十年 10年 2005 2015 我们一起走过

第一视频集团
V1 GROUP LIMITED

V1 GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 82)

ANNUAL REPORT 2015

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CORPORATE PROFILE

V1 Group Limited, the "Company" or "V1 Group", together with its subsidiaries ("the Group") is one of the largest new media enterprises in China which is principally engaged in the new media services ranging from news production, internet-video production and broadcasting, advertising, mobile location-based community, online games, online shows and E-commerce services to lottery-related business.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Dr. Loke Yu (alias Loke Hoi Lam) *(Chairman)*
Prof. Gong Zhankui
Mr. Wang Linan

NOMINATION COMMITTEE AND REMUNERATION COMMITTEE

Dr. Zhang Lijun *(Chairman of Nomination Committee)*
Dr. Loke Yu (alias Loke Hoi Lam) *(Chairman of Remuneration Committee)*
Ms. Wang Chun
Prof. Gong Zhankui
Mr. Wang Linan

CORPORATE GOVERNANCE COMMITTEE

Prof. Gong Zhankui *(Chairman)*
Dr. Zhang Lijun
Dr. Loke Yu (alias Loke Hoi Lam)
Mr. Wang Linan

COMPANY SECRETARY

Mr. Leung Wai Tong
(Appointed on 18 January 2016)
Mr. Kwok Chi Keung, Andy
(Resigned on 31 December 2015)

AUDITOR

BDO Limited

PRINCIPAL BANKERS

The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM12, Bermuda

PRINCIPAL PLACE OF BUSINESS

16-18/F, Tower 1
Recero International Centre
No 8, Wang Jing East Road
Chao Yang District
Beijing, PRC 100102

Room 3006, 30th Floor
Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

WEBSITES AND E-MAIL ADDRESSES

http://www.v1.cn, http://ir.v1group.com.hk
info@vodone.com.hk, ir@v1.cn

STOCK CODE

00082

CHAIRMAN'S STATEMENT


V1.CN
第一视频
www.v1.cn

CHAIRMAN'S STATEMENT

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 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 undoubtly 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.

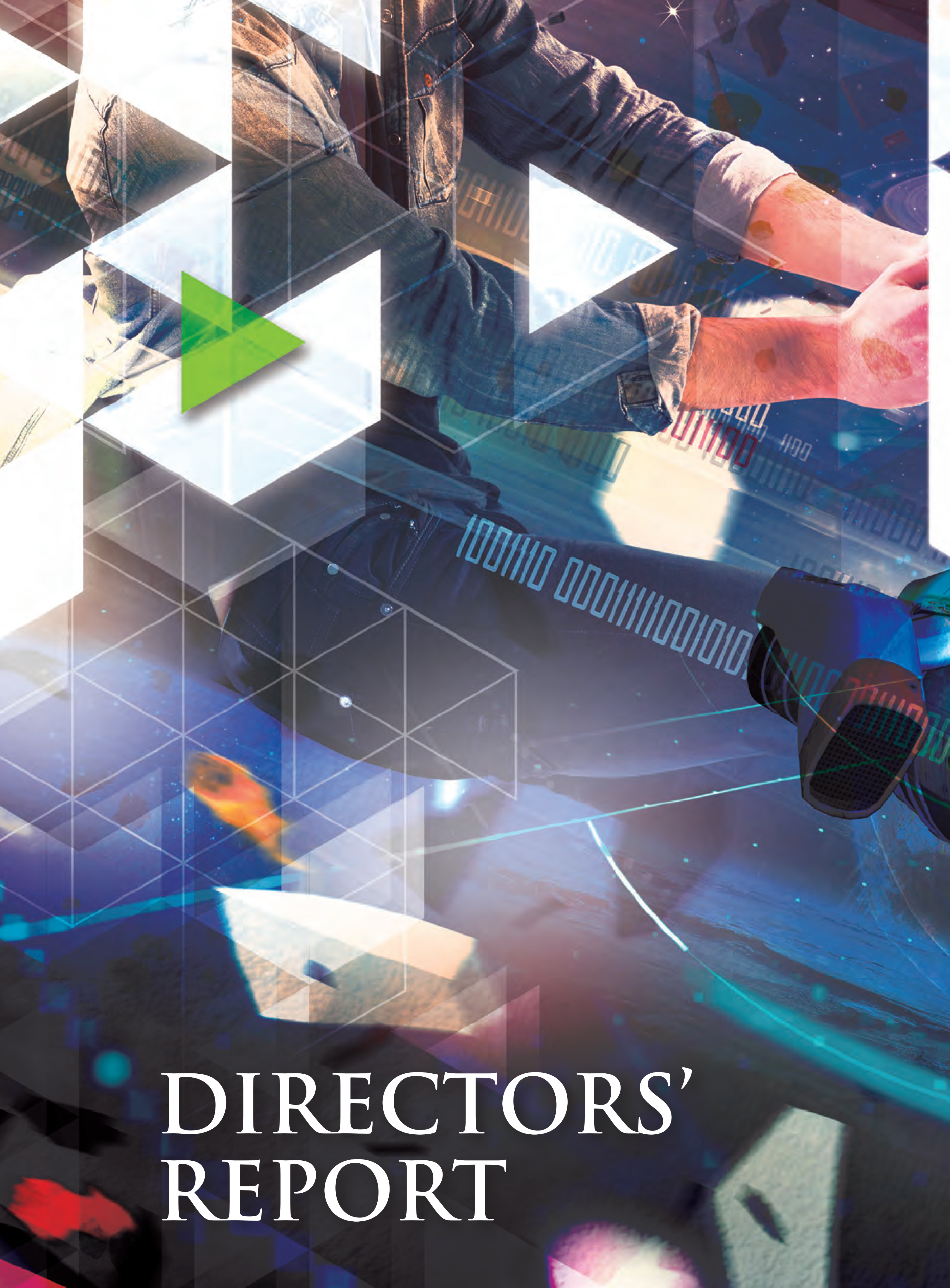
In this "APPs-based" economic era where traffics generate profits, a big data platform with a critical mass is required so as to seize the initiative in traffics generation. Being an internet company with tele-media business as its core business, the management of the Group all agreed that we must grasp 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!

Zhang Lijun
Chairman



DIRECTORS' REPORT


第一游戏网
VIGAME.cn

DIRECTORS' REPORT

The directors of the Company (the "Directors") herein present their report together with the corporate governance report, share option schemes, management discussion and analysis, and the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding.

During the year, the Group is principally engaged in tele-media business, lottery-related business and mobile games business in the PRC. The principal activities and other particulars of certain operational subsidiaries are set out in note 20 to the financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 38 to 51 of this Annual Report. This discussion forms part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 56 to 143.

A special cash dividend of HK$0.1 per share was paid to shareholders on 26 October 2015. The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2015.

SEGMENT INFORMATION

The segment information of the Group for the year ended 31 December 2015 is set out in note 6 to the financial statements.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 144. This summary is for information only and does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in property, plant and equipment of the Company and the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with explanations thereof, are set out in notes 29 and 35 respectively to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws (the "Bye-laws") or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 and page 59 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company's reserves available for distribution were approximately HK$10,567,000 (2014: HK$786,732,000). The Company's share premium account in the amount of HK$1,488,282,000 (2014: HK$1,488,282,000) may be distributed in the form of fully paid bonus shares.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the respective percentages of the Group's purchases and sales attributable to major suppliers and customers are as follows:

(a)	Percentage of purchases attributable to:	
	• the largest supplier	14.41%
	• the five largest suppliers	27.86%
(b)	Percentage of sales attributable to:	
	• the largest customer	8.65%
	• the five largest customers	30.01%

MAJOR SUPPLIERS AND CUSTOMERS *(Continued)*

The largest customer of the Group for the year was VODone Datamedia Technology Co., Ltd. ("TMD1"). TMD1, a sino-foreign joint-venture company. The Company indirectly owns 24.99% interest in TMD1 and 24.01% interest of TMD1 is indirectly held by Dr. Zhang Lijun, an executive Director, a substantial shareholder and the chairman of the Company (the "Chairman"). Through contractual arrangements as disclosed in the Company's circular dated 18 August 2006, the Group provides tele-media support services to TMD1. Save as disclosed and as far as the Directors are aware, none of the Directors, their close associates, or substantial shareholders (which to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or customers.

CHAIRMAN AND DIRECTORS

The Chairman and the Directors during the year and up to the date of this report have been:

EXECUTIVE DIRECTORS:

Zhang Lijun *(Chairman)*
Wang Chun

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Loke Yu (alias Loke Hoi Lam)
Gong Zhankui
Wang Linan

In accordance with the Bye-laws, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Ms. Wang Chun and Mr. Wang Linan will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Board considers them to be independent.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

EXECUTIVE DIRECTORS

Chairman

Dr. Zhang Lijun

Dr. Zhang Lijun, aged 52, holds a Doctoral degree in Economics. He is an executive Director, the Chairman of the Board and the chairman of the nomination committee of the Company (the "Nomination Committee"). Dr. Zhang holds the position as director for other members of the Group. He joined the Group in 2006. Dr. Zhang is also chairman of China Asia-Pacific Economic Cooperation ("APEC") Development Council, vice chairman of the China Internet Association, council member of the Association for Relations Across the Taiwan Straits (ARATS), honorary president of the Council of Beijing Association of Online Media, standing member of China Copyright Council, professor of Nankai University, honorary professor of the University of Sydney, Australia, and an experienced expert in China's internet media.

Dr. Zhang previously held the following positions: China's representative of the APEC Business Advisory Council, assistant to the general manager and deputy general manager of International Industrial Company of the China Minmetals Corporation, which was a company under the Ministry of Foreign Trade and Economic Cooperation, the People's Republic of China, and the deputy manager of the General Trade Department of the China Minmetals Corporation, chairman and party secretary of Sino-Interest Worldwide Economic Group under the Commission for Restructuring the Economic System and Economic Restructuring Office of the State Council, and chairman of Sino-Sky Telecom, etc. He is the spouse of Ms. Wang Chun.

Ms. Wang Chun

Ms. Wang Chun, aged 51, holds a Master degree in World Economics and is an executive Director and the chief operating officer of the Company. Ms. Wang has been the chief operating officer of the Company since 2005. Ms. Wang is also the vice president of the Council of Beijing Association of Online Media, member of the Central Women's Work Committee of the Central Committee of China Zhi Gong Party, and an experienced expert in internet trade.

In 1996, Ms. Wang spent a long time in the United States and Canada for the business of Sino-Canada International Investment (Group) Company Limited, for which she served as a director and deputy general manager as well as the chief representative of its Beijing office. In 1998, Ms. Wang returned to China and set up China Huatian Net Supermarket, the first cyber supermarket in China and originator of China's B2B and B2C e-business. She later joined Sino-Sky Telecom and was responsible for the management of one of the largest telecommunication value-added business service platforms in China. She was appointed the chief operating officer of Sino-Sky Telecom later. She is the spouse of Dr. Zhang Lijun.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP *(Continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Loke Yu

Dr. Loke Yu (alias Loke Hoi Lam), aged 66, was appointed as an independent non-executive Director in May 2005. He is also the chairman of the audit committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee") of the Company. He has over 40 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia. Dr. Loke is a fellow member of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Directors and The Hong Kong Institute of Chartered Secretaries. Currently, he is also the company secretary of Minth Group Limited and serves as an independent non-executive director of Chiho-Tiande Group Limited, China Fire Safety Enterprise Group Limited, China Household Holdings Limited, China New Energy Power Group Limited, Matrix Holdings Limited, Mega Medical Technology Limited (formerly known as Wing Tai Investments Holdings Limited), SCUD Group Limited, Sino Distillery Group Limited, Tianhe Chemicals Group Limited, Tianjin Development Holdings Limited, Winfair Investment Company Limited and Zhong An Real Estate Limited, companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Prof. Gong Zhankui

Prof. Gong Zhankui, aged 67, was appointed as an independent non-executive Director in November 2014. He is also the chairman of the corporate governance committee (the "Corporate Governance Committee") of the Company. Prof. Gong holds a Master degree of Economics from Wuhan University and a Doctoral degree of Economics from Nankai University. He is now a professor of Nankai University. Prof. Gong served as the executive vice-president of the Research Institute of China APEC, director of APEC Study Center of Nankai University, professor of Jilin University, vice-president of Institute of Asia-Pacific Studies, council member of China Society of World Economics and China National Committee for Pacific Economic Cooperation, World Economy Expert conferred by Tianjin Municipality, correspondence expert reviewer of National Social Science Projects, expert reviewer of China Scholarship Council and China International Trade Achievements, editorial board member of Asia-Pacific Economic Review, Journal of Contemporary Asia-Pacific Studies and Nankai Journal.

Mr. Wang Linan

Mr. Wang Linan, aged 67, was appointed as an independent non-executive Director in August 2007. Mr. Wang graduated from the Faculty of Economic Management of the Party School of the Central Committee of the Communist Party of China. Prior to retirement, he was also the general secretary of the China Scientific Films and Videos Association, which was a civil service employment. Mr. Wang has more than 20 years of experiences in promotion of science in China. He had worked as deputy division secretary in the China Association for Science and Technology General Office, deputy director of the Department of Science Popularisation City Division of China Association for Science and Technology, and the vice general secretary of the China Scientific Popularisation Writers Association.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP *(Continued)*

SENIOR MANAGEMENT

Ms. Wang Xiang, aged 41, is the general manager of finance of the Company. She also undertakes and performs the role of the chief financial officer of the Company with the financial controller of the Company, Mr. Leung Wai Tong. Ms. Wang is a Certified Public Accountant in the People's Republic of China. Before joining the Group, she served a foreign mobile technology company for more than 5 years as a finance in-charge where she accumulated extensive corporate finance and management knowledge in telecommunication and value added service industry. Besides, having taken part in several major audits in her role as an external auditor, she has accumulated invaluable experiences which have made her an all-rounded accountant. Ms. Wang holds a Bachelor degree in Business Management of Beijing Normal University. She joined the Group in 2006.

Mr. Leung Wai Tong, aged 34, is the financial controller and company secretary of the Company (the "Company Secretary"). He also undertakes and performs the role of the chief financial officer of the Company with the general manager of finance of the Company, Ms. Wang Xiang. He holds a Bachelor degree of Arts in Accountancy from the Hong Kong Polytechnic University and a Master degree of Laws in International Economic Law from The Chinese University of Hong Kong. He is a Certified Public Accountant (Practising) in Hong Kong and a fellow member of the Association of Chartered Certified Accountants. He is also an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 11 years of experience in accounting, auditing and financial management. Before he joined the Company, he was the financial controller of China Mobile Games and Entertainment Group Limited, a former subsidiary of the Company, from 2011 to 2013.

CHANGES IN INFORMATION WITH REGARDS TO DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the biographical details of the Directors during the course of the Director's term of office since the publication of Company's 2015 Interim Report are set out as follows:

Under the amendment to the service agreement with Dr. Zhang Lijun, an executive Director, with effect from 1 February 2016, the director's fee and remuneration of Dr. Zhang Lijun has been increased to HK$8,137,831 per annum as recommended by the Remuneration Committee and determined by the Board with reference to his duties and responsibilities with the Company and the market rate for the position.

Under the amendment to the service agreement with Ms. Wang Chun, an executive Director, with effect from 1 February 2016, the director's fee and remuneration of Ms. Wang Chun has been increased to HK$4,068,935 per annum as recommended by the Remuneration Committee and determined by the Board with reference to her duties and responsibilities with the Company and the market rate for the position.

Under the amendment to the service agreement with Dr. Loke Yu (alias Loke Hoi Lam), an independent non-executive Director, with effect from 1 February 2016, the director's fee of Dr. Loke Yu (alias Loke Hoi Lam) has been increased to HK$217,022 per annum as recommended by the Remuneration Committee and determined by the Board with reference to his duties and responsibilities with the Company and the market rate for the position.

CHANGES IN INFORMATION WITH REGARDS TO DIRECTORS *(Continued)*

Under the amendment to the respective service agreement with Prof. Gong Zhankui and Mr. Wang Linan, independent non-executive Directors, with effect from 1 February 2016, the director's fee of each of Prof. Gong Zhankui and Mr. Wang Linan has been increased to HK$162,773 per annum as recommended by the Remuneration Committee and determined by the Board by reference to their duties and responsibilities with the Company and the market rate for the position.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has entered into any service contract, which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATION

As at 31 December 2015, the Directors and their associates had the following interests in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

(A) LONG POSITION IN THE ORDINARY SHARES AND UNDERLYING SHARES OF THE COMPANY:

Name of director	Capacity	Number of ordinary shares held	% of total issued share capital	Number of underlying shares in respect of share options granted	% of total issued share capital
Zhang Lijun	Beneficial owner/ Interest of spouse/ Founder of discretionary trust	371,214,113 (Note 1)	11.26%	15,900,000 (Note 2)	0.48%
Wang Chun	Beneficial owner/ Interest of spouse/ Founder of discretionary trust	371,214,113 (Note 3)	11.26%	15,900,000 (Note 4)	0.48%
Loke Yu (alias Loke Hoi Lam)	Beneficial owner	–	–	2,800,000	0.08%
Gong Zhankui	Beneficial owner	–	–	2,000,000	0.06%
Wang Linan	Beneficial owner	1,400,000	0.04%	2,300,000	0.07%

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATION *(Continued)*

(A) LONG POSITION IN THE ORDINARY SHARES AND UNDERLYING SHARES OF THE COMPANY: *(Continued)*

Note 1: As at 31 December 2015, Dr. Zhang Lijun ("**Dr. Zhang**") held and was deemed to hold under the SFO in aggregate 371,214,113 Shares, representing approximately 11.26% of the Company's issued share capital. These 371,214,113 Shares comprised: (i) 40,514,113 Shares directly held by Dr. Zhang; (ii) deemed interest of 9,350,000 Shares directly held by Ms. Wang Chun ("**Ms. Wang**"), the spouse of Dr. Zhang; and (iii) deemed interest of 321,350,000 Shares held by Big Step Group Limited. Big Step Group Limited is a company wholly-owned by J&C Dragon Limited, which in turn is wholly-owned by UBS Trustees (BVI) Limited. UBS Trustees (BVI) Limited is acting in the capacity as the trustee of a discretionary family trust established by Dr. Zhang and Ms. Wang as settlors, and the discretionary beneficiaries of the trust include Dr. Zhang, Ms. Wang and their family members.

Note 2: Of these 15,900,000 share options, 6,600,000 share options are directly held by Dr. Zhang. Dr. Zhang is also deemed to be interested in the remaining 9,300,000 share options through the interest of his spouse, Ms. Wang.

Note 3: As at 31 December 2015, Ms. Wang held and was deemed to hold under the SFO in aggregate 371,214,113 Shares, representing approximately 11.26% of the Company's issued share capital. These 371,214,113 Shares comprised: (i) 9,350,000 Shares directly held by Ms. Wang; (ii) deemed interest of 40,514,113 Shares directly held by Dr. Zhang, the spouse of Ms. Wang; and (iii) deemed interest of 321,350,000 Shares held by Big Step Group Limited. Big Step Group Limited is a company wholly-owned by J&C Dragon Limited, which in turn is wholly-owned by UBS Trustees (BVI) Limited. UBS Trustees (BVI) Limited is acting in the capacity as the trustee of a discretionary family trust established by Ms. Wang and Dr. Zhang as settlors, and the discretionary beneficiaries of the trust include Ms. Wang, Dr. Zhang and their family members.

Note 4: Of these 15,900,000 share options, 9,300,000 share options are directly held by Ms. Wang. Ms. Wang is also deemed to be interested in the remaining 6,600,000 share options through the interest of her spouse, Dr. Zhang.

(B) LONG POSITION IN THE ORDINARY SHARES OF ASSOCIATED CORPORATIONS:

Name of director	Name of associated corporation	Capacity	Number of ordinary shares held	% of total issued share capital
Zhang Lijun	Clear Concept International Limited (Note 1)	Interest of controlled corporation	98	49%
	VODone Holdings Limited (Note 2)	Interest of controlled corporation	2	100%
	VODone Datamedia Technology Co. Ltd. (Note 3)	Interest of controlled corporation	49,000,000	49%
Wang Chun	Clear Concept International Limited (Note 4)	Interest of controlled corporation of spouse	98	49%
	VODone Holdings Limited (Note 4)	Interest of controlled corporation of spouse	2	100%
	VODone Datamedia Technology Co. Ltd. (Note 4)	Interest of controlled corporation of spouse	49,000,000	49%

Note 1: Clear Concept International Limited ("**Clear Concept**") is owned as to 51% by the Company and 49% by Bigland Limited, a company wholly-owned by Dr. Zhang. Dr. Zhang is deemed to be interested in Bigland Limited's 49% in Clear Concept under the SFO.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATION *(Continued)*

(B) LONG POSITION IN THE ORDINARY SHARES OF ASSOCIATED CORPORATIONS: *(Continued)*

Note 2: VODone Holdings Limited (formerly known as Bentex (Hong Kong) Limited) ("**VHL**") is a wholly-owned subsidiary of Clear Concept. Dr. Zhang is deemed to be interested in 100% of VHL under the SFO by virtue of his deemed interest in Clear Concept.

Note 3: VODone Datamedia Technology Co. Ltd. ("**TMD1**") is owned as to 49% by VHL. Dr. Zhang is deemed to be interested in TMD1 under the SFO by virtue of his deemed interest in VHL.

Note 4: Ms. Wang is deemed to be interested in Clear Concept, VHL and TMD1 through Dr. Zhang's deemed interest in the three companies.

Save as disclosed herein, as at 31 December 2015, none of the Directors or the chief executive of the Company and their associates had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO; or notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Same as disclosed in the section above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Except for those transactions set out in note 37 to the financial statements, no Director had a beneficial interest in any material contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, other than the Directors whose interests are disclosed above, the Company was not aware of any person who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO.

CONNECTED TRANSACTIONS

The Company entered into the following transactions, which constitute connected transactions for the Company under the Listing Rules, during the year ended 31 December 2015:

1. As disclosed in the announcement of the Company dated 13 February 2015, CMGE entered into respective warrant subscription agreements (collectively, the "First Warrant Agreements") with each of Dr. Zhang Lijun, Mr. Hendrick Sin, Mr. Xiao Jian, Mr. Wang Yongchao and Mr. Chang Fei Fu (collectively, the "Subscribers") on 13 February 2015 in relation to the issuance by CMGE to each of the Subscribers 186,000 unlisted warrants (the "2015/02 Warrant(s)"). Each 2015/02 Warrant confers the holder of it the right to subscribe for one American Depositary Share of CMGE ("ADS"), each ADS represents 14 CMGE class A shares at the exercise price of US$15.76 per ADS. Upon full exercise of the 2015/02 Warrants by all of the Subscribers under the respective Warrant Agreements, 930,000 ADSs (representing 13,020,000 new CMGE Shares) will be issued. Subject to the conditions stipulated in the Warrant Agreements, the Subscribers can exercise the subscriptions rights of the 2015/02 Warrants during the five-year period commencing from 13 February 2015.

   The Board recognizes the importance of the Subscribers and the contributions they made in building up the CMGE Group. The Board holds the view that the issue of the 2015/02 Warrants to the Subscribers will align the Group's interest with that of the Subscribers for the further development of the CMGE Group. In addition, issue of the Warrants may provide fresh funds to CMGE while no immediate dilution effect on the shareholding of the existing shareholders and ADS holders of CMGE will be involved. The funds raised upon cash exercise of the subscription rights attaching to the 2015/02 Warrants provide opportunities for CMGE to strengthen its capital base and financial position to better equip CMGE with the financial flexibility for development of the existing businesses and any other new business of CMGE.

   As mentioned above, Dr. Zhang Lijun, Mr. Hendrick Sin and Mr. Xiao Jian are the connected persons of the Company. At the time of warrant transaction, Mr. Wang Yongchao was the Vice-Chairman and an executive director of CMGE and Mr. Chang Fei Fu was the Chief Financial Officer and an executive director of CMGE. Accordingly, Mr. Wang Yongchao and Mr. Chang Fei Fu are the connected persons of the Company. The issuance of the 2015/02 Warrants by CMGE to each of the Subscribers therefore constituted connected transactions of the Company.

2. As disclosed in the announcement of the Company dated 23 September 2015, the Board announces that following the successful completion of the disposal by the Company of its entire interest in CMGE ("Disposal"), the Remuneration Committee of the Board had recommended to the Board for approval and the Board had approved on 23 September 2015 the payment of a special bonus (the "Special Bonus") to the senior management of CMGE, including Mr. Xiao Jian and his associate (as defined in the Listing Rules), for their significant contributions made over the years to the Group. The Special Bonus will be subject to a cap of US$29,430,000 (equivalent to approximately HK$229,554,000) representing approximately 9.88% of the cash consideration for the Disposal.

CONNECTED TRANSACTIONS *(Continued)*

2. *(Continued)*

In determining the payment and amount of the Special Bonus, the Remuneration Committee and the Board had considered, among other factors, (i) the market rate of 20% performance fee generally charged by private equity funds; (ii) the cash consideration of US$297,964,000 for the Disposal as compared to the historical costs of investment in CMGE; (iii) the remuneration packages of senior management of other internet and new media listed companies; (iv) the tremendous contributions made by Mr. Xiao Jian and his team in growing the CMGE Group and achieving a successful listing on Nasdaq and eventually making CMGE an target of acquisition; (v) the agreement of Mr. Xiao Jian to stay in the CMGE Group for a period of at least three years following the Disposal which was particularly conducive to the negotiation of the Disposal; and (vi) positive effect on boosting the morale of the Group's staff by showing the Group's implementation of the performance and contribution based remuneration policy.

Mr. Xiao Jian is the Chief Executive Officer and an executive director of CMGE which was a subsidiary of the Company before completion of the Disposal on 10 August 2015. In accordance with the Listing Rules, Mr. Xiao Jian will remain a connected person at the subsidiary level of the Company in the twelve months following the Disposal. Payment out of the Special Bonus to Mr. Xiao Jian (and his associate) constituted a connected transaction for the Company.

3. As disclosed in the announcement of the Company dated 14 December 2015, the Board announced that on 14 December 2015 the Company entered into a Subscription Agreement and a Limited Partnerships Agreement (collectively, the "Fund Agreements") to subscribe for, as a new joining Limited Partner, in the total amount of US$31,250,000 (equivalent to approximately HK$243,750,000) of the China Prosperity Capital Mobile Internet Fund, L.P. ("CP Fund") and the subscription has been accepted by the general partner of the Fund.

The Group is principally engaged in the new media services ranging from news production, internet-video production and broadcasting, advertising, mobile location-based community to lottery-related business. The Company invested in the Fund as limited partner and intended to be held for long-term investment purpose. The Board considers that the Investment shall provide the Company with an opportunity to enhance investment income in the current low-interest environment. The Directors believe that the investment will bring benefits to the Company.

The terms of the CP Fund Agreements including the management fee and the carried interest were negotiated between the parties after arm's length negotiation with reference to (i) the rates of management fee and carried interest chargeable by private equity funds generally in the market and (ii) that the other Limited Partners who are independent third parties shall be subject to the same rates of management fee and carried interest under the Limited Partnership Agreement. The Directors (including all the independent non-executive Directors) consider that the terms of the CP Fund Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole and have approved the CP Fund Agreements.

Both Mr. Hendrick Sin and Mr. Xiao Jian were and are executive directors of CMGE which was a subsidiary of the Company before completion of the Disposal. In accordance with the Listing Rules, Mr. Hendrick Sin and Mr. Xiao Jian shall remain connected persons at the subsidiary level of the Company in the twelve months following completion of the Disposal on 10 August 2015 and therefore are connected persons of the Company for the purpose of Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS *(Continued)*

3. *(Continued)*

Mr. Hendrick Sin and Mr. Xiao Jian collectively hold the majority interests in the general partner, the advisor and special limited partner of the CP Fund which are therefore associates of Mr. Hendrick Sin and Mr. Xiao Jian under the Listing Rules. Entering into the CP Fund Agreements and the transactions contemplated thereunder constituted a connected transaction for the Company.

The above-mentioned connected transactions were subject to the reporting and announcement requirements and were exempt from the circular (including independent financial advice) and shareholders' approval requirements under the Listing Rules.

RELATED PARTY TRANSACTIONS

During the year, the Group had certain related party transactions, further details of which are included in note 37 to the financial statements. The Directors believe the relevant disclosure requirements under the Listing Rules are met, where applicable.

The related party transactions referred to in note 37(a), (c), (d) and (e) to the financial statements do not fall under the definition of connected transaction or continuing connected transactions (as the case may be) under Chapter 14A of the Listing Rules.

The related party transactions referred to in note 37(b) to the financial statements constituted connected transactions for the company but are fully exempt under Rule 14A.95 of the Listing Rules.

EMOLUMENTS OF DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

The Group remunerates the Directors and its staff primarily based on their contributions, responsibilities, qualifications and experience under the remuneration policy set up by the Remuneration Committee. The Group has implemented share option schemes as incentive to the Directors and eligible employees.

Details of the emoluments of the Directors, the senior management and the five highest paid individuals in the Group are set out in notes 10 and 11 to the financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

Throughout the year ended 31 December 2015, the Company has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. The Group also adheres to the principle of recycling and reducing. Double sided printing and copying, using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance are being implemented in the offices.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For our relationship with employees, please refer to the paragraph headed "Employees Remuneration and Benefits" as set out in the Financial Review on page 51 of this annual report. The Group also understands that it is important to maintain good relationships with customers, suppliers and other business partners to achieve its long-term goals. Accordingly, our senior management has kept good communication, promptly exchanged ideas and shared business updates with them when appropriate. During the year, there was no material and significant dispute between the Group and its customers, suppliers and other business partners.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report.

AUDIT COMMITTEE

The audited financial statements of the Group for the year ended 31 December 2015 has been reviewed by the Audit Committee. Information on the composition and the work of the Audit Committee is set out in the "Corporate Governance Report" section of this report.

AUDITOR

The financial statements have been audited by BDO Limited.

A resolution for the re-appointment of BDO Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zhang Lijun
Chairman

Hong Kong
18 March 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 report, the Board has not appointed an individual to the post of chief executive. The role of the chief executive has been performed collectively by all the executive Directors, particularly by the chairman of the Company. The Board considers that this arrangement is appropriate and cost effective in 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.

BOARD OF DIRECTORS

BOARD COMPOSITION

The Board currently has five members, comprising two executive Directors and three independent non-executive Directors. Collectively, they bring a broad range of commercial, financial, technology, management and stewardship experiences and varied skills, expertise and qualifications for leading and directing the Group's affairs. The Directors' biographical details and other information are set out in the "Directors' Report" section of this report. The role and function of the Directors are published on the websites of the Stock Exchange and the Company.

Dr. Zhang Lijun and Ms. Wang Chun is a couple. Save as disclosed above, there are no financial, business, family or other material/relevant relationships among members of the Board.

BOARD OF DIRECTORS *(Continued)*

BOARD COMPOSITION *(Continued)*

Any Director appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of a filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to their number) and shall then be eligible for re-election at that meeting. In accordance with the Bye-laws of the Company which conform to the requirements of the Listing Rules, one-third of Board members are required to retire by rotation each year at the annual general meeting provided that every Director shall be subject to retirement at least once every three years. Directors, who retire, if eligible, may offer for re-election at the same annual general meeting.

ROLE AND RESPONSIBILITY OF THE BOARD

The management and control of the business of the Company ultimately rests with the Board. The Board sets long term direction and objectives and oversees the management's plans and strategies for the delivery of results. The Board may delegate its responsibilities or functions to board committees and the day-to-day operation to management and ensures appropriate human and financial resources are appropriately applied and that the performance for the achievement of results is evaluated periodically. The Board approves all significant transactions and publication including annual reports, interim reports, circulars and announcements. In cases where shareholders' approvals are required, the Board resolves to convene the necessary shareholders' meetings to seek shareholders' approval. Every Director is committed to carrying out his duty in good faith and acting honestly with due diligence, skill and care and in the best interest of the Company and its shareholders at all times.

BOARD MEETINGS AND ATTENDANCE OF DIRECTORS

All Board and committee meetings adhere to a formal agenda set in advance for consideration/resolution. All Directors may arrange to include matters on the agenda for consideration at Board meetings. Board materials are provided in advance of the meetings and detailed minutes are prepared and made available to all Directors.

Pursuant to the Bye-laws, a Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board approving any contract or arrangement or proposal in which he or any of his associate(s) has/have a material interest, and if he shall do so, his vote shall not be counted (nor shall be counted in the quorum for that resolution). Questions arising at any meeting of the Board shall be decided by a majority of votes.

BOARD OF DIRECTORS *(Continued)*

BOARD MEETINGS AND ATTENDANCE OF DIRECTORS *(Continued)*

The Directors give sufficient time and attention of the Group's affair. The Directors play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. The attendance record of each of the Directors for the Board meetings, the board committees meetings and the annual general meeting held during the year is listed as follows:

	Number of Meetings Attended/Meetings Held					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Corporate Governance Committee Meeting	General Meeting
Executive Directors						
Zhang Lijun	13/13	n/a	4/4	1/1	1/1	2/2
Wang Chun	13/13	n/a	4/4	1/1	n/a	0/2
Independent Non-executive Directors						
Loke Yu (alias Loke Hoi Lam)	13/13	3/3	4/4	1/1	1/1	2/2
Gong Zhankui	13/13	3/3	4/4	1/1	1/1	0/2
Wang Linan	13/13	3/3	4/4	1/1	1/1	0/2

TRAINING AND SUPPORT FOR DIRECTORS

Each newly appointed Director has received comprehensive, formal and tailored induction on appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities under the Listing Rules, legal and other regulatory requirements. The Company provides regular updates to the Directors relating to the Group's business and the business and regulatory environments in which the Group operates.

During the year, the Company arranged a seminar on compliance with legal and regulatory requirements to the Directors. The seminar covered a broad range of topics including the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong), new amendments to the Listing Rules and grant of share options. All Directors attended the seminar. In addition, Dr. Loke Yu (alias Loke Hoi Lam) attended relevant seminars organized by professional bodies.

The Directors have access to the advice and services of the Company Secretary and if necessary, have recourse to external professional advice at the Company's expense. Also, the Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company believes that the independent non-executive Directors comprise a good mix of professional and business executives who have significant exposure to the business and accounting environment of Hong Kong and the PRC. The Board believes that such a group is ideally qualified to provide independent advice and guidance to the Board, to serve on the board committees and to act as independent stewards of the Company for the interests of its shareholders.

During the year, the Company had complied with Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors including at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. In addition, the Company also complied with Rule 3.10A of the Listing Rules that the number of independent non-executive Directors represents at least one-third of the Board.

The Board evaluates the independence of all independent non-executive Directors on an annual basis and has established the practice of requesting written confirmation from each independent non-executive Director regarding his independence. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Board considers them to be independent.

The independent non-executive Directors have each entered into a service agreement with the Company for a specific term of three years, and they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws.

CHAIRMAN AND CHIEF EXECUTIVE

In accordance with the Bye-laws, the Board members elect among themselves a Director to be the Chairman. Dr. Zhang Lijun has been the Chairman since 8 December 2006.

BOARD COMMITTEES

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee. Written terms of reference, which are in line with the CG Code, of all the board committees are available on the websites of the Stock Exchange and the Company.

BOARD COMMITTEES *(Continued)*

AUDIT COMMITTEE

The Audit Committee was set up in 1999 and currently comprises all three independent non-executive Directors, namely, Dr. Loke Yu (alias Loke Hoi Lam) (the chairman), Prof. Gong Zhankui and Mr. Wang Linan.

The Audit Committee provides the Board with advice and recommendations on accounting, reporting, internal control and risk management matters and acts as a formal liaison channel for review, communication and problem resolution between the Company and its auditors. The Audit Committee members collectively hold the relevant commercial, industry, financial and auditing experience necessary for the Audit Committee to function effectively and independently.

The Audit Committee's primary functions include:

- to recommend to the Board on the appointment and terms of engagement of the external auditor;
- to review and monitor the appropriateness of accounting policy, accounting practices, financial reporting and disclosure and the application of judgment and estimates related thereto;
- to review the Company's annual and interim reports and any opinion expressed by the external auditor;
- to review any related party transactions and connected party transactions for compliance with the requirements of the Listing Rules and for reasonableness and fairness to the Company and its shareholders;
- to review with the external auditor issues raised in the external auditor's management letter, queries or similar communications;
- to monitor the external auditor's independence and objectivity, and the effectiveness of the audit process in accordance with applicable standards; and
- to assure that adequate internal controls including financial, operational, compliance controls and risk management are in place and followed.

During the year, the Audit Committee reviewed the audited financial statements for the year ended 31 December 2014 and the unaudited interim financial statements for the six months ended 30 June 2015 with recommendations to the Board for approval. It also reviewed the internal control system of the Group, and discussed with the management and the external auditors the accounting policies and practices which may affect the Group and financial reporting matters. The Audit Committee has also actively participated at the full Board or any independent board committees formed from time to time for the purpose of advising the independent shareholders of the Company of transaction(s) which require their input or contributing their independent views in the areas of business, financial, management and operating practices.

BOARD COMMITTEES *(Continued)*

REMUNERATION COMMITTEE

The Remuneration Committee was set up in 2007 and currently comprises three independent non-executive Directors, namely Dr. Loke Yu (alias Loke Hoi Lam) (the chairman), Prof. Gong Zhankui and Mr. Wang Linan, and two executive Directors, namely Dr. Zhang Lijun and Ms. Wang Chun.

For determining the remuneration packages of the executive Directors and senior management, the Remuneration Committee has adopted the model that it shall perform an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of the executive Directors and senior management. It recommends to the Board on the Company's policy and structure for all remuneration of the Board members and senior management, on the establishment of a formal and transparent procedure for developing policy on such remuneration and to determine specific remuneration packages for the Directors and senior management of the Company.

During the year, the Remuneration Committee reviewed the remuneration policy, structure and packages for Directors and senior management, and assessed the performance of the executive Directors. The Remuneration Committee also reviewed the remuneration package and service agreement of Prof. Gong Zhankui upon his appointment as an independent non-executive Director. Recommendations regarding the increase of the remuneration of the Directors and senior management were made by the Remuneration Committee to the Board.

The level of remuneration should be appropriate to attract, retain and motivate the Directors to run the Company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance. In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Director. Individual Director and executive would not be involved in deciding his own remuneration.

NOMINATION COMMITTEE

The Nomination Committee was set up in 2008 and currently comprises two executive Directors, namely Dr. Zhang Lijun (the chairman) and Ms. Wang Chun and three independent non-executive Directors, namely Dr. Loke Yu (alias Loke Hoi Lam), Prof. Gong Zhankui and Mr. Wang Linan.

The Nomination Committee is responsible for formulating and reviewing the nomination and Board diversity policies, reviewing the size, structure and composition of the Board, and making recommendations to the Board on nominations, appointment of Directors and Board succession with adequate consideration to the Board diversity policy. The Company endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. The Nomination Committee adopts certain criteria to assist in its evaluation including but not limited to the candidate's gender, age, cultural and educational background, professional experience, business background, his past responsibility, exposure to the business environment in which the Group operates and intends to be engaged in and his experience including directorship or senior management level involvements with other entities, and his contribution or achievement to the Group. The Nomination Committee also assesses the independence of the independent non-executive Directors.

BOARD COMMITTEES *(Continued)*

NOMINATION COMMITTEE *(Continued)*

During the year, the Nomination Committee reviewed the policy for the nomination of Directors, the composition of the Board, the Board diversity policy, the independence of the independent non-executive Directors and the re-election of all the retiring Directors at 2015 annual general meeting.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was set up in 2012 and currently comprises three independent non-executive Directors, namely Prof. Gong Zhankui (the chairman), Dr. Loke Yu (alias Loke Hoi Lam) and Mr. Wang Linan, and an executive Director, namely Dr. Zhang Lijun.

The primary functions of the Corporate Governance Committee are to develop and review the Company's policies and practices on corporate governance in compliance with legal and regulatory requirements. The Corporate Governance Committee also reviews the disclosure systems of the Company and introducing relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company.

During the year, the Corporate Governance Committee reviewed the policies and practices on corporate governance of the Company, the training and continuous professional development of the Directors and senior management, and the disclosure in the corporate governance report in the 2014 Annual Report of the Company.

AUDIT AND RELATED FEES

During the year under review, the fees paid or payable to the Group's external auditor BDO Limited were as follows:

Audit service	HK$2,100,000
Non-audit services	HK$430,000

INTERNAL CONTROL

The Board is entrusted with the overall responsibility for establishing and maintaining effective internal control systems for the Group. The management of the Group is delegated with the responsibility from time to time to implement and maintain the Board's policies on risk management and control. Detailed procedures are developed by management for major business units. At least annually, the significant internal control system is reviewed with the Company's auditor. The Group's internal control systems are designed to provide cost effective and reasonable protection that safeguards the Group's assets and maintains the integrity of the accounting and reporting systems. The Group emphasises the appointment of qualified, experienced and capable individuals to carry out critical control functions and has put in place a system for effective segregation of key duties and responsibilities. The Board and the Audit Committee periodically evaluate major controls and risks and where considered necessary, retains external professional services to evaluate or seek improvements to the internal control systems.

INTERNAL CONTROL *(Continued)*

During the year, the Audit Committee had reviewed effectiveness of the internal control system of the Group on behalf of the Board. The review covered all material control areas including financial, compliance and risk management functions. Based on the results of the review, the Board is satisfied that the Group has maintained sound and adequate internal controls in all major areas.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge that they are responsible for overseeing the preparation of accounts for each financial period, which give a true and fair view of the state of affairs of the Company and of the Group and of the Group's results and cash flow for that period. In preparing the accounts for the year ended 31 December 2015, the Directors have, among other things:

- selected suitable accounting policies and applied them consistently;
- approved adoption of all Hong Kong Financial Reporting Standards; and
- made judgments and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The auditor's respective responsibilities to the shareholders in respect of the financial statements are included in the "Independent Auditor's Report".

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on corporate governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training. The biography of the Company Secretary is set out in the "Directors' Report" section of this report.

CONSTITUTIONAL DOCUMENTS

The memorandum of association of the Company and the Bye-laws are published on the websites of the Stock Exchange and the Company. During the year, there was no change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company attaches great priority to open and effective communications with its shareholders and potential investors on the development of the Company. The Company has established a shareholders' communication policy and reviews it on a regular basis to ensure its effectiveness.

The Company maintains a website through which the Company's updated financial information, announcements, circulars, notices of meetings, press releases and contact details can be accessed by its shareholders and investors. The Board believes that the Company's website provides an alternative means for the investing public to obtain information of the Company in a convenient and timely manner.

The Directors regard all meetings with its shareholders to be very important as they offer opportunities for direct communication with the shareholders. When appropriate, presentations would be made at general meetings for the purposes of keeping shareholders informed of corporate developments. The Chairman and the chairmen of the Audit Committee, Remuneration Committee, Nomination Committee, as well as the Company's auditor maintained an on-going dialogue with the shareholders and answered all questions raised by the shareholders during the last annual general meeting held on 29 May 2015.

In addition, key executives of the Company also participate in conferences and forums with the objective of promoting investor and stakeholder interests in the Group's businesses.

SHAREHOLDERS' RIGHT

CONVENE A SPECIAL GENERAL MEETING

Pursuant to the Bye-laws, special general meetings shall also be convened on requisition as provided by the Companies Act of Bermuda. The Directors, notwithstanding anything in the Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company, and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

SHAREHOLDERS' RIGHT *(Continued)*

PUT FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to the Companies Act of Bermuda, any number of members of the Company representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition a right to vote at the meeting to which the requisition relate or not less than one hundred members of the Company may deposit a written requisition to put forward proposals.

The Company shall then give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; circulate to members entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

PUT ENQUIRIES TO THE BOARD

Shareholders may send their enquiries and concerns to the Board with contact details as below:–

Investor Relations
V1 Group Limited
Room 3006, 30th Floor
Gloucester Tower, The Landmark
11 Pedder Street
Central, Hong Kong

Telephone: 852-2869 8966
Facsimile: 852-2869 8960
E-mail: info@vodone.com.hk, ir@v1.cn

Upon receipt of the enquiries, the staff of the investor relations department will consider the concern proposed and raise it to the Board in the regular Board meeting for their considering and communicate with the shareholders for the result and feedback of the Board meeting.

SHARE OPTION SCHEMES

THE COMPANY

On 27 April 2012, the shareholders of the Company approved a new share option scheme (the "V1 Group Scheme") which was subsequently adopted on 30 April 2012 by the Company, and terminated the share option scheme adopted on 7 June 2002 (the "Old V1 Group Scheme").

Upon termination of the Old V1 Group Scheme, no further share options will be offered under the Old V1 Group Scheme. However, the share options granted prior to such termination shall continue to be valid and exercisable in accordance with the Old V1 Group Scheme. As at 31 December 2015, there was no outstanding share options granted under the Old V1 Group Scheme.

Under the V1 Group Scheme, the Directors may, at their discretion, invite any eligible participants to take up options to subscribe for shares in the capital of the Company. The V1 Group Scheme is effective for the period from 30 April 2012 to 29 April 2022. The total number of shares which may be allotted and issued upon exercise of all options (excluding options which have lapsed in accordance with the terms of the V1 Group Scheme) to be granted under the V1 Group Scheme must not in aggregate exceed 10% of the shares in issue as at the date of approval of the V1 Group Scheme (the "V1 Group Scheme Limit") provided that, inter-alia, the Company may seek approval of the shareholders at general meeting to refresh the V1 Group Scheme Limit. The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the V1 Group Scheme and the Old V1 Group Scheme shall not exceed 30% of the share capital of the Company in issue from time to time.

A summary of the principal terms of the V1 Group Scheme is given below:

(I) *Purpose of the V1 Group Scheme:*

The purpose of the V1 Group Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group.

(II) *Participants of the V1 Group Scheme:*

The Directors may, in accordance with the provisions of the V1 Group Scheme, at their absolute discretion invite any person belonging to any of the following classes of participants to take up options to subscribe for shares of the Company:

a. any employee, executive (including any executive director but excluding any non-executive director), manager, consultant or proposed employee, manager, consultant of the Company, any of its subsidiaries ("Subsidiary"), any controlling shareholder (as defined in the Listing Rules) of the Company ("Holding Company") or any entity in which any member of the Group holds any equity interest ("Invested Entity");

b. any non-executive directors (including independent non-executive directors) of the Company, any Subsidiary, any Holding Company or any Invested Entity;

c. any supplier of goods or services to any member of the Group or any Holding Company or any Invested Entity;

THE COMPANY *(Continued)*

d. any customer of the Group or any Holding Company or any Invested Entity;

e. any person or entity that provides research, development or other technological support to the Group or any Holding Company or any Invested Entity;

f. any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

g. any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Holding Company or any Invested Entity; and

h. any joint venture partner or business alliance that co-operates with any member of the Group or any Holding Company or any Invested Entity in any area of business operation or development.

(III) *Total number of shares available for issue under the V1 Group Scheme and percentage of issued share capital it represents as at the date of this report:*

The total number of shares available for issue under the V1 Group Scheme was 189,478,478 shares representing approximately 5.75% of the issued share capital as at the date of this report.

(IV) *Maximum entitlement of each participant under the V1 Group Scheme:*

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the V1 Group Scheme (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being unless it is approved by shareholders at general meeting of the Company with such grantee and his associates abstaining from voting. Where any grant of share options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the shares issued and to be allotted and issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million; such further grant of options must be approved by shareholders at general meeting of the Company.

(V) *The period within which the shares must be taken up under an option:*

The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not be more than 10 years from the relevant date of grant.

(VI) *The minimum period for which an option must be held before it can be exercised:*

The Company may specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options. The V1 Group Scheme does not contain any such minimum period.

THE COMPANY *(Continued)*

(VII) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:

A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option within such time specified in the offer (which shall not be later than 10 business days from the date of the grant).

(VIII) The basis of determining the exercise price:

The exercise price under the V1 Group Scheme shall be a price determined by the Directors but shall not be less than the highest of:

a. the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares on the date of the offer of grant which must be a business day;

b. the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares for the five business days immediately preceding the date of the offer of grant which must be a business day; and

c. the nominal value of a share.

(IX) The remaining life of the V1 Group Scheme:

The V1 Group Scheme has the period of 10 years commencing from 30 April 2012.

Details of the share options granted by the Company during the year ended 31 December 2015 are set out in note 35 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS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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 MODEL AND STRATEGIC DIRECTION

BUSINESS MODEL

The Group is engaged in two main core business operations including the tele-media business and lottery-related business, which are of sizeable scale and significant influence in the Mainland China. We are committed to providing high-quality services and creating sustainable values for shareholders and investors.

The Group's tele-media business, primarily involves the provision of Internet information service. By leveraging on the advantage of possessing all the necessary qualifications and licenses, the Group is able to offer high-quality, smooth and user-friendly "mini-video news portal" platform according to users' needs, and to generate advertising revenue from such platform. The Group is also devoting increasing efforts in developing online game platforms and game operation. The Group has a number of quality prime games and cooperates with major Internet portals to promote our brand, platform and channels.

In respect of the lottery-related business, our major income is derived from the website and mobile apps developed by the partners of the Group. Besides, the Group earns income by providing lottery-related services, such as live match broadcasting, website information, member services and discussion forums.

The Group's main sources of revenue are derived from advertising revenue, sales of internet games products and revenue from lottery-related business.

STRATEGIC DIRECTION

The Group adopts the following strategies to create sustainable values for shareholders:

- Making focused efforts on the mini-video news portal platform, online game, "Internet Plus" business and lottery-related business
- Actively stepping up business expansion and cementing partnership
- Balancing risk exposures
- Maintaining prudent financial management

Making focused efforts on the mini-video news portal platform, online games, "Internet Plus" business and lottery-related business

The Group attains growth by winning patronage from China's internet users and mobile phone users, and has built itself into an impeccably reputed player and an unrivalled brand over the years. With strong confidence in the continued expansion of the internet mini-video news, online games, "Internet Plus" business and lottery-related business, the Group is expanding into the internet mini-video news, online games, "Internet Plus" business and lottery-related business. Given that the Group is firmly dedicated to pursuing its core strategy of providing excellent and quality services, the Group's brand secures widespread market recognition. The Group will uphold its core strategy and continue to strengthen its brand.

Actively stepping up business expansion and cementing partnership

The Group dedicated vigorous efforts on its business expansion through enrichment of website contents and development of new products. The Group also formed stronger partnership with a number of media partners in relation to the expansion of sales channels. Based on our renowned reputation, seasoned team plus unswerving commitment to premium product and service quality, we will be well-positioned to extend focused endeavours on the development and consolidation of the Group's business as well as to maintain our brand value.

Balancing risk exposures

The Group's risk management policies, which are framed in accordance with the operating principles of the Company, aim to prevent any possible losses within the scope of bearable risks, enhance shareholder values to the extent of an optimal balance between risks and rewards as well as fulfill the principle of optimization of capital allocation. The management expects to exercise continued control over the cost of the Group in the future, and to strive for sustainable core competitiveness, with a view to striking a balance between the development of the Group and the reward for shareholders.

Maintaining prudent financial management

The key to our success is to maintain sound financial position. With prudent financial management in place, we can ensure the positive development of the Group and enable the Group to capture the opportunities to invest in attractive projects. The Group places great emphasis on the management of liquidity, in order to ensure that the Company has a sufficient pool of funds to meet day-to-day operations and to finance strategic investments.

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 (飛碟説) 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

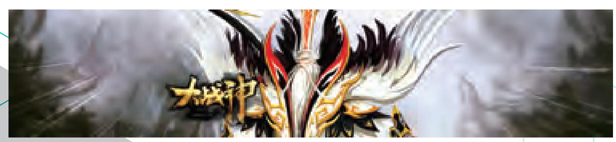
To better demonstrate the leading position of V1 Portal and its objective of transforming to PGC platform, V1 Portal had started its homepage revamp in May 2015. Based on the internet operation experience accumulated over years with reference to YouTube model and combined with Chinese elements, V1 Portal 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.

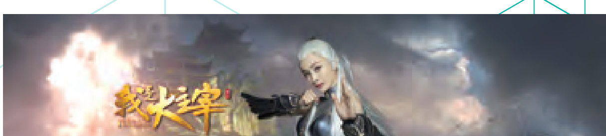
V1GAME BUSINESS

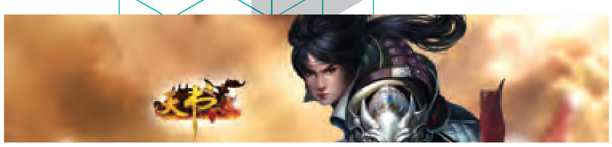
V1Game (www.v1game.cn)

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夢工場), the most reputable organization among its peers, V1H5 Platform was honored with "Nahan Cup 2015 New Company with Greatest Potential"(「二零一五年娜喊杯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 "Most Potential H5 Game"(「最具潛質H5遊戲獎」) 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"(1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) and "Diyicai"（第一彩）(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 Zhonguozucaiwang 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.

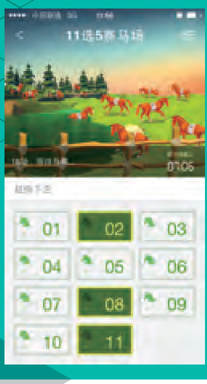
Thus, the Chinese internet lottery industry is facing the fifth time of rectification, and again the entire industry entered into a period of confusion on development. During the rectification period, the lottery-related business partners of V1 Group decided to develop through three main aspects, including "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.

AWARDS

MAJOR AWARDS IN 2015

No.	Name of Award	Presented by
1.	Lottery 365 won the Most Promising APP in 2015 (年度最具潛力應用)	Huawei Application Market (華為應用市場)
2.	Lottery 365 won Popular APP Award (人氣應用獎)	WoStore of China Unicom (中國聯通沃商店)
3.	Lottery 365 won TOP50 in Innovation Competition (創新大賽Top 50)	The World Internet Conference (全球互聯網大會)
4.	Lottery 365 won the Most Popular APP in 2015 (年度最受歡迎應用)	Go market (安智市場)
5.	"Candy Bumpers" (糖果碰碰車) won the award of "Most Potential H5 Game" (「最具潛質H5遊戲獎」)	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)
6.	V1 Game won the "Nahan Cup" (娜喊杯) of 2015 New Company with Greatest Potential (最具潛力新銳企業獎)	HTML5 DreamWorks (HTML5夢工場)

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	**96,338**	83,746	**27,223**	242,681	**1,168,121**	1,619,285	**1,291,682**	1,945,712
Reportable segment profit/(loss)	**(279,934)**	(217,603)	**(45,604)**	78,964	**846,315**	256,061	**520,777**	117,422

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 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 was no change to the Group's capital structure during 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 note 31 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.

FINANCIAL STATEMENTS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INDEPENDENT AUDITOR'S REPORT

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TO THE MEMBERS OF V1 GROUP LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of V1 Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 143, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981 (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Hong Kong Companies Ordinance.

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.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate no. P05309

Hong Kong, 18 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Continuing operations			
Revenue	7	**123,561**	326,427
Cost of revenue		**(256,120)**	(321,039)
Gross (loss)/profit		**(132,559)**	5,388
Other gains and losses	8	**5,294**	(822)
Selling and marketing expenses		**(13,294)**	(81,028)
Administrative expenses		**(395,899)**	(176,746)
Impairment of intangible assets	21	**(93,492)**	–
Share of profits of associates	17	**126**	1,131
Loss before income tax	9	**(629,824)**	(252,077)
Income tax credit	12(a)	**1,365**	953
Loss for the year from continuing operations		**(628,459)**	(251,124)
Discontinued operations			
Income from discontinued operations	13	**846,315**	256,061
PROFIT FOR THE YEAR		**217,856**	4,937
Other comprehensive income			
Items that maybe reclassified subsequently to profit or loss:			
Change in value of available-for-sale financial assets		**(2,938)**	(15,696)
Exchange differences arising on translation of foreign operations		**(89,053)**	(44,085)
Other comprehensive income for the year		**(91,991)**	(59,781)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**125,865**	(54,844)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company			
Loss for the year from continuing operations		**(627,543)**	(251,169)
Income from discontinued operations		**770,209**	119,579
Profit/(loss) for the year attributable to owners of the Company		**142,666**	(131,590)
Non-controlling interests			
(Loss)/profit for the year from continuing operations		**(916)**	45
Income from discontinued operations		**76,106**	136,482
Profit for the year attributable to non-controlling interests		**75,190**	136,527
		217,856	4,937
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**70,475**	(185,797)
Non-controlling interests		**55,390**	130,953
		125,865	(54,844)
EARNINGS/(LOSS) PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS			
– Basic (HK cents)	14	**4.33 cents**	(4.00) cents
– Diluted (HK cents)	14	**4.33 cents**	(4.00) cents
LOSS PER SHARE FROM CONTINUING OPERATIONS			
– Basic (HK cents)	14	**(19.03) cents**	(7.64) cents
– Diluted (HK cents)	14	**(19.03) cents**	(7.64) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	16	**15,701**	57,421
Interests in associates	17	**40,939**	51,436
Interest in a joint venture	18	**–**	2,329
Goodwill	19	**446,057**	942,857
Intangible assets	21	**871,138**	1,321,501
Other financial assets	25	**–**	179,597
		1,373,835	2,555,141
CURRENT ASSETS			
Trade receivables	22	**8,377**	713,121
Other receivables, deposits and prepayments	23	**18,412**	535,867
Inventories	24	**1,342**	1,013
Other financial assets	25	**5,506**	30,183
Amount due from an associate	37(c)	**64,117**	90,076
Amounts due from related companies	37(d)	**4,984**	34
Bank balances and cash		**1,591,389**	602,725
		1,694,127	1,973,019
CURRENT LIABILITIES			
Trade payables	26	**82**	254,892
Deposits received, other payables and accruals	27	**25,547**	172,959
Amount due to an associate	37(e)	**428**	550
Amounts due to related companies	37(e)	**8,547**	5,895
Deferred revenue		**–**	22,619
Tax payable		**112,094**	7,773
		146,698	464,688
NET CURRENT ASSETS		**1,547,429**	1,508,331
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,921,264**	4,063,472
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	**35,849**	45,999
NET ASSETS		**2,885,415**	4,017,473
EQUITY			
Share capital	29	**32,979**	32,979
Reserves		**2,832,253**	3,144,231
Equity attributable to owners of the Company		**2,865,232**	3,177,210
Non-controlling interests		**20,183**	840,263
TOTAL EQUITY		**2,885,415**	4,017,473

Zhang Lijun
Director

Wang Chun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company								
	Share capital (note 29) HK$'000	Share premium (note 32 (a)) HK$'000	Investment revaluation reserve (note 32 (b)) HK$'000	Other reserves (note 32(c)) HK$'000	Share-based compensation reserve (note 32(d)) HK$'000	Exchange fluctuation reserve (note 32(e)) HK$'000	Retained profits HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2014	32,651	1,457,197	6,242	614,296	31,641	269,498	439,547	386,822	3,237,894
Profit or loss	–	–	–	–	–	–	(131,590)	136,527	4,937
Other comprehensive income	–	–	(15,696)	–	–	(38,511)	–	(5,574)	(59,781)
Total comprehensive income for the year	–	–	(15,696)	–	–	(38,511)	(131,590)	130,953	(54,844)
Exercise of share options	112	8,621	–	–	(1,171)	–	–	–	7,562
Lapse of share options	–	–	–	–	(12,683)	–	12,683	–	–
Lapse of put-option of shares in a subsidiary	–	–	–	48,036	–	–	–	51,336	99,372
Acquisition of a subsidiary	–	–	–	506	–	–	–	–	506
Transfer of consideration shares for business acquisition in prior year	216	22,464	–	–	–	–	–	–	22,680
Recognition of share-based payment expense	–	–	–	–	41,486	–	–	48,572	90,058
Deemed disposal of partial interest in a subsidiary	–	–	–	391,665	–	–	–	222,580	614,245
Profit appropriation	–	–	–	6,309	–	–	(6,309)	–	–
At 31 December 2014	32,979	1,488,282	(9,454)	1,060,812	59,273	230,987	314,331	840,263	4,017,473
Profit or loss	–	–	–	–	–	–	142,666	75,190	217,856
Other comprehensive income	–	–	(2,938)	–	–	(69,253)	–	(19,800)	(91,991)
Total comprehensive income for the year	–	–	(2,938)	–	–	(69,253)	142,666	55,390	125,865
Lapse of share options (note 35(a))	–	–	–	–	(145)	–	145	–	–
Disposal of subsidiaries (note 31)	–	–	2,889	–	–	(102,172)	–	(898,046)	(997,329)
Release on disposal of subsidiaries	–	–	–	(6,309)	(90,017)	–	96,326	–	–
Other transfer	–	–	3,447	–	–	–	–	–	3,447
Recognition of share-based payment expense (note 35)	–	–	–	–	38,517	–	–	44,932	83,449
Deemed disposal of partial interest in a subsidiary (note 30)	–	–	–	4,905	(246)	–	–	(2,928)	1,731
Dividend paid (note 15)	–	–	–	–	–	–	(329,793)	–	(329,793)
Dividend paid by a subsidiary	–	–	–	–	–	–	–	(19,428)	(19,428)
At 31 December 2015	32,979	1,488,282	(6,056)	1,059,408	7,382	59,562	223,675	20,183	2,885,415

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Loss before income tax from continuing operations	**(629,824)**	(252,077)
Income before income tax from discontinued operations	**854,993**	260,716
	225,169	8,639
Depreciation of property, plant and equipment	**17,821**	23,771
Amortisation of intangible assets	**117,505**	124,456
Interest income	**(6,537)**	(11,563)
Loss on disposal of property, plant and equipment	**219**	73
Gains on disposal of intangible assets	**(2,276)**	–
Share of profits of associates	**(31)**	(1,082)
Share of loss of a joint venture	**(594)**	826
Share-based payment expenses in respect of:–		
– granting of share options	**4,367**	2,690
– granting shares of subsidiary	**79,081**	87,368
Impairment of intangible assets	**97,879**	–
Provision for write-down of inventories	**813**	–
Gain on disposal of subsidiaries	**(932,527)**	(17)
Realised fair value loss on other financial assets	**712**	–
Operating cash flows before working capital changes	**(398,399)**	235,161
(Increase)/decrease in inventories	**(1,212)**	10,338
Increase in trade receivables	**(420,171)**	(537,419)
Decrease/(increase) in other receivables, deposits and prepayments	**123,696**	(80,784)
Decrease/(increase) in amount due from an associate	**20,908**	(15,642)
Increase in amount due from a joint venture	**(1,212)**	–
(Increase)/decrease in amounts due from related companies	**(5,150)**	8,350
Increase in trade payables	**184,657**	188,549
Increase in deposits received, other payables and accruals	**70,880**	64,520
Increase in amount due to an associate	**4,510**	544
Increase in amounts due to related companies	**3,801**	161
(Decrease)/increase in deferred revenue	**(9,612)**	7,145
Effect of foreign exchange rate changes	**(19,220)**	(10,226)
Net cash used in operations	**(446,524)**	(129,303)
Income tax paid	**(3,775)**	(9,631)
Net cash used in operating activities	**(450,299)**	(138,934)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(4,771)**	(33,121)
Purchases of intangible assets		**(121,516)**	(266,082)
Proceeds on disposal of intangible assets		**21,294**	793
Proceeds on disposal of property, plant and equipment		**245**	2,016
Purchase of investment fund		**(34,556)**	(18,934)
Purchase of available-for-sale financial assets		**–**	(159,520)
Disposal of subsidiaries, net of cash disposed	31(b)	**1,898,872**	17
Acquisition of subsidiaries, net of cash acquired		**–**	861
Acquisition of an associate		**–**	(8,282)
Acquisition of a joint venture		**–**	(3,155)
Disposal of available-for-sale financial assets		**25,981**	–
Interest received		**6,537**	11,563
Net cash generated from/(used in) investing activities		**1,792,086**	(473,844)
FINANCING ACTIVITIES			
Net proceeds from issue of shares through exercise of share options		**1,731**	7,562
Payment of dividends	15	**(329,793)**	–
Payment of dividend by a subsidiary to non-controlling interests		**(19,428)**	–
Repayment of borrowings		**–**	(17,938)
Proceeds from issue of ordinary shares of a subsidiary		**–**	614,245
Net cash (used in)/generated from financing activities		**(347,490)**	603,869
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**994,297**	(8,909)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**602,725**	616,137
Effect of foreign exchange rate changes		**(5,633)**	(4,503)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,591,389**	602,725
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**1,591,389**	602,725

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 (thereafter 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 13 and note 31, 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.

1. GENERAL *(Continued)*

SUSPENSION OF LOTTERY-RELATED BUSINESS *(Continued)*

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

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

2 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(B) NEW/REVISED HKFRSS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE *(Continued)*

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. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Listing Rules.

3. BASIS OF PREPARATION *(Continued)*

(B) BASIS OF MEASUREMENT

The financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

(C) FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Company is Renminbi ("RMB"), while the financial statements are presented in Hong Kong dollars ("HK$"), which the directors considered it is more beneficial to the users of the financial statements. As the Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited, the directors consider that it will be more appropriate to continuously adopt Hong Kong dollars as the Group's and the Company's presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES

(A) BUSINESS COMBINATION AND BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(A) BUSINESS COMBINATION AND BASIS OF CONSOLIDATION *(Continued)*

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(B) SUBSIDIARIES

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(C) ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(C) ASSOCIATES *(Continued)*

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(D) JOINT ARRANGEMENTS

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(D) JOINT ARRANGEMENTS *(Continued)*

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – see note 4(C)).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

(E) GOODWILL

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The depreciation rates are as follows:

Leasehold improvements	over the remaining terms of the lease but not exceeding 5 years
Motor vehicles	5 years
Plant, machinery and equipment	5-10 years
Computer hardware and software	3-10 years
Furniture, fixtures and office equipment	3-10 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 4(P)).

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(G) LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(H) INTANGIBLE ASSETS

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in cost of revenue.

Internet SNS assets	Indefinite
Platform and domain names	Indefinite
Purchased software and technology	10-15 years
Mobile games license and platform	2-7 years
Distribution networks	7-10 years
Websites	10 years
Service contracts	3-10 years
Mobile games licenses	2-6 years

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(H) INTANGIBLE ASSETS *(Continued)*

(ii) Internally generated intangible assets (research and development costs) *(Continued)*

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (note 4(P)).

(I) FINANCIAL INSTRUMENTS

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) FINANCIAL INSTRUMENTS *(Continued)*

(i) Financial assets *(Continued)*

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) FINANCIAL INSTRUMENTS *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) FINANCIAL INSTRUMENTS *(Continued)*

(iii) Financial liabilities *(Continued)*

Financial liabilities at fair value through profit or loss *(Continued)*

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) FINANCIAL INSTRUMENTS *(Continued)*

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(J) INVENTORIES

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(K) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances and excludes value added tax or other sales related taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follow:

(i) advertising income are recognised when services are performed in accordance with the terms of the contract.

(ii) service income are recognised when services are performed in accordance with the substance of the relevant agreement.

(iii) revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(K) REVENUE RECOGNITION *(Continued)*

(iv) revenue from single player games and social games in mobile games business is recognised when the goods are delivered based on download of games or consumption of in-game premium features by mobile phone game players, or over the subscription period. The estimated net proceeds to be received from the mobile network operators and the third-party payment platforms for the sale of game points of the social games, using data generated from its internal system, is recorded as deferred revenue upon delivery of game points to mobile phone game players. Deferred revenue is recognised as social games revenue ratably over the estimated average playing period of the paying mobile phone game players, starting from the point in time when game points are delivered to the mobile phone game players. The difference between the estimated proceeds and the actual amounts confirmed by the mobile network operators, third-party payment platforms or mobile phone service providers is recognised in the consolidated statement of comprehensive income when billing confirmations are received by the Group.

(v) revenue from licensed games in mobile game business is recognised at the estimated net proceeds to be received from the third-party payment platforms and third party app stores for the sale of game points of the licensed games net of the amount to be shared with the third-party game developers, using data generated from its internal system, as licensed games revenues upon delivery of game points to mobile phone game players.

(vi) interest income are recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(L) INCOME TAXES

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(L) INCOME TAXES *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(M) FOREIGN CURRENCY

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange fluctuation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange fluctuation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange fluctuation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(N) EMPLOYEE BENEFITS

Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Prior to the MPF Scheme being effective, the Group did not have any pension arrangements for its employees.

The employees of the Group's subsidiaries in the PRC are members of central pension schemes operated by the local governments in the PRC and these subsidiaries make mandatory contributions to these central pension schemes to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiaries are based on certain percentages of the employees' salaries cost in accordance with the relevant regulations in the PRC, and are charged to profit or loss as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the central pension schemes operated by the local governments in the PRC.

(O) SHARE-BASED PAYMENTS

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(O) SHARE-BASED PAYMENTS *(Continued)*

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. When the entity cannot estimate reliably the fair value of goods or services received, they are indirectly measured by reference to the fair value of the equity instruments granted. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(P) IMPAIRMENT OF OTHER ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets with finite useful life;
- investments in subsidiaries and associates

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(Q) CAPITALISATION OF BORROWING COSTS

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(R) GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(S) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(T) RELATED PARTIES

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) RELATED PARTIES *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(A) CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

In addition to information disclosed in note 1 to the financial statements regarding the suspension of lottery-related business, other critical judgment in applying accounting policies is as follows:

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(B) KEY SOURCES OF ESTIMATION UNCERTAINTY

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Valuation of intangible assets and useful lives

The Group has made estimations and assumptions in relation to the potential future cash flows of identifiable intangible assets acquired as part of business combinations. This assessment involves estimations and assumptions relating to potential future revenues, appropriate discount rates and the useful lives of such assets. These estimations and assumptions impact the consolidated statement of comprehensive income over the useful life of the intangible asset.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(B) KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(ii) Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

6. 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 online games, online 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.

6. SEGMENT REPORTING *(Continued)*

As described in more detail in note 13 and note 31, 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			
	Tele-media business		Lottery-related business		Mobile games business		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Revenue from external customers	**96,338**	83,746	**27,223**	242,681	**1,168,121**	1,619,285	**1,291,682**	1,945,712
Reportable segment profit/(loss)	**(279,934)**	(217,603)	**(45,604)**	78,964	**846,315**	256,061	**520,777**	117,422
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	**9,643**	6,457	**40,033**	45,634	**–**	455,213	**49,676**	507,304

6. SEGMENT REPORTING *(Continued)*

(B) RECONCILIATION OF REPORTABLE SEGMENT (LOSS)/PROFIT, ASSETS AND LIABILITIES

	2015 HK$'000	2014 HK$'000
(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)**	(10,004)
Total profit for the year	**216,491**	3,984
Segment profit from discontinued operation	**(846,315)**	(256,061)
Consolidated loss before income tax credit from continuing operations	**(629,824)**	(252,077)

	2015 HK$'000	2014 HK$'000
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	**3,067,962**	4,528,160

6. SEGMENT REPORTING *(Continued)*

(B) RECONCILIATION OF REPORTABLE SEGMENT (LOSS)/PROFIT, ASSETS AND LIABILITIES *(Continued)*

	2015	2014
	HK$'000	HK$'000
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	**182,547**	510,687

(C) GEOGRAPHICAL INFORMATION

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

(D) MAJOR CUSTOMERS

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.

7. 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:

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

8. OTHER GAINS AND LOSSES

	2015 HK$'000	2014 HK$'000
Others (note)	**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
	5,294	(822)

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.

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2015 HK$'000	2014 HK$'000
Continuing operations		
Staff costs (excluding directors' remuneration (note 10))		
Salaries and wages	**150,702**	13,408
Pension fund contributions	**1,653**	2,298
Share-based payments	**3,030**	1,990
	155,385	17,696
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		
– Audit service	**2,100**	1,371
– Non-audit service	**430**	–

10. DIRECTORS' REMUNERATION

	2015 HK$'000	2014 HK$'000
Directors' fees		
Executive directors	**2,406**	6,297
Independent non-executive directors	**524**	451
Basic remuneration, allowances and benefits in kind	**41,842**	4,320
Share-based payments	**8,042**	8,999
Pension fund contributions	**36**	34
	52,850	20,101

Directors' remuneration is disclosed as follows:

	Directors' fees HK$'000	Basic remuneration, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Pension fund contributions HK$'000	Total HK$'000
2015					
Executive directors					
Zhang Lijun	1,203	30,122	6,890	18	38,233
Wang Chun	1,203	11,380	606	18	13,207
Independent non-executive directors					
Loke Yu, Alias Loke Hoi Lam	210	194	182	–	586
Wang Linan	157	146	182	–	485
Gong Zhankui	157	–	182	–	339
	2,930	41,842	8,042	36	52,850

10. DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees HK$'000	Basic remuneration, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Pension fund contributions HK$'000	Total HK$'000
2014					
Executive directors					
Zhang Lijun	4,781	2,377	8,483	17	15,658
Wang Chun	1,516	1,943	382	17	3,858
Independent non-executive directors					
Loke Yu, Alias Loke Hoi Lam	185	–	54	–	239
Wang Zhichen (passed away on 8 October 2014)	115	–	40	–	155
Wang Linan	138	–	40	–	178
Gong Zhankui (appointed on 28 November 2014)	13	–	–	–	13
	6,748	4,320	8,999	34	20,101

There were no arrangements under which a director waived or agreed to waive any remuneration for the year (2014: Nil). In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the year (2014: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2014: one) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining three (2014: four) individuals are as follows:

	2015 HK$'000	2014 HK$'000
Basic remuneration, allowances and benefits in kind	**361,277**	6,000
Share-based payments	**37,641**	62,969
Pension fund contributions	**21**	34
	398,939	69,003

Their emoluments are within the following bands:

	2015 No. of employees	2014 No. of employees
HK$8,000,001 to HK$8,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**1**	–
HK$15,500,001 to HK$16,000,000	**–**	1
HK$16,000,001 to HK$16,500,000	**–**	1
HK$29,000,001 to HK$29,500,000	**–**	1
HK$151,000,001 to HK$151,500,000	**1**	–
HK$239,000,001 to HK$239,500,000	**1**	–

11. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The emoluments paid or payable to members of senior management (excluding the directors of the Company) were within the following bands:

	2015 **No. of employees**	2014 No. of employees
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**2**	–

12. INCOME TAX CREDIT

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

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

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%.

12. INCOME TAX CREDIT *(Continued)*

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

	2015 HK$'000	2014 HK$'000
Loss before income tax	**(629,824)**	(252,077)
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	**–**	433
Income tax credit for the year	**(1,365)**	(953)

13. 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 approximately HK$2,309,223,000). Details of the transaction are set out in the Company's circular dated 30 June 2015. The carrying amounts of assets and liabilities of CMGE at the date of disposal are disclosed in note 31.

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

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

13. DISCONTINUED OPERATIONS *(Continued)*

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:

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

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.

14. 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 **HK$'000**	2014 HK$'000
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	**142,666**	(131,590)

Number of shares

	2015 **'000**	2014 '000
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	**302**	1,593
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**3,298,227**	3,288,222

Earnings/(loss) per share

	2015 **HK Cents**	2014 HK Cents
– Basic	**4.33**	(4.00)
– Diluted	**4.33**	(4.00)

14. EARNINGS/(LOSS) PER SHARE *(Continued)*

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

Number of shares

	2015 **'000**	2014 '000
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	**302**	1,593
Weighted average number of ordinary shares for the purposes of diluted loss per share	**3,298,227**	3,288,222

14. EARNINGS/(LOSS) PER SHARE *(Continued)*

FROM CONTINUING OPERATIONS *(Continued)*

Loss per share

	2015 HK Cents	2014 HK Cents
– Basic	**(19.03)**	(7.64)
– Diluted	**(19.03)**	(7.64)

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.

15. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Special cash dividend of HK$0.1 (2014: HK$Nil) per share approved on 16 July 2015	**329,793**	–

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

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Computer hardware and software HK$'000	Furniture, fixture, and office equipment HK$'000	Total HK$'000
Cost:						
At 1 January 2014	25,810	9,448	46,234	39,063	13,337	133,892
Acquisition of subsidiaries	179	–	–	467	1,111	1,757
Additions	5,079	2,272	1,095	15,954	9,544	33,944
Disposals	(2,650)	(682)	(475)	(686)	(651)	(5,144)
Exchange adjustments	(330)	(140)	(668)	(726)	(193)	(2,057)
At 31 December 2014	28,088	10,898	46,186	54,072	23,148	162,392
Additions	660	1,506	397	1,292	916	4,771
Disposals	–	(1,013)	–	(596)	(326)	(1,935)
Disposal of subsidiaries	(9,579)	(1,092)	(1,251)	(25,111)	(20,411)	(57,444)
Exchange adjustments	(1,031)	(570)	(2,429)	(1,494)	(346)	(5,870)
At 31 December 2015	**18,138**	**9,729**	**42,903**	**28,163**	**2,981**	**101,914**
Accumulated depreciation:						
At 1 January 2014	16,979	7,667	32,814	22,542	5,446	85,448
Charge for the year	6,251	270	4,543	8,228	4,479	23,771
Written back on disposal	(2,179)	(546)	(38)	(143)	(149)	(3,055)
Exchange adjustments	(215)	(181)	(474)	(290)	(33)	(1,193)
At 31 December 2014	20,836	7,210	36,845	30,337	9,743	104,971
Charge for the year	4,396	561	2,936	6,749	3,179	17,821
Written back on disposals	–	(917)	–	(357)	(197)	(1,471)
Written back on disposal of subsidiaries	(6,376)	(170)	(257)	(12,704)	(11,067)	(30,574)
Exchange adjustments	(946)	(369)	(2,060)	(1,015)	(144)	(4,534)
At 31 December 2015	**17,910**	**6,315**	**37,464**	**23,010**	**1,514**	**86,213**
Carrying amount:						
At 31 December 2015	**228**	**3,414**	**5,439**	**5,153**	**1,467**	**15,701**
At 31 December 2014	7,252	3,688	9,341	23,735	13,405	57,421

17. INTERESTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Share of net liabilities	**(16,779)**	(16,337)
Goodwill	**57,718**	67,773
	40,939	51,436

The acquisition of the associates was related to the Group's tele-media services business ("Tele-media CGU") in the PRC and the carrying amount of interests in associate has been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 19).

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

Name of company	Form of business structure	Place of incorporation and operation	Percentage of ownership interests/ voting rights/ profit share	Principal activity
TMD1	Corporation	PRC	49%	Provision of tele-media business support and content services
北京迷你威網絡科技有限公司	Corporation	PRC	49%	Inactive

17. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information (material associate)

TMD1	2015 HK$'000	2014 HK$'000
As at 31 December		
Current assets	**87,500**	113,749
Non-current assets	**148**	171
Current liabilities	**(122,397)**	(151,017)
Non-current liabilities	**–**	–
	(34,749)	(37,097)
Included in the above amounts are:		
Bank balances and cash	**117**	89
Current financial liabilities (excluding trade and other payables)	**(82,106)**	(109,050)
Non-current financial liabilities (excluding other payables and provisions)	**–**	–
Year ended 31 December		
Revenue	**112,359**	335,992
Profit for the year	**355**	2,451
Total comprehensive income	**355**	2,451
Dividend received from associate	**–**	–
Included in the above amounts are:		
Depreciation and amortisation	**14**	15

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2015	2014
Net liabilities of the associate	**(34,749)**	(37,097)
Proportion of the Group's ownership interest in the associate	**49%**	49%
Goodwill	**57,718**	61,020
Carrying amount of the Group's interest in the associate	**40,691**	42,842

17. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information (immaterial associates)

	2015 **HK$'000**	2014 HK$'000
Year ended 31 December		
Loss for the year	**(478)**	(338)
Total comprehensive income	**(478)**	(338)

18. INTEREST IN A JOINT VENTURE

	2015 **HK$'000**	2014 HK$'000
Share of net assets	**–**	2,329

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

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

18. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information

	2015 **HK$'000**	2014 HK$'000
Year ended 31 December		
Revenue	**–**	–
Loss for the year	**(942)**	(1,653)
Total comprehensive income	**(942)**	(1,653)

During the year ended 31 December 2015, the interest in a joint venture is disposed of through the disposal of CMGE as detailed in note 31.

19. GOODWILL

	HK$'000
Cost:	
At 1 January 2014	993,169
Exchange adjustments	(14,727)
At 31 December 2014	978,442
Derecognised on disposal of subsidiaries	(506,869)
Exchange adjustments	(25,516)
At 31 December 2015	**446,057**
Accumulated impairment losses:	
At 1 January 2014	36,120
Exchange adjustments	(535)
At 31 December 2014	35,585
Derecognised on disposal of subsidiaries	(35,585)
At 31 December 2015	**–**
Carrying amount:	
At 31 December 2015	**446,057**
At 31 December 2014	942,857

19. GOODWILL *(Continued)*

For the purpose of impairment testing, cost of goodwill is allocated to the cash generating units ("CGU") identified as follows:

	2015 HK$'000	2014 HK$'000
Tele-media CGU (TMD) – PRC	**278,752**	294,698
Tele-media CGU (Pinzheng) – PRC	**109,481**	115,744
Tele-media CGU (Victor Choice) – PRC	**57,824**	61,131
Mobile game CGU (Dragon Joyce) – PRC	**–**	263,830
Mobile game CGU (3GUU) – PRC	**–**	207,454
	446,057	942,857

Following the disposal of CMGE, the goodwill and accumulated impairment losses of Dragon Joyce and 3GUU were derecognised.

TELE-MEDIA CGU (TMD)

The recoverable amounts of tele-media CGU (TMD) have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2014: 3%), which does not exceed the long-term growth rate for tele-media industry in the PRC. Cash flows for the first five financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2015	2014
Operating margin	**3%-38%**	34%-51%
Discount rate	**21.11%**	21.07%
Growth rate within the five-year period	**10%-140%**	3%-80%

The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. The growth rate within the five-year period has been based on past experience.

19. GOODWILL *(Continued)*

TELE-MEDIA CGU (PINZHENG)

The recoverable amounts of tele-media CGU (Pinzheng) have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2014: 3%), which does not exceed the long-term growth rate for tele-media industry in the PRC. Cash flows for the first five financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2015	2014
Operating margin	**43%-57%**	40%-55%
Discount rate	**22.21%**	21.85%
Growth rate within the five-year period	**5%-80%**	3%-50%

The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. The growth rate within the five-year period has been based on past experience.

TELE-MEDIA CGU (VICTOR CHOICE)

The recoverable amounts of tele-media CGU (Victor Choice) have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a eight-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2014: 3%), which does not exceed the long-term growth rate for tele-media industry in the PRC. Cash flows for the first five financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2015	2014
Operating margin	**46%-56%**	36%-45%
Discount rate	**23.90%**	22.72%
Growth rate within the five-year period	**3%-30%**	3%-30%

The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. The growth rate within the five-year period has been based on past experience.

20. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued ordinary/ registered and paid up capital	Attributable equity interest held by the Company		Principal activities
				Directly	Indirectly	
第一視頻信息工程有限公司 (VODone Information Engineering Co, Ltd.) ("TMD2")	PRC	PRC	RMB160,500,000	99.69%	–	Provision of technical and promotional and advertising services
北京日升影響廣告有限公司 (Beijing Adpeople International Advertising Co, Ltd.) ("TMD3")	PRC	PRC	RMB208,000,000	–	100%	Provision of advertisement production services
北京互聯時代娛樂文化發展有限公司 (Beijing Union Times Entertainment Culture Development Co, Ltd.) ("TMD4")	PRC	PRC	RMB39,306,800	98.47%	–	Provision of entertainment production services

All the above companies are foreign investment enterprises established in the PRC.

21. INTANGIBLE ASSETS

	Internet SNS assets HK$'000 (note (a))	Platform and domain names HK$'000 (note (b))	Purchased software and technology HK$'000 (note (c))	Mobile games license and platform HK$'000 (note (d))	Distribution networks HK$'000 (note (e))	Websites HK$'000 (note (f))	Service contracts HK$'000 (note (g))	Mobile games licenses HK$'000 (note (h))	Total HK$'000
Cost:									
At 1 January 2014	59,500	333,976	539,171	107,185	47,294	16,216	228,309	59,356	1,391,007
Acquisition of subsidiaries	–	–	410	–	–	–	–	–	410
Additions	–	–	–	29,459	–	–	–	236,623	266,082
Disposals	–	–	–	–	–	–	–	(810)	(810)
Exchange difference	–	(1,659)	2	(1,176)	(443)	(240)	(3,386)	(787)	(7,689)
At 31 December 2014	59,500	332,317	539,583	135,468	46,851	15,976	224,923	294,382	1,649,000
Additions	–	–	38,900	8,504	–	–	–	74,112	121,516
Disposal of intangible assets	–	–	–	–	–	–	–	(21,294)	(21,294)
Disposal of subsidiaries	–	–	–	(119,318)	(29,105)	–	(20,443)	(343,929)	(512,795)
Exchange difference	–	(5,965)	(22)	(1,269)	(321)	(866)	(11,278)	(3,271)	(22,992)
At 31 December 2015	**59,500**	**326,352**	**578,461**	**23,385**	**17,425**	**15,110**	**193,202**	**–**	**1,213,435**
Amortisation and impairment:									
At 1 January 2014	–	–	65,160	59,773	29,913	4,864	38,552	6,499	204,761
Amortisation for the year	–	–	40,297	15,465	2,942	1,597	20,360	43,795	124,456
Disposals	–	–	–	–	–	–	–	(17)	(17)
Exchange difference	–	–	–	(803)	(184)	(71)	(564)	(79)	(1,701)
At 31 December 2014	–	–	105,457	74,435	32,671	6,390	58,348	50,198	327,499
Amortisation for the year	–	–	40,136	14,598	1,715	1,572	19,738	39,746	117,505
Impairment	–	86,941	6,551	–	–	–	–	4,387	97,879
Disposal of intangible assets	–	–	–	–	–	–	–	(2,276)	(2,276)
Disposal of subsidiaries	–	–	–	(82,231)	(16,777)	–	(1,946)	(91,186)	(192,140)
Exchange difference	–	–	(11)	(855)	(184)	(407)	(3,844)	(869)	(6,170)
At 31 December 2015	**–**	**86,941**	**152,133**	**5,947**	**17,425**	**7,555**	**72,296**	**–**	**342,297**
Carrying amount:									
At 31 December 2015	**59,500**	**239,411**	**426,328**	**17,438**	**–**	**7,555**	**120,906**	**–**	**871,138**
At 31 December 2014	59,500	332,317	434,126	61,033	14,180	9,586	166,575	244,184	1,321,501

Notes:

(a) Internet social networking service assets ("Internet SNS Assets") included all the rights of Domouse in relation to the Domain Names, all the rights to the Domouse Software and Domouse Database, the Domouse Message Management Platform and any relevant intellectual property rights, with an indefinite useful life. As the economic benefits arising from the Domouse Assets are totally integrated with the existing operating segments of the Group, its carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 19).

21. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(b) Platform and domain names included the following intangible assets:–

(i) MiniV.tv Assets, a software application of a website, with an indefinite useful life. As the economic benefits arising from the miniV.tv Assets are totally integrated with the existing operating segments of the Group, its carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 19).

(ii) An intellectual property right of a shopping website, with indefinite useful life. Due to the keen competition in the internet shopping market and the adverse change in economic environment including the depreciation of RMB and increased operating costs during the year, the Company terminated such shopping website. Hence, its carrying amount has been fully impaired.

(c) Purchased software and technology included software, administrative systems and software technology as follows:

(i) Computer software and system applied on a number of paperless lottery platforms, with estimated useful lives of ten years. It is tested for impairment and there is no indication that it needs to be impaired.

(ii) E-commerce platform system and two software for live broadcasting on website, and video sharing used in smart phones, with estimated useful life of fifteen years.

Among these intangible assets, the software for live broadcasting on website was acquired for the establishment of broadcasting studios for general, financial as well as entertainment news, which are for the purpose of conducting authorized businesses under the Network Audio-Video Broadcast License（網絡視聽播放許可證）issued by the State Administration of Radio Film and Television and the Internet Commercial Performances License（互聯網經營性演出許可證）issued by the Ministry of Culture of the PRC. The software for video sharing used in smart phones is mainly for enabling upload of video contents and connection play on users' own handsets, offering the quickest way for users to upload their latest video contents with minimum streaming resources so as to increase the website traffic.

In addition, an information website computer system with estimated useful life of ten years was acquired to add more functions to the portal and improve user stickiness.

During the year, a medical related service platform and application system with estimated useful life of ten years were acquired to provide a diversified service to customers.

Apart from the impairment of carrying amount of the e-commerce platform system due to the termination of the shopping website, the remaining abovementioned intangible assets have been tested for impairment and there is no indication that they need to be impaired.

(iii) A web-based application which provides a web platform for end users to upload and watch videos through internet browser using 4G technology.

As the economic benefits arising from this asset are totally integrated with the existing operating segments of the Group, its carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 19).

21. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(d) Following the disposal of CMGE by the Group, the mobile game licenses and platform related to CMGE and its subsidiaries were disposed of accordingly.

The remaining balances represent a set of web games and game engines. As the economic benefits arising from this asset are totally integrated with the existing operating segments of the Group, its carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 19).

(e) Following the disposal of CMGE by the Group, all the distribution networks intangible assets were disposed of accordingly.

(f) The websites acquired through acquisition of Pinzheng Group, with estimated useful life of ten years are tested for impairment and there is no indication that it needs to be impaired.

(g) Service contract represented an 8-year sport lottery sales contract dated 24 September 2011 entered with Qinghai Province Sports Lottery Administration Centre, where the Group has the right to perform sport lottery sales through mobile and internet in Qinghai Province. It is tested for impairment and there is no indication that it needs to be impaired.

In 2013, the Group acquired another service contract though acquisition of Victor Choice Group. It represented a 10-year sports lottery sales contract dated 6 June 2013 entered with Hebei Province Sports Lottery Administration Centre, where the Group has the right to perform sport lottery sales through mobile and internet in Hebei Province. It is tested for impairment (Tele-media CGU (Victor Choice))(note19) and there is no indication that it needs to be impaired.

In 2013, the Group also acquired a contract with mobile network operator though acquisition of Vogins Group. It represents a co-operation agreement with a mobile network operator which allows the Group to act as a service provider for billing and collection services. The acquired contract with mobile network operator is recognised at fair value at the date of acquisition using a valuation technique based on expected income and amortized on a straight-line basis over the remaining contractual term of three years. Following the disposal of CMGE by the Group, such contract was disposed of accordingly.

(h) One of the game licenses has been fully impaired as the corresponding game had been deregistered from the platform, no future economic benefits were expected to flow to the Group.

Following the disposal of CMGE by the Group, all the mobile game licenses were disposed of accordingly.

22. TRADE RECEIVABLES

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

	2015 **HK$'000**	2014 HK$'000
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	**8,375**	850
	8,377	713,121

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:

	2015 **HK$'000**	2014 HK$'000
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	**–**	2,453
	8,377	713,121

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.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 HK$'000	2014 HK$'000
Current		
Other receivables (note a)	**11,501**	42,594
Deposits	**5,171**	17,174
Prepayments (note b)	**1,740**	476,099
	18,412	535,867

Note:

(a) In 2014, there were advances to game developers of HK$11,992,000 included in other receivables. It represented the financial support provided to two third-party game developers to each develop a social game according to the Group's requests and specifications.

(b) In 2014, included in prepayments were

(i) prepaid cost for advertising space of HK$158,103,000. All the amounts have been utilised in 2015.

(ii) prepayments of HK$156,107,000 to third-party game developers in connection with the arrangements to obtain licenses to publish the third-party developed games on the Group's game platform or third-party app stores. The third-party game developers were entitled to profit sharing based on a prescribed percentage of the gross amount charged to the mobile phone game players under the licensed games publishing arrangement. The shared profits earned by the third-party game developers would initially be offset against the prepayments until the balance is reduced to zero.

(iii) prepaid upfront payments of HK$21,964,000 to certain mobile phone service providers as a form of sales incentives in exchange for an exclusive channel for billing and collection services (the "Channel") offered by the mobile service providers to mobile phone game players who purchase the Group's in-game premium features. The upfront payments were amortised over the useful life of the Channels, which was estimated to be 5 to 6 years depending on the historical relationship between the Group and the mobile phone service providers.

(iv) Prepayment of HK$43,369,000 to third-party game developers in designing games, including the background music, graphic design or even the design of the whole game. The company was required to make a certain amount as prepayment at the beginning of the contract period and the remaining contract balance would be paid to the design companies after passing the quality test from the company.

24. INVENTORIES

	2015 HK$'000	2014 HK$'000
Packing materials	**50**	53
Finished goods	**1,292**	960
	1,342	1,013

A provision of HK$813,000 (2014: HK$Nil) has been made during the year.

25. OTHER FINANCIAL ASSETS

	2015 HK$'000	2014 HK$'000
Current portion:–		
Available-for-sale financial assets:–		
Compensation arising from profit guarantee arrangement of 3GUU Group (note (a))	**5,506**	30,183
Non-current portion:–		
Available-for-sale financial assets:–		
– Unlisted (note (b))	**–**	162,045
– Investment fund (note (c))	**–**	17,552
	–	179,597

25. OTHER FINANCIAL ASSETS *(Continued)*

Notes:

(a) Pursuant to the profit guarantee arrangement in relation to the acquisition of 3GUU Group, the Company is entitled to recover the related consideration shares at no cost as the actual result of 3GUU Group for the year ended 31 December 2013 was less than the relevant profit target. The Company has decided not to recall the consideration shares and asked the vendors to dispose of the related shares to settle the compensation in cash. Further, as the value of the surrendered consideration shares was insufficient to cover the shortfall in the profit guarantee arrangement, the vendors had agreed to dispose part of their interests in CMGE and pay the Company the sale proceeds to make good the shortfall in actual profit of 3GUU Group. Compensation is determined on the agreed number of shares to be disposed of at their fair value at the end of reporting period. The compensation is classified as available-for-sale financial asset in the consolidated statement of financial position. It is carried at fair value with changes in fair value recognized in the other comprehensive income. In 2015, a loss of HK$712,000 was recognised in the profit or loss upon realisation of the shares of CMGE.

(b) The amounts represented the Group's strategic investments in private entities. Following the disposal of CMGE by the Group, all the investments were disposed of accordingly.

(c) The balance in 2014 represented the initial contribution in 深圳市志成千里投資企業 (the "Fund") which was engaged in investment in mobile games and apps development business, and derived its return through investment income. Following the disposal of CMGE by the Group, this Fund was disposed of accordingly.

On 14 December 2015, the Company entered into a Limited Partnership Agreement (the "Agreement") to subscribe, as a limited partner, in the total amount of US$31,250,000 (equivalent to HK$242,209,000) of China Prosperity Capital Mobile Internet Fund, L.P. (the "Mobile Internet Fund"). The timing of capital contribution of the investment is generally on an "as needed" basis. This Mobile Internet Fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in equity and/or equity-related securities of companies that operate in or otherwise derive significant business opportunities from the mobile internet sector, its related technologies, products and services. The Group is a limited partner in this Mobile Internet Fund and does not have control nor significant influence in the this Mobile Internet Fund's operational and financing decisions. The directors of the Company ("Directors") classified the investment as an available-for-sales financial asset. The Directors consider that there was no significant change in the fair value of the investment from the dates of acquisition to 31 December 2015 as underlying investment projects are at a startup stage.

26. 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:

	2015	2014
	HK$'000	HK$'000
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	**82**	861
	82	254,892

Trade payables in 2014 include amounts payable of HK$254,774,000 in respect of mobile games business.

27. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	HK$'000
Other payables	**17,723**	97,540
Dividend payable to non-controlling interests	**4,580**	3,332
Accruals	**3,213**	69,916
Deposits received	**31**	2,171
	25,547	172,959

28. DEFERRED TAXATION

Details of the deferred tax liabilities recognised and movements during the year are as follows:

	Fair value adjustments HK$'000
At 1 January 2014	49,624
Credit to profit or loss for the year	(2,891)
Exchange difference	(734)
At 31 December 2014	45,999
Credit to profit or loss for the year	(2,220)
Disposal of subsidiaries	(5,774)
Exchange difference	(2,156)
At 31 December 2015	35,849

A deferred tax asset has not been recognised for the following:

	2015 HK$'000	2014 HK$'000
Unused tax losses	**103,219**	72,294

Out of the tax losses of the Group as at 31 December 2015, approximately HK$69,117,000 (2014: HK$65,842,000) has an expiry period of five years since 2010.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2015, the Group has not recognised deferred tax liabilities of HK$3,628,000 (2014: HK$58,602,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to HK$36,284,000 (2014: HK$586,024,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

29. SHARE CAPITAL

	2015 HK$'000	2014 HK$'000
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
3,297,925,262 (2014: 3,297,925,262) ordinary shares of HK$0.01 each	**32,979**	32,979

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

	Number of ordinary shares	Share capital HK$'000
At 1 January 2014	3,286,693,262	32,867
Exercise of shares options (note)	11,232,000	112
At 31 December 2014 and 31 December 2015	3,297,925,262	32,979

Note:

During the year ended 31 December 2014, certain options were exercised to subscribe for a total of 11,232,000 ordinary shares in the Company at an aggregate consideration of HK$7,562,000 of which HK$112,000 was credited to share capital and the balance of HK$7,450,000 was credited to the share premium account. HK$1,171,000 had been transferred from the share-based compensation reserve to the share premium account accordingly.

30. NON-CONTROLLING INTERESTS

CMGE, a 43.18% owned subsidiary of the Company prior to the disposal, had material non-controlling interests ("NCI"). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of CMGE, before intra-group eliminations, is presented below:

	10 August 2015 HK$'000	31 December 2014 HK$'000
For the period ended		
Revenue	**1,168,121**	1,619,286
Profit for the period/year	**141,871**	256,061
Total comprehensive income	**124,469**	251,352
Profit allocated to NCI	**76,106**	136,482
Dividend paid to NCI	**19,428**	–

As disclosed in note 13 and note 31, CMGE was disposed of by the Group on 10 August 2015. Accordingly, the non-controlling interests of CMGE were derecognised.

During the year, around 464,501 CMGE's shares options have been exercised by the employees. The transaction has been accounted for as an equity transactions with the non-controlling interests as follows:

	2015 HK$'000
Capital contribution from NCI	**1,731**
Change in net assets attributable to NCI	**2,928**
Release of share-based compensation reserve	**246**
Decrease in equity attributable to owners of the Company (included in retained earnings)	**4,905**

31. DISPOSAL OF SUBSIDIARIES

(a) As disclosed in note 13, CMGE was disposed of by the Group on 10 August 2015.

Assets and liabilities disposed of at the date of disposal are as follows:

	HK$'000
Property, plant and equipment	26,870
Interest in an associate	8,098
Interest in a joint venture	2,891
Goodwill	471,284
Intangible assets	320,655
Other financial assets	212,219
Trade receivables	1,113,440
Other receivables, deposits and prepayments	385,357
Amount due from a joint venture	1,212
Bank balance and cash	410,351
Trade payables	(435,563)
Deposits received, other payables and accruals	(215,663)
Amount due to a related company	(710)
Amount due to an associate	(4,370)
Deferred revenue	(12,679)
Tax payable	(15,687)
Deferred tax liabilities	(5,774)
Net assets disposed of	2,261,931
Non-controlling interests derecognised on disposal	(898,046)
Investment revaluation reserve released on disposal	2,889
Exchange fluctuation reserve released on disposal	(102,172)
Income tax for gain on disposal	112,094
Gain on disposal of subsidiaries included in profit for the year from discontinued operations in the consolidated statement of comprehensive income (note 13)	932,527
Total consideration	2,309,223
Satisfied by:	
Cash	2,309,223

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For the year ended 31 December 2015

31. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Cash inflow arising from disposal of subsidiaries

	HK$'000
Cash consideration	2,309,223
Bank balances and cash disposed of	(410,351)
	1,898,872

32. RESERVES

COMPANY

	Share premium HK$'000 (Note (a))	Investment revaluation reserve HK$'000 (Note (b))	Other reserves HK$'000 (Note (c))	Share-based compensation reserve HK$'000 (Note (d))	Retained profits HK$'000	Total reserves HK$'000
Balance at 1 January 2014	1,457,197	6,242	523,125	14,324	403,772	2,404,660
Loss and total comprehensive income for the year	–	(14,314)	–	–	(156,008)	(170,322)
Lapse of share options	–	–	–	(12,683)	12,683	–
Exercise of share options	8,621	–	–	(1,171)	–	7,450
Transfer of consideration shares for business acquisition in prior years	22,464	–	–	–	–	22,464
Recognition of share-based payment expense	–	–	–	2,690	–	2,690
Balance at 31 December 2014	1,488,282	(8,072)	523,125	3,160	260,447	2,266,942
Loss and total comprehensive income for the year	–	(1,431)	–	–	(450,739)	(452,170)
Recognition of share-based payment expense (note 35(a))	–	–	–	4,367	–	4,367
Lapse of share options (note 35(a))	–	–	–	(145)	145	–
Dividend paid	–	–	–	–	(329,793)	(329,793)
Other transfer	–	3,447	–	–	–	3,447
Balance at 31 December 2015	**1,488,282**	**(6,056)**	**523,125**	**7,382**	**(519,940)**	**1,492,793**

32. RESERVES *(Continued)*

NATURE AND PURPOSE OF RESERVES

(a) The balance represents the excess of consideration received for issue of shares over the corresponding par value of the issued shares. The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981 (as amended).

(b) Investment revaluation reserve represents change in fair value of available-for-sale financial assets.

(c) The Group's other reserves represent:–

(i) the difference between the amount by which the non-controlling interests are adjusted and the fair value of the shares of the subsidiary granted to employees; and

(ii) certain portion of the profits of the Group's subsidiaries established in the PRC transferred from the retained earnings which are restricted to use pursuant to the relevant laws and regulations in the PRC.

The Company's other reserve is derived from the difference between the fair value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued in exchange therefore pursuant to the group reorganisation in 1991. Under the Bermuda Companies Act 1981 (as amended), a company may make distributions to its members out of its other reserves under certain circumstances.

(d) Share-based compensation reserve comprises the value of the unexercised share option granted by the Company recognised in accordance with the accounting policy adopted for share-based payments in note 4(O).

(e) Exchange fluctuation reserve represents gains/losses arising on retranslating the net assets of foreign operations into Hong Kong dollars.

33. OPERATING LEASE ARRANGEMENTS

	2015 HK$'000	2014 HK$'000
Minimum lease payments paid under operating leases during the year	39,229	47,099

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases in respect of its premises falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	7,979	51,220
In the second to fifth year, inclusive	5,664	103,452
	13,643	154,672

Operating lease payments represent rentals payable by the Group on certain of its leased properties. Leases are negotiated for an average term of one to five years at fixed rental.

34. COMMITMENTS

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for:		
– Investment of investment fund (note 25(c))	242,209	–
– Acquisition of mobile games license and platform	–	29,033
– Investment in other financial assets	–	18,935

35. SHARE-BASED PAYMENT

(A) EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY

On 27 April 2012, the shareholders of the Company approved a new share option scheme (the"V1 Group Scheme") and adopted it on 30 April 2012, and terminated the share option scheme adopted on 7 June 2002 (the "Old V1 Group Scheme"). Under the V1 Group Scheme, the directors may, at their discretion, invite any eligible participants to take up options to subscribe for shares in the capital of the Company.

The exercise price for the share options shall be determined in accordance with the V1 Group Scheme and the relevant provisions of the Listing Rules. The costs for the value of the grant of share options were recognised as an expense during the year.

The terms and conditions of the grants and movements in the number of share options under the V1 Group Scheme during the year were as follows:

2015

	Number of shares issuable under share options						
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of the year	Exercise price HK$	Exercise period
Executive directors							
Zhang Lijun							
on 9 September 2013	1,500,000	–	–	–	1,500,000	0.604	09/09/2013 to 08/09/2016
on 17 April 2014	2,100,000	–	–	–	2,100,000	0.750	17/04/2014 to 16/04/2017
on 16 October 2015	–	3,000,000	–	–	3,000,000	0.570	16/10/2015 to 15/10/2018
	3,600,000	3,000,000	–	–	6,600,000		
Wang Chun							
on 9 September 2013	1,500,000	–	–	–	1,500,000	0.604	09/09/2013 to 08/09/2016
on 17 April 2014	2,100,000	–	–	–	2,100,000	0.750	17/04/2014 to 16/04/2017
on 16 October 2015	–	5,700,000	–	–	5,700,000	0.570	16/10/2015 to 15/10/2018
	3,600,000	5,700,000	–	–	9,300,000		
Sub-total	7,200,000	8,700,000	–	–	15,900,000		

35. SHARE-BASED PAYMENT *(Continued)*

(A) EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY *(Continued)*

2015 *(Continued)*

	Number of shares issuable under share options						
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of the year	Exercise price HK$	Exercise period
Independent non-executive directors							
Loke Yu (alias Loke Hoi Lam)							
on 9 September 2013	400,000	–	–	–	400,000	0.604	09/09/2013 to 08/09/2016
on 17 April 2014	400,000	–	–	–	400,000	0.750	17/04/2014 to 16/04/2017
on 16 October 2015	–	2,000,000	–	–	2,000,000	0.570	16/10/2015 to 15/10/2018
	800,000	2,000,000	–	–	2,800,000		
Wang Linan							
on 17 April 2014	300,000	–	–	–	300,000	0.750	17/04/2014 to 16/04/2017
on 16 October 2015	–	2,000,000	–	–	2,000,000	0.570	16/10/2015 to 15/10/2018
	300,000	2,000,000	–	–	2,300,000		
Gong Zhankui							
on 16 October 2015	–	2,000,000	–	–	2,000,000	0.570	16/10/2015 to 15/10/2018
	–	2,000,000	–	–	2,000,000		
Sub-total	1,100,000	6,000,000	–	–	7,100,000		
Employees							
on 13 September 2012	1,700,000	–	–	(1,700,000)	–	0.700	13/09/2012 to 12/09/2015
on 9 September 2013	800,000	–	–	–	800,000	0.604	09/09/2013 to 08/09/2016
on 17 April 2014	15,100,000	–	–	–	15,100,000	0.750	17/04/2014 to 16/04/2017
on 16 October 2015	–	33,300,000	–	–	33,300,000	0.570	16/10/2015 to 15/10/2018
Sub-total	17,600,000	33,300,000	–	(1,700,000)	49,200,000		
Total	25,900,000	48,000,000	–	(1,700,000)	72,200,000		

35. SHARE-BASED PAYMENT *(Continued)*

(A) EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY *(Continued)*

2014

	Number of shares issuable under share options						
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of the year	Exercise price HK$	Exercise period
Executive directors							
Zhang Lijun							
on 9 September 2013	1,500,000	–	–	–	1,500,000	0.604	09/09/2013 to 08/09/2016
on 17 April 2014	–	2,100,000	–	–	2,100,000	0.750	17/04/2014 to 16/04/2017
	1,500,000	2,100,000	–	–	3,600,000		
Wang Chun							
on 9 September 2013	1,500,000	–	–	–	1,500,000	0.604	09/09/2013 to 08/09/2016
on 17 April 2014	–	2,100,000	–	–	2,100,000	0.750	17/04/2014 to 16/04/2017
	1,500,000	2,100,000	–	–	3,600,000		
Sub-total	3,000,000	4,200,000	–	–	7,200,000		
Independent non-executive directors							
Loke Yu (alias Loke Hoi Lam)							
on 9 September 2013	400,000	–	–	–	400,000	0.604	09/09/2013 to 08/09/2016
on 17 April 2014	–	400,000	–	–	400,000	0.750	17/04/2014 to 16/04/2017
	400,000	400,000	–	–	800,000		
Wang Zhichen (Note1)							
on 9 September 2013	300,000	–	–	–	300,000	0.604	09/09/2013 to 08/09/2016
on 17 April 2014	–	300,000	–	–	300,000	0.750	17/04/2014 to 16/04/2017
	300,000	300,000	–	–	600,000		
Wang Linan							
on 9 September 2013	300,000	–	(300,000)	–	–	0.604	09/09/2013 to 08/09/2016
on 17 April 2014	–	300,000	–	–	300,000	0.750	17/04/2014 to 16/04/2017
	300,000	300,000	(300,000)	–	300,000		
Sub-total	1,000,000	1,000,000	(300,000)	–	1,700,000		
Employees							
on 13 September 2012	6,000,000	–	(4,300,000)	–	1,700,000	0.700	13/09/2012 to 12/09/2015
on 9 September 2013	6,000,000	–	(5,500,000)	–	500,000	0.604	09/09/2013 to 08/09/2016
on 17 April 2014	–	14,800,000	–	–	14,800,000	0.750	17/04/2014 to 16/04/2017
Sub-total	12,000,000	14,800,000	(9,800,000)	–	17,000,000		
Total	16,000,000	20,000,000	(10,100,000)	–	25,900,000		

Note 1: Passed away on 8 October 2014.

35. SHARE-BASED PAYMENT *(Continued)*

(A) EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY *(Continued)*

On 16 October 2015, a total of 48,000,000 share options were granted to directors of the Group and eligible participants under the V1 Group Scheme and entitled the grantees to subscribe for ordinary shares at an exercise price of HK$0.570 per share, with closing price per share immediately before the date on which the share options were granted at HK$0.580. The options may be exercisable during the period from 16 October 2015 to 15 October 2018.

Fair value of share options granted during the year and assumptions are as follows:

	Granted on 16 October 2015 (the V1 Group Scheme)
Fair value at grant date	HK$0.091
Weighted average share price at grant date	HK$0.57
Weighted average contractual life	3 years
Expected volatility	40.272%
Expected dividend rate	0%
Risk-free interest rate	0.0569%

The volatility assumption is measured at the average of the comparable companies' share price return volatility over the same period.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

The fair value of the share options granted during the year was approximately HK$4,367,000 (2014: HK$2,690,000), all of which was recognised an equity-settled share-based payment expenses during the year.

35. SHARE-BASED PAYMENT *(Continued)*

(A) EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY *(Continued)*

Details and movements of share options are as follows:

	Weighted average exercise price	Number '000
At 1 January 2014	HK$1.53	59,014
Granted during the year	HK$0.75	20,000
Exercised during the year	HK$0.67	(11,232)
Lapsed during the year	HK$1.89	(41,882)
At 31 December 2014	HK$0.72	25,900
Granted during the year	HK$0.57	48,000
Lapsed during the year	HK$0.70	(1,700)
At 31 December 2015	HK$0.62	72,200

The weighted average exercise price of options outstanding at the end of the year is HK$0.62 (2014: HK$0.72) and their weighted average remaining contractual life was 2.25 years (2014: 2.09 years). The validity period of the share options of the Company granted during the year is from 16 October 2015 to 15 October 2018 (2014: from 17 April 2014 to 16 April 2017).

Of the total number of options outstanding at the end of the year, all were exercisable at the end of the year.

The weighted average closing share price immediately before the dates of exercise of share options of V1 Group Scheme of the Company during the year was HK$Nil (2014: HK$1.36).

In 2014, 11,232,000 share options were exercised and related share-based compensation reserve of HK$1,171,000 was transferred to share capital and share premium.

In 2015, 1,700,000 (2014: 41,882,400) share options lapsed. Accordingly, the related share-based compensation reserve of HK$145,000 (2014: HK$12,683,000) was released to retained profits.

35. SHARE-BASED PAYMENT *(Continued)*

(B) ALLOTMENT OF SHARES IN THE SUBSIDIARIES – CMGE TO THE DIRECTORS

(i) On 16 March 2012, a total of 639,000 shares of CMGE were allotted to directors of the Company and eligible participants, at a price of US$0.001 per share.

The fair value of HK$133,000 (2014: HK$460,000) of services received in return for shares granted is measured by reference to the fair value of CMGE's shares at the date of allotment and was recognised as equity-settled share-based payment expenses during the year. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Group.

(ii) On 26 January 2014, CMGE issued 136,500 warrants to a director of the Company. Each warrant allows the director to purchase one ADS of CMGE at US$29.34 with a contractual life of five years. Pursuant to the warrant agreement, (i) 25% of the warrants are vested and exercisable on the first anniversary of the date of grant; (ii) 25% of the warrants are vested and exercisable on the second anniversary of the date of grant; (iii) 25% of the warrants are vested and exercisable on the third anniversary of the date of grant; and (iv) 25% of the warrants are vested and exercisable on the fourth anniversary of the date of grant. The warrants issued to the director are classified as equity awards and measured based on the measurement date fair value of US$12.98 per warrant.

On 9 October 2014, the board of directors of CMGE approved a warrant modification to reduce the exercise price of warrants that were granted to US$20.23 per ADS, which was the closing price of the CMGE's ADSs on 8 October 2014. Other terms of the warrant granted remain unchanged. The director had entered into amendments to its original warrant agreements with CMGE.

The fair value of the warrants issued was approximately HK$13,738,000 with the incremental fair value of HK$2,101,000. In accordance with HKFRS 2, the fair value of warrants issued determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$3,113,000 (2014: HK$7,224,000) was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Group.

(iii) On 13 February 2015, CMGE issued 186,000 warrants to a director of the Company. Each warrant allows the director to purchase one ADS of CMGE at US$15.76 with a contractual life of five years. Pursuant to the warrant agreement, (i) 25% of the warrants are vested and exercisable on the first anniversary of the date of grant; (ii) the remaining 75% of the warrants are vested and exercisable in 12 equal quarterly tranches beginning one calendar quarter after the first anniversary of the date of grant. The warrants issued to the director are classified as equity awards and measured based on the measurement date fair value of US$7.96 per warrant.

35. SHARE-BASED PAYMENT *(Continued)*

(B) ALLOTMENT OF SHARES IN THE SUBSIDIARIES – CMGE TO THE DIRECTORS *(Continued)*

(iii) *(Continued)*

The fair value of the warrants issued was approximately HK$11,477,000. In accordance with HKFRS 2, the fair value of warrants issued determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$3,216,000 was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Group.

(C) EQUITY-SETTLED SHARE OPTION SCHEME OF THE SUBSIDIARIES – CMGE

The terms and conditions of the grants and movements in the number of share options under the share option scheme of CMGE during the year were as follow:

2015

	Number of shares issuable under share options								
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Release upon disposal of subsidiaries (note)	At the end of the year	Exercise price US$	Exercise period
Executive directors									
Zhang Lijun									
on 6 February 2012	1,519,747	–	–	–	–	(1,519,747)	–	0.605 (Note 1 and 3)	06/02/2012 to 05/02/2017
on 8 February 2013	1,656,200	–	–	–	–	(1,656,200)	–	6.500 (Note 2 and 4)	08/02/2013 to 07/02/2018
	3,175,947	–	–	–	–	(3,175,947)	–		
Wang Chun									
on 6 February 2012	1,519,747	–	–	–	–	(1,519,747)	–	0.605 (Note 1 and 3)	06/02/2012 to 05/02/2017
Sub-total	4,695,694	–	–	–	–	(4,695,694)	–		
Employees									
on 6 February 2012	14,359,172	–	(47,497)	(38,060)	–	(14,273,615)	–	0.605 (Note 1 and 3)	06/02/2012 to 05/02/2017
on 8 February 2013	2,722,415	–	–	(711,410)	–	(2,011,005)	–	0.605 (Note 1 and 5)	08/02/2013 to 07/02/2018
on 8 February 2013	11,574,304	–	(627,004)	(420,000)	–	(10,527,300)	–	6.500 (Note 2 and 4)	08/02/2013 to 07/02/2018
on 13 January 2014	5,851,482	–	–	–	(5,851,482)	–	–	29.03 (Note 2 and 6)	13/01/2014 to 12/01/2019
on 8 October 2014	1,462,860	–	–	–	–	(1,462,860)	–	20.23 (Note 2 and 8)	08/10/2014 to 07/10/2019
on 12 February 2015	–	9,660,000	–	(280,000)	–	(9,380,000)	–	15.76 (Note 2 and 9)	12/02/2015 to 11/02/2020
on 7 June 2015	–	4,388,622	–	–	–	(4,388,622)	–	20.23 (Note 2 and 6)	07/06/2015 to 06/06/2020
Sub-total	35,970,233	14,048,622	(674,501)	(1,449,470)	(5,851,482)	(42,043,402)	–		
Total	40,665,927	14,048,622	(674,501)	(1,449,470)	(5,851,482)	(46,739,096)	–		

Note: The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Company.

35. SHARE-BASED PAYMENT *(Continued)*

(C) EQUITY-SETTLED SHARE OPTION SCHEME OF THE SUBSIDIARIES – CMGE *(Continued)*

2014

	Number of shares issuable under share options							
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At the end of the year	Exercise price US$	Exercise period
Executive directors								
Zhang Lijun								
on 6 February 2012	1,519,747	–	–	–	–	1,519,747	0.605 (Note 1 and 3)	06/02/2012 to 05/02/2017
on 8 February 2013	1,656,200	–	–	–	–	1,656,200	6.500 (Note 2 and 4)	08/02/2013 to 07/02/2018
	3,175,947	–	–	–	–	3,175,947		
Wang Chun								
on 6 February 2012	1,519,747	–	–	–	–	1,519,747	0.605 (Note 1 and 3)	06/02/2012 to 05/02/2017
Sub-total	4,695,694	–	–	–	–	4,695,694		
Employees								
on 6 February 2012	18,380,951	–	(2,075,024)	(1,946,755)	–	14,359,172	0.605 (Note 1 and 3)	06/02/2012 to 05/02/2017
on 8 February 2013	2,739,495	–	(17,080)	–	–	2,722,415	0.605 (Note 1 and 5)	08/02/2013 to 07/02/2018
on 8 February 2013	12,765,200	–	(1,190,896)	–	–	11,574,304	6.500 (Note 2 and 4)	08/02/2013 to 07/02/2018
on 13 January 2014	–	5,851,482	–	–	–	5,851,482	29.03 (Note 2 and 6)	13/01/2014 to 12/01/2019
on 13 January 2014	–	25,365,956	–	–	(25,365,956)	–	29.03 (Note 2 and 7)	13/01/2014 to 14/09/2017
on 8 October 2014	–	1,462,860	–	–	–	1,462,860	20.23 (Note 2 and 8)	08/10/2014 to 07/10/2019
Sub-total	33,885,646	32,680,298	(3,283,000)	(1,946,755)	(25,365,956)	35,970,233		
Total	38,581,340	32,680,298	(3,283,000)	(1,946,755)	(25,365,956)	40,665,927		

Note 1: The exercise price is the price to subscribe for one class A ordinary shares of US$0.001 each in the share capital of CMGE.

Note 2: The exercise price is the price to subscribe for 14 class A ordinary shares of US$0.001 each in the share capital of CMGE which equals to one ADS of CMGE.

35. SHARE-BASED PAYMENT *(Continued)*

(C) EQUITY-SETTLED SHARE OPTION SCHEME OF THE SUBSIDIARIES – CMGE *(Continued)*

Note 3: On 6 February 2012, CMGE granted shares options under its share option scheme (the "2011 Share Option Scheme") to purchase 25,835,712 ordinary shares of CMGE to its employees at an exercise price of US$0.605 per share with a contractual life of five years. Pursuant to the share options agreement, (i) 25% of the share options are vested and exercisable by each grantee on the first anniversary of the date of grant; and (ii) the remaining 75% of the share options are vested and exercisable by each grantee in 12 equal quarterly tranches beginning one calendar quarter after the first anniversary of the date of grant.

The fair value of the share options granted was approximately HK$30,397,000. In accordance with HKFRS 2, the fair value of share options granted determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$995,000 (2014: HK$1,476,000) was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Company.

Note 4: On 8 February 2013, CMGE granted options under the 2011 Share Option Scheme to purchase 970,100 ADS and 60,000 ADS of CMGE to certain of its employees and a third-party individual consultant who provides consultancy service to CMGE respectively, at an exercise price of US$6.50 per ADS with a contractual life of five years. Pursuant to the share options agreement, (i) 25% of the share options are vested and exercisable on the first anniversary of the date of grant; and (ii) the remaining 75% of the share options are vested and exercisable in 12 equal quarterly tranches beginning one calendar quarter after the first anniversary of the date of grant. There is a service condition attached to the vesting of the option granted to the employees. The closing price immediately before the date on which the share options of CMGE were granted was at US$3.53 per ADS.

The fair value of the share options granted was approximately HK$6,536,000. In accordance with HKFRS 2, the fair value of share options granted determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$495,000 (2014: HK$3,424,000) was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Company.

Note 5: On 8 February 2013, CMGE granted options under the 2011 Share Option Scheme to purchase 2,539,495 and 200,000 shares to an employee and a consultant who became an employee of CMGE on March 20, 2013, respectively, at an exercise price of US$0.605 per share with a contractual life of 5 years. Pursuant to the share option agreement, 25% of the share options are vested and exercisable on each of the first to fourth anniversary of the grant date if the grantees continue to provide service to a subsidiary of the Company and this subsidiary achieves predetermined performance conditions. There is a service condition in addition to a performance condition attached to the vesting of these options. The closing price immediately before the date on which the share options of CMGE were granted was at US$3.53 per ADS.

The fair value of the share options granted was approximately HK$1,261,000. In accordance with HKFRS 2, the fair value of share options granted determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$150,000 (2014: HK$393,000) was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Company.

35. SHARE-BASED PAYMENT *(Continued)*

(C) EQUITY-SETTLED SHARE OPTION SCHEME OF THE SUBSIDIARIES – CMGE *(Continued)*

Note 6: On 13 January 2014, CMGE granted options under the 2011 Share Option Scheme to purchase 417,963 ADS of CMGE to certain of its employees at an exercise price of US$29.03 per ADS with a contractual life of five years. Pursuant to the share option agreement, (i) 25% of the share options are vested and exercisable on the first anniversary of the grant date; and (ii) the remaining 75% of the share options are vested and exercisable in 12 equal quarterly tranches beginning one calendar quarter after the first anniversary of the date of grant. There is a service condition attached to the vesting of the share options granted to the employees. The closing price immediately before the date on which the share options of CMGE were granted was at US$28.20 per ADS.

On 7 June 2015, the board of directors of CMGE approved a share option cancellation to cancel all the 417,963 share options (the "Cancelled Share Options"). On the same date, CMGE granted options under the 2011 Share Option Scheme to purchase 313,473 ADS of CMGE to same employees at an exercise price of US$20.23 per ADS with a contractual life of five years. Other terms of the share options granted are the same as the Cancelled Share Options. In accordance with HKFRS2, 104,490 share options are treated as a cancellation and 313,473 share options are treated as a modification to terms and conditions.

In accordance with HKFRS2, the amount of HK$4,208,000 over the remainder of the vesting period should be expensed immediately upon cancellation of 104,490 share options. The fair value of the remaining share options granted was approximately HK$29,110,000 with the incremental fair value of HK$8,379,000. In accordance with HKFRS 2, the fair value of share options granted determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$5,986,000 (2014: HK$20,041,000) was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Company.

Note 7: On 13 January 2014, CMGE granted options under the 2011 Share Option Scheme to purchase 1,811,854 ADS of CMGE to certain of its employees at an exercise price of US$29.03 per ADS with a contractual life of approximately 3.67 years. Pursuant to the share option agreement, the share options were vested and exercisable in 3 equal tranches during the period from 15 March to 14 September in each of the year 2015, 2016 and 2017 if the grantees continue to provide service to CMGE and CMGE achieved predetermined annual profit targets in 2014, 2015 and 2016. There was a service condition in addition to a performance condition attached to the vesting of these options. The average closing price immediately before the date on which the share options of CMGE were granted was at US$28.20 per ADS.

All of the above-mentioned 1,811,854 share options of CMGE granted on 13 January 2014 were cancelled during the year ended 31 December 2014.

35. SHARE-BASED PAYMENT *(Continued)*

(C) EQUITY-SETTLED SHARE OPTION SCHEME OF THE SUBSIDIARIES – CMGE *(Continued)*

Note 8: On 8 October 2014, CMGE granted options under the 2011 Share Option Scheme to purchase 104,490 ADS of CMGE to its employees at an exercise price of US$20.23 per ADS with a contractual life of five years. Pursuant to the share option agreement, (i) 25% of the share options are vested and exercisable on the first anniversary of the grant date; and (ii) the remaining 75% of the share options are vested and exercisable in 12 equal quarterly tranches beginning one calendar quarter after the first anniversary of the date of grant. The closing price immediately before the date on which the share options of CMGE were granted was at US$19.66 per ADS.

The fair value of the share options granted was approximately HK$7,648,000. In accordance with HKFRS 2, the fair value of share options granted determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$2,638,000 (2014:HK$1,001,000) was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Company.

Note 9: On 12 February 2015, CMGE granted options under 2011 Share Option Scheme to purchase 690,000 ADS of CMGE to certain of its employees at an exercise price of US$15.76 per ADS with a contractual life of five years. Pursuant to the share option agreement, (i) 25% of the share options are vested and exercisable on the first anniversary of the grant date; and (ii) the remaining 75% of the share options are vested and exercisable in 12 equal quarterly tranches beginning one calendar quarter after the first anniversary of the date of grant. There is a service condition attached to the vesting of the share options granted to the employees. The closing price immediately before the date on which the share options of CMGE were granted was at US$15.50 per ADS.

The fair value of the share options granted was approximately HK$39,332,000. In accordance with HKFRS 2, the fair value of share options granted determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$9,988,000 was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Company.

Fair value of share options granted during the year and assumptions are as follows:

	Granted on 12 February 2015 (Note 9 above)
Fair value per ADS at grant date	US$7.13 – US$7.63
Weighted average share price at grant date	US$1.13
Weighted average contractual life	5 years
Expected volatility	55.79%
Expected dividend rate	–
Risk-free interest rate	1.48%

The volatility assumption is measured at the average of the comparable companies' share price return volatility over the same period.

35. SHARE-BASED PAYMENT *(Continued)*

(C) EQUITY-SETTLED SHARE OPTION SCHEME OF THE SUBSIDIARIES – CMGE *(Continued)*

Details and movements of share options are as follows:

	Weighted average exercise price	Number '000
At 1 January 2014	US$0.553	38,581
Granted during the year	US$1.945	32,680
Exercised during the year	US$0.554	(3,283)
Lapsed during the year	US$0.605	(1,947)
Cancelled during the year	US$2.074	(25,365)
At 31 December 2014	US$0.800	40,666
Granted during the year	US$1.225	14,049
Exercised during the year	US$0.474	(675)
Lapsed during the year	US$0.665	(1,450)
Cancelled during the year	US$2.074	(5,851)
Release upon disposal of subsidiaries	US$0.642	(46,739)
Outstanding, at 31 December 2015	–	–
Exercisable at 31 December 2015	–	–

The weighted average closing share price immediately before the dates of exercise of shares options of CMGE during the year was US$19.98.

There were no share options outstanding at the end of the year. In 2014, the weighted average exercise price of options outstanding at the end of the year was US$0.800 and their weighted average remaining contractual life was 2.87 years. The validity period of the share options of CMGE granted during the year is from 12 February 2015 to 11 February 2020 (2014: from 13 January 2014 to 7 October 2019).

35. SHARE-BASED PAYMENT *(Continued)*

(D) WARRANTS ISSUED TO EMPLOYEES – CMGE

(i) On 13 January 2014, CMGE issued 78,000 warrants to an employee. Each warrant allows the employee to purchase one ADS of CMGE at US$29.03 per ADS with a contractual life up to 12 January 2018. Pursuant to the warrant agreement, (i) 26,000 warrants are exercisable on or after 1 January 2015 and when CMGE fulfills certain market conditions; (ii) 26,000 warrants are exercisable on or after 1 January 2016 and when CMGE fulfills certain market conditions; and (iii) 26,000 warrants are exercisable on or after 1 January 2017 and when CMGE fulfills certain market conditions. The warrants issued to the employee are classified as equity awards and measured based on the measurement date fair value of US$10.00 to US$11.00 per warrant.

On 8 October 2014, the board of directors of CMGE approved a warrant modification to reduce the exercise price of warrants to US$20.23 per ADS, which is the closing price of the CMGE's ADSs on 8 October 2014. Other terms of the warrant grants remain unchanged. The employee had entered into amendments to its original warrant agreement with CMGE.

The fair value of the warrants issued was approximately HK$6,381,000 with the incremental fair value of HK$966,000. In accordance with HKFRS 2, the fair value of warrants issued determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$1,332,000 (2014:HK$4,341,000) was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Company.

(ii) On 1 April 2014, CMGE issued 600,000 warrants to an employee. Each warrant allows the employee to purchase one ADS of CMGE at US$29.03 per ADS with a contractual life of five years. Pursuant to the warrant agreement, (i) 25% of the warrants are vested and exercisable on the first anniversary of the date of grant; (ii) 25% of the warrants are vested and exercisable on the second anniversary of the date of grant; (iii) 25% of the warrants are vested and exercisable on the third anniversary of the date of grant; and (iv) 25% of the warrants are vested and exercisable on the fourth anniversary of the date of grant. The warrants issued to the employee are classified as equity awards and measured based on the measurement date fair value of US$9.15 per warrant.

On 9 October 2014, the board of directors of CMGE approved a warrant modification to reduce the exercise price of warrants that were granted to US$20.23 per ADS, which is the closing price of CMGE's ADSs on 8 October 2014. Other terms of the warrant grants remain unchanged. The employee had entered into amendments to its original warrant agreement with CMGE.

The fair value of the warrants issued was approximately HK$42,564,000 with the incremental fair value of HK$8,821,000. In accordance with HKFRS 2, the fair value of warrants issued determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$12,643,000 (2014:HK$18,370,000) was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Company.

35. SHARE-BASED PAYMENT *(Continued)*

(D) WARRANTS ISSUED TO EMPLOYEES – CMGE *(Continued)*

(iii) On 8 October 2014 and 9 October 2014, CMGE granted 905,927 warrants to each of two employees. Each warrant allows the employees to purchase one ADS of CMGE at US$20.23 per ADS with a contractual life of three years. Pursuant to the warrant agreement, one-third of the warrants are vested and exercisable during the period from 15 March to 14 September in each of the year 2015, 2016 and 2017 if the grantees continue to provide services to CMGE and CMGE achieves predetermined annual profit targets in 2014, 2015 and 2016. There is a service condition in addition to a performance condition attached to the vesting of these options.

In substance, as mentioned in Note 35(C)–Note 7, CMGE cancelled the share options granted on 13 January 2014 and new warrants were granted on 8 October 2014 and 9 October 2014. In accordance with HKFRS 2, it is treated as a modification to terms and conditions.

The fair value of the warrants issued was approximately HK$119,759,000 with the incremental fair value of HK$31,112,000. In accordance with HKFRS 2, the fair value of warrants issued determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$12,621,000 (2014: HK$30,639,000) was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Company.

(iv) On 12 February 2015, CMGE granted 30,000 warrants to an employee. Each warrant allows the employee to purchase one ADS of CMGE at US$15.76 per ADS with a contractual life of four years. Pursuant to the warrant agreement, (i) 25% of the warrants are vested and exercisable on the date of issue; (ii) the remaining 75% of the warrants are vested and exercisable in 12 equal quarterly tranches beginning one calendar quarter after the date of issue. The warrants issued to the employee are classified as equity awards and measured based on the measurement date fair value of US$7.67 per warrant.

The fair value of the warrants issued was approximately HK$1,784,000. In accordance with HKFRS 2, the fair value of warrants issued determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$503,000 was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Company.

35. SHARE-BASED PAYMENT *(Continued)*

(D) WARRANTS ISSUED TO EMPLOYEES – CMGE *(Continued)*

(v) On 13 February 2015, CMGE granted 744,000 warrants to four employees. Each warrant allows the employees to purchase one ADS of CMGE at US$15.76 per ADS with a contractual life of five years. Pursuant to the warrant agreement, (i) 25% of the warrants are vested and exercisable on the first anniversary of the issue date; and (ii) the remaining 75% of the warrants are vested and exercisable in 12 equal quarterly tranches beginning one calendar quarter after the first anniversary of the date of issue. The warrants issued to the employee are classified as equity awards and measured based on the measurement date fair value of US$7.96 per warrant.

The fair value of the warrants issued was approximately HK$45,910,000. In accordance with HKFRS 2, the fair value of warrants issued determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$12,863,000 was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Company.

(E) WARRANTS ISSUED TO CONSULTANTS – CMGE

(i) On 16 February 2015, CMGE issued 250,000 warrants to two external consultants in exchange for its financial advisory service. Each warrant allows the consultants to purchase one ADS of CMGE at US$15.76 per ADS. Pursuant to the warrant agreement, (i) 125,000 warrants can be exercised on or after 16 February 2015 and when the CMGE's ADS closing price on the Nasdaq Global Market is equal to or greater than US$22.00 for a minimum of 30 consecutive trading days; and (ii) 125,000 warrants can be exercised on or after 16 February 2016 and when the CMGE's ADS closing price on the Nasdaq Global Market is equal to or greater than US$25.00 for a minimum of 30 consecutive trading days. The warrants issued to the consultants are classified as equity awards and measured based on the measurement date fair value of US$5.48 to US$5.83 per warrant.

The fair value of the warrants issued was approximately HK$10,965,000. In accordance with HKFRS 2, the fair value of warrants issued determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the share-based compensation reserve. Balance of approximately HK$8,197,000 was recognised in profit or loss for the year ended 31 December 2015. The remaining balance of the share-based compensation reserve has been released upon disposal of CMGE by the Company.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the condensed statement of financial position of the Company as at 31 December 2015 and 31 December 2014:

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**19**	18
Investments in subsidiaries		**906,508**	1,402,967
Intangible assets		**638,247**	734,984
		1,544,774	2,137,969
CURRENT ASSETS			
Other receivables, deposits and prepayments		**5,186**	3,819
Other financial assets		**5,506**	30,183
Amounts due from subsidiaries		**477,893**	245,324
Amount due from a related company		**33**	33
Bank balances and cash		**77,943**	17,743
		566,561	297,102
CURRENT LIABILITIES			
Deposits received, other payables and accruals		**17,654**	1,593
Amounts due to subsidiaries		**559,055**	131,784
Tax payable		**5,748**	–
Dividend payable		**3,106**	1,773
		585,563	135,150
NET CURRENT (LIABILITIES)/ASSETS		**(19,002)**	161,952
NET ASSETS		**1,525,772**	2,299,921
EQUITY			
Share capital	29	**32,979**	32,979
Reserves	32	**1,492,793**	2,266,942
TOTAL EQUITY		**1,525,772**	2,299,921

37. RELATED PARTY TRANSACTIONS

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

	Note	2015 HK$'000	2014 HK$'000
Service fee income earned from an associate, TMD1	(i)	**111,720**	268,036
Management fee charged by TMD1	(ii)	**143,292**	41,693

(i) Service fee income was charged in accordance with the terms and conditions of the exclusive technology support and services agreements entered with TMD1 dated 29 April 2006.

(ii) Under the service agreements as mentioned in Note 1, the Company, TMD1 and VODone Telemedia entered into an arrangement in which the subsidiaries of VODone Telemedia provides management services to the Group in order to assist the Group in providing the internet information services. The fee was charged at cost basis and terms agreed between the related parties.

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

	2015 HK$'000	2014 HK$'000
Short term benefits	**44,808**	11,102
Share-based payments	**8,042**	8,999
	52,850	20,101

(c) The amount due from an associate mainly arising from the trading transaction detailed in note (a)(i) above are unsecured, interest-free and repayable on demand.

37. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Amounts due from related companies, which is disclosed pursuant to the disclosure requirements of the Hong Kong Companies Ordinance, is as follows:

Details of the balances with the related companies are as follows:

	2015	2014
	HK$'000	HK$'000
Balance at 1 January	**34**	8,523
Balance at 31 December	**4,984**	34
Maximum amount outstanding during the year	**4,984**	8,523

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

There was no amount due but unpaid, nor any allowance for doubtful debts made against the principal amounts at 31 December 2015 and 2014.

(e) The amounts due to an associate and related companies are interest-free, unsecured and repayable on demand.

38. MATERIAL INTEREST OF DIRECTORS IN TRANSACTION, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company was a party and in which the directors of the Company or an entity connected with the directors had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

39. CAPITAL RISK MANAGEMENT

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves.

The gearing ratio as at 31 December 2015 and 2014 were as follows:

	2015 **HK$'000**	2014 HK$'000
Total equity	**2,885,415**	4,017,473
Gearing ratio	**N/A**	N/A

40. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

CREDIT RISK

The Group's credit risk is primarily attributable to its accounts receivable, other receivables and amounts due from related companies and associates arising from trade transactions. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of third party accounts and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Normally, the Group does not obtain collateral from customers.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

The directors consider that the credit risk arising from related party trading transactions is minimal. Based on past experience, management believes that no impairment allowance is necessary in respect of amounts due from associates as there has not been a significant change in credit quality and the balances are still fully recoverable.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set up in note 22.

LIQUIDITY RISK

The Group's policy are to regularly monitor its liquidity requirements and its compliance with lending covenants and to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

At the end of reporting period, all the Group's and the Company's financial liabilities based on contractual undiscounted cash flows are within one year or on demand.

INTEREST RATE RISK

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cost flows are substantially independent of changes in market interest rate.

CURRENCY RISK

Most of the subsidiaries' functional currency is RMB since majority of the revenue of the Group are derived from operations in the PRC. RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Other than the above, the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

EQUITY PRICE RISK

The Group has no significant equity price risk as at 31 December 2015.

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2015 and 2014 may be categorised as follows:

	2015 **HK$'000**	2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,685,539**	1,465,724
Available-for-sale financial assets	**5,506**	209,780
Financial liabilities		
Financial liabilities measured at amortised cost	**34,573**	432,125

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		2015	
	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**
Available-for-sales financial assets	**–**	**–**	**5,506**

		2014	
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Available-for-sales financial assets	–	–	30,183

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

AVAILABLE-FOR-SALES FINANCIAL ASSET

The available-for-sale financial assets are measured at fair value and take into consideration of whether the profit guarantee is probable to be met. The management of the Group used its internal budgets and forecasts which included information about the fair value measurement using significant unobservable inputs (level 3).

The following table shows the reconciliation of Level 3 fair value measurements of available-for-sale financial assets:

	2015	2014
	HK$'000	HK$'000
Group and Company		
At 1 January	**30,183**	44,498
Settlement from the vendors	**(23,246)**	–
Loss recognized in other comprehensive income	**(1,431)**	(14,315)
At 31 December	**5,506**	30,183

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were reviewed by the Audit Committee and approved and authorised for issue by the Board of Directors on 18 March 2016.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements of the Group and reclassified as appropriate, is set out below:

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note)				
RESULTS					
Turnover	**1,291,682**	1,945,712	595,078	476,800	950,072
Profit/(loss) for the year	**217,856**	4,937	(165,806)	(15,416)	399,393
Attributable to:					
Owners of the Company	**142,666**	(131,590)	(160,014)	(3,138)	370,688
Non-controlling interests	**75,190**	136,527	(5,792)	(12,278)	28,705
	217,856	4,937	(165,806)	(15,416)	399,393

Note: The result of the year ended 31 December 2015 was presented on a combined basis of the Group from both continuing and discontinued operations.

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**1,373,835**	2,555,141	2,241,042	1,867,260	1,482,023
Current assets	**1,694,127**	1,973,019	1,381,676	1,229,112	1,491,585
Current liabilities	**(146,698)**	(464,688)	(335,200)	(196,546)	(264,649)
Net current assets	**1,547,429**	1,508,331	1,046,476	1,032,566	1,226,936
Non-current liabilities	**(35,849)**	(45,999)	(49,624)	(9,442)	(13,487)
Net assets	**2,885,415**	4,017,473	3,237,894	2,890,384	2,695,472