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## **V1 GROUP LIMITED**

**第一視頻集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 82)**

### **2015 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 2015 are as follows:

#### **Highlights of the annual results for 2015**

- Profit attributable to the owners of the Company amounted to HK\$142,666,000, as compared with a loss of HK\$131,590,000 last year
- Income from tele-media business amounted to HK\$96,338,000 representing an increase of around 15.0% as compared with last year

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 DECEMBER 2015*

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Continuing operations</b>			
Revenue	4	<b>123,561</b>	326,427
Cost of revenue		<u><b>(256,120)</b></u>	<u>(321,039)</u>
Gross (loss)/profit		<b>(132,559)</b>	5,388
Other gains and losses	5	<b>5,294</b>	(822)
Selling and marketing expenses		<b>(13,294)</b>	(81,028)
Administrative expenses		<b>(395,899)</b>	(176,746)
Impairment of intangible assets		<b>(93,492)</b>	–
Share of profits of associates		<u><b>126</b></u>	<u>1,131</u>
Loss before income tax	6	<b>(629,824)</b>	(252,077)
Income tax credit	7(a)	<u><b>1,365</b></u>	<u>953</u>
Loss for the year from continuing operations		<b>(628,459)</b>	(251,124)
<b>Discontinued operations</b>			
Income from discontinued operations	8	<u><b>846,315</b></u>	<u>256,061</u>
<b>PROFIT FOR THE YEAR</b>		<b>217,856</b>	4,937
<b>Other comprehensive income</b>			
Items that maybe reclassified subsequently to profit or loss:			
Change in value of available-for-sale financial assets		<b>(2,938)</b>	(15,696)
Exchange differences arising on translation of foreign operations		<u><b>(89,053)</b></u>	<u>(44,085)</u>
Other comprehensive income for the year		<u><b>(91,991)</b></u>	<u>(59,781)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>125,865</b></u>	<u>(54,844)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 DECEMBER 2015*

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>PROFIT/(LOSS) FOR THE YEAR</b>			
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company			
Loss for the year from continuing operations		<b>(627,543)</b>	(251,169)
Income from discontinued operations		<b>770,209</b>	119,579
		<hr/>	<hr/>
Profit/(loss) for the period attributable to owners of the Company		<b>142,666</b>	(131,590)
		<hr/>	<hr/>
Non-controlling interests			
(Loss)/profit for the year from continuing operations		<b>(916)</b>	45
Income from discontinued operations		<b>76,106</b>	136,482
		<hr/>	<hr/>
Profit for the period attributable to non-controlling interests		<b>75,190</b>	136,527
		<hr/>	<hr/>
		<b>217,856</b>	4,937
		<hr/> <hr/>	<hr/> <hr/>
<b>TOTAL COMPREHENSIVE INCOME</b>			
<b>FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>70,475</b>	(185,797)
Non-controlling interests		<b>55,390</b>	130,953
		<hr/>	<hr/>
		<b>125,865</b>	(54,844)
		<hr/> <hr/>	<hr/> <hr/>
<b>EARNINGS/(LOSS) PER SHARE</b>			
<b>FROM CONTINUING AND DISCONTINUED OPERATIONS</b>			
– Basic ( <i>HK cents</i> )	<i>9</i>	<b>4.33 cents</b>	(4.00) cents
		<hr/> <hr/>	<hr/> <hr/>
– Diluted ( <i>HK cents</i> )	<i>9</i>	<b>4.33 cents</b>	(4.00) cents
		<hr/> <hr/>	<hr/> <hr/>
<b>LOSS PER SHARE FROM CONTINUING OPERATIONS</b>			
– Basic ( <i>HK cents</i> )	<i>9</i>	<b>(19.03) cents</b>	(7.64) cents
		<hr/> <hr/>	<hr/> <hr/>
– Diluted ( <i>HK cents</i> )	<i>9</i>	<b>(19.03) cents</b>	(7.64) cents
		<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2015**

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>15,701</b>	57,421
Interests in associates		<b>40,939</b>	51,436
Interest in a joint venture		–	2,329
Goodwill		<b>446,057</b>	942,857
Intangible assets		<b>871,138</b>	1,321,501
Other financial assets		–	179,597
		<b><u>1,373,835</u></b>	<b><u>2,555,141</u></b>
<b>CURRENT ASSETS</b>			
Trade receivables	<i>11</i>	<b>8,377</b>	713,121
Other receivables, deposits and prepayments		<b>18,412</b>	535,867
Inventories		<b>1,342</b>	1,013
Other financial assets		<b>5,506</b>	30,183
Amount due from an associate		<b>64,117</b>	90,076
Amounts due from related companies		<b>4,984</b>	34
Bank balances and cash		<b>1,591,389</b>	602,725
		<b><u>1,694,127</u></b>	<b><u>1,973,019</u></b>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	<b>82</b>	254,892
Deposits received, other payables and accruals		<b>25,547</b>	172,959
Amount due to an associate		<b>428</b>	550
Amounts due to related companies		<b>8,547</b>	5,895
Deferred revenue		–	22,619
Tax payable		<b>112,094</b>	7,773
		<b><u>146,698</u></b>	<b><u>464,688</u></b>
<b>NET CURRENT ASSETS</b>		<b><u>1,547,429</u></b>	<b><u>1,508,331</u></b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,921,264</b>	4,063,472
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>35,849</b>	45,999
<b>NET ASSETS</b>		<b><u>2,885,415</u></b>	<b><u>4,017,473</u></b>
<b>EQUITY</b>			
Share capital		<b>32,979</b>	32,979
Reserves		<b>2,832,253</b>	3,144,231
Equity attributable to owners of the Company		<b>2,865,232</b>	3,177,210
Non-controlling interests		<b>20,183</b>	840,263
<b>TOTAL EQUITY</b>		<b><u>2,885,415</u></b>	<b><u>4,017,473</u></b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### *FOR THE YEAR ENDED 31 DECEMBER 2015*

#### **1. GENERAL**

V1 Group 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”) were principally engaged in tele-media business, lottery-related business and mobile games business in the People’s Republic of China (“PRC”) during the year ended 31 December 2015. In 2012, the non-wholly owned subsidiary of the company, China Mobile Games and Entertainment Group Limited (“CMGE”), which is principally engaged in mobile games business, was successfully listed on the Nasdaq Global Market in the United States. Following the completion of Merger on 10 August 2015 as mentioned in note 8, CMGE ceased to be a publicly traded company and was disposed of by the Company.

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”) or its related company.

VODone (Beijing) Network Technology Limited (第一視頻(北京)網絡技術有限公司), a company established in the PRC and a wholly owned subsidiary of VODone Telemedia, 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 or its related company, 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.

## **Suspension of lottery-related business**

Regarding lottery-related business, the Group entered into cooperation agreements with certain lottery centers (the “business partners”) in which the Group provides the online sale of paperless lottery tickets and sales of lottery tickets through mobile phone services. In return, the Group will derive revenue from the business partners.

During the year, due to 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 an uncertainty on how long the self-examination and correction process will take. The suspension would mean the Group will derive no revenue from online sales of lottery until the suspension is removed. It is also unknown whether any new regulations or rules will be implemented by the government and how these might affect the Group’s operation on online sales of lottery tickets.

The management expects the government will issue new rules and regulation for sale of lottery tickets through internet and reopen online sale of lottery tickets market in the near future. The management is of opinion that its business partners will observe and comply with any new rules and regulations promulgated by the relevant PRC regulatory authorities and make adjustment to their operations where necessary and the Group will actively cooperate with its business partners with an aim to resume lottery-related business.

Taking into account the Group’s other businesses and financial resources available, the directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2015, notwithstanding the effects of the suspension of the lottery-related business and the possibility of a prolonged suspension of the lottery-related business. Accordingly, the financial statements have been prepared on a going concern basis.

Should the online sale of lottery tickets be unable to be resumed, the Group will derive no revenue from lottery-related business and adjustments would have to be made to the consolidated financial statements to impair the carrying amounts of goodwill and intangible assets in respect of the lottery-related business. The effect of these adjustments have not been reflected in the consolidated financial statements.

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

### **(a) Adoption of new/revised HKFRSs – effective 1 January 2015**

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

The adoption of these amendments has no material 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.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> 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.

### **(c) New Companies Ordinance provisions (Cap. 622)**

The Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) issued by the Stock Exchange of Hong Kong Limited relating to the disclosure of financial information with reference to the Honk Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact on the financial statements is on the presentation and disclosure of certain information in the financial statements.

## **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.

As described in more detail in note 8, the Group discontinued the reportable segment of mobile game business during the year.

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**

	Continuing operations				Discontinued operations		Total	
	Tele-media business		Lottery-related business		Mobile games business			
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>96,338</u>	<u>83,746</u>	<u>27,223</u>	<u>242,681</u>	<u>1,168,121</u>	<u>1,619,285</u>	<u>1,291,682</u>	<u>1,945,712</u>
Reportable segment profit/(loss)	<u>(279,934)</u>	<u>(217,603)</u>	<u>(45,604)</u>	<u>78,964</u>	<u>846,315</u>	<u>256,061</u>	<u>520,777</u>	<u>117,422</u>
Interest income	367	1,114	1	1	5,079	10,448	5,447	11,563
Impairment of intangible assets	(93,492)	-	-	-	(4,387)	-	(97,879)	-
Depreciation and amortisation	55,215	46,627	16,191	29,988	63,907	71,612	135,313	148,227
Share-based payment	-	-	-	-	79,082	87,369	79,082	87,369
Reportable segment assets	840,155	819,574	590,902	1,071,780	-	2,531,135	1,431,057	4,422,489
Additions to non-current assets	39,465	5,683	-	-	86,822	294,752	126,287	300,435
Reportable segment liabilities	<u>9,643</u>	<u>6,457</u>	<u>40,033</u>	<u>45,634</u>	<u>-</u>	<u>455,213</u>	<u>49,676</u>	<u>507,304</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss)/profit before income tax credit and discontinued operations		
Reportable segment profit	520,777	117,422
Other gains and losses	5,105	(67)
Share of profits of associates	126	1,082
Share of loss of a joint venture	–	(826)
Unallocated expenses:		
– Advertising expenses	(101,043)	(85,372)
– Share-based payment expenses	(4,368)	(2,690)
– Staff costs	(189,530)	(15,561)
– Others	(14,576)	(5,349)
Total profit for the year	216,491	8,639
Segment profit from discontinued operation	(846,315)	–
Consolidated (loss)/profit before income tax credit from continuing operations	<u>(629,824)</u>	<u>8,639</u>
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Assets		
Reportable segment assets	1,431,057	4,422,489
Other financial assets	5,506	30,183
Interests in associates	40,939	51,436
Interest in a joint venture	–	2,329
Cash at banks	1,585,216	–
Unallocated corporate assets	5,244	21,723
Consolidated total assets	<u>3,067,962</u>	<u>4,528,160</u>
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	49,676	507,304
Deposits received, other payables and accruals	20,777	3,383
Tax provision for gain on disposal of subsidiaries	112,094	–
Consolidated total liabilities	<u>182,547</u>	<u>510,687</u>

(c) **Geographical information**

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

(d) **Major customers**

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\$84,497,000 (2014: HK\$25,355,000) in the tele-media segment and amounted to approximately HK\$27,223,000 (2014: HK\$242,681,000) 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:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
Tele-media business:		
– advertising and service income, and sales of internet games products	<b>96,338</b>	83,746
Lottery-related business:		
– service income	<u><b>27,223</b></u>	<u>242,681</u>
	<b>123,561</b>	326,427
Discontinued operations		
Mobile games business:		
– sales of mobile games and mobile communication products	<u><b>1,168,121</b></u>	<u>1,619,285</u>
	<u><b>1,291,682</b></u>	<u>1,945,712</u>

## 5. OTHER GAINS AND LOSSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Others ( <i>note</i> )	3,809	(2,063)
Interest income	1,458	1,115
Dividend income from available-for-sale financial assets	1,196	–
Loss on disposal of property, plant and equipment	(219)	–
Loss on realisation of other financial assets	(712)	–
Net foreign exchange (losses)/gains	(238)	126
	<u>5,294</u>	<u>(822)</u>

*Note:* Included in others for the year ended 31 December 2015 was compensation of HK\$3,650,000 received from a vendor for failure service.

## 6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Continuing operations</b>		
Staff costs (excluding directors' remuneration)		
Salaries and wages	150,702	13,408
Pension fund contributions	1,653	2,298
Share-based payments	3,030	1,990
	<u>155,385</u>	<u>17,696</u>
Carrying amount of inventories sold	11,301	45,840
Provision for write-down of inventories	813	–
Depreciation of property, plant and equipment	8,409	12,939
Impairment on intangible assets	93,492	–
Amortisation of intangible assets included in		
– Cost of revenue	57,473	58,049
– Administrative expenses	5,712	5,627
Auditor's remuneration	<u>2,100</u>	<u>1,371</u>

## 7. INCOME TAX CREDIT

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax – PRC		
– under provision in prior year	–	433
Deferred taxation		
– attributable to the reversal of temporary differences	<u>(1,365)</u>	<u>(1,386)</u>
	<u>(1,365)</u>	<u>(953)</u>

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Group is calculated based on the statutory tax rate of 25%, except for VODone Information Engineering Co., Ltd. (“TMD2”) which is recognised as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 15%.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before income tax	<u>(629,824)</u>	<u>(252,077)</u>
Taxation calculated at PRC income tax of 25% (2014: 25%)	(157,456)	(63,019)
Tax effect of non-taxable income	(1,031)	(29,175)
Tax effect of expenses not deductible for taxation purposes	38,917	43,149
Tax effect of tax losses not recognised	75,206	33,694
Effect of lower tax rate applicable to subsidiaries		
as a result of preferential tax policy as described in (a)	4,296	–
Effect of tax rate in foreign jurisdictions	38,703	13,965
Under provision in prior year	<u>–</u>	<u>433</u>
Income tax credit for the year	<u>(1,365)</u>	<u>(953)</u>

## 8. DISCONTINUED OPERATIONS

On 10 August 2015, the Group disposed of CMGE to an independent third party for a consideration of US\$297,964,000 (equivalent to HK\$2,309,223,000). Details of the transaction are set out in the Company’s circular dated 30 June 2015.

Income from discontinued operations for the period is analysed as follows:

	<b>1 January 2015 to 10 August 2015 (date of completion of the disposal) HK\$'000</b>	<b>1 January 2014 to 31 December 2014 HK\$'000</b>
(Loss)/profit for the period/year	<b>(86,212)</b>	256,061
Gains arising from the disposal of CMGE	<b>932,527</b>	–
	<b><u>846,315</u></b>	<b><u>256,061</u></b>

The results of the discontinued operations for the relevant period, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	<b>1 January 2015 to 10 August 2015 (date of completion of the disposal) HK\$'000</b>	<b>1 January 2014 to 31 December 2014 HK\$'000</b>
Revenue	<b>1,168,121</b>	1,619,285
Cost of revenue	<b>(502,674)</b>	(688,865)
Gross profit	<b>665,447</b>	930,420
Other gains and losses	<b>1,610</b>	15,782
Selling and marketing expenses	<b>(287,614)</b>	(390,269)
Administrative expenses ( <i>note</i> )	<b>(457,476)</b>	(294,342)
Share of profit/(loss) of a joint venture	<b>594</b>	(826)
Share of loss of an associate	<b>(95)</b>	(49)
(Loss)/profit before income tax	<b>(77,534)</b>	260,716
Income tax expenses	<b>(8,678)</b>	(4,655)
(Loss)/profit for the period/year from the discontinued operations	<b><u>(86,212)</u></b>	<b><u>256,061</u></b>
Operating cash flows	<b>9,938</b>	(29,154)
Investing cash flows	<b>(95,695)</b>	(460,895)
Financing cash flows	<b>1,730</b>	616,503
Total cash flows	<b><u>(84,027)</u></b>	<b><u>126,454</u></b>

For the purpose of presenting the above discontinued operations, the comparative consolidated statement of comprehensive income has been represented as if the operations discontinued during the period had been discontinued at the beginning of the comparative period.

*Note:* Included in administrative expenses for the period are a bonus of HK\$228,083,000 paid to the senior management of CMGE, including a director of CMGE and his associates, which was borne by the Company.

## 9. EARNINGS/(LOSS) PER SHARE

### From continuing and discontinued operations

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

#### *Earnings/(loss)*

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	<u>142,666</u>	<u>(131,590)</u>

#### *Number of shares*

	2015 <i>'000</i>	2014 <i>'000</i>
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	3,297,925	3,286,629
Effect of dilutive potential ordinary shares: – share options	<u>302</u>	<u>1,593</u>
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	<u>3,298,227</u>	<u>3,288,222</u>

#### *Earnings/(loss) per share*

	2015 <i>HK Cents</i>	2014 <i>HK Cents</i>
– Basic	<u>4.33</u>	<u>(4.00)</u>
– Diluted	<u>4.33</u>	<u>(4.00)</u>

### From continuing operations

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

Loss figures are calculated as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit/(loss) for the year attributable to owners of the Company	142,666	(131,590)
<i>Less:</i> Profit for the year from discontinued operations	<u>(770,209)</u>	<u>(119,579)</u>
Losses for the purposes of basic and diluted loss per share from continuing operations	<u>(627,543)</u>	<u>(251,169)</u>

### *Number of shares*

	2015 <i>'000</i>	2014 <i>'000</i>
Weighted average number of ordinary shares for the purposes of basic loss per share	3,297,925	3,286,629
Effect of dilutive potential ordinary shares: – share options	<u>302</u>	<u>1,593</u>
Weighted average number of ordinary shares for the purposes of diluted loss per share	<u><u>3,298,227</u></u>	<u><u>3,288,222</u></u>

### *Loss per share*

	2015 <i>HK Cents</i>	2014 <i>HK Cents</i>
– Basic	<u>(19.03)</u>	<u>(7.64)</u>
– Diluted	<u>(19.03)</u>	<u>(7.64)</u>

### **From discontinued operations**

Basic earnings per share for the discontinued operation is HK23.35 cents per share (2014: HK3.64 cents per share) and diluted earnings per share for the discontinued operation is HK23.35 cents per share (2014: HK3.64 cents per share), based on the profit for the year from the the discontinued operations of HK\$770,209,000 (2014: HK\$119,579,000) and the denominators detailed above for both basic and diluted loss per share.

## **10. DIVIDENDS**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Special cash dividend of HK\$0.1 (2014: HK\$Nil) per share declared on 19 June 2015	<u><u>329,793</u></u>	<u><u>–</u></u>

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:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	2	234,763
2 to 3 months	–	260,587
4 to 6 months	–	160,515
7 to 12 months	–	56,406
Over 1 year	<u>8,375</u>	<u>850</u>
	<u><b>8,377</b></u>	<u>713,121</u>

The credit period of the Group's trade receivables ranges from 30 days to 365 days.

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Neither past due nor impaired	8,375	649,573
Less than 1 month past due	2	42,639
1 to 3 months past due	–	18,456
More than 3 months past due	<u>–</u>	<u>2,453</u>
	<u><b>8,377</b></u>	<u>713,121</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.

## 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:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current or less than 1 month	–	208,842
1 to 3 months	–	32,021
More than 3 months but less than 12 months	–	13,168
More than 1 year	<u>82</u>	<u>861</u>
	<u><b>82</b></u>	<u>254,892</u>

Trade payables include amounts payable in respect of mobile games business of HK\$Nil (2014: HK\$254,774,000).

## REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2015 have been reviewed by the audit committee of the Company.

## CHAIRMAN'S STATEMENT

### “Happy Birthday to V1 Group!”

Dear shareholders,

“Happy Birthday to V1 Group!” When everyone are watching online the internet giants such as Jack Ma (馬雲), Pony Ma (馬化騰), Robin Li (李彥宏) and Richard Liu (劉強東), China's business elites such as Liu Chuanzhi (柳傳志) and Zhang Ruimin (張瑞敏) and even Robert Elliot Kahn, the father of the internet from the United States of America, are all saying “Happy Birthday to V1 Group!” People can't help wondering what just happened in China's internet industry?

By adhering to and striving for its own ideals, V1 Group has gone through ten years of ups and downs along with the changing global economy and the rapid development of China's internet industry since its establishment in 2005. The last decade has witnessed V1 Group's great growth, from being China's first web video enterprise that entered into the capital market to playing an active role in Beijing Olympic Games; from hosting the first Online Spring Festival Gala to live broadcasting Wenchuan earthquake on site; from establishing mobile game business in China to engaging in paperless lottery operation; from spinning off China Mobile Games and Entertainment Group Limited (“CMGE”) to successfully list on NASDAQ and attracting some leading investors like China Investment Corporation, National Social Security Fund, etc, to disposing of its entire interests in CMGE at the best timing, which generated remarkable returns for the Group and its shareholders. In the past decade, V1 Group has added luster to the development of China's internet industry while generating impressive returns for its shareholders, which also proves the wealth creation effect arising from China's internet market as well as the insights and efforts of V1 Group's management. All those birthday blessings from the industry are imprints craved on V1 Group's glorious decade.

2015 was the year of “Nationwide Entrepreneurship and Innovation” in China. “Internet Plus” is penetrating with all aspects of social life. Being a giant in the global internet industry, China's economy transformation upgrade or structure adjustment will bring numerous development opportunities, therefore, V1 Group, as an internet enterprise dedicated in the industry for ten years, will undoubtedly be faced with a great historic opportunity to build itself an innovation-oriented internet enterprise.

In the context of the “Internet Plus”, the management of V1 Group and I have formulated a series of forward looking plans in respect of the new internet and innovative “Internet Plus” businesses of the Group, including Internet Plus Finance, Internet Plus Healthcare, Internet Plus Elderly Care and etc. The management believes that V1 Group’s “Internet Plus” business is a key business that is close to public life and cater for the needs of internet users directly. All these businesses have experienced rapid development after their launch and they will become the momentum of further development and source of revenue growth of the Group in future.

In this “APPs-based” economic era where traffics generate profits, a big data platform with a critical mass is required so as to seize the initiative in traffics generation. Being an internet company with tele-media business as its core business, the management of the Group all agreed that we must grasp the historic opportunity arising from the mobile internet’s rapid development, and has developed a series of product pattern aiming to achieve “corner overtaking” effect, shifting our focus of development to quality mobile internet based mini-video news media platform and “Zhong Mei” information platform. Meanwhile, the combination of video news and virtual reality technology, as well as the launch and operation of mobile application games and HTML5 games enables V1 Group’s new tele-media business to achieve a sustainable development. Therefore, the Group laid much expectation on its future performance. If the traffics of these products turn out to be outstanding, great economic returns will come along.

Last but not least, after the development and the successful disposal of its entire interests of our mobile game business, V1 Group’s financial strength has been enhanced, which enabled the Group to develop new business drivers rapidly under new circumstances. On the surface, V1 Group’s new business is still in its incubation period and has not generated major profit. Therefore, the Group has set up an investment fund in the meantime for rapidly developing new businesses, and actively looking for other new business talents. By leveraging its advantages, we hope that V1 Group will develop more high-quality business like CMGE in the future and make our operating performance even more excellent. We believe that with our great efforts we will definitely be rewarded in the near future.

The management of V1 Group and I will spare no efforts in making the Group become an “Internet Plus” enterprise with strong innovation capability and profitability. Our dream will definitely come true!

We sincerely thank all our shareholders for their understanding and support!

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATING RESULTS

Turnover of the Group for the year ended 31 December 2015 amounted to HK\$123,561,000, representing a decrease of around 62.1% as compared with last year. Profit attributable to the owners of the Company was HK\$142,666,000 (2014: Loss of HK\$131,590,000).

#### Business Review and Development

In 2015, the Group focused mainly on the development of the tele-media, lottery-related and mobile games businesses.

- **Tele-media business**

#### V1 Portal

##### *V1 Portal Constantly Increases its Influence*

V1 Portal is one of the largest micro video aggregation platforms in the PRC which gathers mini-videos across the People's Republic of China (the "PRC"). With its intelligent personalized recommendation service, the website recommends headline videos for users according to their viewing habits. V1 Portal covers a wide range of program contents, including news, military, entertainment, film, comedy, sports, lifestyle, finance, technology, movie, TV drama and all kinds of mini-videos. Users can stay home and easily get access to their needed information or entertainment programs. Moreover, the V1 Portal website has integrated with its mobile application, achieving the real-time synchronization between computer and mobile platform, yielding the greatest publicity effect for the website.

##### *Key News Coverage*

During the year of 2015, V1 Portal had two key news programs, namely the 70th Anniversary of the Victory of the Chinese People's War of Resistance against Japanese Aggression and the second World Internet Conference.

### *The 70th Anniversary of the Victory of the Chinese People's War of Resistance against Japanese Aggression (the "70th Anniversary of the Victory")*

"National Rejuvenation" is our publicity theme of the 70th Anniversary of the Victory, V1 Portal has specially set up a feature report team for full coverage on the commemorative events of the 70th Anniversary of the Victory. Our news series in relation to the 70th Anniversary of the Victory have attracted in aggregate more than 30 million hits, republication of up to 1,200 videos and more than 200 photos are reproduced.

On 3 September 2015, the date of the military parade, V1 Portal dispatched the whole report team for the full coverage of military parade and provided online live broadcast to internet users. In addition, V1 Portal also produced feature reports from five different perspectives, self-produced more than 30 original videos, with a total of more than 400 videos and more than 100 photos released on that date. V1 Portal attracted in aggregate more than 11 million hits among computer and mobile users. During our report on the military parade, there were up to 500,000 audiences watching our live broadcast simultaneously, while the pageviews reached 7.45 million. Besides, our military parade featured webpage has generated more than 15 million pageviews, more than 4.4 million video views were generated by our original videos and more than 1.5 million pageviews in total average were generated by those five feature reports.

### *The Second World Internet Conference (Wuzhen Summit)*

V1 Portal broadcasted the whole second World Internet Conference (Wuzhen Summit) held at Wuzhen, Zhejiang Province from 16 December to 18 December 2015, which was the grandest event in the internet industry in 2015. As a key news program in 2015, V1 Portal set up a 16-member report team to conduct one-month preparation on planning and topic selection. During the summit, V1 Portal has reported on the summit from different perspectives and levels through a number of news feature produced based on the summit information collected by our team members. During the 3-day conference, V1 Portal had produced in aggregate 75 pieces of videos news and 36 photo galleries.

### *Development Direction*

On 24 June 2015, V1 New Media announced the launch of the largest Professionally Generated Content ("PGC") platform project in China together with over 500 content providers, including Trends Group (時尚集團), Modern Sky (摩登天空), Feidieshuo (飛碟說) and Zhengyun TV (鄭雲工作室), with an aim to establish the largest "Chinese YouTube" platform in the world for millions of video creators in China to get rich ahead. Such transformation is regarded by the industry as a milestone in the development of Chinese video business.

In addition, regarding our self-produced programs, V1 Portal is producing programs under the principle of “fine-quality strategy, in-depth interpretation, high-class entertainment and trendy style” and based on the original programs such as “National Spitslot”(全民大吐槽), “World of Soldiers”(兵論天下) and “Big Coming”(大牌來襲), V1 Portal has tailor-made for users certain new programs such as “Influential TV Series”(影響劇大) and “Interpreting History”(解舊歷史).

As of November 2015, thousands of excellent PGC users had participated in the V1 PGC platform and there are quantities of quality video contents uploaded every day.

### *Website Revamping*

To better demonstrate the leading position of V1 Portal and its objective of transforming to PGC platform, V1 Portal had started its homepage revamp in May 2015. Based on the internet operation experience accumulated over years with reference to YouTube model and combined with Chinese elements, V1 Portal introduced the new v1.cn with a clean and user-friendly homepage. Meanwhile, with the assistance of our technical staff, the operation team of the homepage has established a more responsive process to ensure rich and timely content delivery and offering users with better services.

### **V1Game Business**

#### *V1Game (www.v1game.cn)*

Due to the disposition of many web game producers or their transformation to mobile games area, the year of 2015 witnessed a significant decrease in the number of new web games launched. However, the total number of web game users has remained almost unchanged at 330 million, which demonstrates a healthy growth trend. Because of such decreased number of new web games, the joint operation platforms have to put more efforts in promoting the quality prime games. V1Game has quality prime web games such as “Legend of Dominance”(傳奇霸業), “Master God of War”(大戰神), “Great Ruler”(大主宰), and “World of the Sealed Book”(天書世界), all of which are under vigorous promotion by each joint operation platform. We have also entered into strategic cooperation with Shang Fang Wan(上方網), which will carry out publicity for us in respect of our brand, exhibition, and channels, and V1Game will be responsible for platform set up, game operation and customer services.

Moreover, we have joined hands with overseas operators to explore the foreign markets. We also leveraged our official WeChat account of V1Game as our key promotional strategy, and so far has attracted over 100,000 fans. It is convenient not only for the users to log on without registration, users can also experience and recharge for the games via our official WeChat account. In addition, V1Game has also offered exclusive VIP customer services to the high consumption users, with providing excellent personal services to VIP users constantly. This is the main reason why V1Game could accumulate users more rapidly and record more revenue than other competitors. Now, the user base is growing at approximately 15% month-on-month.

In terms of product category, the product mix of V1Game was generally in line with the industrial practices. Currently, 90% of its products are role play game (“RPG”). Among the categories of web game operating in the market, the number of RPG games accounted for over 80% of the market share. RPG games can stimulate players’ consumption to a greater extent, as they have a stronger vicarious feeling, easy to play and with simple game battle mechanism. V1Game has a wide variety types of games ranging from legend, mythical realm, magic and the three kingdoms to martial arts, which are able to meet the needs of different users generally.

#### *V1H5 Platform (www.v1h5.com)*

Apart from the continual endeavors on web games, V1Game has also launched its own HTML5 (H5) game platform (www.v1h5.com) riding on the development trend of the industry. The platform has now gathered approximately 1,000 high quality H5 mini-games. No matter mobile or computer users, after they logged on the game platform, they can play their favorite games immediately without downloading.

Currently, V1H5 Platform has begun to take shape. In the 2015 HTML5 Annual Awards (二零一五HTML5年度頒獎盛典) hosted by “HTML5 DreamWorks”(HTML5夢工廠), the most reputable organization among its peers, V1H5 Platform was honored with “2015 New Company with Greatest Potential”(「二零一五年度最具潛力新銳企業獎」). Moreover, the self-developed game “Candy Bumpers”(糖果碰碰車) won the award of “Product with Greatest Development Potential”(「最具發展潛力產品獎」) in “China Original Android Game Competition”(中國原創Android遊戲評選大賽) co-organized by “China Telecoms e’ game”(中國電信愛遊戲) and “Game channel of People.cn”(人民網遊戲頻道). Now, “Candy Bumpers” talks to cooperate with well-known platforms such as Baidu Tieba Platform (百度貼吧平台), Tencent Wanba Platform (騰訊玩吧平台), and Sina Weibo Platform (新浪微博平台) have been kicked off.

## ***Outlook for V1Game Business***

Benefited from the strength of V1 Group, V1Game has already been recognized by the peers in the industry and has forged very close cooperation relationship with most of research and development companies and joint-operating companies. Meantime, V1Game has successfully developed a web game operation alliance which is exclusive to V1H5 Platform. Through this web game operation alliance, all individuals, companies and webmasters of game sites can join us for operation and promotion of the web games.

In terms of H5 games, V1Game has already decided to take the brand-new concept of “Interaction between Sports and Games”(體遊互動) as its core product strategy of 2016. At present, V1Game has entered into an exclusive cooperation agreement with Beijing Happy New Games (北京歡樂新遊) to develop a H5 game on sports competition named “It’s up to Fans”(球迷製造). The preparations for its operation have commenced after the Spring Festival of 2016. The game feature is that the users can participate in the sports matches in real time through a game mode, aiming to build the first platform for social sports games in China with the concept of “Interaction between Sports and Games”. With the Europa League on and the Olympic Games to be held in Rio de Janeiro, Brazil in 2016, “Interaction between Sports and Games” is definitely to be driven to a new climax.

V1Game has currently launched new functions of “One Yuan for Treasure”(一元奪寶) and “Platform Points”(平台積分). By offering users an opportunity winning remarkable bonus with limit budget, “One Yuan for Treasure” encourages users to play in small amount but high frequency, in order to enhance user activity and stickiness of the platform. “Platform Points” is also design for enhancing the user activity. By completing certain tasks, the users can obtain points for exchanging different items or game recharging cards on the platform. These functions have positive role in promoting products on the platform. Additional functions will be rolled out in the future, with a view to improve the platform and provide users with new experience continuously.

## **“Internet Plus” Business**

### *Healthcare Home*

In December 2015, V1 Group launched a new mobile application named “Healthcare Home”(醫護到家), the most subversive “Internet Plus” medical product in the PRC. This mobile application is differentiated from those online diagnosis model in the market. It is a brand new service philosophy with providing healthcare information services in respect of, among other things, doctors’ appointment, nursing home care, Chinese medicine therapy and follow-up consultation for chronic disease according to patients’ real needs.



### *Nursing Home Care Services*

Nursing home care services are provided by Healthcare Home platform in cooperation with Grade A Class III Nurses Group, which is the first nurses group in the PRC consisting of more than 1,000 registered nurses from Grade A Class III hospitals such as Peking Union Medical College Hospital (北京協和醫院), Peking University People's Hospital (北京大學人民醫院), Ruijin Hospital Shanghai (上海瑞金醫院) and The First Affiliated Hospital of Sun Yet-sen University in Guangdong (廣東中山一院), etc. The nursing home care services involve the provision of injection, infusion, urinary catheterization, nasal feeding, and wound dressing services by nurses authenticated by the platform on site. At present, Healthcare Home platform has authenticated over 3,000 registered nurses who are certificated by National Health and Family Planning Commission of China (NHFPC) (國家衛生和計劃生育委員會), 80% of which have 3 years or above practicing experience, covering 76 large and medium-sized cities including Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Hangzhou, Jinan and Chongqing. Authenticated nurses would “grab” (「搶約」) orders on Healthcare Home information platform and provide nursing home care services for the patients hereby.

### *Doctors' Appointment Services*

Doctors' appointment service is working through an authenticated open platform for hospital companion services launched by Healthcare Home. It provides hospital companion and doctors' appointment services for patients across the PRC, the authenticated companion groups including doctors, nurses, and student groups near hospitals. Users can send their appointment or hospital companion service requests via our Healthcare Home mobile application and the hospital companion professionals will get the order by a “grabbing” (「搶約」) mode, and will provide doctors' appointment and hospital companion services for users. By now, Healthcare Home has authenticated more than 900 hospital companion professionals in 39 cities including Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Hangzhou, Chengdu and Xi'an, who will provide hospital companion services such as hospital guide, doctors' appointment, classified treatment and information about hospital surroundings.

## *Chinese Medicine Therapy and Follow-up Consultation for Chronic Diseases*

Chinese medicine therapy and follow-up consultation for chronic diseases are provided by Grade A Class III Chinese Medicine Group, which co-founded by Healthcare Home and more than 600 Chinese medicine practitioners from Grade A Class III hospitals such as Beijing Hospital of TCM (北京中醫醫院), Guang'anmen Hospital (廣安門中醫院), Xiyuan Hospital CACMS (西苑醫院), Dongzhimen Hospital Beijing University of Chinese Medicine (東直門醫院), Shanghai Shuguang Hospital (上海曙光醫院) and Guangdong Provincial Hospital of Traditional Chinese Medicine (廣東省中醫院). The services include the provision of home care manipulation, massage, scrapping therapy, and cupping therapy, and follow-up consultation for chronic diseases such as diabetes, high blood pressure, cardio-cerebrovascular disease etc., as well as health guidance service to the patients nearby. By establishing an information service platform connecting doctors and patients, it aims to promote initial diagnosis of chronic diseases like diabetes, high blood pressure, cardio-cerebrovascular disease in grassroots level. In addition, the Healthcare Home also offers information service on nursing workers, maternity matrons and prolactin experts.

## *Business Cooperation*

In order to implement the Guiding Opinions of the State Council on Actively Propelling the Internet Plus Action (《國務院關於積極推進「互聯網+」行動指導意見》) and Guiding Opinions of the State Council on Advancing the Combining of Medical and Health Services and Elderly Care Services (《國務院關於推進醫療衛生與養老服務相結合的指導意見》), Healthcare Home and National Aging Information Center (全國老齡辦信息中心) entered into a strategic cooperation agreement, whereby product series of Healthcare Home officially become the first internet healthcare service pilot product in the PRC.

As a key mobile health information service platform built by V1, Healthcare Home has entered into a strategic partnership with PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司), whereby providing free accident comprehensive protection services to doctors, nurses and patients who are using Healthcare Home, freeing them from worries for accidents. Healthcare Home information service platform has built up a healthcare sharing economy business model, which offers all-rounded rehabilitation services such as doctor's appointment services, nursing home care services, Chinese medicine therapy and follow-up consultation for chronic diseases, by integrating social resources including doctors, nurses, students and residents near hospital and reconstructing the healthcare service supply chain, and thus help solving the insufficient healthcare service supply problem to a certain extent.

With a differentiated product service, Healthcare Home was specially recommended by Apple App Store and swiftly jumps to top among its “Medical” category in China. Besides, on the first day of launching the Android version of Healthcare Home, it was recommended by various application distribution platforms such as Tencent Myapp (騰訊應用寶), Baidu Mobile Phone Assistant (百度手機助手) and 360 Mobile Phone Assistant (360手機助手), Huawei Application Market (華為應用市場) and Xiaomi App Store (小米應用商店). At present, Healthcare Home mobile application has achieved over 1 million downloads, becoming the most fast-growing healthcare-related mobile phone application in China and gradually becoming an industry parvenu building brand-new business model for mobile healthcare.

- **Lottery-related business**

The main source of income for V1 Group’s lottery-related business derives from the websites set up and operated by the partners of the Group, including Lottery 365 (彩票365), a strategic cooperative mobile application developed by the business partner of the Group, “Zhongguozucaiwang” (中國足彩網) ([www.zgzcw.com](http://www.zgzcw.com)) and “Diyicai” (第一彩) ([www.diyicai.com](http://www.diyicai.com)). Such commercial cooperation also resulted in relevant income structure.

In early 2015, stimulated by the Asian Cup and game bets on fixed single matches, the monthly lottery sales through Zhongguozucaiwang and Lottery 365 reached another historical high. In March 2015, the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sport of the PRC jointly promulgated the Notice on Issues Regarding Conducting Self-examination and Self-correction Activities of the Unauthorized Sale of Lottery through Internet (關於開展擅自利用互聯網銷售彩票行為自查自糾工作有關問題的通知), leading to the full suspension of internet sale of lottery tickets.

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

### *Website Revamp and Highlighting Information*

The website of Diyicai has undertaken an upgrade project with an aim to enhance users loyalty and activity towards the website of the Group's lottery-related business. It is mainly focusing on the innovation on presenting lottery results, we are the first to present lottery results in forms of graphs, enabling the users to search for all kinds of lottery information such as the dividends, lottery pools and sales conveniently. Meanwhile, we have improved the user experience with a new website interface by modifying various interface designs such as the information modules, odds centers and real-time scores with respect to the website style and the channel features on website.

### *Grasping Key Matches and Analyzing Information and Data*

In April 2015, Zhongguozucaiwang launched a "Lottery Information" channel and its brand-new HTML5 version, with a precise focus on seven key matches, namely, "Five European League Matches", "UEFA Champions League", "AFC Champions League", "Copa America", "FIFA Women's World Cup", "UEFA Euro Qualifying tournament", and "Chinese Football Association Super League". The website has concentrated its resources on building a leading matches center of the industry and rolled out special features, schedule points, key rivals and matches analysis for important matches, with full coverage of the homepage search results of three main search engines – Baidu (百度), 360 and Sogou (搜狗). Furthermore, in respect of scores and information, Zhongguozucaiwang and Lottery 365 have introduced the real-time scores and odds data from Sportradar, encompassing more than 70 league and cup matches of such countries as England, Germany, Italy, Spain, France, Portugal, Switzerland, Norway, Brazil and China. The two websites lead the industry in terms of the speed and accuracy of real-time scores and odds changes, substantially enhancing the user experience of information access.

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

### *Improve Game Entertainment and User Interaction*

In respect of game entertainment, Lottery 365 successively launched two main guessing games with bonus points, namely "Guessing PK Game" (猜猜猜PK賽) and "Virtual Guessing of Football Game" (競彩足球虛擬競猜), provide users with a chance of winning cash and prizes. Besides, "Racetrack" (賽馬場), a Lottery 365's self-developed high frequency game is very popular among users, during the first week of its launch, its simultaneous users reached more than ten thousand.

### *Cooperating in Multifold Area and Exploring Further Development*

In respect of innovative service model, the Group's lottery-related business partners has collaborated with "Football" newspaper, No.1 professional print media of sports in China, together with other business partners jointly roll out a platform for paid expert recommendations. A large number of famous domestic experts, such as Su Qun (蘇群), Boshu (波叔), and Ding Weijie (丁偉傑) are invited to join the expert recommendation platform through the Lottery 365 and Zhongguozucaiwang, providing users with expert recommendations subscription service. It is intended to be developed as the biggest lottery expert recommendations platform in the PRC.

In respect of product cooperation, Lottery 365 has been pre-installed in the full range of Huawei "Honor Play" mobile phones (華為「榮耀暢玩」全系列) in the form of "Cloud Folder" and has also been listed on Huawei Application Market's recommended list as one of "The Most Promising APP in 2015" (「年度最具潛力應用」). Meanwhile, Lottery 365 has become a lottery content provider for Baidu Application Platform, offering lottery results, lottery pools and related information on main lottery types such as Shuangseiqiu (雙色球), Qixingcai (七星彩), Qilecai (七樂彩), Pailiesan (排列三), Pailiewu (排列五) for Baidu mobile application users.

### *Awards*

In the first half of 2015, as a pioneer in the development of the mobile internet industry, Lottery 365 won recognition from organizations and distribution platforms in the mobile internet industry, winning successively "The Most Popular APP in 2015" (「年度最受歡迎應用」) award by Android Market, "Popular APP Award" (「人氣應用獎」) by WoStore of China Unicom, and "TOP50 in Innovation Competition" (「創新大賽TOP50」) by Global Mobile Internet Conference and etc.

#### **• Mobile Games Business**

On 19 June 2015, the Company announced that CMGE had entered into a merger agreement with Pegasus Investment Holdings Limited ("Offeror") and Pegasus Merger Sub Limited ("Merger Sub") pursuant to which CMGE and Merger Sub will effectuate a merger ("Merger"). The Merger was approved by the Company's shareholders and CMGE's shareholder at their respective extraordinary meetings held on 16 July 2015 and 27 July 2015, respectively. The Merger had completed on 10 August 2015 and the Company disposed of its entire interest in CMGE as a result of the Merger. After that CMGE ceased to be a subsidiary of the Company. The Group's mobile games business has discontinued since then.

## FINANCIAL REVIEW

### Business segments

	Tele-media business		Lottery-related business		Mobile games business		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>96,338</u>	<u>83,746</u>	<u>27,223</u>	<u>242,681</u>	<u>1,168,121</u>	<u>1,619,285</u>	<u>1,291,682</u>	<u>1,945,712</u>
Reportable segment profit/(loss)	<u>(279,934)</u>	<u>(217,603)</u>	<u>(45,604)</u>	<u>78,964</u>	<u>846,315</u>	<u>256,061</u>	<u>520,777</u>	<u>117,422</u>

### Tele-media Business

The tele-media business segment contributed a turnover of HK\$96,338,000 to the Group for the year ended 31 December 2015, representing an increase of around 15.0% as compared with the corresponding period in 2014. Segment loss was HK\$279,934,000 for the year (2014: HK\$217,603,000).

The unsatisfactory performance was mainly attributable to the fact that the Group's tele-media business was still undergoing a strategic realignment process in 2015. Relevant marketing expenses and platform development costs such as content production costs increased significantly during the period but the corresponding benefit was not yet to reflect in current period.

### Lottery-related Business

For the year ended 31 December 2015, the Group recorded a lottery-related income of HK\$27,223,000, representing a decrease of around 88.8% as compared with the corresponding period last year. Segment loss for the whole year was HK\$45,604,000 (2014: profit of HK\$78,964,000).

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

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

## **Mobile Games Business**

For the year of 2015, the mobile games business segment revenue decrease to HK\$1,168,121,000, representing a decrease of around 27.9% as compared with the corresponding period in 2014.

Decrease in revenue was attributable to the Company's disposal of its entire interest in CMGE on 10 August 2015. After that CMGE ceased to be a subsidiary of the Company. The Group's mobile games business has discontinued and the revenue and profit of mobile game business have not been recognised in the Group's revenue and result since then.

Nevertheless, segment profit of mobile games business increased by 230.5% to HK\$846,315,000 when compared with HK\$256,061,000 in the year of 2014. The strong financial performance was driven by the profit arising from the disposal of the interest in CMGE during the year.

## **Net profit attributable to the owners of the Company**

Profit attributable to the owners of the Company for the year was HK\$142,666,000, compared to a loss of HK\$131,590,000 in the last year. The increase was primary attributable to the remarkable gain arising from the disposal of the interest in CMGE during the year 2015.

## **Liquidity and Financial Resources**

As at 31 December 2015, the Group had HK\$1,591,389,000 cash and cash equivalents (31 December 2014: HK\$602,725,000). Working capital was HK\$1,547,429,000 as compared with the working capital of HK\$1,508,331,000 at the end of last year. The Group had no bank borrowings as at 31 December 2015 (2014: HK\$Nil). 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 2015, the Group's current ratio was 11.5 (31 December 2014: 4.2). 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.

## **Contingent Liabilities**

As at 31 December 2015, the Group had no significant contingent liabilities.

## **Capital Structure**

As at 31 December 2015, the total assets of the Group amounted to HK\$3,067,962,000 (2014: HK\$4,528,160,000) which were mainly financed by shareholders' fund of HK\$2,865,232,000 (2014: HK\$3,177,210,000). There is no change to the Group's capital structure for the year and the number of the issued shares of the Company was 3,297,925,262 shares. The Group's capital structure, as well as cash inflow, are therefore very healthy.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

Except for the disposal of the entire interest in CMGE on 10 August 2015, there was no material acquisition and disposal of subsidiaries during the year ended 31 December 2015. Addition information is set forth in the notes to the consolidated financial statement of the Company.

## **EMPLOYEES REMUNERATION AND BENEFITS**

As at 31 December 2015, the Group had a total of 296 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 2015 (2014: Nil).



## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 17 May 2016 to Thursday, 19 May 2016, 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 Monday, 16 May 2016.

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

For the purpose of complying with the CG Code, the Board adopted the revised terms of reference for the audit committee of the Company in December 2015.

## **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 2015.

## **AUDIT COMMITTEE**

The audit committee of the Company consists of the independent non-executive directors, namely Dr. LOKE Yu (alias LOKE Hoi Lam), Prof. GONG Zhankui and Mr. WANG Linan. The audit committee has reviewed with management the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the annual results for the year ended 31 December 2015.

## **SCOPE OF WORK OF THE AUDITOR**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements, and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

## **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 financial position of the Group as at 31 December 2015 and of its financial performance 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 Companies Ordinance (Chapter 622).

### **Emphasis of Matter**

We draw attention to the disclosure made in note 1 to the consolidated financial statements which describes the suspension of the Group's lottery-related operation. 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 2015.

### **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 2015 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, 18 March 2016

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