PCG Entertainment Plc

UNAUDITED INTERIM FINANCIAL INFORMATION

for the half year ended 30 June 2015

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PCG Entertainment Plc
Chief Executive Officer's Statement

I am pleased to announce interim results for PCG Entertainment plc ("PCGE") that include revenue generated from our recent acquisition of Center Point Development Corporation ("CPDC"). This business was acquired with an effective acquisition date of 16 June 2015, and the results since that date have been consolidated in accordance with IFRS 3. The transaction was the subject of an announcement on 11 August 2015 and was approved by resolution by the shareholders at a general meeting. On 28 August 2015, the enlarged share capital was admitted to AIM.

Revenue of US$745,220 was earned between 16 June 2015 and 30 June 2015. This generated a gross profit of US$256,714 which, after expenses, nets to US$221,086. PCGE anticipate ongoing revenues from CPDC, and look forward to these revenues being reflected in our year-end results.

It has been an active year with PCGE listing on AIM less than a year ago in December 2014, a temporary suspension under Rule 14 of AIM Rules in February 2015 and then readmission in August 2015 following the reverse takeover of CPDC.

Interim Results' Highlights include:

1. Group cash balances at 30 June 2015 of US$719,617 (2014: US$538,420)
2. The loss for the Group is US$2,482,669 (2014: US$114,802) after charging readmission costs of US$1,176,000
3. The CPDC acquisition although completed in August 2015 has been accounted for under IFRS 3 from 16 June 2015, the date of acquisition agreed in the Sale and Purchase Agreement
4. Revenue of US$745,220 was earned and gross profits have been earned by the CPDC acquisition from 16 June 2015 to 30 June 2015 of US$256,714 which after expenses nets to US$221,086

In line with PCGE's stated strategy, the Company is focused on the development of business in the media and gaming industry across the Asia-Pacific region. We aim to continue growth through further acquisition and exploitation of our licenses in China, and the acquisition of CPDC represents a transformational first step in the process.

The media and gaming sectors are among the fastest growing in China. McKinsey calculated that China's online gaming market, valued at US$18bn in 2014, will grow substantially to over US$22bn over the coming year. PCGE offers safe, transparent exposure to this sector for western investors.

Nicholas Bryant
Director, CEO
Date: 30 September 2015

PCG Entertainment Plc
Consolidated Statement of Financial Position
as at 30 June 2015

	Notes	Unaudited 30 June 2015 US$	Unaudited 30 June 2014 US$	Audited 31 December 2014 US$
ASSETS:				
Current assets				
Trade and other receivables	7	864,799	163,590	980,840
Cash and cash equivalents		719,617	538,420	3,219,785
		1,584,416	702,010	4,200,625
Non-current assets				
Intangible assets	8	21,564,000	3,500,000	3,500,000
Property, plant and equipment	9	8,676	12,338	11,680
		21,572,676	3,512,338	3,511,680
Total assets		23,157,092	4,214,348	7,712,305
LIABILITIES AND EQUITY:				
Current liabilities	10	2,020,485	1,253,104	1,728,685
Non-current liabilities	11	9,005,433	-	965,080
Equity				
Share capital	12	1,722,684	1,223,292	1,722,684
Share premium	13	17,321,417	4,528,491	17,321,417
Equity to be issued reserve	14	9,590,000	-	-
Other reserves		40,420	-	40,420
Share based payment reserve	15	309,408	-	309,408
Foreign currency translation reserve		4,098	2,395	(1,205)
Issued shares reserve	16	(3,000,000)	-	(3,000,000)
Retained earnings		(13,856,853)	(2,792,934)	(11,374,184)
		12,131,174	2,961,244	5,018,540
Total liabilities and equity		23,157,092	4,214,348	7,712,305

PCG Entertainment Plc
Consolidated Income Statement
for the half year from 1 January 2015 to 30 June 2015

	Notes	Unaudited Six months ended 30 June 2015 US$	Unaudited Six months ended 30 June 2014 US$	Audited Year ended 31 December 2014 US$
Revenue		745,220	1,954	4,450
Cost of sales		(488,506)	-	-
Gross profit		256,714	1,954	4,450
Administrative expenses		(1,442,294)	(116,762)	(3,362,658)
Operating loss	2	(1,185,580)	(114,808)	(3,358,208)
Readmission costs	5	(1,176,000)	-	-
Goodwill impairment	4	-	-	(5,242,460)
Foreign exchange loss		(92,139)	-	(89,892)
Interest receivable		-	6	-
Interest payable		(28,950)	-	(5,492)
Loss on ordinary activities before taxation		(2,482,669)	(114,802)	(8,696,052)
Tax on loss on ordinary activities		-	-	-
Retained loss for the period		(2,482,669)	(114,802)	(8,696,052)
Loss per share:		**US$**	**US$**	**US$**
Basic and diluted (US cents)	3	(0.23)	(0.02)	(1.08)

There are no recognised gains or losses other than disclosed above and there have been no discontinued activities in the year.

PCG Entertainment Plc
Consolidated Statement of Comprehensive Income
for the half year from 1 January 2015 to 30 June 2015

	Notes	Unaudited Six months ended 30 June 2015 US$	Unaudited Six months ended 30 June 2014 US$	Audited Year ended 31 December 2014 US$
Loss for the period		(2,482,669)	(114,802)	(8,696,052)
Other comprehensive income				
Other comprehensive income that is reclassified to profit or loss in subsequent periods:				
Exchange differences on translating foreign operations		5,303	2,395	(1,205)
Other comprehensive income for the period, net of tax		5,303	2,395	(1,205)
Total comprehensive loss for the period attributable to equity holders of the parent		(2,477,366)	(112,407)	(8,697,257)

PCG Entertainment Plc
Consolidated Statement of Changes in Equity
for the half year from 1 January 2015 to 30 June 2015

	Share Capital US$	Share Premium US$	Equity to be issued Reserve US$	Foreign Currency Translation Reserve US$	Share based Payment Reserve US$	Issued Reserve US$	Other Reserves US$	Retained Earnings US$	Total Equity US$
Balance at 1 January 2015	1,722,684	17,321,417	-	(1,205)	309,408	(3,000,000)	40,420	(11,374,184)	5,018,540
Retained loss for the period	-	-	-	-	-	-	-	(2,482,669)	(2,482,669)
Foreign exchange differences on translation	-	-	-	5,303	-	-	-	-	5,303
Shares to be issued upon transaction completion	-	-	9,590,000	-	-	-	-	-	9,590,000
Balance at 30 June 2015	1,722,684	17,321,417	9,590,000	4,098	309,408	(3,000,000)	40,420	(13,856,853)	12,131,174

	Share Capital US$	Share Premium US$	Equity to be issued Reserve US$	Foreign Currency Translation Reserve US$	Share based Payment Reserve US$	Issued Reserve US$	Other Reserves US$	Retained Earnings US$	Total Equity US$
Balance at 1 January 2014	1,223,292	4,528,491	-	-	-	-	-	(2,678,132)	3,073,651
Retained loss for the period	-	-	-	-	-	-	-	(114,802)	(114,802)
Foreign exchange differences on translation	-	-	-	2,395	-	-	-	-	2,395
Balance at 30 June 2014	1,223,292	4,528,491	-	2,395	-	-	-	(2,792,934)	2,961,244

PCG Entertainment Plc
Consolidated Statement of Changes in Equity (continued)
for the half year from 1 January 2015 to 30 June 2015

	Share Capital US$	Share Premium US$	Equity to be issued Reserve US$	Foreign Currency Translation Reserve US$	Share based Payment Reserve US$	Issued Reserve US$	Other Reserves US$	Retained Earnings US$	Total Equity US$
Balance at 1 January 2014	1,223,292	4,528,491	-	-	-	-	-	(2,678,132)	3,073,651
Cost of issuing share capital	-	(594,337)	-	-	-	-	-	-	(594,337)
Retained loss for the period	-	-	-	-	-	-	-	(8,696,052)	(8,696,052)
Foreign exchange differences on translation	-	-	-	(1,205)	-	-	-	-	(1,205)
Issued shares awaiting transaction completion	-	-	-	-	-	(3,000,000)	-	-	(3,000,000)
Equity element of convertible loan	-	-	-	-	-	-	40,420	-	40,420
Share based payments	-	-	-	-	309,408	-	-	-	309,408
Transactions with owners:									
Shares issued during the period	499,392	13,387,263	-	-	-	-	-	-	13,886,655
Balance at 31 December 2014	1,722,684	17,321,417	-	(1,205)	309,408	(3,000,000)	40,420	(11,374,184)	5,018,540

PCG Entertainment Plc
Consolidated Statement of Cash Flows
for the half year from 1 January 2015 to 30 June 2015

	Unaudited Six months ended 30 June 2015 US$	Unaudited Six months ended 30 June 2014 US$	Audited Year ended 31 December 2014 US$
Cash flows from operating activities			
Operating loss	(2,482,669)	(114,808)	(8,696,052)
Reconciliation to cash generated from operations:			
Amortisation	153,004	753	1,411
Interest expense	28,950	-	-
Decrease in receivables	368,648	(86,143)	15,831
(Decrease)/increase in payables	(150,947)	691,618	1,172,699
Impairment of goodwill	-	-	5,242,460
Share based payment charge	-	-	309,408
Cash generated from operations	(2,083,014)	491,420	(1,954,243)
Cash flows from investing activities			
Interest received	-	6	-
Net acquisitions	(393,507)	-	-
Net cash flow from investing activities	(393,507)	6	-
Cash flows from financing activities			
Interest paid	(28,950)	-	-
Issue of shares for cash	-	-	4,724,973
Issue of convertible loan note	-	-	1,000,000
Share issue expenses capitalised against share premium account	-	-	(594,339)
Other reserves	-	1,031	-
Net cash flow from financing activities	(28,950)	1,031	5,130,634
Effects of exchange rates on cash and cash equivalents	5,303	1,364	(1,205)
Net (decrease)/increase in cash	(2,500,168)	493,821	3,175,186
Cash at bank and in hand at beginning of the period	3,219,785	44,599	44,599
Cash at bank and in hand less overdrafts at end of the period	719,617	538,420	3,219,785

PCG Entertainment Plc
Notes to the Unaudited Interim Financial Information
for the half year from 1 January 2015 to 30 June 2015

1 Basis of preparation

These interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 'Interim financial reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014 which have been prepared in accordance with IFRSs as adopted by the European Union.

The operations of PCG Entertainment Plc ("PCGE") are not affected by seasonal variations.

The directors do not recommend the payment of a dividend (30 June 2014: US$ nil).

Non-statutory accounts
The financial information for the six months ended 30 June 2015 set out in this interim report does not comprise the Group's statutory accounts.

Audited consolidated financial information for the year ended 31 December 2014 has been extracted from the consolidated financial information on the Group for the year then ended. Abridged accounts for the Company have been filed in Gibraltar.

The financial information for the six months ended 30 June 2015 and 30 June 2014 is unaudited.

Segmental Analysis
The PCGE Group is a provider of gaming services in Asia. The PCGE Group's revenue and profit before taxation will be derived from its principal activity. Revenues will be derived from external customers based in Asia. The PCGE Group's operations are based in Asia and its assets and liabilities relate to this single business segment.

2 Operating loss

	Unaudited Six months ended 30 30 June 2015 US$	Unaudited Six months ended 30 30 June 2014 US$	Audited 31 Year ended 31 December 2014 US$
This is stated after charging:			
Amortisation of tangible fixed assets	3,004	753	1,411
Directors' remuneration	217,291	-	114,988

3 Weighted average loss per share

	Unaudited Six months ended 30 30 June 2015 US$	Unaudited Six months ended 30 30 June 2014 US$	Audited Year ended 31 December 2014 US$
Retained loss attributable to ordinary shareholders	(2,482,669)	(114,802)	(8,696,052)
Weighted average number of common shares in issue during the year:			
Issued ordinary shares at the beginning of the year	1,062,147,877	750,000,007	750,000,007
Effect of share issues	-	-	57,732,162
Weighted average number of ordinary shares at 30 June	1,062,147,877	750,000,007	807,732,169
Basic profit/earnings per share (US cents)	(0.23)	(0.02)	(1.08)

3 Weighted average loss per share (continued)

Basic loss per share have been calculated by dividing the net results attributable to ordinary shareholders by the weighted average number of shares in issue during the period as disclosed in note 12. Due to the Group being loss making, the warrants and convertible loan notes are anti-dilutive.

4 Goodwill impairment

Pursuant to a supplemental agreement with the vendors of PCG Entertainment Limited, a company incorporated in Hong Kong, on 10 October 2014 the Company allotted 105,091,436 ordinary shares at a premium of £0.029 per ordinary share, being US$ 5,242,460. These shares were initially recorded as goodwill and immediately written off to the statement of comprehensive income.

5 Readmission costs

Further to negotiations relating to the acquisition of CPDC as per note 6, under AIM rule 14 this acquisition is classified as a reverse takeover since the turnover of CPDC exceeds that of the Group. Consequently the ordinary shares of the Company were suspended on 13 February 2015. The Company proposed to apply for the readmission of the enlarged share capital (note 17) to trading on AIM. These shares were readmitted on 28 August 2015 and costs in relation to the readmission amounted to US$1,176,000.

6 Acquisition of CPDC

In January 2015, the Group commenced negotiations to acquire Center Point Development Corp ("CPDC"), a Belize-registered distributor of online games management software from Kolarmy Technology Ventures Inc. The Group acquired a call option in February 2015 to acquire CPDC at a price of up to US$20,000,000. The option is capable of being exercised in cash or through the issue of ordinary shares of the Company. The option price of US$410,000 was paid.

The Company acquired the entire issued share capital of CPDC for an initial consideration of US$10,000,000 less the option price paid which is to be satisfied by the issue of initial consideration shares of 114,811,491 together with a contingent consideration arrangement. The net assets on acquisition of CDPC was based on the net assets of US$18,264,000 as at 16 June 2015 which equates to the total consideration transferred, therefore no goodwill arising.

The fair value of the 114,811,491 ordinary shares issued as part of the consideration paid for CPDC (US$10,000,000) was measured using the closing market price of the Company's ordinary shares on the acquisition date.

The contingent consideration arrangement requires the Company to pay the former owners of CPDC up to a maximum amount of US$10,000,000 (undiscounted) based on the net profit of CPDC for the period 1 June 2015 to 31 May 2017. The potential undiscounted amount of all future payments that the Company could be required to make under the contingent consideration arrangement is between US$0 and US$10,000,000.

The fair value of the contingent consideration arrangement of US$10,000,000 was estimated by applying the income approach. The fair value measurement is based on significant inputs that are not observable in the market, which IFRS 13 Fair Value Measurement refers to as Level 3 inputs. Key assumptions include a discount rate range of 10 per cent and assumed probability-adjusted net profits in CPDC of US$29,136,000.

6 Acquisition of CPDC (continued)

As of 30 June 2015, neither the amount recognised for the contingent consideration arrangement, nor the range of outcomes, nor the assumptions used to develop the estimates had changed. The fair value of the acquired identifiable intangible assets of US$18,214,000 is provisional pending receipt of the final valuations for those assets.

7 Trade and other receivables

	Unaudited 30 June 2015 US$	Unaudited 30 June 2014 US$	Audited December 2014 US$
Trade receivables	745,338	-	-
Proceeds from share allotment not received	104,196	-	919,224
Other receivables	-	62,048	61,616
Prepayments and accrued income	15,265	101,542	-
	864,799	163,590	980,840

8 Intangible assets

	Licence US$	Customer relationships US$	Total US$
Cost			
At 30 June 2014 and 31 December 2014	3,500,000	-	3,500,000
Additions	-	18,214,000	18,214,000
At 30 June 2015	3,500,000	18,214,000	21,714,000
Amortisation			
At 30 June 2014 and 31 December 2014	-	-	-
Charge for the period	-	150,000	150,000
At 30 June 2015	-	150,000	150,000
Net book value			
At 30 June 2015	3,500,000	18,064,000	21,564,000
At 30 June 2014	3,500,000	-	3,500,000
At 31 December 2014	3,500,000	-	3,500,000

The Directors of PCGE are of the opinion that the licences which have been put in place are worth US$3,500,000 and accordingly have recognised an asset in the consolidated financial statements. The Directors consider that the intangible assets have an indefinite useful life and therefore are subject to an annual impairment review.

Management are in the process of conducting an exercise to identify the classes, fair value on acquisition and useful economic lives of intangible assets obtained on acquisition of CPDC. This exercise is expected to be completed for the 2015 year end. For the purposes of preparing these interim financial statements management have estimated there to be one class of intangible asset (Customer relationships), with a value estimated to be the difference between identifiable net assets upon acquisition and consideration of US$18,214,000, with an estimated useful life of five years.

9 Property, plant and equipment

	Fixtures and fittings US$
Cost	
At 30 June 2014, 31 December 2014 and 30 June 2015	13,091
Amortisation	
At 1 January 2014	-
Charge for the period	753
At 30 June 2014	753
Charge for the period	658
At 31 December 2014	1,411
Charge for the period	3,004
At 30 June 2015	4,415
Net book value	
At 30 June 2015	8,676
At 30 June 2014	12,338
At 31 December 2014	11,680

10 Current liabilities

	Unaudited 30 June 2015 US$	Unaudited 30 June 2014 US$	Audited December 2014 US$
Other payables including taxation and social security	1,806,745	1,237,645	1,276,749
Accruals and deferred income	213,740	15,459	451,936
	2,020,485	1,253,104	1,728,685

11 Non-current liabilities

	Unaudited 30 June 2015 US$	Unaudited 30 June 2014 US$	Audited December 2014 US$
Deferred acquisition consideration	8,264,000	-	-
Other payables including taxation and social security	741,433	-	965,080
	9,005,433	-	965,080

Deferred acquisition consideration represents amounts credited for the contingent consideration arrangement as per note 6, until the consideration shares are issued, when the amounts are taken into share capital and premium.

Included within other payables are amounts payable to Kolarmy Technology Ventures Inc ("Kolarmy") of US$1,590,165. The amount due to Kolarmy relates to a loan note of US$1,000,000 ("the Loan Note") and the remainder relate to short term payables, including the assignment of balances which were repaid on 16 January 2015.

The Loan Note bears interest at 6% and is repayable by 5 May 2016, or any earlier time at the discretion of the Company. A conversion option allows Kolarmy to demand that the Loan Note be settled by the allotment of ordinary shares, based on the average closing price of the Company's shares in the preceding five days of trading prior to the date of Kolarmy's notice to the Company.

12 Share capital

	Unaudited 30 June 2015 US$	Unaudited 30 June 2014 US$	Audited December 2014 US$
Authorised:			
Ordinary shares of GBP 0.001 (US$ 0.0016) each	3,000,000	1,000,000	3,000,000

	Unaudited 30 June 2015 US$	Unaudited 30 June 2014 US$	Audited December 2014 US$
Allotted, called up and fully paid:			
1,062,147,877 ordinary shares of GBP 0.001 each (30 June 2014: 750,000,007; 31 December 2014: 1,062,147,877)	1,722,684	1,223,292	1,722,684

During the period and comparative period, the company issued the following shares:
(a) 10,000,000 ordinary shares at a premium of nil per share on 17 September 2014 in consideration of consultancy services provided by Ashton Nominees Inc.

(b) 107,100,000 ordinary shares at a premium of 0.0617p per share on 10 October 2014 in consideration of advisory services provided by Kaitian Investment Company Limited (85,680,000 shares), Jingo Investments Limited (10,710,000 shares) and Zippy Management Limited (10,710,000 shares).

(c) 105,091,436 ordinary shares at a premium of 2.9p per share on 10 October 2014 as additional consideration in respect of the acquisition of Hong Kong Strategic Services Limited.

(d) 1,666,667 ordinary shares at a premium of 5.9p per share on 28 November 2014 in consideration of services provided by Yorkville Advisors, LLC in relation to the Company's admission to the AIM market.

(e) 56,833,334 ordinary shares at a premium of 5.9p per share on admission to the AIM market on 28 November 2014 in consideration of GBP 3.41 million.

(f) 31,456,433 ordinary shares at a premium of 5.9p per share issued to enable the acquisition of 10% of Hainan Huan'ao Culture Media Co., Limited ("HPC") and Hainan Huan'ao Sports Industry Co., Limited ("HLC"), both companies incorporated under the laws of the People's Republic of China. These shares, while admitted for trading to AIM, remain in the custody of PCGE until the acquisition of HPC and HLC complete, and therefore have been recorded within issued shares reserve.

13 Share premium

	Unaudited 30 June 2015 US$	Unaudited 30 June 2014 US$	Audited December 2014 US$
Allotted, called up and fully paid:			
1,062,147,877 ordinary shares of GBP 0.001 each (30 June 2014: 750,000,007; 31 December 2014: 1,062,147,877)	17,321,417	4,528,491	17,321,417
	17,321,417	4,528,491	17,321,417

The share premium arises during the period as a result of the issue of shares detailed in note 12.

14 Equity to be issued reserve

Equity to be issued reserve represents amounts credited for the initital consideration as per note 6, until the consideration shares are issued, when the amounts are taken into share capital and premium. The 114,811,491 ordinary shares were issued at a premium of 5.15p per share on 28 August 2015 as per note 17.

15 Share based payments

The Company issued warrants to service providers on 28 November 2014 in connection with its admission to AIM ("Service Provider Warrants"). Each warrant is convertible into one new ordinary share at an exercise price of 6p per share and may be exercised between 4 December 2014, being the date of admission to AIM, and 4 December 2019.

The Company also granted two warrants for every ordinary share subscribed for on the date of admission to AIM ("Subscriber Warrants").

Details of the warrants in issue during the period ended 30 June 2015 are as follows:

Outstanding at 30 June 2015:	Number of warrants	Exercise price £
Service Provider Warrants	12,660,248	0.06
Subscriber Warrants	113,666,668	0.06
	126,326,916	

There were no warrants in issue as at 30 June 2014.

Fair value of the Service Provider Warrants is measured by use of the Black & Scholes model with the assumption of 60% future market volatility, future interest rate of 5.6% per annum and no dividend yield It is also assumed that the warrants will be exercised within one year of issue. The fair value of the Service Provider Warrants granted was US$309,408. (30 June 2014: US$nil).

The issue of Subscriber Warrants do not fall under the scope of IFRS 2 'Share Based Payments' and therefore no fair value exercise has been undertaken.

16 Issued shares reserve

The Group entered into an agreement ("Framework Agreement") which grants SihaiGeju an option to purchase 10 per cent. of the equity of each of Hainan Huan'ao Culture Media Co., Limited ("HPC") and Hainan Huan'ao Sports Industry Co., Limited ("HLC") for US$3,000,000 payable in cash and/or shares (the "Option Right"). SihaiGeju despatched notice to exercise the Option Right in December 2014, with 31,456,433 new ordinary shares issued at a premium of 5.9p per share and admitted for trading on AIM pursuant to the terms of the Framework Agreement.

These shares, while admitted for trading to AIM, remain in the custody of PCGE until the acquisition of HPC and HLC complete, and therefore have been recorded within issued shares reserve.

17 Events after the reporting period

The acquisition of CPDC as per note 6 was to be satisfied by an issue of initial consideration shares and a maximum deferred consideration of US$10,000,000, which is to be satisfied by the issue of further consideration shares. The acquisition was conditional on the passing of a resolution by the shareholders at a general meeting and admission of the enlarged share capital to the AIM. On 28 August 2015, the resolution was passed and the enlarged share capital admitted to AIM. 114,811,491 ordinary shares of 0.1p each was issued to the vendor, as well as 3,145,642 ordinary shares issued to the vendor in respect of the conversion of a loan note of US$300,000 and 333,333 ordinary shares were issued to Damson pr in consideration for public relations services to the Company. Since the admission of the enlarged share capital to trading on AIM, the Company has a total issued share capital of 1,180,438,344 ordinary shares.

18 Distribution of the Interim Report

Copies of this announcement may be obtained from the Company Secretary at the registered office: G1 Haven Court, 5 Library Ramp, Gibraltar.