V1 GROUP LIMITED

第一視頻集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 82)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the "Board") of V1 Group Limited ("the Company" or "V1 Group") announces that the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015, together with the comparative figures of the corresponding period in 2014, are as follows:

HIGHLIGHTS OF THE INTERIM RESULTS FOR THE FIRST HALF OF 2015

- Turnover for the period amounted to HK$1,012,751,000, representing an increase of around 35.4% as compared with the corresponding period last year
- Total assets exceeded HK$4,856,332,000, representing an increase of around 7.2% as compared with the balance as at 31 December 2014
- Income from tele-media business amounted to HK$57,162,000, representing an increase of around 304.3% as compared with the corresponding period last year
- Income from lottery-related business amounted to HK$29,164,000, representing a decrease of around 71.5% as compared with the corresponding period last year
- Income from mobile games business amounted to HK$926,425,000, representing an increase of around 46.7% as compared with the corresponding period last year
- Bank and cash balance of HK$550,668,000

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Notes	**As at 30 June 2015 (Unaudited)** ***HK$'000***	As at 31 December 2014 (Audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,097,311**	4,063,472
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**44,850**	45,999
NET ASSETS		**4,052,461**	4,017,473
EQUITY			
Share capital	*17*	**32,979**	32,979
Reserves		**3,110,850**	3,144,231
Equity attributable to owners of the Company		**3,143,829**	3,177,210
Non-controlling interests		**908,632**	840,263
TOTAL EQUITY		**4,052,461**	4,017,473

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves *HK$'000*	Share-based compensation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2014 (audited)	32,651	1,457,197	614,296	31,641	6,242	269,498	439,547	386,822	3,237,894
Profit or loss	–	–	–	–	–	–	(63,259)	63,285	26
Other comprehensive income	–	–	–	–	(16,215)	(35,156)	–	6,214	(45,157)
Total comprehensive income for the period	–	–	–	–	(16,215)	(35,156)	(63,259)	69,499	(45,131)
Transfer of consideration share for business acquisitions in prior year	216	22,464	–	–	–	–	–	–	22,680
Exercise of share options	112	8,641	883	(2,074)	–	–	–	–	7,562
Recognition of share-based payment expense	–	–	–	9,776	–	–	–	7,595	17,371
Deemed disposal of partial interest in a subsidiary	–	–	283,124	–	–	–	–	421,031	704,155
At 30 June 2014 (unaudited)	32,979	1,488,302	898,303	39,343	(9,973)	234,342	376,288	884,947	3,944,531
At 1 January 2015 (audited)	**32,979**	**1,488,282**	**1,060,812**	**59,273**	**(9,454)**	**230,987**	**314,331**	**840,263**	**4,017,473**
Profit or loss	**–**	**–**	**–**	**–**	**–**	**–**	**(93,098)**	**49,181**	**(43,917)**
Other comprehensive income	**–**	**–**	**–**	**–**	**5,734**	**30,163**	**–**	**6,136**	**42,033**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**5,734**	**30,163**	**(93,098)**	**55,317**	**(1,884)**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,428)**	**(19,428)**
Recognition of share-based payment expense	**–**	**–**	**–**	**23,809**	**–**	**–**	**–**	**31,520**	**55,329**
Deemed disposal of partial interest in a subsidiary	**–**	**–**	**11**	**–**	**–**	**–**	**–**	**960**	**971**
At 30 June 2015 (unaudited)	**32,979**	**1,488,282**	**1,060,823**	**83,082**	**(3,720)**	**261,150**	**221,233**	**908,632**	**4,052,461**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**583**	(59,077)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(54,562)**	(338,983)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**–**	593,605
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(53,979)**	195,545
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	**1,922**	(5,733)
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	**602,725**	616,137
CASH AND CASH EQUIVALENT AT END OF PERIOD	**550,668**	805,949

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rule") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountant (the "HKICPA"). The condensed consolidated financial statements should be read in conjunction with the Group's annual financial statement as at 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") issued by the HKICPA.

The condensed consolidated financial statements have not been audited.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company's registered office.

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

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

Except as described below, the condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's annual financial statement as at 31 December 2014.

The Group has adopted the following standards, amendments and interpretations to published standards issued by the HKICPA, which are effective for the accounting periods beginning on or after 1 January 2015:

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

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

The HKICPA has also issued the following new or revised standards, amendments or interpretations which are not yet effective for the financial period beginning on 1 January 2015:

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

[1] *Effective for annual periods beginning on or after 1 January 2016*
[2] *Effective for annual periods beginning on or after 1 January 2017*
[3] *Effective for annual periods beginning on or after 1 January 2018*

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

4. SEGMENT REPORTING

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

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

- Tele-media business – Provision of internet information services, including mini-video news portal and self-produced original news commentary programs, as well as mini-video news platform for the mobile clients; and also operating in mobile internet-related business, including on-line games, on-line shows and E-commerce services etc..

- Lottery-related business – Provision of a lottery-related business services through the corresponding services offered to and the complementary support of lottery information, mobile phone lottery betting system and the lottery weibo.

- Mobile games business – Development and provision of mobile games, as well as provision of mobile and internet value-added services, and also developing and designing of mobile communication products.

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

(a) Business segments

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

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
(Loss)/profit before income tax		
Reportable segment (loss)/profit	**(10,479)**	49,879
Other gains and losses	**2,112**	504
Share of profit of associates	**8**	260
Share of profit of a joint venture	**604**	–
Advertising expenses	**(20,252)**	(32,328)
Share-based payment expenses	**–**	(2,690)
Unallocated corporate expenses	**(3,288)**	(12,856)
Consolidated (loss)/profit before income tax	**(31,295)**	2,769

	As at	As at
	30 June	31 December
	2015	2014
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**4,742,424**	4,422,489
Other financial assets	**8,589**	30,183
Interests in associates	**51,994**	51,436
Interest in a joint venture	**2,947**	2,329
Unallocated corporate assets	**50,378**	21,723
Consolidated total assets	**4,856,332**	4,528,160
Liabilities		
Reportable segment liabilities	**799,977**	507,304
Deposits received, other payables and accruals	**3,894**	3,383
Consolidated total liabilities	**803,871**	510,687

(c) Geographical information

During 2015 and 2014, over 90% of the Group's revenue is attributable to customers in the PRC and over 90% of the Group's total non-current assets are located in the PRC and the remaining non-current assets are located in Hong Kong.

(d) Major customers

As disclosed in note 21(a), the Group's associate is the only major customer with whom transactions have exceeded 7% (2014: 10%) of the Group's revenues. Revenues from the Group's associate amounted to approximately HK$45,572,000 (2014: HK$9,049,000) in the tele-media segment and amounted to approximately HK$29,164,000 (2014: HK$102,503,000) in the lottery-related segment.

5. REVENUE

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Tele-media business:		
– advertising and service income	**57,162**	14,137
Lottery-related business:		
– service income	**29,164**	102,503
Mobile games business:		
– sales of mobiles games and mobile communication products	**926,425**	631,394
	1,012,751	748,034

6. OTHER GAINS AND LOSSES

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

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

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

8. INCOME TAX EXPENSE

Taxation in the consolidated statement of comprehensive income represents:

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

The Hong Kong profits tax of OWX Hong Kong Limited is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the period.

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

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

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

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

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

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

9. LOSS PER SHARE

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK cents	*HK cents*
Basic loss per share	**(2.82)**	(1.92)
Diluted loss per share	**(2.82)**	(1.92)

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

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

No adjustment has been made to the basic loss per share presented for the six months ended 30 June 2015 as the share options outstanding at the period end had an anti-dilutive effect on the basic loss per share. Therefore, the basic and diluted loss per share for the six months ended 30 June 2015 are the same.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK$12,167,000 (2014: HK$11,927,000).

11. INTERESTS IN ASSOCIATES

	As at 30 June 2015 (Unaudited) ***HK$'000***	As at 31 December 2014 (Audited) *HK$'000*
Share of net liabilities	**(16,144)**	(16,337)
Goodwill	**68,138**	67,773
	51,994	51,436

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

Name of company	**Form of business structure**	**Place of incorporation and operation**	**Percentage of ownership interests/ voting rights/ profit share**	**Principal activity**
VODone Datamedia Technology Co., Ltd ("TMD1")	Corporation	PRC	49%	Provision of tele-media business support and content services
北京迷你威網絡科技有限公司	Corporation	PRC	49%	Inactive
北京天雨網絡科技有限公司	Corporation	PRC	25%	Inactive

Summarised financial information (material associate):

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

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

12. INTERESTS IN A JOINT VENTURE

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

Particulars of the Group's interest in a joint venture are as follows:–

Name of company	**Form of business structure**	**Place of incorporation and operation**	**Percentage of ownership interests/ voting rights/ profit share**	**Principal activity**
北京奇文網絡科技有限公司	Corporation	PRC	50%	Provision of tele-media business support and content services

Summarised financial information:

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

13. GOODWILL

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

Goodwill is allocated to the Group's cash generating units ("CGUs") identified to country of operation and business segment. The carrying amounts as at 30 June 2015 were related to the Group's tele-media service business and mobile games business in the PRC.

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

14. TRADE RECEIVABLES

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

	As at 30 June 2015 (Unaudited) *HK$'000*	As at 31 December 2014 (Audited) *HK$'000*
Within 1 month	**206,771**	234,763
2 to 3 months	**516,776**	260,587
4 to 6 months	**168,753**	160,515
7 to 12 months	**92,189**	56,406
Over 1 year	**785**	850
	985,274	713,121

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

15. OTHER FINANCIAL ASSETS

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

Note:

(a) Pursuant to the profit guarantee arrangement in relation to the acquisition of 3GUU Group, the Company is entitled to recover the related consideration shares at no cost as the actual result of 3GUU Group for the year ended 31 December 2013 was less than the relevant profit target. The Company has decided not to recall the consideration shares and asked the vendors to dispose of the related shares to settle the compensation in cash. Further, as the value of the surrendered consideration shares was insufficient to cover the shortfall in the profit guarantee arrangement, the vendors had agreed to dispose part of their interests in China Mobile Games and Entertainment Group Limited, a subsidiary of the Company, and pay the Company the sale proceeds to make good the shortfall in actual profit of 3GUU Group. Compensation is determined on the agreed number of shares to be disposed of at their fair value at the end of reporting period. The compensation is classified as available-for-sale financial asset in the consolidated statement of financial position. It is carried at fair value with changes in fair value recognized in the other comprehensive income.

(b) The Group's strategic investments included:

- 4% interest in Shanghai Douwan Network Technology Co., Ltd. ("Shanghai Douwan"), a company established in the PRC.

- 12.994% interest in InPlay Interactive Co., Limited ("InPlay"), a company established in the Korea.

- 10% interest in MAS Technology Company Limited ("MAS"), a company established in the PRC.

- 10% interest in 深圳雲娃科技有限公司 ("雲娃"), a company established in the PRC.

- 4.76% interest in Beijing Superflash Software Co., Ltd ("Superflash"), a company established in the PRC.

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

(c) Investment funds included:

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

– In January 2015, the Group and other five independent third parties invested in Fontaine Capital Fund, L.P. (the "Fontaine Fund") with total capital of USD40,000,000 (equivalent to HK$310,100,000), in which USD3,000,000 (equivalent to HK$23,257,500) was contributed by the Group. This Fontaine Fund is engaged in making venture investments, primarily through acquiring, holding and disposing of equity securities issued by private companies. The Group is a limited partner in the Fontaine Fund and does not have control nor significant influence in the Fund's operational and financing decisions. The directors of the Company ("Directors") classified the investment as an available-for-sales financial asset. The Directors consider that there was no significant change in the fair value of the investment from the dates of acquisition to 30 June 2015 as underlying investment projects are at a start-up stage.

16. TRADE PAYABLES

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

	As at 30 June 2015 (Unaudited) ***HK$'000***	As at 31 December 2014 (Audited) *HK$'000*
Current or less than 1 month	**136,682**	208,842
1 to 3 months	**111,090**	32,021
More than 3 months but less than 12 months	**160,470**	13,168
Over 1 year	**13,522**	861
	421,764	254,892

17. SHARE CAPITAL

	As at 30 June 2015 (Unaudited) ***HK$'000***	As at 31 December 2014 (Audited) *HK$'000*
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
3,297,925,262 (31 December 2014: 3,297,925,262) ordinary shares of HK$0.01 each	**32,979**	32,979

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

	Number of ordinary share	**Shares capital**
		HK$'000
At 1 January 2014	3,286,693,262	32,867
Exercise of share options	11,232,000	112
At 31 December 2014 (audited)	**3,297,925,262**	**32,979**
At 1 January 2015	3,297,925,262	32,979
Exercise of share options	–	–
At 30 June 2015 (unaudited)	**3,297,925,262**	**32,979**

18. OPERATING LEASE ARRANGEMENTS

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

At 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases in respect of its premises falling due as follows:

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

19. COMMITMENTS

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

20. SHARE-BASED PAYMENT

Equity-settled share option scheme of the Company

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

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

During the six months ended 30 June 2015, no share options were exercised by the participants.

21. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2015 (Unaudited) *HK$'000*	2014 (Unaudited) *HK$'000*
Service fee income earned from an associate, TMD1	**74,736**	111,552
Management fee charged by TMD1	**64,509**	82,771

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

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

(c) The amounts due from related companies are interest-free, unsecured and repayable on trading terms.

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

22. EVENT AFTER THE REPORTING PERIOD

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

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were reviewed by the audit committee of the Company and approved and authorised for issue by the Board on 28 August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

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

BUSINESS REVIEW AND DEVELOPMENT

- ***Tele-media Business***

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

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

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

  Rapid Transformation to a PGC Platform with 500 Content Partners

  Since March 2015, V1 Portal has started its transformation into a PGC platform. As of 30 June 2015, V1 Portal had secured more than 500 PGC partners, representing more than 150 per month on average. Among those partners are media and institutional partners such as Modern Sky（摩登天空）, Trends Online（時尚傳媒）, Feidieshuo（飛碟說）, Yi Du（壹讀傳媒）, Mars Zone（火星文化）, BJmain（明恩傳媒）, Titan Media（體壇視頻）and Takungpao.com（大公網）, and celebrity and studio users such as Zhengyun TV（鄭雲影視工作室）, SiWenPiZi Studio（司文痞子）, Yule Xinxianzhan（娛樂新鮮站）, Big Wave of Tech（科技波波秀）, Big Xiao (Big笑工坊）, Watson Animation（沃森映畫）, Jie Cao Xie Hui（節操協會）and Qiushi Baike（糗事百科）.

Fresh Tailor-made Programs for PGC

A diversified strategy of combining self-produced programs with PGC customized contents has been adopted on program production. Apart from the fast and accurate "V1 Comment"(「V1銳評」) which focuses on timely coverage and commentary on popular issues, V1 Portal has launched three new programs, namely, the variety show "Music Monitors"(「樂壇糾察隊」) which is positioned for niche entertainment, the spitslot show "News Crackers"(「新聞啵嗶啵」) which targets the Post-90s news audience, and "Entertainment Big Mouth"(「娛樂大嘴巴」) which offers entertainment gossips. V1 Portal seeks to break through outdated models of news programs and focus on attracting the new generations of users who were born in the 1980s and 1990s.

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

Expansion of Music Live Broadcast

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

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

The Coverage of Two Sessions

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

New Self-produced Programs

In addition to retaining "World of Soldiers"(「兵論天下」) and "National Spitslot"(「全民大吐槽」), V1 Portal has continued to produce quality self-produced programs such as "Influential TV Series"(「影響劇大」), "Interpreting History"(「解舊曆史」), "V1 Comment"(「V1銳評」), "News Crackers"(「新聞啵嗶啵」), "Music Monitors"(「樂壇糾察隊」), "Entertainment Big Mouth"(「娛樂大嘴巴」) and "Entertainment Latest"(「娛樂爆一爆」), together with the partnership program such as "Talking about Football with Celebrities"(「搜達論球」). In particular, V1 Portal has cooperated with Kaola FM (考拉FM) broadcasting "V1 Comment", "Talking about Football with Celebrities", "National Spitslot", "Big Coming"(「大牌來襲」), "World of Soldiers", "News Crackers" and "Influential TV Series" through its platform, thus boosting the awareness of V1 Portal.

V1 Mobile App: Mobile Distribution Platform for Short Videos

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

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

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

Developing PGC Industrial Ecosystem

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

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

V1Game (V1遊戲) (http://g.v1.cn)

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

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

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

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

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

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

Tapping into HTML5, Efficiency is the Key to Success

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

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

At present, V1Game has started acting as an exclusive agent of and jointly operating top HTML5 web games, and has generated a major income source in V1Game. Concrete plans will be carried out in the second half of 2015, while certain renowned domestic HTML5 products have cooperated commercially and technically via the platform. New products in the pipeline include Summoner College（召喚師學院）, Little Bird's Lover（小鳥情人）, Crazy On-hook Legend（狂掛傳奇）, Ceaseless Running（無盡奔跑）, Who is the Singer（歌手是誰）, Sicong's Days（思聰的日子）and Run, Goddess（奔跑吧女神）.

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

V1 Family (V1家)

By virtue of V1 Portal's unique background and resource advantages, it took the lead to put forward V1 Family, which is a "media APP for individual celebrity" and a platform integrating contents in the forms of text, photo, audio and video.

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

- ***Lottery-related business***

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

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

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

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

Grasping Key Matches and Analyzing Information and Data

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

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

"Value-added Services" and "Innovative Service Models"

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

- ***Mobile Games Business***

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

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

CMGE's overseas publishing business made progress. *Blood Reincarnation*（戰國陰陽師）was published in Taiwan. *Age of Tank*（坦克世界）was published in Russia and Korea and has been distributed on KAKAO Talk in Korea. In addition, CMGE published *Super Hero*（超級英雄）on 10 February 2015 in Thailand, it was a top 5 in popularity rankings on App Store and Google Play in Thailand. In addition, CMGE also published *Rise of Darkness*（全民破壞神）in North America on both Android and iOS on 20 May 2015. *Rise of Darkness*（全民破壞神）is an MMORPG mobile game published by Tencent in Mainland China, for which CMGE has the rights to publish in the United States, Canada, Australia and the United Kingdom. CMGE currently has a strong publishing pipeline in Mainland China as well as overseas. In particular, CMGE is cooperating with Disney and has obtained rights to publish the combat strategy mobile game *Star Wars* ™: *Commander*（星戰指揮官）in Mainland China, Hong Kong, Macau and Taiwan.

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

On 19 June 2015, the Company announced that CMGE had entered into a merger agreement with Pegasus Investment Holdings Limited ("Offeror") and Pegasus Merger Sub Limited ("Merger Sub") pursuant to which CMGE and Merger Sub will effectuate a merger ("Merger"). Under the Merger all the Class A Shares, Class B Shares and American Depositary Shares ("ADSs") of CMGE will be cancelled and the holder thereof will be entitled to receive payment from the Offeror for each Class A Share, Class B Share and ADS at the price of US$l.5714, US$1.5714 and US$22.00 respectively. The Merger was approved by the Company's shareholders and CMGE's shareholder at their respective extraordinary meetings held on 16 July 2015 and 27 July 2015, respectively. On 11 August 2015, the Company further announced that the Merger had completed on 10 August 2015, which resulted in CMGE ceasing to be a subsidiary of the Company. Following that the Group's mobile games business has discontinued since then.

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

FINANCIAL REVIEW

Business Segments

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

Tele-media Business

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

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

Lottery-related Business

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

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

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

Mobile Games Business

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

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

Liquidity and Financial Resources

As at 30 June 2015, the Group had HK$550,668,000 cash and cash equivalents (31 December 2014: HK$602,725,000).Working capital was HK$1,522,445,000 as compared with the working capital of HK$1,508,331,000 at the end of last year. Since the Group generates most of the revenue and incurs most of the costs in Renminbi, there was no material foreign exchange risk. As at 30 June 2015, the Group's current ratio was 3.0 (31 December 2014: 4.2). Taking into account the financial resources available, the directors of the Company are of the view that the Group will have sufficient working capital for its present requirement.

Capital Structure

As at 30 June 2015, the Group had total assets of HK$4,856,332,000 (31 December 2014: HK$4,528,160,000) which were financed by shareholders' funds of HK$3,143,829,000 (31 December 2014: HK$3,177,210,000), total liabilities of HK$803,871,000 (31 December 2014: HK$510,687,000) and minority interests of HK$908,632,000 (31 December 2014: HK$840,263,000).

EMPLOYEES REMUNERATION AND BENEFITS

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

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

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2015.

CORPORATE GOVERNANCE PRACTICES

The Company had applied and complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015 except for the deviations with explanations as set out hereunder.

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Up to the date of this report, the Board has not appointed an individual to the post of chief executive. The role of the chief executive has been performed collectively by all the executive Directors, particularly by the chairman of the Company. The Board considers that this arrangement is appropriate and cost effective in fastering the development of the Group, since it allows contributions from all executive Directors with different expertise and enhances coherence in planning and implementation of the policies and long term business strategies of the Company. The Board will periodically review the effectiveness of this arrangement and consider appointing an individual as chief executive when it is appropriate.

According to the code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings. Two of the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 29 May 2015 due to various work commitments.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions and dealings, which applies to all the relevant persons as defined in the Model Code, including the Directors, any employee of the Company, or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment or involvement, are likely to come into contact or be in possession of unpublished price sensitive information in relation to the Company or its securities. Specific enquiry has been made of all the Directors who have confirmed their compliance with the required standards set out in the Model Code during the period under review.

REVIEW BY AUDIT COMMITTEE

The Group's unaudited interim financial results for the six months ended 30 June 2015 have been reviewed by the audit committee of the Company which comprises three independent non-executive Directors.

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

Save as disclosed in note 17 to the financial statements, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website (http://ir.v1group.com.hk) and Hong Kong Exchanges and Clearing Limited's website (http://www.hkexnews.hk). The 2015 interim report will be dispatched to the shareholders of the Company and will be made available on the aforesaid websites in due course.

By Order of the Board
V1 Group Limited
ZHANG Lijun
Chairman

Hong Kong, 28 August 2015

As at the date of this announcement, the directors of the Company are:

Executive Directors:
Dr. ZHANG Lijun *(Chairman)*
Ms. WANG Chun

Independent non-executive Directors:
Dr. LOKE Yu (alias LOKE Hoi Lam)
Prof. GONG Zhankui
Mr. WANG Linan