

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

V1 GROUP LIMITED

第一視頻集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 82)

2014 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “Board”) of V1 Group Limited (the “Company” or “V1”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014 are as follows:

Highlights of the annual results for 2014

- Turnover for the year amounted to HK\$1,945,712,000 representing an increase of around 227% as compared with last year
- Bank and cash balance of HK\$602,725,000
- Total assets exceeded HK\$4,528,160,000, representing an increase of around 25% as compared with last year
- Income from tele-media business amounted to HK\$83,746,000 representing an increase of around 166% as compared with last year
- Income from lottery-related business amounted to HK\$242,681,000, representing an increase of around 111% as compared with last year and a profit of HK\$78,964,000, representing an increase of around 146% as compared with last year
- Income from mobile games business amounted to HK\$1,619,285,000, representing an increase of around 261% as compared with last year and a profit of HK\$256,061,000, representing an increase of around 11,598% as compared with last year

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Revenue	4	1,945,712	595,078
Cost of revenue		(1,009,904)	(398,765)
Gross profit		935,808	196,313
Other gains and losses	5	14,960	52,542
Selling and marketing expenses		(471,297)	(189,647)
Administrative expenses		(471,088)	(197,265)
Impairment of intangible assets		–	(3,715)
Finance costs		–	(3,900)
Share of loss of a joint venture		(826)	–
Share of profit of associates		1,082	15
Profit/(loss) before income tax	6	8,639	(145,657)
Income tax expense	7(a)	(3,702)	(20,149)
PROFIT/(LOSS) FOR THE YEAR		4,937	(165,806)
Other comprehensive income			
Items that maybe reclassified subsequently to profit or loss:			
Available-for-sale financial assets		(15,696)	6,242
Exchange differences arising on translation of foreign operations		(44,085)	60,552
Other comprehensive income for the year		(59,781)	66,794
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(54,844)	(99,012)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(131,590)	(160,014)
Non-controlling interests		136,527	(5,792)
		4,937	(165,806)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(185,797)	(99,639)
Non-controlling interests		130,953	627
		(54,844)	(99,012)
LOSS PER SHARE			
– Basic (<i>HK cents</i>)	9	(4.00) cents	(5.01) cents
– Diluted (<i>HK cents</i>)	9	(4.00) cents	(5.01) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		57,421	48,444
Interests in associates		51,436	42,654
Interest in a joint venture		2,329	–
Goodwill		942,857	957,049
Intangible assets		1,321,501	1,186,246
Deferred tax assets		–	3,250
Deposits for acquisition of property, plant and equipment		–	836
Other financial assets		179,597	2,563
		<u>2,555,141</u>	<u>2,241,042</u>
CURRENT ASSETS			
Trade receivables	11	713,121	179,032
Other receivables, deposits and prepayments		535,867	458,131
Inventories		1,013	–
Other financial assets		30,183	44,498
Amounts due from associates		90,076	75,355
Amounts due from related companies		34	8,523
Bank balances and cash		602,725	616,137
		<u>1,973,019</u>	<u>1,381,676</u>
CURRENT LIABILITIES			
Trade payables	12	254,892	58,920
Deposits received, other payables and accruals		172,959	106,710
Amount due to an associate		550	–
Amounts due to related companies		5,895	53
Other financial liabilities		–	99,372
Bank borrowings		–	17,938
Consideration shares		–	22,680
Deferred revenue		22,619	15,466
Tax payable		7,773	14,061
		<u>464,688</u>	<u>335,200</u>
NET CURRENT ASSETS		<u>1,508,331</u>	<u>1,046,476</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,063,472	3,287,518
NON-CURRENT LIABILITIES		45,999	49,624
NET ASSETS		<u>4,017,473</u>	<u>3,237,894</u>
EQUITY			
Share capital		32,979	32,651
Reserves		3,144,231	2,818,421
Equity attributable to owners of the Company		3,177,210	2,851,072
Non-controlling interests		840,263	386,822
TOTAL EQUITY		<u>4,017,473</u>	<u>3,237,894</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL

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

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

The Group provides internet information services through a series of service agreements (as defined in the Company’s circular dated 18 August 2006 and mentioned below) entered into among the Company, the Group’s associate – VODone Datamedia Technology Co., Ltd. (“TMD1”) and VODone Telemedia Co. Ltd. (“VODone Telemedia”).

VODone Telemedia, a company established in the PRC, owns the domain name (www.v1.cn) and is licensed in the PRC to provide an audio/video transmission platform delivering a range of cross media telecommunications contents and valued added services to its customers. Dr. Zhang Lijun is a director of both VODone Telemedia and the Company and he has beneficial interests in the Company as at the end of reporting period.

Under the abovementioned arrangements, VODone Telemedia, as the holder of the business licenses, has established a normal commercial arrangement to outsource its various technical, contents, advertising and marketing and other support service with TMD1, for the latter to provide the exclusive business support and content services to VODone Telemedia or its related companies. The Group provides the support services to TMD1 which can in turn fulfill its obligation as VODone Telemedia’s exclusive service provider.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs – effective 1 January 2014

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The adoption of these new/revised standards and interpretations has no significant impact on the Group’s financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRSs	Annual Improvement to HKFRSs 2010 – 2012 Cycle ²
Amendments to HKFRSs	Annual Improvement to HKFRSs 2011 – 2013 Cycle ¹
Amendments to HKFRSs	Annual Improvement to HKFRSs 2012 – 2014 Cycle ³
HKFRS 9 (2014)	Financial Instruments ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁴
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 July 2014 with limited exceptions

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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

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

(a) Business segments

	Tele-media business		Lottery-related business		Mobile game business		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue from external customers	<u>83,746</u>	<u>31,490</u>	<u>242,681</u>	<u>114,903</u>	<u>1,619,285</u>	<u>448,685</u>	<u>1,945,712</u>	<u>595,078</u>
Reportable segment profit/(loss)	<u>(217,603)</u>	<u>(71,177)</u>	<u>78,964</u>	<u>32,049</u>	<u>256,061</u>	<u>2,189</u>	<u>117,422</u>	<u>(36,939)</u>
Interest income	1,114	250	1	-	10,448	5,291	11,563	5,541
Interest expenses	-	-	-	-	-	-	-	-
Impairment of intangible assets	-	-	-	-	-	3,767	-	3,767
Impairment of goodwill	-	-	-	-	-	-	-	-
Other operating expense	-	-	-	-	-	-	-	-
Depreciation and amortisation	46,627	38,834	29,988	30,265	71,612	28,838	148,227	97,937
Share-based payment	-	-	-	-	87,369	16,265	87,369	16,265
Reportable segment assets	<u>819,574</u>	<u>1,180,764</u>	<u>1,071,780</u>	<u>1,023,515</u>	<u>2,531,135</u>	<u>1,309,351</u>	<u>4,422,489</u>	<u>3,513,630</u>
Additions to non-current assets	5,683	228,483	-	101,177	294,752	106,030	300,435	435,690
Reportable segment liabilities	<u>6,457</u>	<u>4,181</u>	<u>45,634</u>	<u>46,353</u>	<u>455,213</u>	<u>163,270</u>	<u>507,304</u>	<u>213,804</u>

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit/(loss) before income tax		
Reportable segment profit/(loss)	117,422	(36,939)
Other gains and losses	(67)	36,900
Share of profit of associates	1,082	15
Share of loss of a joint venture	(826)	–
Unallocated expenses:		
– Advertising expenses	(85,372)	(104,821)
– Share-based payment expenses	(2,690)	(10,745)
– Staff costs	(15,561)	(15,184)
– Interest expenses	–	(3,900)
– Others	(5,349)	(10,983)
Consolidated profit/(loss) before income tax	<u>8,639</u>	<u>(145,657)</u>
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Assets		
Reportable segment assets	4,422,489	3,513,630
Other financial assets	30,183	44,498
Interests in associates	51,436	42,654
Interest in a joint venture	2,329	–
Unallocated corporate assets	21,723	21,936
Consolidated total assets	<u>4,528,160</u>	<u>3,622,718</u>
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	507,304	213,804
Deposits received, other payables and accruals	3,383	48,899
Other financial liabilities	–	99,372
Consideration shares	–	22,680
Unallocated corporate liabilities	–	69
Consolidated total liabilities	<u>510,687</u>	<u>384,824</u>

(c) **Geographical information**

During 2014 and 2013, 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**

The Group's associate is the only major customer with whom transactions have exceeded 10% of the Group's revenues. Revenue from the Group's associate amounted to approximately HK\$25,355,000 (2013: HK\$28,692,000) in the tele-media segment and amounted to approximately HK\$242,681,000 (2013: HK\$114,903,000) in the lottery-related segment.

4. 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 service fees earned. An analysis of turnover and revenue is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue		
Tele-media business:		
– advertising and service income	83,746	31,490
Lottery-related business:		
– service income	242,681	114,903
Mobile games business:		
– sales of mobile games and mobile communication products	1,619,285	448,685
	1,945,712	595,078

5. OTHER GAINS AND LOSSES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest income	11,563	5,541
Net foreign exchange gain	2,160	106
Others	1,293	(3,078)
Gain on disposal of a subsidiary	17	1,192
Realised fair value gain on other financial assets	–	20,241
Loss on disposal of property, plant and equipment	(73)	(23)
Fair value gain on consideration shares	–	16,659
Gain on bargain purchase	–	11,904
	<u>14,960</u>	<u>52,542</u>

6. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging/(crediting):

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Staff costs (excluding directors' remuneration)		
Salaries and wages	207,844	104,878
Pension fund contributions	45,795	21,721
Share-based payments	81,059	10,823
	<u>334,698</u>	<u>137,422</u>
Carrying amount of inventories sold	45,840	38,836
Provision for write-down of inventories	–	(825)
Depreciation of property, plant and equipment	23,771	17,516
Amortisation of intangible assets included in		
Cost of revenue	88,904	74,900
Administrative expenses	35,552	5,538
Interest expenses on bank borrowings		
– wholly repayable within five years	–	3,900
Auditor's remuneration	1,371	1,313
	<u>1,371</u>	<u>1,313</u>

7. INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of comprehensive income represents:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax – PRC		
– provision for the year	3,795	2,606
– (over)/under provision in prior year	(535)	960
– withholding tax on distribution of retained profits of subsidiaries	–	19,039
Current tax – Hong Kong Profits Tax		
– provision for the year	–	454
– over provision in prior year	(81)	(151)
Current tax – Overseas income tax		
– provision for the year	164	–
Deferred taxation		
– attributable to the reversal of temporary differences	359	(2,759)
	<u>3,702</u>	<u>20,149</u>

(i) The Hong Kong profits tax of OWX Hong Kong Limited is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year.

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

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

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

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

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

深圳市嵐悅網悅科技有限公司 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.

(iii) In 2013, the Company received dividends from TMD2 attributable to the profits of the previous financial year which was subject to PRC withholding tax at 10% of the distributed profits.

(b) The income tax expense for the year can be reconciled to the accounting profit/(loss) as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit/(loss) before income tax	<u>8,639</u>	<u>(145,657)</u>
Taxation calculated at PRC income tax of 25% (2013: 25%)	2,160	(36,414)
Tax effect of non-taxable income	(52,944)	(11,938)
Tax effect of expenses not deductible for taxation purposes	70,855	37,155
Tax effect of tax losses not recognised	62,192	24,815
Effect of tax exemptions granted	(101,125)	(23,383)
Effect of lower tax rate applicable to subsidiaries as a result of preferential tax policy	(4,056)	4,321
Effect of tax rate in foreign jurisdictions	24,100	5,745
Under provision in prior year	2,520	809
Withholding tax on distribution of retained profits of subsidiaries	<u>–</u>	<u>19,039</u>
Income tax expense for the year	<u>3,702</u>	<u>20,149</u>

8. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated (loss)/profit for the year attributable to owners of the Company includes a loss of HK\$156,008,000 (2013: a loss of HK\$52,434,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Amount of consolidated loss attributable to owners dealt with in the Company's financial statements	(156,008)	(52,434)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	<u>–</u>	<u>190,393</u>
Company's (loss)/profit for the year	<u>(156,008)</u>	<u>137,959</u>

9. LOSS PER SHARE

	2014 <i>HK cents</i>	2013 <i>HK cents</i>
Basic loss per share	<u>(4.00)</u>	<u>(5.01)</u>
Diluted loss per share	<u>(4.00)</u>	<u>(5.01)</u>

The calculation of loss per share for the year is based on the loss for the year attributable to owners of the Company of HK\$131,590,000 (2013: loss of HK\$160,014,000) and the weighted average number of 3,286,628,566 shares in issue during the year (2013: 3,193,066,058 share in issue). 21,600,067 shares, which were subjected to recall in 2013, were not treated as outstanding and were excluded from the calculation of basic earnings per share for the year ended 31 December 2013.

The share options outstanding at the year end had an anti-dilutive effect on the basic loss per share. Therefore, the basic and diluted loss per share in 2013 and 2014 are the same.

10. DIVIDENDS

There is no final dividend proposed after the end of the reporting period.

11. TRADE RECEIVABLES

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

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 1 month	234,763	95,109
2 to 3 months	260,587	73,900
4 to 6 months	160,515	8,679
7 to 12 months	56,406	22
Over 1 year	<u>850</u>	<u>1,322</u>
	<u>713,121</u>	<u>179,032</u>

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

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Neither past due nor impaired	649,573	154,395
Less than 1 month past due	42,639	17,743
1 to 3 months past due	18,456	5,315
More than 3 months past due	2,453	1,579
	<u>713,121</u>	<u>179,032</u>

Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Included in trade receivables are receivables from mobile network operators in mobile game business of HK\$701,771,000 (2013: HK\$178,952,000).

12. TRADE PAYABLES

Generally, the credit term received from suppliers of the Group is 30 days. An ageing analysis of year-end trade payables is as follows:

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current or less than 1 month	208,842	36,011
1 to 3 months	32,021	14,623
More than 3 months but less than 12 months	13,168	8,286
More than 1 year	861	–
	<u>254,892</u>	<u>58,920</u>

Trade payables include amounts payable in respect of mobile game business of HK\$254,774,000 (2013: HK\$58,833,000).

REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2014 have been reviewed by the audit committee of the Company.

CHAIRMAN'S STATEMENT

Going Through the “Cretaceous”

With the greetings such as “Instant Success”(馬到功成) and “Instant Prosperity”(馬上發財) are still ringing in our ears, 2014 has passed and it is time to report to the Shareholders on our performance throughout the year.

With China's reform and opening up moved forward to a new episode in 2014, the development of Chinese market-oriented economy has achieved another milestone. Benefited from the huge market demand, a large number of companies in China have achieved rapid development. Since China houses the largest internet industry in the world, it presents an unprecedented opportunity. The whole China's internet industry has entered into the “Cretaceous Period” as set off by over 600 million netizens, encouraged by the capital market, fumed by the media and driven by the motion of profit-orientation. Amidst this background, a few internet enterprises just like giant dinosaurs emerged in China, which fulfilled the message that “Instant Prosperity”, but the success are concentrated on a few enterprises only.

The ecosystem of the China's internet industry changed fundamentally in just one year, resulting in extremely intense competitions. Fortunately, while most of the internet companies had almost come a dead end, they figured out again that “Innovation” is the only way to overcome the challenges, develop and survive. Therefore, I published a forward looking article in July 2014 entitled “China's Internet Industry Entering into the Cretaceous Period” which has been widely circulated in the industry. In which I emphasized: “Although those giant dinosaurs ran wild over the Cretaceous Period, it was still the time for smaller dinosaurs to grow stronger. Most importantly, we must grow like a giant dinosaur as quickly as possible, and learn how they lived and developed. Last but not least, I would like to remind that even if you are not big dinosaurs, there are still opportunities to survive and live better! History has proved that giant dinosaurs were extinct overnight, and we are off-springs of smaller dinosaurs!”

To survive and to develop in the market upheaval, the Group adhered to its policy of “Refining the structure, Stabilising the growth”(調結構、穩增長) which had already been in place for nearly two years on the basis of its forward looking layout and positioning. It has insisted on its existing development policy in the Group’s tele-media business, lottery-related business and mobile games business, while overcoming all difficulties to make achievements.

V1 Portal is the core of our tele-media business and is operated in the model of “User Generated Content (UGC) plus Professionally Generated Content (PGC)”. The revenue of tele-media business increased by 166%. In respect of the fast-growing mobile internet platforms, the Group has developed an application named “V1 Circle”(V1圈) during 2014, and has started operating the largest UGC mini-video news platform in PRC, with programmes broadcast on the internet. On the other hand, the mobile games business of the Group had a good start. According to Analysys International, China Mobile Games and Entertainment Group Limited (“CMGE”), a subsidiary of the Company, ranked first in terms of gross billings among China’s mobile game publishers for six straight quarters from July 2013 to December 2014, achieving a vigorous year-on-year growth of 261% and 11,598% in revenue and profit, respectively. Apart from this, the lottery-related business has been developing rapidly in recent years, too. Thanks to the efforts of the partners of V1, our lottery-sales-related revenue and profit in 2014 grew by 111% and 146% over the previous year, respectively.

Nevertheless, V1 had not yet turned around as a whole in 2014, mainly because of the relatively high marketing expenses for the Group’s new businesses, and the corresponding revenue has not yet been derived. However, we remain confident in our current business development policy and the product operation. Amidst the current competition landscapes, the Group still has its distinct advantages in the market.

In 2014, we are adhering not only to the policy of “Refining the structure, Stabilising the growth” at the micro level, but we also studied and explored the “new normality” of the China’s internet industry at the macro level and determine whether this oligopoly is the “new normality”. Finally, we realize that the only thing unchanged in the world is “Change”. We firmly believe that we will play an important role in the promising future of the China’s internet industry.

Finally, I would like to thank deeply the Shareholders for their consistent support, and I am confident that their firm support to us will certainly bring a profitable return!

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Turnover of the Group for the year ended 31 December 2014 amounted to HK\$1,945,712,000, representing an increase of around 227% as compared with last year. Loss attributable to the owners of the Company was HK\$131,590,000 (2013: Loss of HK\$160,014,000).

Business Review and Development

In 2014, the Group focused mainly on the development of the tele-media, lottery-related and mobile games businesses.

- **Tele-media business**

V1 Portal (www.v1.cn) Constantly Increases its Influence

In 2014, the pageviews of V1 Portal registered its highest global ranking of No.358 (Source: ALEXA). Meanwhile, it recorded a significant increase in revenue.

Coverage of “Two Sessions”

In respect of the reports on National People’s Congress (“NPC”) and the National Committee of the Chinese People’s Political Consultative Conference (“CPPCC”) (“Two Sessions”) in 2014, V1 Portal provided live streaming for 19 times, planned 12 programs, produced 237 video clips and extensively disseminated them through approximately 100 media and channels. Consequently, V1 Portal was honored with the “2014 Two Sessions Online Reporting Organization Award”.

During the period, the website launched a large-scale report on Xi Jinping, President of the PRC, named “Running the Country over a Year”(治國理政一年間) which was highly recommended on the front page of various portals and central media websites, indicating the important role of V1 Portal among its partners.

V1 Portal planned two exclusive video programs on 2014 Two Sessions, namely, “I Have a Question for the Premier”(我有問題問總理) and “8 Seconds in Politics”(8秒問政), which were transmitted over multiple channels, including Xinhua Daily Telegraph (新華每日電訊報), the official Weibo of Xinhua News Agency (新華社) and Tencent Weishi (騰訊微視).

News Features

V1 Portal interprets current affairs and hot topics, with key follow-up reports on China's policies, situations and topical issues. V1 Portal received wide acclaim for its coverage of the 2014 Asia-Pacific Economic Cooperation (APEC) Summit. In particular, V1 Portal dispatched a 15-member team for the key feature report "2014 APEC China Day". During the two-day event, V1 Portal produced 104 pieces of video news and 28 photo galleries. It also utilized V1 Circle, the Group's mobile application to keep V1 Portal's website and mobile application in real-time synchronization, yielding great publicity effect. In addition, V1 Portal also produced in-depth reports on hot topics with extensive dissemination among social and TV media such as "The Fourth Plenary Session of the 18th Communist Party of China (CPC) Central Committee in 2014" (二零一四年十八屆四中全會), "The 65th Anniversary of the Founding of the People's Republic of China" (建國65週年), "Combating Corruption and Upholding Integrity" (反腐倡廉) and "First-lady's Diplomacy" (夫人外交).

Programming Lineup

Apart from "The First View of News" (新聞第一眼), V1 Portal's representative online live broadcast news program. V1 Portal has launched a series of self-produced programs, such as "World of Soldiers" (兵論天下), "National Spitslot" (全民大吐槽), "Big Coming" (大牌來襲), "Entertainment Weathervane" (娛樂風向標), "Stars Topic" (星光邦), "News Interpretation" (新聞大字曝) and the commercially designed program "Oh, My CAR" (哎啲我CAR), providing in-depth news coverage of entertainment and other information. Collectively, these programs have now more than 2,400 episodes. In respect of entertainment, the website was recognised by the public of its program "Interpreting the sorrows of the 10-year Growth of China's Film Industry" (解讀中國電影十年成長煩惱), a report of major events and awards in China's entertainment industry, and its key program "Oh, My CAR" featuring industrialized information and entertainment-oriented interpretation.

Meanwhile, V1 Portal is now launching an abundance of self-generated content, and has successively released "V1 Exposition", "Careful Thoughts" (左思右想), "V1 Test Drive" (V1試駕) and other featured programs, strengthening its popularity in the industry. "National Spitslot" has been placed in prominent positions in various online media such as Tianya (天涯網) and Netease (網易) user terminals, it even attained more than a million hits on a single episode.

V1 Portal has successively cooperated with the wireless terminals of Ifeng.com (鳳凰網), CCTV.com (央視網) and Tudou.com (土豆網) and reached agreements on revenue-sharing based on hits on programs including "World of Soldiers", "National Spitslot" and "News Interpretation". Furthermore, "V1 Test Drive", "T Stage for New Cars" (新車T型台) and other quality programs are broadcasted on weekends over Shaanxi TV and Hubei TV.

V1 Portal will listen to the voice of audiences and provide them with the latest news in an accurate, authentic, fast, objective and neutral manner.

Layout of New Business

The Group adapts its overall strategy and business development planning to the rapid development of mobile internet and socialnomics. Having V1 Portal as the foundation, the Group has started its transition from the single service of video news to a diversified portfolio that includes entertainment, communities and vertical e-commerce. Apart from V1 Family and V1 Circle that were launched before, the Group promptly introduced another three new business lines, namely, V1Game, V1BO and V1PIN in the second half of 2014.

The diversified business model helps V1 Portal expand its business, and thus increase number of users and revenue, laying a solid foundation for its strategy of refinement and continuous profitability.

V1 Family (V1家)

Amid the intense competition in the mobile-applications market, 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 texts, photos, audios and videos.

At present, the platform is hosted by a number of renowned commentators. Based on its extraordinary performance, V1 Family earned the "2014 Mobile Internet Conference Annual Innovation Award".

V1 Circle (V1圈) (<http://paike.v1.cn>)

"Circusee Is Power!"(圍觀就是力量!). V1 Circle was newly developed by V1 Portal, and was the first mobile-video social platform in China, which integrated news browsing, video shooting, editing and sharing.

Since its launch, V1 Circle has caught the attention of various media and the market of mobile applications, with hundreds of thousands of users sharing their real stories through micro-film, creative short videos and affection videos on V1 Circle. From September to December 2014, V1 Circle initiated the searching for street children and missing children jointly with over 100 media such as People.cn (人民網), Beijing Times (京華時報) and Tianya. In particular, the program "Making Your Video to Save Street Children"(「隨手拍視頻解救流浪兒童」) has received tremendous support from those who are searching for missing family members, attracting 32.681 million hits and 3,468 discussions. Furthermore, the program has caught the attention of and thorough investigation by the Anti-abduction Office of the Ministry of Public Security.

V1Game (V1遊戲) (<http://g.v1.cn>)

Established on 4 August 2014, V1Game is positioned as a first tier web-based interactive digital entertainment platform in China. The experienced team built the platform quickly and smoothly and has achieved stellar performance in terms of number of products, user base expansion and platform development. Supplemented by the strong brand strength and technical capability of V1 Portal, V1Game underwent two major revamps within half year upon its establishment. After the revamps, there are a total of 35 games launched on its platform, V1Game is witnessing a surge in the number of games and users. We are proud to say: V1Game is offering or will continue to offer the latest, hottest and long-awaited online games in the market.

V1BO (V1播) (<http://v1bo.com>)

V1BO is the first live interactive video platform in China, it aims to provide a platform for users and broadcasters to communicate with each other in such forms as voice, text and video. Since August 2014, V1BO team spent several months and rounds of tests to accomplish a multi-functional and multi-system platform, enable the payment function and develop an Android version of mobile application, in order to ensure the stability of its service and platform. We are committed to updating and upgrading our technology in order to enhance user experience.

Following the first broadcaster officially joined on 21 November 2014, the number of broadcasters has reached over a thousand by the end of December 2014. They share with users in the forms of music, chat, make friends and games. The average daily number of live broadcasts has exceeded 500.

V1PIN (唯一品) (<http://v1pin.com>)

V1PIN is a vertical e-commerce platform encompassing various healthcare, skincare and personal care products for women. It aims to provide an enjoyable and reliable online shopping experience to every beauty-conscious woman who cares about her quality of life. V1PIN guarantees that all of its products are imported from overseas and genuine, and is committed to becoming a trustworthy and high quality shopping platform offering affordable products.

Currently, the website provides a large quantity of international brand products from more than 10 countries. V1PIN targets to extend its product source to around 20 countries.

- **Lottery-related business**

The main source of income for V1's lottery-related business is the websites set up and operated by the partners of the Group, including Lottery 365, a strategic cooperative mobile application developed by the business partner of the Group, "Zhongguozucaiwang" (中國足彩網) (www.zgzcw.com) and "Diyicai" (第一彩) (www.diyicai.com). This cooperation structure has also contributed to the source of income.

Lottery 365 (彩票365)

By tapping into the business opportunities brought by the 2014 World Cup Brazil, Lottery 365 witnessed a high-speed and all-round growth, both its user base and market share have achieved a remarkable progress, becoming the first lottery mobile application achieving over 100 million downloads in China; it also enjoyed a rapid growth of daily active users. Lottery 365's multiple indicators, including downloads, number of active users and market share, were all ranked the top of the mobile internet lottery industry, according to the statistics from independent research institutes such as myapp.com (騰訊應用寶), Analysys International (易觀智庫) and CNIT-Research (中國IT研究中心).

Business Cooperation

In March 2014, Lottery 365 was ranked as an excellent product of the year by China Telecom and obtained the long-term recommendation of the mobile distribution platform under China Telecom including "eStore" (天翼空間) and "eMobile Assistant" (天翼手機助手). Lottery 365 has also won the award of "Annual Excellent Partner with China Telecom" (中國電信年度優秀合作夥伴).

Lottery 365 is the only mobile applications on which China Mobile users can buy lotteries directly with the balance of the stored value of their mobile phone, and has been connected to "Mobile Market" (移動MM), a mobile distribution platform under China Mobile. Lottery 365 was also exclusively introduced into their "Data 800" (流量800) service during the 2014 World Cup Brazil. It has become a key online and offline lottery mobile application recommended by China Mobile.

In the meantime, Lottery 365 established strategic cooperation with China Unicom in the form of lottery revenue sharing scheme, by introducing a tailor-made application for "WoStore" (沃商店) and also connecting to its Life Channel in order to provide lottery purchase service for China Unicom users.

In respect of cooperation with mobile manufacturers, Lottery 365 established strategic cooperation with domestic mobile manufacturer Coolpad (酷派), launching “Ku Caipiao” (酷彩票) to 20 million active Coolpad users. Moreover, Lottery 365 deployed a cooperation with Huawei (華為) on revenue-sharing of lottery recharge value, becoming Huawei’s sole non-game revenue-sharing partner and achieving strategic lottery cooperation with Huawei Application Market (華為應用市場), Huawei Wallet (華為錢包), Huawei Discovery Channel (華為發現頻道) and Huawei Gift Bag (華為禮包). Furthermore, Lottery 365 has cooperated with other mobile manufacturers such as Lenovo (聯想), MI (小米), Gionee (金立), OPPO (歐珀) and VIVO in the form of lottery revenue-sharing and distribution. In addition, Lottery 365 has been recognized by the top two major mobile manufacturers in the world where it was specially recommended by Apple’s App Store and being included in “HotApps” in Samsung’s App Store.

Brand Promotion

In April 2014, Lottery 365 formally became the sponsor of Beijing Guoan F.C. (北京國安足球隊), being the only sponsor from the lottery industry for the Chinese Football Association Super League in the 2014 season. The 3-D advertisement in the goal poles area kept appearing on the CCTV broadcasts drew extensive attention from football fans in Beijing and all sectors of community. This led to an all-time record of downloads in Beijing region. Subsequently, Lottery 365 was invited to attend the 2014 Global Mobile Internet Conference (二零一四全球移動互聯網大會) in May and became a highlight in the event.

New Model of Internet Finance

“Caijinbao”(彩金寶), an internet wealth-management product jointly released by Lottery 365 and E Fund Management Co., Ltd., is the first internet financial product launched by a company in the lottery industry. Being different from other wealth-management products such as Yuebao (餘額寶), users who purchase the currency fund of Caijinbao via Lottery 365 will gain income from the currency fund and receive, from Lottery 365, a bonus lottery in an amount equal to the monetary value of the income. It is the first cross-industry attempt to adopt the mode of “Income Plus”(收益+) and consequently it has received a wide coverage in the media. For users, the increase in the returns further accelerate their activity in the program.

In December 2014, Lottery 365 cooperated with CreditEase Toumi (宜信投米), an internet Peer to Peer Lending (P2P) wealth-management platform, and launched the wealth-management scheme “Yitoucai”(宜投彩). This cross-industry cooperation is an innovative move co-authored by different supply chain partners. Not only can boost user’s comprehensive income, it can also improve users’ loyalty towards Lottery 365.

Caring the Community

While developing its business, Lottery 365 endeavors to contribute to the community by actively participating in charity activities. In August 2014, Lottery 365 initiated the first online charitable donation event in China together with Beijing Guoan F.C. and China Children and Teenagers' Fund (中國兒童少年基金會) during the China Internet Conference (中國互聯網大會). In the event, 300 jerseys and footballs with signatures were sold on site and Lottery 365 donated additional RMB200,000. The fund raised was used for youth sports development in the earthquake-stricken area of Ludian County, Yunan Province.

Awards

Lottery 365, by virtue of its exceptional performance in the field of lottery in 2014, won a total of 11 brand awards, including the “Most Valuable Product over the Past Two Decades for the China’s Internet”(「中國互聯網20年最具價值產品」), “Best Practice Model for the China’s Internet”(「中國互聯網實踐典範」), “2014 Best Lottery APP”(「二零一四年度最佳彩票APP」), “2014 Outstanding APP in China”(「二零一四年度中國好應用」) and “2014 Best APP for Lottery Entertainment”(「二零一四年度最佳彩票娛樂應用」) given by many organizations in the China’s internet industry.

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

Given the great opportunity of 2014 World Cup Brazil, Zhongguozucaiwang made efforts in promoting itself on some major search engines and attracted a large number of new users to its website by offering promotions to new users such as trial reward upon registration and recharge discount. During the World Cup, the website also hosted an array of promotional activities, including the “Additional 15% Reward for Game Bets of the World Cup”(世界盃競彩加獎15%), “Grand Prize of One Million Yuan”(直送100萬), “Recruiting Fans”(招募粉絲), “Additional Reward for the Beijing Game”(北單加獎), “Flash Group Purchase”(集齊搶秒殺) and “Calling for Friends”(召喚小夥伴). These interesting activities, with a variety of prizes, brought great fun to the users during the World Cup. These promotional activities led to the exponential growth of the sales volume on the website and a 200% surge in the number of active users as compared to the same period of last year.

Website Improvement

Zhongguozucaiwang has rolled out its new webpages of football lottery information, which preserved some fresh visual effects, comprehensive display of all lottery games and enriched information contents. There are great new functions where users can switch to a variety of game bets and enjoy quicker and more convenient screening of sports matches and betting odds. These and the aforementioned new features offer better service to its users.

More Game Bets

The website has added various high-frequency lottery games, enriching the lottery types, enhancing the entertainment level of the games and enabling users to enjoy a convenient lottery purchase experience even without leaving home.

HTML5 Version

With the growing popularity of mobile social network platforms, marketing models are also changing, content marketing and social networks have become important ways of promotion. A brand new HTML5 lottery-purchase platform was launched in 2014 where users can directly buy lotteries via WeChat. At the moment, the HTML5 version has been connected to the Life Channel on WoStore of China Unicom, the Discovery Channel of Huawei Application Market and was set as the default Lottery Channel on the Meizu (魅族) mobile phones.

Channel Cooperation

Diversified cooperation with various channels has introduced some growth engines into the website. The extensive coverage of such cooperation not only increased the number of users and sales volume, but also improved its brand image, corporate image and reputation, proving the website's leading role in the lottery industry. In respect of the development of channel cooperation, the website has cooperated with such platforms as Lefeng.com (樂蜂網), 1905.com (1905電影網), LBX Pharmacy (老百姓大藥房), tuanche.com (團車網), Beijing Appsports Information Technology (掌控體育), yiqifa.com (億起發), JJWorld (Beijing) Network Technology (競技世界), cnwest.com (陝西西部網), fengyunzhibo.com (風雲直播) and Go market (安智市場).

• **Mobile Games Business**

As of 31 December 2014, CMGE had over 1,500 employees, with offices located in Shenzhen, Guangzhou, Beijing, Chengdu, Shanghai, Hong Kong, Taipei, Tokyo and Seoul. CMGE has grown rapidly in 2014 in both its publishing business and self-developed games. Moreover, throughout the course of the year, CMGE has strengthened its intellectual property (“IP”) and overseas strategy. Building on the core principles of “product innovation” and “user satisfaction,” CMGE has firmly established a diverse and comprehensive mobile gaming ecosystem that includes its self-developed games, publishing business, IP, game support platform and distribution platform.

Publishing business

According to Analysys International, CMGE ranked first in terms of gross billings among China's mobile game publishers for six straight quarters from July 2013 to December 2014, and estimated to have over 20.1% market share (2014 Q3: 19.5%). Since our third-party publishing business started in the middle of 2013, CMGE successfully published more than ten mobile games each with monthly gross billings over RMB10 million, including Despicable me: Minion Rush (神偷奶爸：小黃人快跑), "Crisis Action"(全民槍戰), Super Hero (超級英雄), "Tian Tian Ying Xiong"(天天英雄) and "Jue Zhan Sha Cheng"(決戰沙城). "Jue Zhan Sha Cheng"(「決戰沙城」), a MMORPG mobile game has been growing its monthly gross billings. In addition, CMGE recently published four new games, including "The King of Fighters' 97"(「拳皇97對戰版」), "Monster Hunter- the Great Hunting Quest"(「怪物獵人：大狩獵」), "Pleasant Goat and Big Big Wolf Rush"(「喜羊羊快跑」) and "Uncharted Waters V"(「大航海時代5」).

One of the world's first First Person Shooting ("FPS") mobile games, "Crisis Action"(「全民槍戰」), which is being published by CMGE, has been very successful. In addition, on 29 January 2015, we published "Pleasant Goat and Big Big Wolf Rush"(「喜羊羊快跑」) ("Pleasant Goat"), the world's first 3D running game based on the "Pleasant Goat" IP rights that we acquired. In its first day of launch, Pleasant Goat created a new benchmark for first day downloads for casual games, i.e., reaching 2.85 million downloads in a single day. "Pleasant Goat" also generated monthly gross billings of over RMB20 million during its first month of being published and has become one of the most eye-catching mobile games in the first quarter of 2015. During February 2015, "Uncharted Waters V"(「大航海時代5」), which was published in cooperation with Tecmo Koei, became one of the few successful Japanese mobile games published in China in the first quarter of 2015.

In 2014, CMGE also published high-quality mobile games in countries outside of China. CMGE has established offices in Hong Kong, Taiwan, Korea and Japan to focus on the localization of the games it publishes as well as actively pursuing collaboration opportunities with overseas marketing platforms. Throughout 2014, CMGE published more than 10 mobile games overseas, including in Hong Kong, Macau, Taiwan, Korea, Thailand and Russia. Such games include "Wu Shuang San Guo"(「無雙三國」), "Wonder Hero"(「英雄本色」), "Age of Tank"(「坦克世界」), "Chao Shen Xue Yuan"(「超神學園」), "Chao Shen Lian Meng"(「超神聯盟」), "Da Hua Xi You"(「大話西遊」), "Wei Shou Lai Xi"(「尾獸來襲」), "Jin Gu Bang OL"(「金箍棒OL」) and "Dark Creator"(「暗黑創世神」), many of which have performed well in these markets on both Android and iOS. "Rise of Darkness"(「全民破壞神」), 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, is expected to be launched in the United States and Canada in April 2015. CMGE currently has a strong overseas publishing pipeline and is preparing to publish the following games overseas in 2015: "The Creator"(「無間獄」), "Blood Reincarnation"(「戰國陰陽師」), "War Valley: Age of Valor"(「戰谷：勇者時代」) and "Clash Of Galaxy".

In 2014 Golden Plume Award, CMGE was awarded as “The 10 Best Mobile Games Publishers” and “The 10 Best Game Enterprises” and CMGE’s Crisis Action won “The Most Popular Social Game”. This demonstrates the recognition of CMGE’s publishing business.

Self-developed games

According to Analysys International, CMGE was ranked a Top 10 developer in China in the fourth quarter of 2014.

In 2014, CMGE’s self-developed MMORPG mobile game “Wonder Hero”(「英雄本色」) was ranked first in popularity rankings on Kakao Talk, Naver, T-store, N-store within 48 hours after its launch in Korea. CMGE also has multiple games in its self-development pipeline. “New Legend of Sword and Fairy”(「新仙劍奇俠傳」), co-developed with “Softstar Technology”(「大宇資訊」) will begin closed beta testing in April 2015. “Naruto: Shinobi Masters”(「火影忍者：忍者大師」), co-developed with GREE, is in its final stage of development. CMGE is also currently developing a Shaolin Temple– themed ARPG mobile game as well as a RPG game that is adapted from the popular online fiction “Ze Tian Ji”(「擇天記」) with “7Cool”(「無錫七酷網路」). Both games are scheduled to enter closed beta testing in the second quarter of 2015. In addition, in 2014, the highly anticipated ARPG mobile game “The Creator”(「無間獄」), which CMGE co-developed with “Shanghai Yin He Shu Wu”(「上海銀河數娛」), won the 2014 Unity3D Vision Award.

CMGE also has multiple other games in various stages of self-development and co-development based on IP rights CMGE acquired, including “One Piece: the Path of Powers”(「航海王」), “Samurai Shodown”(「侍魂」), “Ikkyuu San”(「聰明的一休」), “Si Da Ming Bu”(「四大名捕」) and “Hello Kitty”(「凱蒂貓」), among others, and are expected to be launched within 2015. The Group is looking forward to strong overall growth of CMGE’s self-developed games in 2015.

Intellectual property:

Throughout 2014, CMGE established a series of strategic partnerships with IP owners in Japan, the United States and Taiwan and sourced several classic IPs such as “Naruto”(「火影忍者」), “One Piece”(「航海王」), “Dragon Ball Z”(「龍珠Z」), “Ikkyuu San”(「聰明的一休」), “Hello Kitty”(「凱蒂貓」), “Samurai Showdown”(「侍魂」), among others. In addition, CMGE made a strategic investment in Inplay, a leading Korean developer of mobile and PC games of which Warner Brothers is the major shareholder.

Recently, in the area of manga, CMGE has acquired the rights from North Star Pictures to develop mobile games based on the popular Japanese manga “Fist of the North Star”(「北斗神拳」). In the area of classic games, CMGE has been authorized by “Softstar Technology”(「大宇資訊」) to co-develop a 3D mobile game version of “New Legend of Sword and Fairy”(「新仙劍奇俠傳」), a game that is widely recognized as a classic Chinese culture-themed RPG. In the area of online fiction, CMGE has been authorized to develop a hard-core mobile game based on the popular online fiction “Si Da Ming Bu Zhi Da Dui Jue”(「四大名捕之大對決」).

Long-life-cycle product strategy:

In 2014, in addition to further developing the existing competitive products, CMGE has also developed two product lines each with long life-cycles, including poker games and e-sports games. Both of these products performed exceptionally well in 2014. In addition, CMGE entered into a strategic cooperation with “Jin Huan Tian Lang”(「金環天朗」), a leading mobile poker game developer in China in which CMGE had made a strategic investment in 2014, to focus on building a social platform with multiple social functions and interactive services.

In 2014, CMGE has published various e-sports mobile games, including “Crisis Action”(「全民槍戰」), “Charming Dancer”(「天天炫舞」) and, “King of Fighters’ 97”(「拳皇97對戰版」). As one of the world’s first FPS competitive mobile games and an official mobile game title in the World E-sport Championship Games (“WECCG”), “Crisis Action”(「全民槍戰」) has performed very well as part of the regularly held online competitions titled “Hero Leagues,” which attracts many players. Another unique 3D dance-themed game, “Charming Dancer”(「天天炫舞」), with its simple operation, catchy characters and real-time communication tools, has won popularity among players and was awarded the “2014 GMGC Best Visual Award”.

In addition, CMGE also commenced closed beta testing on the Android platform for the battle game “The King of Fighters’ 97”(「拳皇97對戰版」) in January 2015. This version of “The King of Fighters’ 97” preserves the 36 characters from the original game while adding exciting and upgraded visual effects and multiple game play modes for improved player experience. Similarly, CMGE will also upgrade the arcade game “Samurai Shodown”(「侍魂2」) on Android platforms.

Distribution Platform

In 2014, CMGE's proprietary game center developed steadily with total registered users reaching 24 million by 31 December 2014. In addition, CMGE's highest monthly downloads and total downloads for the year were approximately 100 million and over 700 million, respectively. By pre-installing game center applications on the handsets of users mainly from third-tier and fourth-tier cities in China, CMGE has achieved success in promoting its single-player games and mobile poker games.

In 2014, through strategic cooperation with China Unicom, CMGE has also extended into the field of television games. In October 2014, CMGE and International Data Group ("IDG") collectively established the "Future Family Fun Alliance" (the "3F Alliance") on China Unicom's "WoStore" (「沃商店」), which has aggregated over forty core enterprises in the family entertainment industry, including content providers, electrical appliance manufacturers, game controller manufacturers, chipset manufacturers, third party platforms and media, among others, to develop/distribute mobile games and other forms of entertainment on a smart television platform.

Game Support Platform

In 2014, CMGE also established a solid game support platform. "Super SDK" combines social chatting, cross promotion, data mining and other functions. Super SDK, links game developers with multiple distribution channels while simultaneously increasing the users stickiness and increasing the efficiency of developers in distributing and marketing their games. In order to further consolidate its game support platform, CMGE strategically invested in Shenzhen Yunva Technology ("Yunva Technology") in 2014. In the fourth quarter of 2014, Yunva Technology launched "YAYA Yu Yin" 3.0 version, which has enriched the social functions and incorporated a game distribution function. YAYA Yu Yin had successfully attracted an average 50,000 newly registered users on a daily basis for the fourth quarter of 2014. For improved game experience, CMGE's Super SDK has incorporated YAYA Yu Yin. In addition, Beijing Super Flash Software Co. Ltd, in which CMGE also made a strategic investment, launched its "Mobimirage" game engine (the "Mirage Engine") in the third quarter of 2014. The Mirage Engine is a 2D/3D cross-platform mobile game engine. With an average three to five month research and development period, it has already launched several successful games, including "Jue Zhan Sha Cheng" (「決戰沙城」), which was self-developed by us, "Heng Sao Xi You" (「橫掃西遊」), which was exclusively published by Tencent as well as "Nu Zhan Xuan Yuan" (「怒斬軒轅」), a mobile game published by Baidu Mobile Games.

Integrated ecosystem focus on product innovation and user satisfaction

For every segment of the mobile game industry in which it is involved, CMGE has made strategic investment or established operating subsidiaries, striving to develop an integrated ecosystem focused on product innovation and user satisfaction. Such strategic investments and subsidiaries include Inplay, 51 PK (51PK遊戲對戰平台), Yunva Technology, Super Flash and Jin Huan Tian Lang, among others. Among all of CMGE's investment projects, its strategic investment in Success Capital (志成資本) has been instrumental in making CMGE's overall investment strategy in the mobile game industry more complete. Since its inception in June 2014, Success Capital (志成資本) has invested in 18 projects including investments in mobile game developers, television game developers, game art production companies, game music production companies, gaming media as well as game IP integrators.

In 2014, with product innovation and user satisfaction as its core principles, CMGE has successfully established an integrated ecosystem, bringing together self-developed games, game publishing, IP, a game support platform and distribution platform. Through this ecosystem, CMGE will continue to strive to provide the players with more interesting games and high quality services and thereby create a gaming brand to foster loyalty among players.

FINANCIAL REVIEW

Business segments

	Tele-media business		Lottery-related business		Mobile games business		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>83,746</u>	<u>31,490</u>	<u>242,681</u>	<u>114,903</u>	<u>1,619,285</u>	<u>448,685</u>	<u>1,945,712</u>	<u>595,078</u>
Reportable segment profit/(loss)	<u>(217,603)</u>	<u>(71,177)</u>	<u>78,964</u>	<u>32,049</u>	<u>256,061</u>	<u>2,189</u>	<u>117,422</u>	<u>(36,939)</u>

Tele-media Business

The tele-media business segment contributed a turnover of HK\$83,746,000 to the Group for the year ended 31 December 2014, representing an increase of around 166% as compared with the corresponding period in 2013. Segment loss was HK\$217,603,000 for the year (2013: Loss of HK\$71,177,000).

The unsatisfactory performance was mainly attributable to the fact that the Group's tele-media business was still undergoing a strategic realignment process in 2014. These greatly increased the relevant marketing expenses and platform development costs such as content production costs during the period. But the corresponding revenue has not yet been derived during the period.

Lottery-related Business

For the year ended 31 December 2014, the Group recorded a lottery-related income of HK\$242,681,000, representing an increase of around 111% as compared with the corresponding period last year. Segment profit for the whole year increased by 146% to HK\$78,964,000 when compared with last year's corresponding period.

With the success of various promotional campaigns launched by the Group during the year, the lottery-related business of the Group continue the pattern of high growth in the year.

However, due to the recent promulgation of the Notice of General Administration of Sport on the Practical Implementation of Special Audit Opinions on Lottery Funds to Strengthen the Sports Lottery Management (《體育總局關於切實落實彩票資金專項審計意見加強體育彩票管理工作的通知》) by the General Administration of Sport of the People's Republic of China (the "PRC") and 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》) jointly promulgated by the Ministry of Finance, Ministry of Civil Affairs and the General Administration of Sport of the PRC, the Group's business partners had suspended the operations of online sale of paperless lottery tickets and sale of lottery tickets through mobile phones with effect from 1 March 2015. Accordingly the Group's lottery-related business had been suspended simultaneously. It is uncertain when the operation of the Group's lottery-related business will resume.

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. And 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 year of 2014, the mobile games business segment revenue increased to HK\$1,619,285,000, representing an increase of around 261% as compared with the corresponding period in 2013. Segment profit increased by 11,598% to HK\$256,061,000 when compared with last year's corresponding period (2013: Profit of HK\$2,189,000).

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

Net Loss

Loss attributable to the owners of the Company for the year was HK\$131,590,000, compared to a loss of HK\$160,014,000 in the last year.

Liquidity and Financial Resources

As at 31 December 2014, the Group had HK\$602,725,000 cash and cash equivalents (31 December 2013: HK\$616,137,000). Working capital was HK\$1,508,331,000 as compared with the working capital of HK\$1,046,476,000 at the end of last year. The Group had no bank borrowings as at 31 December 2014 (2013: HK\$17,938,000). 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 31 December 2014, the Group's current ratio was 4.2 (31 December 2013: 4.1). Taking into account the financial resources available, the directors of the Company (the "Directors") are of the view that the Group will have sufficient working capital for its present requirement.

Capital Structure

As at 31 December 2014, the total assets of the Group amounted to HK\$4,528,160,000 (2013: HK\$3,622,718,000). The number of the issued shares of the Company was increased from 3,286,693,262 shares (31 December 2013) to 3,297,925,262 shares (31 December 2014), which was due to the issuance of new shares upon exercise of share options granted pursuant to the share option schemes of the Company. The Group's capital structure, as well as cash inflow, are therefore very healthy.

EMPLOYEES REMUNERATION AND BENEFITS

As at 31 December 2014, the Group had a total of 1,743 employees. They include the management team and the employees in administration, production and sales departments. The Group regularly reviewed 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 to promote the long-term growth of the Group.

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

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 27 May 2015 to Friday, 29 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 May 2015.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining statutory and regulatory standards and adhering to good corporate governance in the conduct of its business. The Board believes that good corporate governance is essential in enhancing the confidence of the shareholders, potential investors and business partners and is consistent with the Board's pursuit of value creation for the Company's shareholders.

The Company had applied and complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2014 except for the deviations with explanations as set out hereunder.

1. 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 announcement, 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 fostering the development of the Group, allowing contributions from all executive Directors with different expertise and more coherence and consistency in the 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.
2. According to the code provision A.5.1 of the CG Code, nomination committee should comprise a majority of independent non-executive directors. Mr. Wang Zhichen, an independent non-executive Director and a member of the nomination committee of the Company (the "Nomination Committee"), passed away on 8 October 2014. Following the passing away of Mr. Wang Zhichen, the Nomination Committee did not comprise a majority of independent non-executive Directors. The Company appointed Prof. Gong Zhankui as an independent non-executive Director and a member of Nomination Committee with effect from 28 November 2014 and has duly complied such code provision since then.
3. 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 30 May 2014 due to various work commitments.

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 its code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2014.

AUDIT OPINION

The auditor of the Group will issue an opinion with emphasis of matter on the consolidated financial statements of the Group for the year under audit. An extract of the auditor’s report is set out in the section headed “EXTRACT OF THE AUDITOR’S REPORT” below.

EXTRACT OF THE AUDITOR’S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group’s profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

We draw attention to the disclosure made in note 45 to the consolidated financial statements which describes the suspension of the Group’s lottery-related operation after the reporting period. Our opinion is not qualified in respect of this matter.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2014.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website (<http://ir.v1group.com.hk>) and the Hong Kong Exchanges and Clearing Limited's website (<http://www.hkexnews.hk>). The 2014 annual report will be dispatched to the shareholders of the Company and will be made available on the aforesaid websites in due course.

APPRECIATION

I would like to extend on behalf of the Board its sincere gratitude to our employees for their hard work and commitment, which has been, and will continue to be, essential for the Group's success and competitive edge in a market full of challenges and uncertainties. We also thank our shareholders for their continuous support and confidence in the Group.

By order of the Board
V1 Group Limited
ZHANG Lijun
Chairman

Hong Kong, 27 March 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