Details of the Share Award Scheme were set out in the announcement of the Company dated 14 May 2018. No Share was granted under the Scheme during the period and there was no outstanding share offered under the Scheme as at 30 June 2018.

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 2018 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. One of the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 21 May 2018 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 2017 Annual Report is set out as follows:

Dr. Loke Yu (alias Loke Hoi Lam), an independent non-executive director of the Company, has been appointed as an independent non-executive director of TC Orient Lighting Holdings Limited with effect from 6 June 2018. Dr. Loke resigned from the post of independent non-executive director of China Household Holdings Ltd. on 6 August 2018. Both of these two companies are 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 save as disclosed herein.

REVIEW BY AUDIT COMMITTEE

The Group's unaudited interim financial results for the six months ended 30 June 2018 have been reviewed by the audit committee of the Company which comprises the three independent non-executive Directors.

SUSPENSION OF TRADING

Trading in shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 8 May 2018 at the request of the Company. Trading in the shares of the Company will remain suspended until further notice.

By Order of the Board
V1 Group Limited
ZHANG Lijun
Chairman

Hong Kong, 31 August 2018