第一视频集团
V1 GROUP LIMITED

V1 GROUP LIMITED

(Incorporated in Bermuda with limited liability)
Stock code: 82

ANNUAL REPORT 2019


中超英雄
红单
SOCCER MANAGER 2020
便利蜂
ELEVEN

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FINANCIAL PAGES

MISSION **STATEMENT**

To interpret the world with a digital and innovative mindset, and perfect the lottery players-based comprehensive online and offline sports community and lottery e-commerce ecosystem, such that we can all live a more prolific, better and happier life.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Zhang Lijun *(Chairman)*
Ms. Wang Chun
Mr. Ji Qiang

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

AUTHORISED REPRESENTATIVES

Dr. Zhang Lijun
Mr. Lam Yau Yiu

COMPANY SECRETARY

Mr. Lam Yau Yiu

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

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

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CORPORATE WEBSITE

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STOCK CODE

00082

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CHAIRMAN'S STATEMENT

5G has arrived.
Sports is at the door.

It is time for V1 to return as the king of the party again!

Dear Shareholders,

I believe that you all must have just purchased more of our stocks before reading this report!

I am glad to report that after several years of 5G technical construction, our brand new internet sports ecosystem has successfully become a major source of income for the Group, which also makes us the first internet sports lottery concept stock in the Hong Kong stock market.

When the Company was founded in 2005, we were one of the first internet companies in China. Digital operation and big data analytics are in our DNA. We started our internet lottery related business in 2010 and at the time, the internet lottery related business was one of our major sources of income, delivering impressive results year after year. Although we have not been able to continue the business due to national policies, the resources that we had accumulated, including historical match data for sports betting and lottery users who registered on our online platforms with their real names, remained to be our key assets. We have been searching for ways to utilise these cherished resources.

We finally found our chance in Fengkuang Tiyu in 2018.

The core business of Fengkuang Tiyu covered the operation of Crazy Red Insights, its online paid lottery information and recommendation analyses services platform, development of sports related mobile games and operation of a live-streaming platform, so as to provide a destination for the internet sports community comprised of lottery players. They have become a vehicle for our core assets — V1's tremendous resources have been inherited by Fengkuang Tiyu and brought to our next stage of development.

Incorporating our core assets, our sports and lottery related business grew rapidly this year. The revenue generated by Fengkuang Tiyu has achieved and exceeded the guaranteed profit of RMB50 million. In the fourth quarter of 2019, we launched our sports lottery new retail business, where we have formed partnerships with 12 top convenience store chains in China, their 8,960 retail outlets, and 45 traditional lottery stores. Through O2O business redirection, we actively expanded our sports and lottery user base and provided lottery sales services. Together with other Fengkuang Tiyu businesses, we have successfully built the largest and most unique internet sports community and lottery information distribution platform in China.

CHAIRMAN'S STATEMENT

We have outstanding internet, lottery, media and digital capabilities. During the year, our existing resources were transformed and regenerated into new assets. Our vast experience in the internet industry has given us insight on how to effectively integrate resources and maximise our advantages as we march forward with our new development strategies: in the trillion-worth market of the Chinese sports industry, our digital operation model puts us in a position where we can navigate and dig into the many opportunities offered by the new lottery market. We believe that the internet sports industry is at the doors of an enormous opportunity.

We founded the Company on our telemedia business, upon which we have, most certainly, initiated a series of innovations in the hopes of achieving new breakthroughs. In light of the rise of vlogs, we launched the new operation concept of "generate great significance in small circles; create grand value from humble circulation". We targeted the more influential private circulation market, such that our down-to-earth contents can, accordingly, reach down-to-earth users. We are exploring the new "news + video + e-commerce" concept in the new 5G era.

During the year, our businesses all presented a lot of great improvements in a number of aspects. Apart from achieving a significant reduction in net loss of nearly 71%, we also generated a positive gross profit of approximately HK$127.3 million. This was primarily attributable to the fact that: the full year results of Fengkuang Tiyu have been consolidated into the Company's financial statements for the first time; our e-commerce business has achieved higher year-on-year gross profit and gross profit margin; and our impairment of intangible assets and goodwill were significantly reduced. All these factors allowed us to present more impressive results for our shareholders this year.

Looking forward to 2020, as a refreshed and renewed internet sports enterprise and the creator of China's leading comprehensive online and offline sports community and lottery e-commerce ecosystem, we believe that there are still more rich resources and opportunities for us and the other participants in the sports lottery industry to mine. The next three years are going to be featured with three huge sports tournaments, namely the UEFA EURO Cup, FIFA Club World Cup and FIFA World Cup, which are going to bring explosive growth to the sports lottery market. We have started and will continue to introduce financial and strategic investors to the Group to support our business development. We are confident that in the foreseeable future, the sports segment will soar.

Since our establishment, the senior management team and I have led the Company to reach several peaks and created great value for our shareholders. After every climax, we turned our strength into reserve in waiting for the next opportunity to strike at the right time. We have officially positioned V1 Group as an internet sports company, which is a demonstration of our dedication to the sports lottery market development strategy. It is a reinforcement of our position in the market, which will be our Great Wall — a barrier — against other participants in the industry.

We will continue to adhere to our country market and shareholder-oriented principle. With strong technological capabilities, we will maintain a steady and healthy growth momentum and continue to mine the industry. We will promote the widespread and sustainable development of the internet and sports industry, and interpret the world with a digital and innovative mindset, such that we can all live a more prolific, better and happier life.

The Board and I would also like to take this opportunity to present our sincerest gratitude to our shareholders, especially those who have been our long-term investors. This has not been an easy journey. Your unwavering support is the reason why we keep on fighting with aspired resolution.

Once again, on behalf of the Company and all staff members, I thank you all!

5G has arrived. Sports is at the door. It is time for V1 to return as the king of the party again!

Dr. Zhang Lijun
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

2019 GROWTH

TOTAL REVENUE	HK$2.4B	TOTAL GROSS PROFIT HK$127.3M	Negative Adjusted EBITDA improved by 89.9% to HK$18.5M
SPORTS AND LOTTERY RELATED BUSINESS	REVENUE HK$186.0M	GROSS PROFIT HK$124.1M	GROSS MARGIN 66.7%
TELEMEDIA AND E-COMMERCE BUSINESS	REVENUE HK$2.3B	GROSS PROFIT from loss position to HK$3.2M	

BUSINESS REVIEW

The Group achieved impressive growth in its two core businesses, namely the sports and lottery related business and the telemedia and e-commerce business, in 2019. Most notably, it has successfully established a leading comprehensive online and offline sports community and lottery e-commerce ecosystem in China based on lottery players. The sports and lottery related business covered the development and operation of its online information platform, online mobile game applications, live-streaming platforms and provision of sales services of lottery tickets through retail channels in the People's Republic of China ("PRC"). The telemedia and e-commerce business covered the provision of online information services (including its internet audio-visual new media and other Internet+ businesses), operation of its online trading platform, both in the PRC, as well as the operation of a satellite TV station in Dubai, the United Arab Emirates (the "UAE").

The international and Hong Kong political scenes were filled with uncertainties during the year. The China-US trade negotiations, Brexit and the social movement in opposition to the proposed legislative amendment in Hong Kong led to a conservative investment market and affected the sentiment of consumers and investors, thus inducing strain on the capital market. The true intrinsic value of the Group was not fully discerned by the capital market.

Fortunately, under the leadership of our experienced management team, the Group achieved new breakthroughs in various operations. With the Group's digital strengths and advantages, it successfully created a comprehensive sports and cultural ecosystem by connecting the online and offline sports and video communities. The brand new internet sports ecosystem established on the foundation of the 5G technical platform has become the main source of income of the Group.

Through consolidation of premium resources and innovation, the major businesses of the Group witnessed positive developing trends during the year. Outstanding results were reported by various businesses of the Group, including the sports and lottery related business and telemedia and e-commerce business, representing the successful positioning of the Group and the steady progress made by the Group in becoming an intelligent internet sports enterprise.

SPORTS AND LOTTERY RELATED BUSINESS

Since 2010, the Group has been making deployments in the trillion-worth sports market in China, laying a solid foundation for its leadership in the sports industry. As an established listed company in the lottery related services industry with more than a decade of experience in the provision of lottery related services to its business partners, the Group has succeeded in operating the largest lottery online platform in China, including "Lottery 365" (彩票365) and "China Soccer Lottery" (中國足彩網), and have accumulated user resources of 200 million people. This has established a large user community and vast database for the Group, which has become its unique core competency.

As a result of 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, the Ministry of Civil Affairs and the General Administration of Sport of the PRC, the Group's internet lottery business had been fully suspended since March 2015, and full provision was made in the financial statements.

"Fengkuang Tiyu" (瘋狂體育) is a sports and lottery-related user platform. The services that it provides include: (i) Crazy Red Insights (瘋狂紅單) app, a paid lottery information services platform; (ii) Crazy Sports app, a match information, live-streaming and social interactive services platform; and (iii) online mobile interactive gaming applications. When Fengkuang Tiyu started to deliver continuous and stable profits with a considerable user base, the Company acquired 100% equity interests in Fengkuang Tiyu at a consideration of HK$630 million on 27 November 2018, with a three-year profit guarantee offered by the vendor. For the 2018, 2019 and 2020 financial years, the guaranteed profits are RMB40 million, RMB50 million and RMB63 million, respectively. In 2018 and 2019, Fengkuang Tiyu recorded net profits after tax over the guaranteed profits.

After completing the acquisition of Fengkuang Tiyu and its sports and lottery related business, adhering to the development of the national lottery policies, the Company introduced the "sports lottery new retail" strategy in 2019. The Group proactively commenced commercial operation of the provision of offline sports lottery retail services which involves collaborations with large convenience store chains ("chain enterprise lottery sales channels") and existing authorised sports lottery sales outlets in China ("lottery specialty stores").

With this strategy in place, Fengkuang Tiyu succeeded in becoming a large and unique internet sports community and lottery information distribution platform in China leveraging on its core lottery user data and further refined the structure of its comprehensive online and offline sports community and lottery e-commerce ecosystem, thereby allowing users to participate in sports and sports lottery activities via multiple channels. This strategy was also capable of driving fission growth among the online and offline user base and creating a new retail model featuring online to offline ("O2O") user redirection and consumption through both channels, thereby bringing a positive prospect of quick linear growth.

The revenue of the Group's sports and lottery related business was mainly composed of the following four components:

(i) Online Paid Lottery Information Services Platform — "Crazy Red Insights" App

In 2019, the total revenue from the online paid lottery information service platform was approximately HK$51.5 million.

Crazy Red Insights is a forerunner in the paid lottery recommendation market in China. The Crazy Red Insights app mainly provides analyses, discussions, predictions, recommendations, odds and match updates relating to football and basketball games for lottery players in order to improve their odds of winning. As at 31 December 2019, the Crazy Sports and Crazy Red Insights platforms had approximately 20.75 million registered users, of which more than 700,000 were monthly active users. The average number of monthly active users was more than 600,000. Crazy Red Insights signed contracts with more than 300 top experts in the football and basketball sectors, sportsmen and football and basketball lottery trainers from the China Sports Lottery Administration Centre, as well as over 30,000 key opinion leader experts to provide and publish paid lottery recommendation contents on its self-owned Crazy Red Insights platform and third-party network information platforms. In 2019, more than 230,000 analytical articles were published. With respect to the recommendation on number-based lottery games, Crazy Red Insights attracted a wide array of lottery store owners with extensive analytical and practical experiences to provide more accurate analyses for lottery players based on their own characteristics and daily analytical experience.

Crazy Red Insights cooperated with third-party network information platforms, including a number of sports information publishing platforms such as All Football (懂球帝), hupu.com (虎撲), Tencent Sports (騰訊體育), Zhibo8.cc (直播吧), Yidianzixun (一點資訊) and JD Caiyu (京東彩娛). Together with the user resources from Lottery 365 (彩票365) and China Soccer Lottery (中國足彩網) owned by the Group, the lottery recommendation contents produced by Crazy Red Insights covered nearly 70% of sports users in China.[1] It has become the largest must-have lottery advisory product for lottery players in China.

The Group published information mainly through "Crazy Red Insights", which provides different levels of information to its subscribers and charges subscription fees for each informational article. For the information published on third-party network platforms, Crazy Red Insights is entitled to a share of the subscription fees of these platforms.

In 2019, Fengkuang Tiyu was a leader in the paid lottery information sector in China:

Took Lead in the Lottery Information and Paid Recommendation Sector

According to the Annual Comprehensive Analysis of the Online Sports Market in China for 2019 (中國在線體育市場年度綜合分析2019) published by Analysys Ltd. ("Analysys"), an independent third party research institute, in August 2019, Crazy Red Insights further reinforced its leadership in the paid lottery information industry by leveraging its paid lottery information model and fully capturing the development opportunities presented by various large sports tournaments. Crazy Red Insights was ranked first in terms of comprehensive capabilities and far surpassed its competitors in terms of user coverage.

Elected as One of the Top 10 Paid Knowledge Platforms for Its Rich Contents

Crazy Red Insights published over 200,000 articles during 2019. At the 14th China Beijing International Cultural & Creative Industry Expo ("ICCIE"), Crazy Red Insights debuted the "Recommendation open creative platform" (紅單創作開放平台) with generous incentives. Through offering more exchange channels to lottery practitioners, Crazy Red Insights aimed at fostering more lottery professionals to facilitate the development of the sports lottery industry in China by virtue of its own operational experience and product strengths. In July 2019, China Internet Weekly (互聯網週刊) of the Chinese Academy of Sciences (中國科學院) announced Top Apps for the First Half of 2019, and Crazy Red Insights was recognised as one of the "Top 10 Paid Knowledge Apps in the First Half of 2019" (2019上半年度十大知識付費APP), together with Zhihu.com (知乎) and Douban.com (豆瓣). In January 2020, Crazy Red Insights received the "The Cicada Awards — Most Expected App in 2019" (蟬鳴獎 — 2019年度用戶期待APP) at the GMCA Global Mobile Marketing Growth Summit (GMCA全球移動營銷增長峰會) and the news was displayed on the big screen on Innoway, Beijing. At the 5th Mobile Internet Marketing Summit (第5屆移動互聯網行銷峰會) held in January 2020, Crazy Red Insights received the "Golden Cicada Award — Most Potential APP in 2019" (金鳴獎—2019年度最具潛力APP).

Product Upgrades Through the Use of Artificial Intelligence (AI) Technology

In 2019, Crazy Red Insights furthered its product development on product offering and prediction algorithm through big data forecast. With respect to product offering, Crazy Red Insights added package deals, expert subscriptions and VIP membership. Based on the sports lottery big data collected over the two decades by China Soccer Lottery, results of about 280,000 matches and expert analyses, Crazy Red Insights has developed a smart prediction model, the "Recommendation Compass" (紅單指南針) AI recommendation system, by integrating different formulae, such as the Elo prediction method, goal rate prediction method and six matches prediction method, by utilising leading AI technology. This product has published paid recommendation contents for approximately 15,000 matches, and was highly favoured by users for its superior accuracy.

Gained First-Mover Advantages by Preparing for Key International Sports Tournaments

Crazy Red Insights made myriads of sophisticated deployments to prepare for the important upcoming sports events in advance in 2019. Its self-owned products are already ready for use on various platforms, including Android operating system, iOS operating system, H5 and China Soccer Lottery. As for its team of recommendation experts, Crazy Red Insights will recruit experts such as sideline reporters for the participating teams and famous football players in 2020 so as to enrich its expert resources. Meanwhile, it is poised to attract more analysts with extensive experience in European football to provide more in-depth coverage for the paid lottery information industry, in its bid to gain first-mover advantages when the tournaments open.

(1) Source: Analysys — Annual Comprehensive Analysis of the Online Sports Market in China 2019

(ii) Offline Provision of Sports Lottery Sales Related Services

In September 2019, the Group announced the "sports lottery new retail strategy", which marked the commencement of the sports lottery new retail business.

Lottery sales outlets took a hit due to the limitations imposed on high frequency lottery games as stipulated in the new lottery policies implemented in 2019, which resulted in a drop in the number of lottery specialty stores during the first half of 2019. It is worth noting that the demand for Super Lotto, which has a larger user base, continued to grow without any signs of decline. As such, Fengkuang Tiyu launched the sports lottery new retail strategy and proactively commenced commercial operation of the provision of sales services of lottery tickets through offline retail channels, which involved collaboration with chain enterprise lottery sales channels and authorised lottery specialty stores. As at 31 December 2019, Fengkuang Tiyu, through Beijing Crazy Sports Management Company Limited, had entered into collaboration agreements with 12 chain enterprise lottery sales channels in which sports lottery terminals are expected to be installed at approximately 8,960 locations in China, covering 12 provinces to provide lottery sales services. The 12 chain enterprise lottery sales channels include Haolinju (好鄰居), Quanshi (全時), Bianlifeng (便利蜂), Jiajiayue (家家悅), Pangzidian (胖子店), Wanhexiang (萬合祥), 7-Eleven in Guangdong, Youkejia (優客家), Qianhui (千惠), Tianfu (天福), Heli (合力) and Youlinyoujia (友鄰有家). The sports lottery new retail strategy was capable of revolutionalising the existing sales model and expanding the user base by attracting new lottery players and the younger community through chain enterprise lottery sales channels.

As at December 2019, the Group has been approved to install lottery sales terminals at a total of 582 convenience stores, which allowed users to purchase sports lottery in cash or via other payment methods, including Alipay. The single store monthly sales of lottery tickets reached as high as RMB8,000 since the inception of the business.

In addition, Fengkuang Tiyu has also commenced provision of one-to-one VIP lottery sales services through 45 authorised lottery specialty stores, which then became "365 Smart Stores". 365 Smart Stores are lottery specialty stores that have entered into long-term cooperation agreements with Fengkuang Tiyu to provide services according to uniform standards. Pursuant to such cooperation agreements, Fengkuang Tiyu may get higher lottery sales commission. Through these 365 Smart Stores, the members of Crazy Sports and Crazy Red Insights may enjoy one-to-one dedicated services as well as free match analyses produced by the Crazy Red Insights experts. The target customers of 365 Smart Stores are mainly mature and loyal lottery players with a regular and stable lottery buying pattern. During the business inception period of just three months in 2019, the monthly sales of the 365 Smart Stores reached as high as RMB9.8 million.

Seizing Opportunities to Create a Closed-Loop Lottery Services Ecosystem with Critical Assessment

The sports lottery new retail strategy is essential for Fengkuang Tiyu to complete its interactive sports entertainment ecosystem. Through the businesses of lottery information services, sports-related mobile games and interactive live-streaming and by integrating the Group's leading products in the lottery related services industry, such as Lottery 365 (彩票365) and China Soccer Lottery (中國足彩網), Fengkuang Tiyu obtained 200 million online lottery user resources. The offline interactive entertainment needs of sports users can be satisfied through offline lottery sales outlets. As more and more smart lottery terminals are installed in convenience store chain outlets across China, Fengkuang Tiyu can obtain more offline lottery players under a low-cost and extensive mixed operation model, as well as increase the turnover from online lottery information services, sports games and interactive live-streaming. Fengkuang Tiyu will continue to refine the lottery service ecosystem centred around lottery specialty stores with chain enterprise lottery sales channels as the foundation and Crazy Red Insights, the lottery information product, as online support.

The China Sports Lottery Administration Centre will continue to focus on promoting sales of lottery tickets via convenience store chains in 2020. Taking advantage of this policy, the lottery new retail business of Fengkuang Tiyu will undoubtedly flourish. On top of the six provinces and municipalities which it has already covered, Fengkuang Tiyu will expand its regional coverage by entering into contracts with convenience stores and quickly install the required equipment. Fengkuang Tiyu will provide better services to lottery players through lottery specialty stores. In respect of the provinces covered by chain enterprise lottery sales channels, Fengkuang Tiyu will grasp the opportunities presented by the upcoming important tournaments, such as the UEFA Cup, the Olympics and the World Cup, to launch promotional activities in order to boost the single-store sales of the chain enterprise lottery sales channels and redirect the traffic for Crazy Red Insights, thereby realising the synergy between online and offline channels.

(iii) Sports-Related Mobile Games

In 2019, the total revenue generated from the games business of Fengkuang Tiyu was approximately HK$90.5 million. Sports games comprise the majority of the games business under Fengkuang Tiyu. Through game publishing (China and overseas) and joint game operation, strengthened by the acquisition of premium copyright resources, Fengknang Tiyu had bridged the upstream and downstream of the game industry and had succeeded in developing a great number of well-known game products in the industry. In 2019, with approximately 3,450 product downloads, 3.56 million registered players and about 340,000 monthly active users on average, Fengkuang Tiyu has become one of the most influential sports game communities in China. The official Chinese version of Soccer Manager (夢幻足球世界), Greens Dynasty (綠茵王朝) and CSL Heroes (中超英雄) also frequented the recommendation list of the mainstream application stores in China.

Mobile Game Publishing Business

In 2019, Fengkuang Tiyu introduced seven mobile games in China, including the Soccer Manager (official Chinese version), Greens Dynasty, CSL Cards (中超棋牌), Hotpot Mahjong (火鍋麻將), CSL Heroes, Realtime CSL (實況中超) and Ode to Gallantry (俠客行), covering different game genres, including simulated operation, sports card, leisure chess and card, competitive sports and massively multiplayer online role-playing games (MMORPG). Currently, all of the published games generated revenue by in-game purchases. In particular, the official Chinese version of the Soccer Manager mobile game series, has an enormous fan base, with more than a million registered players in China. Greens Dynasty, CSL Heroes and Realtime CSL were classic football card and competitive sports mobile games favoured by football gamers and CSL fans. CSL Cards and Hotpot Mahjong are leisure chess and card games incorporating different unique local adaptation from a number of regions, such as Beijing, Shanghai, Chongqing, Henan and Shandong. These games attracted a great number of loyal chess and card game players from different regions. Ode to Gallantry is a Chinese wuxia mobile game with an official license from Jin Yong (金庸) jointly published by Fengkuang Tiyu and Sohu Changyou. This game appealed to wuxia game players as well as fans of Jin Yong. A new upgrade of Ode to Gallantry will be launched in the second quarter of 2020.

In the overseas market, the two football games, Soccer Manager 2019 and Sociable Soccer, published by Fengkuang Tiyu, covered 47 Asian countries. In particular, Soccer Manager 2019, which generates revenue from advertisements and in-game purchases, has gained a number of recommendations from the Apple and Google application stores in Japan, Korea, Singapore and Russia. Sociable Soccer, on the other hand, generates revenue by splitting the monthly member subscription fees charged to subscribers of Apple Arcade. Through cooperation with Rogue Games, Inc. and Apple Inc., Fengkuang Tiyu became the sole publisher of Sociable Soccer in Asia, which was launched on Apple Arcade in November 2019 and gained global recommendation. Fengkuang Tiyu was entitled to the share of revenue of Sociable Soccer from the monthly member subscription fees of Apple Arcade in Asia.

Jointly-Operated Game Distribution Business

The niche games jointly operated by Fengkuang Tiyu included The World of Legend (傳奇世界), Land of Wind (風色大陸) and Dragon Warrior (龍將). Through cooperating with a leading advanced player publishing platform in China, Fengkuang Tiyu has become an intermediary of premium games by bridging upstream premium games with downstream player publishing platforms. All jointly-operated games derived their revenues from revenue splitting.

(iv) Sports Community and Live-Streaming Business

Crazy Sports app is an internet live-streaming platform owned and operated by the Group under its sports community and live-streaming business. The live-streaming contents are mainly of entertainment nature, such as anchor performances and anchors watching live matches with users. Users can purchase virtual currencies for exchanging into virtual items to reward the anchors and earn gift points in the process, thus generating revenue for the Group.

Adhering to the concept of "let sports create happiness", Crazy Sports app aims to create a useful and fun community product for sports users. Quick real-time data update is a major highlight of Fengkuang Tiyu's products. With respect to match data, interesting contents, such as the "most valuable players list", "club list", "global list" and "real-time player transfer list", were added to the sports community. By combining contents and sports games, this business distinguished sports fans and lottery players to refine and upgrade the experience for users of difference needs. Information, live-streaming, data and chat contents were categorised into separate modules based on different matches to cater to users' needs for personalised and customised contents. It also provided different key features for lottery players and sports fans through data analyses and comparison.

In 2019, Fengkuang Tiyu consolidated the product foundation of its online sports community by further exploring the needs of sports users and refining product details. Fengkuang Tiyu made continuous efforts to gain more paying users for various businesses, including the Crazy Red Insights app and the sports games business, and to offer an online gathering and in-depth services community platform for offline sports lottery users.

In 2019, Fengkuang Tiyu gained recognition in the industry and was granted the following awards:

a. ranked the 6th place in the sports information category for the first half of 2019 (2019年上半年體育資訊分類榜) by China Internet Weekly (互聯網週刊);

b. the "Star of Analysys — Star of Excellence" (易觀之星—精益之星) award granted by Analysys Data (易觀數據) — recognising its extensive practical experience in data analysis and lean growth, insightful lean growth theories and methodologies, and the remarkable results obtained during the course of practical operation;

c. the Outstanding Project Award for 2019 (2019年度優秀專案) granted at the 4th NextWorld Summit in 2019 held by Qimai Data (七麥數據) analysis platform. Fengkuang Tiyu was also the only representative of the "Evolution of Growth" (增長進化論) topic in the sports category.

TELEMEDIA AND E-COMMERCE BUSINESS

The Group's telemedia and e-commerce business covers the V1 platform, Liangzi Port and China Arab TV ("CATV"). In 2019, this sector posted a revenue of approximately HK$2,258.9 million and gross profit of HK$3.2 million. In the era of digital economy, the Group has been devising a new media strategy, which shifts the emphasis from the entertainment live-streaming market ("Consumer-end live-streaming") to the business live-streaming market ("Business-end live-streaming") which has a greater market. The Group focused on connecting the Business-end and Consumer-end markets to provide one-stop live-streaming marketing services to various companies and to continuously increase the turnover of the Group during the expansion period of the paid live-streaming sector.

"No conveyance without live-streaming" (無直播不傳播) has become a consensus of the industry in the online marketing environment in China. Under the dual effect of capital and user needs, the domestic live-streaming market is expanding. It is expected that the number of live-streaming users in China will reach 526 million[(1)] and the scale of the multi-channel network ("MCN") market will further increase to RMB24.5 billion[(2)] by 2020. Benefiting from the forthcoming 5G era and the continuous improvement of the network infrastructure, live-streaming is gaining weight in the future media fields and the influence of users and internet anchors in the industry will further expand.

Sources:

(1) iiMedia Report: 2019–2020 China Online Live-streaming Market Research Report

(2) iiMedia Report: Analysis of MCN Industry and Forecast Analysis Report on Its Development Prospect in China from 2020 to 2021

V1 Platform

The V1 website and app is a news video-blogging ("Vlog") platform. In 2019, the V1 platform overcame the single-platform communication mode and instead interacted with users in a location-based, multi-channel and multi-dimensional manner through media integration to establish a media ecosystem for users and promote the economic development of county areas. The Jiuzhou Lianbo (九州聯播) column was launched to promote and distribute information for the local authorities at first. It then gradually turned into a hub for local contents and stories. At present, the V1 user-end has already established an ecosystem featuring "Hometown News" (老鄉新聞), "Hometown Circles" (老鄉圈子) and "Hometown Products" (老鄉特產) in an effort to establish a coordinated linkage between network and stations and assisting in media convergence. In particular, the hot topics reported by Jiuzhou Lianbo, which was strongly recommended by the user-end of NetEase, gained an average of 200,000 views in a single day with over 5,000 comments.

To focus on the commercial user-targeted ("2B") live-streaming sector, the V1 platform formed a linked live-streaming system with nearly a hundred media platforms in China. As at the end of 2019, the V1 app completed over 1,900 live-streaming sessions. The 2nd Harvest Festival live-stream completed by the Group in cooperation with different media platforms, including people.cn (人民網), gained more than 100 million viewers. Meanwhile, the monetisation mode of the 2B live-streaming sector became the focus of the consolidation of existing website resources. By launching business cooperation with offline public relations companies and advertising agencies, the Group secured several business clients, including Global Times Net (環球網), CDN (雲分發), Cozy House (科逸股份), Chunyuyisheng.com (春雨醫生), Geely Auto and Huaneng Energy.

In 2020, the Group will give priority to the blue ocean market of paid information, Online Influencer and live-streaming e-commercial sales while building up the Vlog platform. The Group will create a unique anchor Online Influencer matrix with proprietary intellectual property-protected short video clips that are created, shot and produced by MCN centres. In the meantime, the Group will set up its Online Influencer Training Centre in Beijing, the three Northeastern Provinces and Yunnan. By capitalising on the Group's combined strengths with its supply chain enterprises, it will collaborate with the first village of Online Influencer live-streaming (網紅直播第一村) locally to build up the V1 Online Influencer Training Centre. As for the paid knowledge sector, the V1 platform has now created its proprietary programme, the Road to Profits for Enterprises under the Innovative Era (論道 • 創新時代的企業盈利之道), which will be sold together with other different types of programmes on the Company's platform.

In 2020, the V1 app will be fully upgraded to provide a fresher visual effect and smoother operating experience for the users. With the introduction of news Vlog and "Big Lesson" (大課堂), a paid knowledge feature, and through perfecting the product portfolio and enhancing the media and social features of the app, the Group's industrial structure will be further optimised and upgraded.

Liangzi Port (量子港)

Liangzi Port, which was officially launched in September 2017, is the Group's online and offline digital trading platform for consumer electronic products. The consumer electronic products sold by the Group included mobile phones, laptops, tablets, earphones, smart watches, mobile chargers and projectors. As a T2 authorised reseller of Apple, a national agent of Lenovo and a partner of Xiaomi, China Mobile and China Telecom, Liangzi Port had over 800 Business-end customers in 2019. Liangzi Port is engaged in the businesses of distribution/wholesaling, inventory financing, e-commerce services, and new business information sharing, etc. Its management team has extensive experience in the e-commerce, consumer electronics and supply chain management industries. Liangzi Port did not have any uncollectable account or obsolete inventory during the year. In 2019, Liangzi Port delivered a sales revenue of approximately HK$2,255 million. The number of downstream customers of Liangzi Port increased from 516 in 2018 to 858 in 2019, representing a year-on-year growth of 66.3%.

In 2020, with an emphasis on the two business directions of marketised distribution and professional supply chain and operation, Liangzi Port will develop four core competencies, namely high efficiency, product operation, operational services and low costs, and strengthen the risk management for its business development in a bid to achieving the sales target. With respect to its existing operations, Liangzi Port will cooperate with CATV and other brands to expand its business scope while developing business-to-business ("B2B") social e-commerce in order to conclude transactions in a simpler and more effective manner.

CATV

CATV is a Chinese-Arabic bilingual satellite TV channel incorporated and headquartered in Dubai, the UAE in July 2014. With a satellite TV license issued by the UAE National Media Council, CATV formally initiated broadcasting in September 2015. Through Nilesat, CATV covers more than 500 million people in 25 countries across Europe, Asia and Africa, targeting mainly 22 Arabic countries (including 10 countries in North Africa). In 2016, CATV connected itself to the UAE national cable TV networks Du and Etisalat, making it accessible to nearly 9 million cable TV users in the UAE. In August 2016, the Group became the controlling shareholder of CATV. It then became the only Chinese-owned satellite TV channel along the traditional Silk Road. CATV has an official website (www.catv.ae) as well as official accounts on Facebook, YouTube, bilibili, Weibo and WeChat for publishing the quality programmes produced by CATV. There was a dedicated column for the programmes of CATV in the V1 App. CATV is positioned as a cultural and information exchange platform between China and the Arabian countries, broadcasting important news from both places, Chinese films and TV dramas, as well as programmes that introduce the Chinese history, culture, economy and social lifestyle to Arab audiences.

CATV derives its profits mainly from advertising income, programme production and translation fees, various conference arrangements made for departments, companies and people from China in the Arabian countries and full media coverage, etc.

At present, CATV already has a number of high-quality programmes on hand, including "Orient New Windows" (東方新視窗), an Arabic news programme; "New Vision" (馨 • 視野), a programme that interviews different celebrities; "Halal Chopsticks" (哈拉筷子), a Chinese gourmet programme; and "Middle East's Perspective of China" (中東看中國), a programme that features different companies. In 2020, CATV will develop its business along four directions, namely content creation, film and TV drama translation and production, exchange events and AI research and development. In respect of content creation, CATV will implement the high-end interview series with Chinadaily.com and develop content distribution services on different platforms, such as YouTube.

With respect to film and TV drama translation and production and exchange activities, CATV initiated strategic cooperation in multiple aspects: (i) entered into an agreement with Fujian Media Group and "Fujian Times" (福建時間), a programme that introduced the culture and tourist attractions in Fujian, had premiered on 21 January 2020, and carried out a cultural tourism promotional activity for Fujian Media Group; (ii) entered into an agreement with Ningxia Television, and will launch "Ningxia Times" (寧夏時間) to broadcast high quality TV programmes from Ningxia. Both parties will also cooperate in programme shooting and launching film and TV drama promotional activities in Arabia; (iii) a large cultural series introducing Chinese culture, celebrities and cultural inheritance called "Story of Us" (大家故事) premiering on CATV on 8 March 2020; and (iv) reached an agreement with the Beijing Municipal Radio and Television Bureau ("Beijing Radio and TV Bureau") to officially set up an Arabic translation and production centre. In the meantime, CATV entered into letters of intent on cooperation with a number of tertiary institutions, such as Peking University, Beijing International Studies University and Beijing Language and Culture University, to establish an Arabic translation and production training base. As at the end of December 2019, CATV translated and produced more than 30 Arabic programmes, including but not limited to news programmes, high-end interview series, cultural and tourism programmes and TV dramas.

With regard to AI research and development, pursuant to the strategic partnership between CATV and iFlytek Co., Ltd. in November 2019, both parties will collaborate in establishing an Arabic film and TV drama translation AI technology innovation centre and in developing a Chinese-Arabic AI translation system so as to provide translation service for the Arabian countries in the future. Both parties will also engage in the research and development of AI virtual anchors, and CATV will become the first media to broadcast news programmes by making use of virtual news anchors in the Middle East in 2020.

As a unique satellite TV channel, CATV provides a cultural and information exchange platform between China and the Arabian countries. The management of the Group has been striving to formulate a business model and identify commercially viable product offerings for CATV. However, fewer programmes were launched successfully in 2019, which resulted in a loss in the operations of CATV. Management is of the opinion that the profitability of CATV in the near future is still uncertain. Therefore, an impairment loss on goodwill and intangible assets were recognised in 2019.

INVESTMENT IN ASSOCIATE — BANK OF ASIA

Bank of Asia (BVI) Limited ("Bank of Asia") is established with the aim to provide online banking services mainly for BVI companies and other offshore companies of the high-net-worth China-based and other Asia-based customers. Bank of Asia was issued a restricted Class 1 banking licence to engage in banking and related business pursuant with the Banks and Trust Companies Act of British Virgin Islands (BVI). The wholly owned subsidiary of Bank of Asia, BOA Investment Services Limited, has obtained an investment license from the British Virgin Island Financial Services Commission in July 2019, and thus it is in a position to provide investment management services to Bank of Asia customers.

The Group completed an acquisition of about 37.53% equity stake in Bank of Asia in April 2017. In September 2019, pursuant to the Second Subscription Agreement, the Group acquired an additional 10% of the total number of shares of Bank of Asia for nil consideration.

Bank of Asia (www.bankasia.com) operates as a digital bank with its platform bolstered by the latest technology. Bank of Asia has partnered with credible and reputable system service providers for the design of its robust account opening Know Your Customer (KYC). Since its inception, Bank of Asia has invested millions of US dollars in building its core banking foundation and anti-money laundering (AML) systems, which leverage on the industry recognised solutions and tools such as Avaloq, Oracle, SAS, Refinitiv World-check and Due Diligence Solutions, ICBC e-security, SafetyNet, WeGeneral and Dentons that enable customer onboarding and ongoing due-diligence, name-screening, transaction-monitoring, sanctions compliance, etc. to be performed in the most prudent and effective manner. Bank of Asia had already established banking relationship with a bank in Europe and a nostro account with a bank in Asia. Bank of Asia is now in the process of establishing correspondent banking relationship with other banks. The European Community has recently resolved to remove the British Virgin Islands from the list of uncooperative tax jurisdictions. The Cayman Islands, Seychelles, Palau and Panama, however, have been put onto the blacklist. The EU decision is likely to further increase the use of BVI companies, thus strengthening Bank of Asia's captive market base. With its business now progressing, Bank of Asia is undertaking a number of initiatives for 2020. It will submit an application to the British Virgin Islands Financial Services Commission for a general banking license to enable it also to provide banking services to the domestic market.

Bank of Asia is still in the development stage and has been recording losses. In 2019, there was impairment of HK$69.8 million of the Group's interest in Bank of Asia according to valuation by an independent valuation expert given the fact that the business had not attained the operational targets up to the end of this financial year and these are uncertainties in the future income stream. The management of Bank of Asia has been looking for fund raising opportunities. In January 2020, an independent third party had acquired a minority stake in Bank of Asia and raised USD10 million to strengthen its financial position. The management of Bank of Asia will continue to look for financial and strategic investors to provide capital as well as experiences and synergies to grow the business and generate income.

FINANCIAL REVIEW

YEAR ENDED 31 DECEMBER 2019 COMPARED TO YEAR ENDED 31 DECEMBER 2018

The following table sets forth the comparative figures for the years ended 31 December 2019 and 2018:

	For the year ended 31 December	
	2019 **(HK$'000)**	2018 (HK$'000)
Revenue	**2,444,825**	3,381,809
Cost of revenue	**(2,317,523)**	(3,414,425)
Gross profit/(loss)	**127,302**	(32,616)
Other gains and losses	**13,170**	8,697
Research and development expenses	**(20,250)**	(19,176)
Selling and marketing expenses	**(69,810)**	(38,104)
Administrative expenses	**(118,518)**	(153,555)
Finance costs	**(1,561)**	—
Impairment of goodwill	**(4,472)**	(83,196)
Impairment of intangible assets	**(10,000)**	(179,288)
Impairment of interest in an associate	**(69,771)**	(110,329)
Share of losses of associates	**(40,188)**	(47,147)
Loss before income tax	**(194,098)**	(654,714)
Income tax expense	**3,562**	(274)
Loss for the year	**(190,536)**	(654,988)
Attributable to:		
Owners of the Company	**(185,190)**	(647,558)
Non-controlling interests	**(5,346)**	(7,430)
	(190,536)	(654,988)

Revenue

The Group's total revenue and total gross profit were contributed by two business segments, (i) the sports and lottery-related business, and (2) the telemedia and e-commerce business. The Group's total revenue was HK$2,444.8 million and total gross profit was HK$127.3 million in 2019. As compared to 2018, the Group's total gross profit increased substantially as a result of the sports and lottery related business despite the total revenue decreased as a result of the telemedia and e-commerce business.

Revenue by Segment

The following table sets forth our revenue by segment in absolute amount and as a percentage to our total revenue in 2019 and 2018:

	For the year ended 31 December			
	2019		2018	
(in HK$'000, other than percentages)	Amount	As a percentage of total revenue	Amount	As a percentage of total revenue
Revenue				
Sports and lottery related business	185,975	7.6%	16,835	0.5%
Telemedia and e-commerce business	2,258,850	92.4%	3,364,974	99.5%
Total	2,444,825	100.0%	3,381,809	100.0%

Sports and Lottery Related Business

Our revenue from the sports and lottery related business was HK$186.0 million in 2019 and HK$16.8 million in 2018. The Group acquired 100% interest in Fengkuang Tiyu in November 2018 and we consolidated the full year financial results of Fengkuang Tiyu in 2019. Our revenue from this segment was contributed primarily from (i) Crazy Red Insights (瘋狂紅單) App, a paid lottery online information platform; (ii) self developed sports related games and cooperative games; (iii) Fengkuang Tiyu App, an online match information, live-streaming and social interactive services platform; and (iv) lottery related commission income. The proportion of revenue contribution from the four areas was about 27.7%, 48.6%, 22.9% and 0.8% respectively in 2019.

Comparison of 2019 and 2018 figures for this segment cannot be performed as the figures in 2018 represented only financial results acquired after 27 November 2018.

Telemedia and E-Commerce Business

Our revenue from the telemedia and e-commerce business was decreased by 32.9% to HK$2,258.9 million in 2019 from HK$3,365.0 million in 2018. Our revenue from this segment was contributed primarily from (i) Liangzi Port (量子港), an online and office electronic trading platform for consumer electronic products; (ii) V1 platforms, and (iii) CATV, a Chinese-Arabic bilingual satellite TV channel in Dubai, the UAE. The revenue contribution from Liangzi Port accounted for 99.8% of the segment revenue. In 2019, Liangzi Port focused on businesses with higher profit margin instead of high transaction volume and thus the sales revenue was reduced.

Cost of Revenue

Our cost of revenue decreased 32.1% to HK$2,317.5 million in 2019 from HK$3,414.4 million in 2018. The decrease was mainly attributable to the drop in the cost of revenue of the e-commerce business, in which Liangzi Port's electronic trading platform had decreased in sales.

The following table sets forth our cost of revenue by segment in 2019 and 2018:

	For the year ended 31 December			
	2019		2018	
(in HK$'000, other than percentages)	Amount	As a percentage of total cost revenue	Amount	As a percentage of total cost revenue
Cost of revenue				
Sports and lottery related business	61,879	2.7%	4,998	0.1%
Telemedia and e-commerce business	2,255,644	97.3%	3,409,427	99.9%
Total	2,317,523	100.0%	3,414,425	100.0%

Gross Profit and Gross Margin

The following table sets forth our gross profit both in absolute amount and as a percentage of revenue, or gross margin, by segment in 2019 and 2018:

	For the year ended 31 December			
	2019		2018	
(in HK$'000, other than percentages)	Amount	As a percentage of segment revenue	Amount	As a percentage of segment revenue
Gross profit/(loss)				
Sports and lottery related business	124,096	66.7%	11,837	70.3%
Telemedia and e-commerce business	3,206	0.1%	(44,453)	(1.3)%
Total	127,302		(32,616)	

In 2019, our total gross profit was approximately HK$127.3 million in 2019 whereas a gross loss of HK$32.6 million was recorded in 2018. Our sports and lottery related business contributed 97.5% of our total gross profit in 2019.

The sports and lottery related business is a high margin business with gross margin of 66.7%.

In the telemedia and e-commerce business, the gross profit was approximately HK$3.2 million whereas a gross loss of HK$44.5 million was recorded in 2018. The improvement in gross profit was contributed mainly by Liangzi Port as above mentioned.

Other Gains and Losses

Our other gains and losses recorded a gain of HK$13.2 million in 2019 compared to a gain of HK$8.7 million in 2018, primarily due to dividend income of HK$10.9 million received from financial assets in 2019.

Research and Development Expenses

Our research and development expenses increased to HK$20.3 million, or 0.8% of revenues in 2019 from HK$19.2 million, or 0.6% of revenues in 2018. The slight increase in research and development expenses in 2019 was due to increased costs incurred to upgrade and develop our products to improve the competitiveness.

Selling and Marketing Expenses

Our selling and marketing expenses increased to HK$70.2 million in 2019 from HK$38.3 million in 2018. The increase in 2019 was primarily due to the consolidation of the respective expenses of Fengkuang Tiyu on a full year basis in 2019 subsequent to the acquisition by the Group in November 2018. Other selling and marketing expenses was reduced slightly year-on-year.

Administrative Expenses

Our administrative expenses decreased to HK$138.3 million in 2019, from HK$172.5 million in 2018. Excluding the effect of HK$23.8 million share-based payments to our employees in 2018 and HK$17.6 million professional fees incurred for various corporate finance activities during 2018, our administrative expenses was reduced in 2019 due to the cost reduction efforts of the Group including rental costs.

Impairment of Goodwill

Our impairment of goodwill decreased 94.6% to HK$4.5 million in 2019 from HK$83.2 million in 2018. In 2018, impairment of goodwill of the telemedia and e-commerce business of HK$83.2 million was recognised for Liangzi Port as international trade war and the occurrence of new technology affected the expected profit streams and thus the valuation of the business by independent valuation expect was dropped. In 2019, profit generated from the Liangzi Port was sufficient and no impairment of goodwill was required.

In 2019, the impairment of goodwill of HK$4.5 million was recognised as the management took a longer time and efforts on formulating the market and product strategies for CATV and that the expected profit streams of CATV cannot be achieved as planned.

Impairment of Intangible Assets

Our impairment of intangible assets decreased 94.4% to HK$10.0 million in 2019 from HK$179.3 million in 2018. Due to the same reason above, in 2018, impairment of intangible assets of HK$179.3 million was recognised for the telemedia and e-commerce business, and no such impairment was required in 2019.

In 2019, the impairment of intangible assets of HK$10.0 million was recognised for CATV due to same reason above.

Impairment of Interest in an Associate

Impairment loss of HK$69.8 million was recognised in respect of the Group's interest in Bank of Asia in 2019, decreased 36.8% from HK$110.3 million in 2018. The fair value of Bank of Asia was measured by an independent valuation expert as at 31 December 2019 and impairment loss was made primarily due to its failing to commence full operations during 2019. As at 31 December 2019, the carrying amount of our Group's interest in Bank of Asia was HK$8.0 million.

Share of Losses of Associates

Our share of losses of associates decreased 14.8% to HK$40.2 million in 2019 from HK$47.1 million in 2018. We have a few associates and the share of losses of associates was mainly attributable to Bank of Asia in 2019. The decrease was due to cost control measures taken at Bank of Asia.

Income Tax

There was a tax credit in 2019 due to the reversal of temporary differences generated during the year.

Loss for the Year

As a result of the foregoing, the Group had losses of HK$190.5 million and HK$655.0 million in 2019 and 2018 respectively.

RECONCILIATION OF NON-HKFRS MEASURES TO THE NEAREST HKFRS MEASURES

To supplement our consolidated results which are prepared and presented in accordance with HKFRS, we also use adjusted EBITDA as additional financial measures, which are not required by, or presented in accordance with HKFRS. We believe that these non-HKFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance such as certain non-cash items and certain investment transactions. The use of these non-HKFRS measures have limitations as an analytical tool, and one should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under HKFRS. In addition, these non-HKFRS financial measures may be defined differently from similar terms used by other companies.

The following table sets forth the reconciliations of our non-HKFRS financial measures for the years ended 31 December, 2019 and 2018 to the nearest measures prepared in accordance with HKFRS.

	Unaudited Year ended 31 December	
	2019 HK$'000	2018 HK$'000
Loss before income tax	**(194,098)**	(654,714)
Add:		
Interest expense	**1,561**	—
Share-based compensation expenses	**3,043**	23,828
Impairment of goodwill	**4,472**	83,196
Impairment of intangible assets	**10,000**	179,288
Impairment of interest in an associate	**69,771**	110,329
Impairment of property, plant and equipment	**—**	—
Depreciation of property, plant and equipment	**4,147**	2,598
Amortisation of intangible assets	**40,694**	34,578
Share of losses of associates	**40,188**	47,147
Loss on disposal of property, plant and equipment	**106**	115
(Gain)/loss on disposal of intangible assets	**(173)**	1,746
Other loss/(gain)	**(13,103)**	(10,558)
Depreciation of right of use assets	**13,003**	—
Provision for expected credit losses on other receivables	**2,043**	—
Non-recurring gain	**(181)**	—
Adjusted EBITDA	**(18,527)**	(182,447)

LIQUIDITY AND FINANCIAL RESOURCES

The following table sets forth the cash flows of the Group for the year indicated:

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Net cash generated from/(used in) operating activities	**49,133**	(202,419)
Net cash used in investing activities	**(111,295)**	(133,429)
Net cash (used in)/generated from financing activities	**(8,825)**	18,173
Net decrease in cash and cash equivalents	**(70,987)**	(317,675)
Cash and cash equivalents at beginning of year	**131,918**	451,771
Effect of foreign exchange rate changes	**(2,011)**	(2,178)
Cash and cash equivalents at end of year	**58,920**	131,918

Net Cash Generated from Operating Activities

Our Group's net cash generated from operating activities improved significantly to HK$49.1 million for the year ended 31 December 2019, as compared to net cash used from operating activities of HK$202.4 million in 2018. The significant improvement was primarily due to gross profit generated from sports and lottery related business in 2019 resulted in loss before income tax of HK$194.0 million (2018: HK$654.7 million).

The loss before income tax was adjusted by

(i) non-cash items, which primarily comprised depreciation and amortisation of HK$57.8 million, impairment of goodwill, intangible assets and interest in an associate of HK$84.2 million, and share of losses of associates of HK$40.2 million; and

(ii) changes in working capital, which primarily comprised a decrease in trade receivables of HK$25.3 million, a decrease in inventories of HK$20.3 million, a decrease in amount due from an associate of HK$21.2 million, an increase in contract liabilities of HK$20.4 million; a decrease in trade payables of HK$23.2 million; a decrease in deposits received, other payables and accruals of HK$22.1 million, and a decrease in amount due to related companies of HK$10.1 million,

to arrive at net cash generated from operating activities of HK$49.1 million in 2019.

Net Cash Used in Investing Activities

Net cash used in investing activities was HK$111.3 million and HK$133.4 million in 2019 and 2018 respectively. The net cash used in investing activities in both years were primarily attributable to cash considerations paid in respect of the Group's acquisition of Fengkuang Tiyu in 27 November 2018.

Net Cash Used in Financing Activities

Net cash used in financing activities was approximately HK$8.8 million in 2019 as compared to net cash generated from financing activities of HK$18.2 million in 2018. The net cash used in financing activities in 2019 was primarily due to the repayment of lease liabilities of approximately HK$14.2 million, representing rental cost of the Group which was reclassified as financing activities as a result of the adoption of new accounting policy HKFRS 16 on leases effective from 1 January 2019.

Working Capital

The Group had HK$58.9 million cash and cash equivalents as at 31 December 2019, compared to a balance of HK$131.9 million as at 31 December 2018. The Group had net current liabilities of approximately HK$83.6 million as at 31 December 2019. Taking into consideration the financial resources available and the original shareholders of Fengkuang Tiyu have agreed not to demand for any repayment of the contingent consideration payable and other payable balance due to them (with an aggregate carrying amount of HK$101.9 million as at 31 December 2019) until the Group is in a position to do so, the management of the Group are satisfied that the Group will have sufficient cash resources to satisfy their future working capital and other financing requirements.

Capital Structure

As at 31 December 2019, the Group's total assets amounted to approximately HK$1,272.3 million (2018: HK$1,634.7 million) which were substantially financed by shareholders' fund of approximately HK$897.0 million (2018: HK$1,120.8 million). There has been no change in the capital structure of the Group during the year ended 31 December 2019. The capital of the Group only comprises of ordinary shares.

Gearing Ratio

As at 31 December 2019, gearing ratio was approximately 0.6%, which was calculated by dividing the total borrowings by the total equity attributable to owners of the Company.

BUSINESS OUTLOOK

Looking ahead to 2020, the gradual certainty in the China-US trade war and Brexit are expected to strengthen market confidence. As for the Hong Kong stock market, affected by the outbreak of COVID-19 and uncertainties in social movements, the management of the Group expects that in the first half of the year, the investment market will only return to steady growth if there are positive news. However, the management is confident of the solid fundamentals of the Hong Kong market built up over the years, which will definitely shine again on the global stage when suitable opportunities strikes.

Subsequent to the completion of annual review by Hang Seng Indexes Company Limited, the Company was formally reclassified to the "Information Technology — Software & Services — E-Commerce & Internet Services" category on 9 March 2020. It is also the first Hong Kong stock with an internet sports concept. The application for reclassification was a decision made by the management after deliberation in view of the success of the new internet sports ecosystem which was built on the foundation of the 5G technical platform. The reclassification will allow shareholders, investors and general public to better understand the business nature and development direction of the Company. It also represents the management's positive outlook towards future development opportunities in the internet sports market.

The sports industry in China is a trillion-worth market. In addition to the support of national policies, there are also other industrial factors which will contribute to the business growth of the Group. The various upcoming major sports events is a favourable factor to the lottery information recommendation service of Crazy Red Insights and will likely boost the offline sales activities of sports lottery. Besides, the continuous development of chain enterprise lottery sales channels by the Sports Lottery Administration Centre of the General Administration of Sport of the PRC has also hugely facilitated the expansion of the sports lottery new retail strategy of the Group. It has helped the Group to quickly refine its offline lottery sales services network and establish a comprehensive online and offline ecosystem in order to fully capture traffic growth and attract more new users and lottery players to become users of the products of Fengkuang Tiyu. In response to these opportunities in the industry, Fengkuang Tiyu has advanced its preparation with careful deployment. It is believed that new sources of profits can be created for the Group through the following initiatives: achieving a data-driven model through combining its mature lottery information and live-streaming interactive services and offline lottery new retail business; distinguishing new game players from sophisticated players for separate management and enriching the sports game modes in order to increase the conversion rate of users while establishing an advertising monetisation system.

With respect to the telemedia and e-commerce business, the commercial 5G era is set to begin, which will undoubtedly present immense development opportunities for video transmission. The reduction in live-streaming and transmission costs will bolster the Company's profitability, and the Company will be able to realise greater value by continually introducing different features and contents and exploring the huge treasury from the private circulation market. With the support of the Belt and Road Initiative and the "Go Global" strategy of China, the culture and current affairs programmes produced by the Group have become more valuable and marketable. The Group possesses the most complete suite of operational certifications in China's video media industry, including 12 licences and permits issued by national authorities, such as the State Council Information Office of the People's Republic of China and the National Radio and Television Administration. Together with the strategic deployment and establishments of CATV in promoting the cultural exchange between China and Arab countries, it is believed that immense synergy effect will be created among our businesses. By consolidating our premium resources and exploring new breakthroughs in "news + videos + e-commerce", the management is convinced that the telemedia and e-commerce business of the Company will rise to another new height.

The official positioning as an internet sports company has presented an opportunity for the Company. The Company is determined to further develop the sports lottery market and strengthen its market presence in a bid to establish a stronghold for the Company. Management is rightfully optimistic about the prospect of the Group. The Group will continue to adhere to its country, market and shareholder-oriented principle. With Strong technological capabilities, the Group will maintain a steady and healthy growth momentum and continue to mine the industry. The Group will promote the widespread and sustainable development of the internet and sports industry, and interpret the world with a digital and innovative mindset, such that we can all live a more prolific, better and happier life.

MATERIAL ACQUISITIONS AND DISPOSALS

Except for the disposals of the equity interest in subsidiaries as disclosed in the financial report, there was no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2019.

FOREIGN EXCHANGE RISK

Since the Group generates most of the revenue and incurs most of the costs in Renminbi, there was no material foreign exchange risk.

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 31 December 2019 (2018: Nil).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2019 (2018: Nil)

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a total of 202 employees.

The Group remunerates the employees primarily based on nature of the job, market trend, qualification, years of experience and contributions to the Group. The Group has implemented share stock option plans. The Group has granted options to the directors, senior management 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.

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

EXECUTIVE DIRECTORS

Dr. ZHANG Lijun (張力軍博士), aged 56, is the Chairman of the Board of V1 Group Limited. He holds a Doctoral degree in Economics from Nankai University, he is a Research Fellow at Stanford University, and an advocate of "disruptive innovation". Dr. Zhang is the Chairman of China Asia-Pacific Economic Cooperation (APEC) Development Council, Vice Chairman of Internet Society of China (ISC), Vice President of China Netcasting Services Association (CNSA), Honorary President of Beijing Internet Association, Chairman of Dubai CATV, Honorary Chairman of Bank of Asia, and Senior Partner of CICC Qianhai Weiyi Fund. He was Chairman of the Board of the former CMGE Group, a company listed on NASDAQ. Dr. Zhang is an acclaimed entrepreneur and civil diplomat in China. With a strong innovative mind and industry leadership capabilities, he is one of the creators and leaders in China's communication and internet netcasting industry. Dr. Zhang is also a renowned strategic investor and well-connected in the international politics and commercial circles.

Ms. WANG Chun (王淳女士), aged 55, is one of the founders of V1 Group Limited. She is an Executive Director and a Joint Chief Operations Officer of the Group and General Manager of VLand Inc., the Group's subsidiary in the US. She 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 Member of the Chinese People's Political Consultative Conference of Chaoyang District, Beijing. Prior to founding V1 Group, she was the Chief Operating Officer of Sino-Sky Telecom. Ms. Wang holds a Master degree in World Economics. As an internet trade expert, Ms. Wang founded China Huatian Net Supermarket, China's first online supermarket and the originator of China's e-commerce industry in 1998. Ms. Wang is the spouse of Dr. Zhang Lijun.

Mr. Ji Qiang (姬強先生), aged 42, was appointed as an Executive Director in March 2017. He has over 15 years of experience in financial management and is currently the General Manager of Finance of the Group. Mr. Ji joined the Group as Finance Manager in 2010 and promoted to Deputy General Manager of Finance of the Group in 2013. Prior to joining the Group, he was the Financial Controller of Beijing office of China Strategic Holdings Limited (stock code: 235). Mr. Ji holds a Master degree in Management (major in Accounting) of Renmin University of China and a Bachelor of Science degree in Electronics Engineering and Computer Science of Peking University. Mr. Ji is a certified public accountant (non-practising) in the People's Republic of China and also holds the Securities Qualification Certificate (level 2) of Securities Association of China.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Loke Yu (alias Loke Hoi Lam) (陸海林博士), aged 70, 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 41 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 and The Hong Kong Institute of Chartered Secretaries. He is also a member of The Hong Kong Independent Non-Executive Director Association. Currently, he serves as an Independent Non-executive Director of Chiho Environmental Group Limited (formerly known as Chiho-Tiande Group Limited), CIMC-TianDa Holdings Company Limited (formerly known as China Fire Safety Enterprise Group Limited), Forebase International Holdings Limited, Hang Sang (Siu Po) International Holding Company Limited, Hong Kong Resources Holdings Company Limited, Matrix Holdings Limited, TC Orient Lighting Holdings Limited, Tianhe Chemicals Group Limited, Tianjin Development Holdings Limited, TradeGo FinTech Limited, Zhenro Properties Group Limited and Zhong An Group Limited (formerly known as Zhong An Real Estate Limited), all are companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Prof. Gong Zhankui (宮占奎教授), aged 71, 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, Adjunct 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 (王臨安先生), aged 71, 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.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Peng Xitao (彭錫濤先生), aged 42, was appointed as Joint Chief Operations Officer of V1 Group in October 2018. He has more 14 years of experience in the internet and related industries. Mr. Peng previously worked in the internet and e-commerce department of China Unicom Co., Ltd, and was responsible for internet maintenance and construction. From March 2005 to December 2012, he co-founded VODone Telemedia Co., Ltd. and served as the Co-founder and Chief Technology Officer. In 2012, he founded Yicai Yangguang* (溢彩陽光) and served as the Chief Executive Officer. Lottery 365, a product under Yicai Yanguang, quickly emerged as the number one mobile client product in terms of the number of users and market share in the mobile internet lottery sector in China. In 2015, he founded Fengkuang Tiyu and served as the Chief Executive Officer. Fengkuang Tiyu was fully acquired by V1 Group in October 2018. He holds a Master degree of Computer Application from the Nankai University.

Ms. Cheng Po Chuen (鄭寶川女士), aged 48, was appointed as Chief Financial Officer of the Company on 18 January 2020. She is responsible for overseeing the financial management, investor relations, overall capital markets including investments, fundraising, mergers and acquisitions and restructuring activities of the Group. She has more than 25 years of experience in corporate finance advisory, investment banking and private banking. She joined the business consulting division of Arthur Anderson as an analyst upon graduation in 1994. She then worked for the investment banking arms of DBS Asia Capital, HSBC Investment Banking Asia and Macquarie Capital Asia in Hong Kong between 1997 and 2010 and her last position held was Managing Director, one of the Responsible Officers for the purpose of the Securities and Futures Ordinance and one of the Principal Supervisors of the Sponsor under The Stock Exchange of Hong Kong Limited at Macquarie Capital Asia. In 2010, Ms. Cheng joined UBS AG Wealth Management as Head of Corporate Advisory Group, Hong Kong and in 2014 became a Desk Head supervising client advisers, with last position held as Managing Director. Ms. Cheng holds a Bachelor of Business Administration degree in Accounting and Finance from The University of Hong Kong.

SENIOR MANAGEMENT (Continued)

Mr. LI Zhenyu (李震宇先生), aged 48, joined the Group in November 2016, and was appointed as Chief Risk Management Officer of the Group in February 2019. He is responsible for the Group's risk management, internal audits, legal affairs, and investment risk management. He has worked in the investment, risk management and other related fields for over 20 years, and has accumulated vast risk management experience. Prior to joining the Group, he had been Risk Management Vice President of Zhongying Commercial Factoring Co., Ltd. (中盈商業保理有限公司), and Risk Management Director at GOME Financial Holdings Investment CO., LTD (國美金控), Simsen International Corporation Limited (天行國際), Zhongji Investment Holding Group Co., Ltd (中際投資) and other organisations. He holds an Economics Bachelor degree from the College of Economics and Management of Northeast Forestry University, majoring in Accounts.

Mr. Tian Peigang (田沛剛先生), aged 39, was appointed as Vice President of V1 Group in November 2018. Mr. Tian joined the Group in October 2017 and was previously a Supply Chain Project Manager. He manages the Group's online trading platform, Liangzi Port. Prior to joining the Group, he was the Sales Director of Digital China, General Manager of the business division of dangdang.com and one of the members of the operational committee of dangdang.com. He has 10 years of experience in the B2C e-commerce industry and 15 years of experience in 3C digital B2B industry. Mr. Tian studied a postgraduate Master programme at the Beihang University.

Mr. Lam Yau Yiu (林友耀先生), aged 56, was appointed as Company Secretary and Financial Controller on 16 February 2019. He is also a director of a subsidiary of the Company. He has about 31 years of experience in accounting, auditing and financial management. Before he joined the Company, he was the Financial Controller and the Company Secretary of Zhong An Real Estate Limited, a company listed on the Stock Exchange, from October 2008 to December 2016. Mr. Lam is also an Independent Non-executive Director of SCUD Group Limited, a company listed on the Stock Exchange. He holds a Master degree of Business Administration and a Master degree of Science in Information Systems Management from The Hong Kong University of Science and Technology and a Bachelor degree of Accounting from City University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Ming Qi (明琦先生), aged 40, joined the V1 Technology Research Institute* (第一視頻科學技術研究院) in 2017 and led the implementation of certain cutting-edge researches and technologies in the sectors of AR/VR, artificial intelligence, edge computing and block chain. He has led the team in establishing a cloud and big data platform for the Company and directed the research and development of several products. He is currently an Executive Director of the V1 Technology Research Institute and a Senior Scientist with 15 years of experience in technological research and development, team management and technological project management. He previously worked for several industry giants, including Microsoft, Motorola and Nokia, for more than a decade as a technical expert. With ten years of extensive experience in the sector of mobile communication, mobile phone terminals and mobile internet, he has profound knowledge in mobile communication and 5G and owns several patents. He also has a number of international certifications in MCSD/MCSE/Six Sigma/PgMP/ACP. He obtained more than 10 patents and four national awards during the last three years. He graduated from the Faculty of Communications and Information System of the Beijing Jiaotong University with a Master degree.


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第一视频
小圈子 · 大影响！
小流量 · 大财富！
CATV

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE AND PRINCIPLES

This Environmental, Social and Governance Report reports the Group's sport and lottery related business (providing lottery related information, mobile games and live-streaming services through online sports and lottery platforms, as well as offline sports lottery sales services in the PRC) and telemedia and e-commerce business (involving the operation of an online trading platform, internet audio-visual new media in the PRC and a satellite TV station in Dubai) for the year ended 31 December 2019 (the "Reporting Year"). The environmental, social and governance policies, performance and data disclosed herein cover places of operation and offices in Mainland China, Dubai and Hong Kong. This section is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide (the "Guide") set out in Appendix 27 to the Listing Rules issued by the Hong Kong Exchanges and Clearing Limited (the "HKEx"), and the content coverage has also been defined based on the "Materiality" and "Consistency" principles in the Guide to ensure that the overall disclosure meets the requirements of the HKEx. Meanwhile, following the recommendations of the Consultation Conclusions on the Environmental, Social and Governance Reporting Guide published by the HKEx in December 2019, the Group has also added a Board statement section in an effort to improve the quality of disclosure. This report covers the same period as the Group's financial year.

Our data and information are derived from our internal file archives, records and statistics. If you have any feedback on this overview, please let us know via the following ways, so that we can collect your opinions and make improvements for the long-term development and steady progress of the Group:

Address:	Room 3006, 30th Floor, 9 Queen's Road Central, Central, Hong Kong
Telephone:	(852) 2869 8966
Fax:	(852) 2869 8960
Mailbox:	ir@v1group.com

BOARD STATEMENT

The Group has been endeavouring to become "a leading internet sports enterprise in the PRC", and hopes to use the future-proof internet technologies to enrich the public's life and gain users' support. In order to achieve this goal, we understand that only by shouldering our social responsibilities and operating business in a manner consistent with social norms, can we gain public recognition and make steady progress for the Group. Therefore, we have established clear responsibilities in different areas to ensure that we adhere to our principles and achieve sustainable development during the course of operation.

Being fully aware of its environmental, social and governance responsibilities, the Board of the Group has started the discussions on forming a working group on environmental, social and governance issues and hopes to finalise this matter as soon as possible. This working group will be responsible for communicating with and collecting feedback from stakeholders to identify key environmental, social and governance issues, and developing appropriate monitoring and management plans for such issues. The working group will also report to the Board on a regular basis to ensure that the Board members are aware of the relevant performance of the Group so as to formulate specific and feasible strategies.

The Board has also confirmed that it has reviewed the contents of this report and it will take the ultimate responsibility for this report. If you have any questions about the contents of this report, please feel free to give us feedback and the Board will ensure such issues are being handled properly.

OUR SUSTAINABLE DEVELOPMENT POLICY

Responsibility of the Management

- Ensure full compliance with all laws, rules and social ethical standards in business operations
- Implement effective network and data security policies and measures
- Value employees' rights and their equal opportunities for development
- Fully examine the potential risks of business operations for protecting the interests of stakeholders

Responsibility for the Environment

- Promote the idea of green office and raise staff's awareness of environmental protection
- Understand the relationship between the environment and the Group's operations and reduce the impact of business operations on the environment
- Prepare for the risks that environmental changes may bring to the business operations

Responsibility for the Society

- Strengthen the bond with the community and incorporate the opinions of external stakeholders to reduce the impact of business operations on the community
- Provide media contents of public concern to the society to make their lives better via new media platforms

STAKEHOLDERS COMMUNICATION AND IDENTIFICATION OF KEY ISSUES

There are many environmental, social and governance related issues. The Group believes that identifying these key issues will enable us to better understand the impact of the Group's business in different areas, and fully examine the potential operational risks for improving and plugging policy loopholes. Hence, with the assistance of an independent consultation firm, we launched our key issue identification this year, aiming to better understand the operational risks while balancing the quality and quantity of the report.

Stakeholders Communication:

Stakeholders	Related Activity	Frequency
Investors	Investors' meetings	Held 20 meetings during the year for maintaining daily effective communication with stock and bond investors and strengthening and managing investor relationship via one-to-one or group meetings
	Roadshows after results publication	Roadshows were held after the release of the results to ensure that investors and analysts were able to correctly interpret the Company's performance and latest developments
Employees	Staff meetings	Held irregularly throughout the year to collect staff's opinions and improve existing measures via active communication between department heads and staff
Shareholders	Annual general meeting	Held once during the year
Consumers	Advisory and complaint hotlines	Complaint hotlines and email are available all year round
Suppliers	Suppliers' meetings	Held 4 meetings during the year
Media	Senior management interview	Conducted interviews with various media from time to time based on the actual needs of the Company for maintaining market profile

The process of key issues identification is as follows:

1 Information Collection and Identification of Issues

The independent consultation firm selected 15 environmental, social and governance issues according to the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Listing Rules of HKEx and the characteristics of the industry, for the senior management of the Group to identify the relevant key issues in consideration of the Group's actual operating conditions.

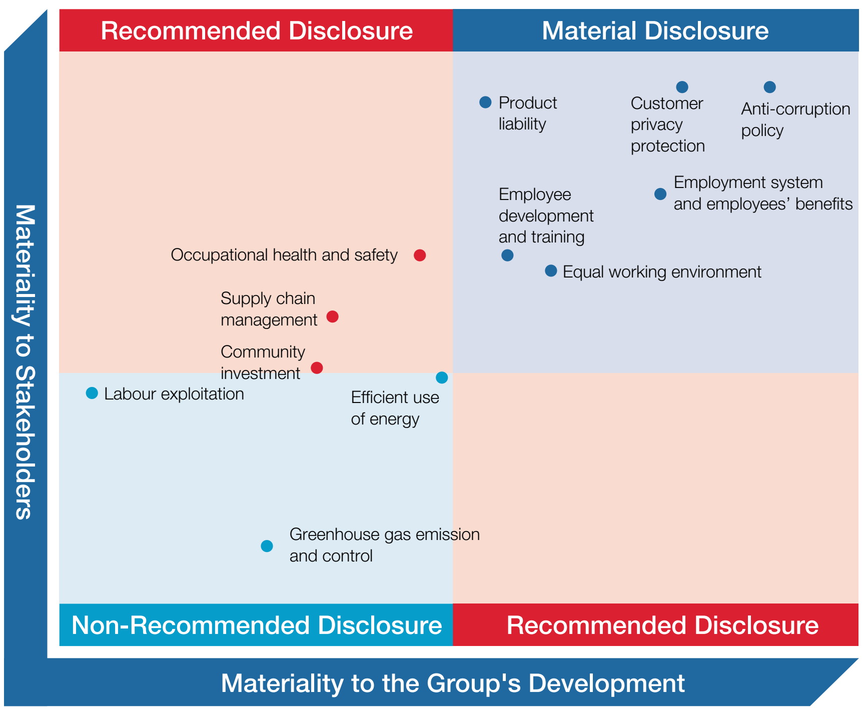
2 Issue Analysis and Ranking

The independent consultation firm set up a materiality questionnaire for the Group's management to fill in in order to analyse the materiality of each key issue on the development of the Group and individual stakeholders, with a view to obtaining the materiality priority of the key issues.

3 Materiality Matrix

Based on the opinions and scores obtained, the independent consultation firm prepared a materiality matrix of key issues to be used as the basis of disclosure in the report of the Group.

The senior management of the Group had ranked the materiality of key issues. In the future, we will further expand the number of participants to cover a wider range of stakeholders to enhance the overall representation. After collating the scores of the 15 management members, the materiality priority of the Group this year is as follows:



With reference to the above matrix, the most important issues in the eyes of the management can be identified and we may arrange the depth and perspective of these issues in the report to respond to stakeholders' concerns.

The issues are divided into three categories, namely "Material Disclosure", "Recommended Disclosure" and "Non-recommended Disclosure", in the above matrix. In this year's matrix, the issues of "anti-corruption policy", "customer privacy protection", "employment system and employees' benefits", "product liability", "equal working environment" and "employee development and training" are all included in the "Material Disclosure" category, while the environmental issues are "Non-recommended Disclosure". This report will adjust the depth and perspective of the disclosure of each issue according to this materiality matrix to ensure that the contents presented meet the expectations of stakeholders.

Therefore, based on the results of the above matrix, this report will focus on the disclosure of privacy protection, integrity governance and employment practices, while environment-related policies and data will only be disclosed to a limited extent in accordance with compliance requirements, in order to ensure that the contents of the report are in line with the "materiality" principle of the guidelines published by the HKEx.

OVERALL PERFORMANCE FOR 2019

HIGHLIGHTS

Economic Performance Indicators:

	For the year ended 31 December	
	2019 HK$ million	2018 HK$ million
Revenue	2,444.8	3,381.8
Gross profit/(loss)	127.3	(32.6)
Loss for the year	(190.5)	(655.0)

Environment-related Indicators:

Places of Operation	PRC	Dubai, the UAE	Hong Kong
Greenhouse gas emissions from electricity consumption (tonne CO_2e)	45.0	9.4	10.0
Power consumption (kWh)	57,950.0	21,240.0	12,621.0

Labour-Related Indicators:

Total training hours	12,911.5
Average training hours per employee per year	63.9
Turnover rate	36.2%

GOOD CORPORATE GOVERNANCE

The long-term development of the Group depends on good quality of governance to protect the interests of all stakeholders. Therefore, the Group has always adhered to strict governance standards, and established a clear structure, so that all staff understand clearly the responsibilities of each position. Meanwhile, the power and responsibilities of each person have been clearly delineated in order to prevent anyone from taking advantage of his or her position for personal gains. In terms of compliance, we have fully implemented the Corporate Governance Code set out in Appendix 14 to the Listing Rules of HKEx for maintaining stringent standards of corporate governance.

For further information on corporate governance of the Group, please refer to the Corporate Governance Report section of the Group's Annual Report.

Customer Privacy Protection

During the reporting period, the Group was not aware of any cases involving the leakage of customers' private data, and was not convicted of violating the relevant laws and regulations.

As plenty of personal data is collected in our core operations, network security and the protection of customers' privacy and data become a crucial part of our business operations. The Group's policy aims at establishing an internal control system for the relevant risks and reducing the risk of personal data leakage through a range of professional network security systems and the establishment of a privacy protection department.

Professional Network Security System

The Group has adopted a variety of industry-standard security measures and technical methods to store customer data to prevent leakage, misuse, tampering or damages. The adopted measures include:

- Encrypted transmission through network secure layer technology (SSL)
- Encrypted storage of personal data
- Restricted access to data centre
- Use of private network channel
- Network proxy

The Group believes that the above measures are able to enhance the security factor, coupled with a password-controlled server, the number of staff who can access the server is significantly limited, thereby reducing the risk of data leakage and ensuring the strict protection of customer's data.

Internal Control System of Privacy and Security Risks

In order to further reduce the risk of data leakage, we adopt the "minimum sufficiency authorisation principle" on staff who may have access to private data, i.e. we only allow employees who have to use the relevant private data to access or modify such data after passing the identity verification process. Meanwhile, we have developed a strict code of conduct that requires them to comply with the confidentiality agreement, and if they fail to do so, they will be held legally liable or their cooperation with us will be terminated. In addition, we only collect the minimum amount of necessary information from users to avoid collecting irrelevant private data, and guarantee that unless the retention period is extended or otherwise permitted by law, user data will only be retained for the period necessary to achieve the relevant purpose.

Actively Enhancing Users' Awareness for Security

In addition to the development of various data protection codes, we also actively enhance the security awareness of users and remind players to be cautious about sharing their private data, in a bid to reduce the risk of data leakage through their own actions. The adopted measures include:

Remind players to pay attention to privacy protection from time to time	**Remind players to set up complex protective measures**	**Remind players to be cautious about sharing private data**

When users use our products and services, they would send private data related to themselves or the others. For example, players may choose to upload images containing private data while giving comments. This has become a loophole in our intact security system. In view of this, users are reminded to be more cautious in setting their privacy settings and sharing personal data via various alerts. Through the joint efforts of both parties, we hope to fully reduce the risk of leakage.

In addition, we are very concerned about the use of internet by minors and want to avoid any damages brought to minors by the excessive use of online services. Hence, the Group has established a comprehensive personal data protection code for minors to ensure that their rights are protected. The code states that, without the consent of his or her parent or guardian, a minor shall not create his or her own account; if the consent has been obtained, we would recommend the minor's parent or guardian to carefully read the privacy policy to make sure that they are aware of the information required for account registration and its purposes.

In case of any personal data leakage, we would follow the established internal procedures to ensure that the concerned users and the public are informed of the case in a timely manner, so that they can take timely remedies according to our suggestions to reduce losses.

The established procedures are as follows:

Privacy Protection Department of The Group

- Inform users by email, mail, phone and SMS in accordance with the laws and regulations
- The details to be informed include potential impact, measures taken, other suggestions for risk reduction, feasible remedial measures, etc.

User

- Take our suggested remedial measures
- May contact the Privacy Protection Department any time for any enquiries

Public

- Relevant information is disclosed in a reasonable and effective way to protect the public's right to know

Maintaining Integrity Governance

During the reporting period, the Group was not aware of any matters related to bribery, extortion, fraud and money laundering that would cause significant consequences, and was not convicted of any violation of the relevant laws and regulations.

We believe that transparency of operations can lay a sound foundation for the long-term development of the Group. Therefore, the Group adopts a zero-tolerance policy towards bribery and corruption and insists in operating its business in a credible and reliable manner. All employees must strictly comply with the rules and regulations set out in the "code of professional ethics and conduct", "provision for the prevention of conflict of interest" and "codes for senior management" sections of the Staff Handbook. These codes and rules are based on the relevant laws and regulations, and contain the higher standards of business ethics, which are more stringent than the requirements of laws and regulations. In order to ensure that all staff clearly understand our requirements, the human resources department will distribute the Staff Handbook to the staff at the commencement of employment, and ask them to sign to confirm that they understand and are willing to comply with the rules and regulations set out in the handbook.

Basically, the Group requires all employees to comply with all applicable laws and regulations, abide by the honesty and ethics standards, and avoid any possible conflicts of interest between personal and professional relationship. Any employee who is involved in serious malpractices or embezzlement will be regarded as committing serious negligence. The Group may terminate the employment contract with immediate effect, and will reserve the right to pursue economic compensation and legal proceedings depending on the actual situation. An employee or other person may report any suspected case of corruption directly to the members of the Board via email, either anonymously or in real name. The email addresses for reporting are as follows:

Internal reporting email: ceo@v1.cn
External reporting email: jubao@v1.cn

If any suspected case of corruption is substantiated after investigation, the punishment for the offender shall include but not limited to direct termination of the employment contract without any compensation, and the employee shall compensate the Company for all losses caused thereby. If the employee has also violated the national laws, we will take the initiative to report the case to the relevant law enforcement authorities to let the employee bear their own liability.

Respect for Intellectual Property and Protection of the Group's Rights

Our thriving business development relies on our intangible creations. Hence, the Group's policy attaches great importance to the protection and maintenance of intellectual property. It is hoped that through the establishment of clear staff guidelines, the intellectual property rights of each creation can be clearly defined to reduce the potential risks caused by rights enforcement.

According to the Staff Handbook, any invention, creation, compilation, software, technology, trade secret or other forms of intellectual property created by any employee during his employment by using the Company's resources (including information) shall belong to the Group, and all employees must commit to make their best effort to cooperate with the Group for obtaining complete property rights for the Group. In the meantime, such creations shall be the confidential information of the Group, and the relevant employees must abide by the confidentiality agreement and must not disclose it to the public.

In addition, the Group also respects the intellectual property rights of the other companies. If others' creations need to be used, our employees must ensure that the relevant procedures or applications have been carried out according to legal requirements and shall not infringe on the rights of the others.

Valuing Users' Feedback and Ensuring Fair Use

The Group has been providing diversified entertainment information and interactive games to the public through online platforms, aiming to bring joy to their lives. To ensure that each user enjoys our entertainment products, we are responsible for resolving user complaints and any disputes among them, and maintain the fair use of online platforms. As a result, we have established the Dispute Resolution System to fully establish the approaches for handling various opinions and complaints, maintain fairness, and ensure that the staff has a basis for dealing with the relevant issues.

The basic processing flow is as follows:

1	2	3	4
A user submits comments or complaints via the email and communication software of the customer service centre	The customer service centre requires the user to provide basic information related to the complaint	Replying and clarifying the responsibility based on the actual situation after authenticating user's complaint in order to resolve the dispute	If a consensus cannot be reached with the relevant user, the intervention of external authorities should be sought, including but not limited to reporting to the public security organ, applying for arbitration or commencing legal proceedings with the people's court

If any malicious use of accounts, false accusations, fraud or other misconduct is found, we will also regulate those incompliant users depending on the types of misconduct by following the handling approach set out in the Dispute Resolution System, such as issuing warnings, imposing speech restrictions and account suspensions. Since the Group does not encourage users to conduct any offline transactions, such as purchase and sale of accounts, equipment and game currency, we would not handle any losses incurred by any user arising therefrom.

Management of News Release by the Group

The Group attaches great importance to its credibility and reputation. Therefore, it has formulated clear policies for external news releases to regulate its external communication via any channels, such as advertising, and responses to investors and the media. The Group would provide timely, accurate and complete information to external parties based on the actual situation while observing all confidentiality agreements to avoid selective disclosure and to ensure that the public have fair and open access to the accurate information of the Group.

STRICT CONTROL OVER SUPPLY CHAIN

The suppliers of the Group are mainly service providers, most of which are domestic enterprises. We believe that a steady supply chain is key to ensure the sound development of the Group. Therefore, we have developed a strict supplier evaluation process to reduce the risks in the supply chain.

According to the relevant policy of the Group, we are committed to fair deals with suppliers to ensure impartiality in the competitive evaluation process, which is based solely on the price, services, quality and reputation provided by suppliers in the interest of the long-term business development of the Company. As for the supplier selection process, we require suppliers to provide information on the contents and prices of the relevant services or products, and ensure that the relevant purchasing agreements are properly approved to make sure that the amount paid matches the service or product received.

In dealing with the relationship with suppliers, the Group explicitly states that employees must remain impartial and must not attempt to exert influence to obtain "special treatment" from a supplier, which may jeopardize the fairness of the selection process. In addition, we stipulate that all employees must not accept or solicit personal benefits from suppliers or potential suppliers to prevent impairing the independence for evaluating the products and prices offered by suppliers. The pricing and product information submitted by suppliers should also be kept confidential by employees.

For instance, for its supply chain financial services and the operation of its sales platform, Liangzi Port, the Group has created the most robust supply chain management platform in the communications industry through adopting an effective multi-pronged management approach with full resource consolidation and an effective and flexible risk management portfolio. For this project, the Group mainly exercises supply chain management and controls the relevant risks through the following 5 approaches:

Approach	Measures	Description
Process control	Credit evaluation management Purchase, sales and inventory management Customer contract management Emergency response solutions	Strictly control the risks and payments from customers and inventory management through a range of process-related administrative measures in order to reduce the risks in the supply chain
Logistics control	Control of vouchers and certificates Operational control Goods control	Ensure the stability and effective operation of the logistics supply chain through establishing different kinds of mechanisms and systems
Capital control	Liquidity control Capital flow control Cash cycle control	Secure control over the path, volume and timing of capital in the supply chain and protect the interests of the Group through stringent capital flow monitoring
Information control	Information collection Information categorisation Information checking Information security	Effectively maintain the timeliness and accuracy of the information flow in the supply chain while preventing information leakage and ensuring steady operation of the supply chain through controlling the information flow on the supply chain
Credit issue control	Conditions of downstream companies Value of goods Circulation of goods Authenticity of transactions	Secure the capital stability of the supply chain and safeguard the interests of the Group through effective valuation of the goods, accuracy of transaction information and credit strengths of customers, etc.

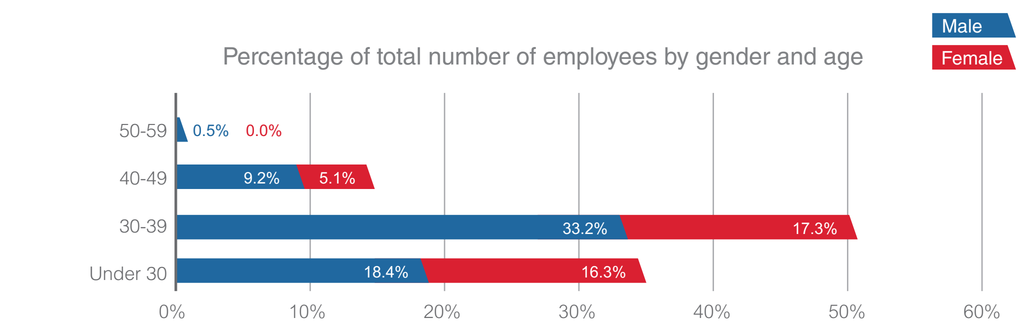
We believe that only through effective supply chain management can we fully reduce our operational risks and safeguard the long-term development of the Group, with a view to creating more value for stakeholders.

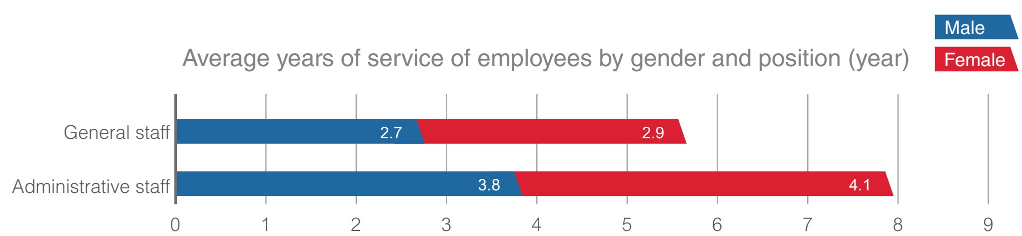
VALUING EMPLOYEES' CONTRIBUTIONS

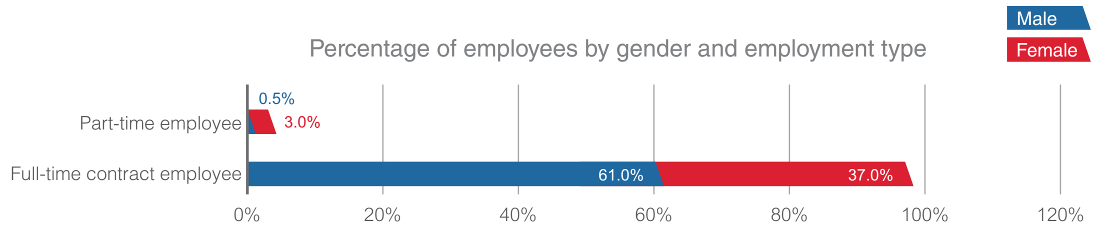
Employees are the foundation of the Group's development. We believe that outstanding employees will bring great development momentum and create more long-term value for the Group. Thus, we have established very rigorous and delicate recruitment practices to ensure that the employees employed are qualified for their jobs and are able to grow together with the Group. The employment data for the year are as follows:

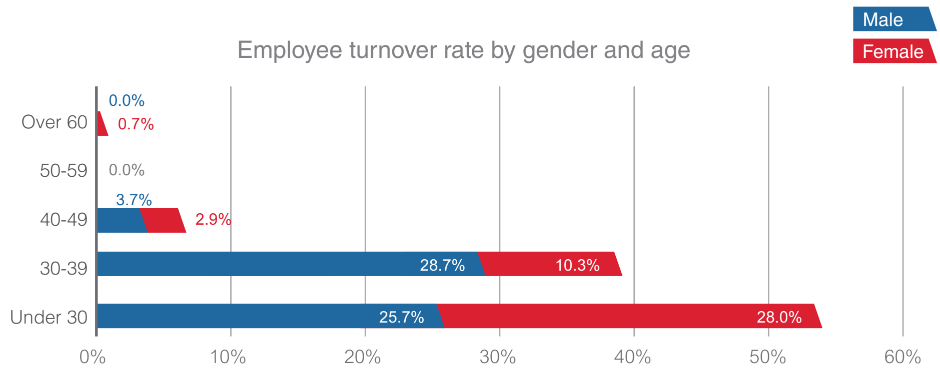
Number of employees	Total training hours	Average training hours per employee per year	Turnover rate
202	12,912	63.9	36.2%

The decrease in the number of employees was mainly attributable to the rationalisation of duplicated human resources and consolidation following the acquisition of Fengkuang Tiyu, to achieve the highest synergy among the original human resources of both companies and improve the human resources foundation of the Group.





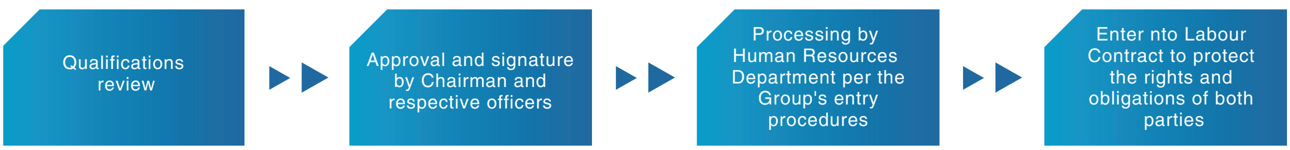




Employment Practices

The recruitment, employment, training, promotion and salary policies of the Group do not take into account race, nationality, religious beliefs, gender, age, ethnicity, disability, experience status, marital status or other factors protected by law, unless the applicant or employee is under the age of 18, a student who has not graduated from school, makes false statement, or is not allowed to be employed under the laws of the country. Otherwise, accommodating the business needs of the Company is the utmost criteria in recruitment.

The entry process is as follows:



The Group has entered into labour contracts with its staff members. Such labour contracts have been signed on an equal and voluntary basis between the employer and employees upon mutual agreement and are legally effective.

Welfare and Benefits

The purpose of the Group's remuneration policy is to attract, retain and motivate outstanding employees. Our performance compensation and promotion system are the core of the Group's high-performance culture. Through job evaluation, personal performance commitment and rewards for outstanding performance, employees with excellent performance are encouraged to keep up with their good work, while employees who fail to meet performance standards are encouraged to improve themselves to maintain a high quality and efficient corporate culture.

With respect to the remuneration adjustment structure, we would make adjustments based on the following conditions:

- Operational conditions
- Salary level in the labour market
- Price inflation index
- Personal performance

Adjustment types:

- Regular salary adjustment
- Incentive salary increase
- Salary reduction

Adjustment frequency:
Adjustments are made to the remuneration structure from time to time for the purpose of rewarding good performers while penalising poor performers.

In terms of employee benefits, the Group contributes to various social insurances and provident funds in accordance with the local requirements of its places of operation. If an employee has worked for the Company for three consecutive years, the Group would maintain additional medical policy for the employee. Besides, the Group also provides meal subsidies to eligible employees to ensure that they can enjoy quality meals at work.

Furthermore, the Group also sets out all leave arrangements in the Staff Handbook. All employees of the Group are entitled to public holidays and certain days of paid annual leave each year according to the local requirements of its places of operation. The number of days of annual leave will increase with the length of service of an employee. If an employee cannot take leave due to job needs, with the consent of the employee, the Group may make a payment in lieu of leave, which shall equal to the salary of the employee during normal work.

In addition, employees can also apply for causal leave, marriage leave, maternity leave and compassionate leave. In order to help employees balance their family lives and job duties, we have implemented the following measures:

Female Staff Maternity Leave

Female staff are entitled to maternity leave up to 98 days, plus birth incentive leave up to 30 days, which can be extended depending on the actual situation (such as obstructed labour, multiple pregnancy and miscarriage)

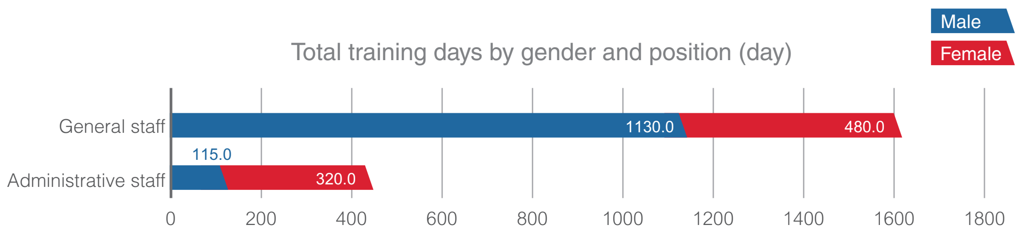
Breastfeeding Arrangements

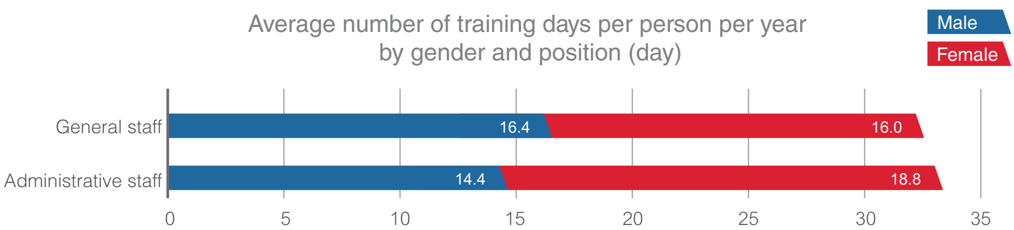
To help solve the difficulties faced by female staff during breastfeeding, a female staff member can breastfeed twice a day (30 minutes each time) when her baby is under 1 year old

Male Staff Paternity Leave

Male staff are also entitled to paternity leave up to 15 days to encourage them to shoulder their responsibility as a member of the family

Training and Development





We believe that the development momentum of the Group comes from the growth of its employees' capabilities. As a responsible employer, we have a responsibility to provide employees with various training and development opportunities to ensure that they can excel in suitable positions. Thus, the Group systematically assists employees to improve their business capabilities and strengthen their knowledge in management theories, so that they can obtain comprehensive training and practical experience with a view to improving their working abilities.

New Staff Training

All new staff must attend the Induction Training to learn the followings:

Group culture	Group strategies	Organisational structure of the Group	Staff developments and benefits	Relevant operational processes and the basic quality requirements of staff members

During this period, a mentor would conduct a comprehensive assessment and evaluation on the employee's performance during the probation period, and confirm his final performance in accordance with the Mentor Management Scheme for the Probation Period of New Employees. In the next 3 to 6 months, the mentor would continue to assist the new employee in getting familiar with the Company's work processes and resources, so that the new employee can quickly integrate into the working environment.

Professional Skills Training

The business department of the Group develops a variety of multi-dimensional training programmes covering various aspects based on the requirements of different job positions to continuously enhance the professional skills of employees.

External Training

For some professional trainings that are required for business needs but cannot be provided within the Group, employees can enter into a training agreement with the Group in order to improve themselves through participating in external training.

In terms of promotion path, the Group encourages innovation and more responsibility-taking. All behaviours and ideas that adhere to the core values of V1 Group are recognised, encouraged and rewarded to the greatest extent within the Group. Therefore, outstanding employees are promoted based on the actual operational and management needs of the Group as well as individual capabilities and performance. For any promotional opportunities and job vacancies, the Group would generally give priority to its own employees. We also encourage employees to develop step-by-step in different fields based on their own strengths and interests, and apply for transferring to positions of greater interest to them.

With respect to performance appraisal, all employees would be informed of their annual goals at the beginning of each year, and their supervisors would evaluate the employees and determine their performance level on a monthly, quarterly, and annual basis based on the goal completion progress. The relevant evaluation results will serve as the basis for salary adjustment and career development of each employee.

Health and Safety

The Group was not aware of any cases of work-related injuries or deaths during the year.

The Group pledges to maintain a safe and healthy workplace for all employees. In addition to complying with the local safety regulations of its places of operation, the Group would also remove known safety hazards in a reasonable manner. In order to maintain a good working environment and ensure safety in the office area, smoking is strictly prohibited in all office areas, including washrooms.

VALUING ENVIRONMENTAL RESOURCES

The Group's operating activities have no direct significant impact on the environment and natural resources. The principal operations of the Group do not involve any production process and have no known significant impact on the environment and natural resources.

The environmental data for the year are as follows:

Places of Operation	PRC		Dubai, the UAE		Hong Kong	
	2019	2018	2019	2018	2019	2018
Environmental Data						
Greenhouse gas emissions from electricity consumption[1] (tonne CO_2e)	45.0	54.4	9.4	11.0	10.0	9.2
Overall greenhouse gas emission density (tonne CO_2e/income in HK$ million)			2019: 0.026 2018: 0.022			
Power consumption (kWh)	57,950	70,137	21,240	24,803	12,621	11,688
Overall power consumption density (kWh/income in HK$ million)			2019: 37.55 2018: 31.53			
Total fuel consumption (litre)	20,330	20,568	6,768	6,700	N/A	N/A
Overall fuel consumption density (litre/income in HK$ million)			2019: 11.08 2018: 8.06			
Paper consumption (tonne)	0.5	0.5	0.1	N/A	0.1	0.1

Water consumption	No direct water supply is available in each of its place of operations, except through the shared facilities in office buildings (relevant water consumption statistics are not available from the management company), such as washrooms and pantry. So, the water consumption data will not be further disclosed in this section.

1 *Since the Group operates its business in offices and mainly relies on electricity as its main energy source without involving any process which is highly dependent on the use of fossil fuels or direct energy sources, or product packaging, the Scope 1 (direct use of energy) greenhouse gas emissions and data related to product packaging are not disclosed.*

In general, the Group's greenhouse gas emissions from electricity use decreased slightly by 13.8% to 64.3 tonne CO_2e from last year, mainly due to the fact that the Group encouraged employees to implement various office energy-saving measures and the significant decrease in the number of the Group's staff (for reasons set out above) during the year, leading to a drop in electricity consumption and the relevant greenhouse gas emissions. Besides, the Group did not generate any hazardous waste during the year, and the non-hazardous waste generated was mainly papers for administrative purpose, with an annual paper consumption of about 0.7 tonne.

With concerns over the impact of business operations on the environment, the Group strives to reduce the environmental impact (including greenhouse gas emissions, waste generation, sewage disposal, use of other natural resources and any reasonably foreseeable potential impact) mainly by raising employees' environmental awareness and implementing various energy-saving and emission reduction measures. Meanwhile, the Group also attaches importance to the risks caused by climate changes to its business operations, and aims to prepare and respond through internal discussions and identification of risk factors.

With respect to compliance, the Group's operating locations in the PRC have fully complied with the Law of Environmental Protection of the People's Republic of China, Energy Conservation Law of the People's Republic of China and the other relevant laws, while the other operating locations have also fully complied with the local environmental laws. On top of that, we have also implemented several energy-saving measures based on actual situations to further reduce the environmental impact of our operations.

GIVING BACK TO SOCIETY

Committed to "doing justice while making profits, taking corporate responsibilities in a bold manner, and creating innovative social values with integrity", the Group aims to build a better society by following the pace of national development and upholding to the belief of "becoming an honest, respectable and innovative enterprise". As the first listed online video company and one of the top 100 internet enterprises in the PRC, while achieving the Group's innovative development and reaping corporate economic benefits, we adhere to our social responsibilities as an internet company, actively engage in public welfare undertakings, and fulfil our corporate social responsibilities with practical actions, in order to contribute to the development of the internet industry in the PRC.

The social issues of concern of the Group are as follows:

Disaster assistance	Care for children	Assistance for disadvantaged	Environmental protection	Poverty relief

During the year, the Group actively organised and participated in various activities on social issues of concern through different ways, such as raising funds through walking, resources donations and free training, to give back to the society and create a happier future in response to the national policy.

Date	Type of Issues	Activities
January 2019	Assistance for disadvantaged	**"Caring for Tomorrow" (關愛明天) warm winter series** Hosted by V1 Group and its party committee and undertaken by Fengkuang Tiyu under V1 Group, the "Caring for Tomorrow" warm winter series held the launching ceremony at Jimin Qizhi Rehabilitation Centre in Beijing with the support of China Philanthropy Times. In active response to calls of the party and the country, the activities held under this series were targeted to children with mental disabilities among the disabled group, in the hope of helping these children grow up healthily and happily.
		"New Year Celebration with Grassroots" (迎新春、走基層) During the Lunar New year, the Group representatives paid a visit to 30 students with mental and intellectual disabilities at the Bajiao Zikang Station, Beijing and held the Lunar New Year celebration activities with them.
March 2019	Environmental protection	**"Earth Hour 2019"** Invited by the World Wide Fund for Nature, the Group became the official media partner of "Earth Hour 2019", providing live-streaming service for activities at the main venue while offering online all-media matrix public welfare assistance for the online transmission of this event.
	Care for children	**The "Give Healthy Girls a Healthy Flower Season" (送健康女孩一個健康花季) charity event of Shuidichou** The Group actively undertook corporate social responsibilities and was invited to become a cooperation unit for the charity event called "Give Healthy Girls a Healthy Flower Season" of Shuidichou. The event aimed to donate hygiene supplies to girls in Tibetan Plateau to enhance their hygiene and health awareness. The Group assisted this charity event via new media transmission methods, including online donations and the Group's official Weibo account. A total of more than 50,000 internet users followed this activity through the Group's platforms and a sum of more than RMB120,000 was raised, all of which were used to purchase personal hygiene products for girls in Tibet.

Date	Type of Issues	Activities
April 2019	Assistance for disadvantaged	**The first Media Convergence Anchor Training Programme for the Disabled** The Group held the Media Convergence Anchor Entrepreneurship and Training Programme for the Disabled for 2019 to encourage the disabled to become self-reliant and enhance their money-making ability.
May to June 2019	Poverty relief	**"Add Meal for Love" (為愛加餐) of the China Foundation for Poverty Alleviation** The Group became a strategic partner of the "Add Meal for Love" activity of the China Foundation for Poverty Alleviation to offer help in poverty relief efforts.
July 2019	Poverty relief	**Established "Zhang Senlin Education Fund under the China Soong Ching Ling Foundation"** Dr. Zhang Lijun made a donation of RMB1 million in total to establish the "Zhang Senlin Education Fund under the China Soong Ching Ling Foundation".
October 2019	Poverty relief	**"2019 Beijing Good Walker Charity Walk" (2019北京善行者公益徒步活動)** Under the guidance of the Poverty Alleviation Office of the State Council, the "2019 Beijing Good Walker Charity Walk" jointly sponsored by the China Foundation for Poverty Alleviation and the People's Government of Changping District in Beijing was held in Juyongguan, Beijing. As a loving media partner, the Group sent its pioneers of good deeds to participate in the 50-kilometre charity walk.

Besides, to complement the disease prevention and control measures of the PRC, the Group also contributed to the disease prevention and control in a myriad of ways during the year, such as donations, charity sale and release of latest developments related to the coronavirus pandemic.

Donation	**Donation to Red Cross Society of Wuhan** We made a donation of RMB1 million in total to the Red Cross Society of Wuhan in the names of different subsidiaries and the Chairman for battling the coronavirus outbreak.
Online charity sale	**Launched an online charity auction called "Come on, Wuhan!"** We launched an online charity auction called "Come on, Wuhan!" through the "Story of Us" programme on CATV. Many important guests donated their valuable paintings and calligraphy works for charity sale. The funds raised had already been transferred to the China Soong Ching Ling Foundation for donation to the frontline staff fighting the coronavirus in Wuhan.
Release of disease prevention information	**Release real-time pandemic information to provide updates for the world** The operation team of the V1 media centre committed to their duties by providing timely pandemic information to users and trying their best to distribute the knowledge on disease prevention. Meanwhile, the Group's staff also opened a live-streaming channel to provide daily updates on the development of the outbreak in a timely manner.
Participation in joint disease prevention and control	**Participation in joint disease prevention and control in the community** In response to calls for joint disease prevention and control in communities, we helped to strengthen the management and body temperature monitoring on people entering and leaving the community.

OUTLOOK

The Group has been endeavouring to become a leading internet sports enterprise in the PRC. While vigorously developing its business, the Group has always been upholding the concept of protecting the environment and enhancing social governance. Looking ahead, we will further utilise our own resources and strengths to take the initiative to lead the industry on the road to sustainable development in line with the national policy by taking up more responsibilities instead of mere passive cooperation. The Group regards sustainable development as one of its important tasks and an indispensable part of corporate governance. Hence, the Group will continue to improve its operating systems to establish a business model that is beneficial to the environment, society and governance, which will bring more value to stakeholders in the long run.

CORPORATE GOVERNANCE REPORT

A. 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 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 2019 except for the deviation with explanations as set out hereunder.

According to the code provision A.2.1 of the Corporate Governance 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.

B. DIRECTORS' 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.

C. BOARD OF DIRECTORS

Board Composition

The Board currently has six members, comprising three 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 and Senior Management" section of this report. The roles and functions 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.

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.

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 Entitled to Attend						
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Corporate Governance Committee Meeting	Independent Board Committee Meeting	General Meeting
Executive Directors							
Zhang Lijun	6/6	n/a	2/2	1/1	2/2	n/a	1/1
Wang Chun	5/6	n/a	2/2	1/1	2/2	n/a	1/1
Ji Qiang	6/6	n/a	n/a	n/a	n/a	n/a	1/1
Independent non-executive Directors							
Loke Yu (alias Loke Hoi Lam)	6/6	4/4	2/2	1/1	2/2	1/1	1/1
Gong Zhankui	6/6	4/4	2/2	1/1	2/2	1/1	1/1
Wang Linan	6/6	4/4	2/2	1/1	2/2	1/1	1/1

Chairman and Chief Executive Officer

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.

The Chairman had held two meetings with all independent non-executive Directors in the absence of executive Directors. Except for a general exchanges of ideas among the Directors, no specific or other issues had been raised or discussed as it had been concluded that all issues which would be discussed had been properly dealt with in the meetings of the Board.

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.

Continuing Professional Development

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.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During 2019, the directors had attended seminars and/or training sessions, and had read materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements. The Board considered the continuous professional development participated and undertaken by the Directors are sufficient to discharge their duties.

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.

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 Corporate Governance Code, of all the board committees are available on the websites of the Stock Exchange and the Company.

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 2018 and the unaudited interim financial statements for the six months ended 30 June 2019 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.

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. Recommendations regarding the review 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.

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 2019 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 2018 Annual Report of the Company.

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, Mr. Lam Yau Yiu, the Company Secretary had confirmed that he had taken no less than 15 hours of relevant professional training. The biography of the Company Secretary is set out in the "Directors and Senior Management" section of this report.

D. FINANCIAL REPORTING AND INTERNAL CONTROL

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 2019, 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".

Internal Control

The Board is entrusted with the overall responsibility for establishing and maintaining effective internal control system for the Group and overseeing the internal control system through the Group's internal audit department. 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. The Group's internal control system is designed to provide cost-effectiveness and reasonable protection, which safeguards the Group's assets and maintains the integrity of the accounting and reporting systems. The Group emphasizes 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 necessary, retain external professional services to evaluate or seek improvements to the internal control system.

The Group's internal audit department reviews our significant control measures on an on-going basis, aiming to monitor all our major businesses periodically. Overall, the internal audit aims to provide the Board with reasonable assurance that the Group's internal control system is effective. During the year, the Audit Committee had reviewed effectiveness of the risk management and internal control systems 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.

Disclosure of Inside Information

The Group acknowledges its responsibilities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the Listing Rules that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and disseminating inside information are as follows:

— the Group conducts its affairs with strict compliance with the disclosure requirement under the Listing Rules and the "Guideline on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong;

— the Group has implemented its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcement and its website; and

— the Group has strictly prohibited any unauthorized use of confidential or inside information.

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$1,480,000
Non-audit services	HK$199,000

E. SHAREHOLDERS' RIGHTS

Right to 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 21 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.

Right to 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, 30/F,
9 Queen's Road Central,
Hong Kong

Telephone:	(852) 2869 8966
Fax:	(852) 2869 8960
E-mail:	ir@v1group.com

Upon receipt of the enquiries, the staff of the investor relations department will consider the concern proposed and raise it to the Company Secretary.

Right to 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.

F. 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 28 May 2019.

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.

G. 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.

DIRECTORS' REPORT

The Directors are pleased to present this Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of its subsidiaries are principally engaged in two core businesses, namely the sports and lottery related business and the telemedia and e-commerce business, in 2019. The sports and lottery related business covered the development and operation of its online information platform, online mobile game applications, live-streaming platforms and provision of sales services of lottery tickets through retail channels in the PRC. The telemedia and e-commerce business covered the provision of online information services (including its internet audio-visual new media and other Internet+ businesses), operation of its online trading platform, both in the PRC, as well as the operation of a satellite TV station in Dubai, the UAE. The segment information of the Group for the year ended 31 December 2019 is set out in note 6 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 10 to 29 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 2019 and the Group's financial position at that date are set out in the Group's consolidated financial statements on page 100 to 102 of this Annual Report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

The Board adopted a dividend policy on 22 March 2019 ("Dividend Policy") that can enhance the transparency of the Company regarding shareholders and the investors in their investment decisions.

According to the Dividend Policy, the Board will consider a number of factors in deciding whether any future dividend will be declared and the amount will be declared. The factors are, but not limited to:

(1) the prevailing and expected financial results of the Group;

(2) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(3) the Company's business operation strategy, including expected working capital requirements, capital expenditure requirements and future expansion plans;

(4) the Company's liquidity position;

(5) retained earnings and distributable profit reserves of the Company;

(6) the contractual restrictions on the payment of dividends imposed by the Company's lenders and other institutions, if any; and

(7) any other factors that the Board considers to be applicable from time to time.

The Company does not have any pre-determined dividend distribution proportion or ratio.

The declaration, payment and amount of dividends will be subject to the Board's discretion. The Board will review the Dividend Policy on a regular basis.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and 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 192 of this Annual Report. 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 Group during the year ended 31 December 2019 are set out in note 14 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 25 and 28 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 2019.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements and page 103 of this Annual Report respectively.

DISTRIBUTABLE RESERVES

At 31 December 2019, the Company did not have any distributable reserves (2018: Nil). The Company's share premium account in the amount of HK$1,702,600,000 (2018: HK$1,702,600,000) 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	14.7%
	• the five largest suppliers	45.0%
(b)	Percentage of sales attributable to:	
	• the largest customer	19.9%
	• the five largest customers	52.4%

During the year under review, the largest customer of the Group was Beijing Meiyi Yitao Sharing Technology Co., Ltd.* (北京每日一淘共享科技有限公司) which contributed the sales of about HK$485,388,000 and the largest supplier was Beijing Jingdong Century Information Technology Co., Ltd. (北京京東世紀信息技術有限公司) which contributed the cost of sales of about HK$340,665,000. TMD1 was not the largest customer and supplier of the Group in 2019. Save as disclosed in this Annual Report 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.

DIRECTORS

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

Executive Directors:

Dr. Zhang Lijun *(Chairman)*
Ms. Wang Chun
Mr. Ji Qiang

Independent Non-Executive Directors:

Dr. Loke Yu (alias Loke Hoi Lam)
Prof. Gong Zhankui
Mr. 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. Mr. Ji Qiang and Dr. Loke Yu 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 Listing Rules and the Board considers them to be independent.

CHANGES IN INFORMATION WITH REGARDS TO DIRECTORS

The change in the information of directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is as follows:

Dr. Loke resigned as an independent non-executive director of Lamtex Holdings Limited, a company listed on the Stock Exchange, on 23 March 2020.

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 Group within one year without payment of compensation (other than statutory compensation).

SHARE OPTION SCHEMES

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 2019, 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 ("Options"). 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.

SHARE OPTION SCHEMES (Continued)

On 28 May 2019, the shareholders of the Company at the annual general meeting had approved the refreshment of the General Scheme Limit ("Refreshment") as the available Options to be granted before the Refreshment was 0.07% of the Shares in issue which were not sufficient to grant Options to the eligible participants as incentives or rewards for the contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group. The General Scheme Limit after the Refreshment would be 421,339,526 Shares.

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;

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.

SHARE OPTION SCHEMES (Continued)

(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 353,339,526 shares, after the Refreshment and the grant of Options on 5 July 2019, representing approximately 8.24% 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 (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 Options:*

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.

(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.

SHARE OPTION SCHEMES (Continued)

(IX) *The remaining life of the V1 Group Scheme:*
The V1 Group Scheme has the period of 10 years commencing from 30 April 2012.

There were options granted by the Company during the year ended 31 December 2019. Details of the share options as at the year ended 31 December 2019 are set out below and in note 28 to the financial statements.

2019

	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 2 September 2016	2,000,000	–	–	(2,000,000)	–	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	2,000,000	–	–	–	2,000,000	0.229	25/01/2018 to 24/01/2021
	4,000,000	–	–	(2,000,000)	2,000,000		
Wang Chun							
— on 2 September 2016	2,000,000	–	–	(2,000,000)	–	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	3,000,000	–	–	–	3,000,000	0.229	25/01/2018 to 24/01/2021
	5,000,000	–	–	(2,000,000)	3,000,000		
Ji Qiang							
— on 5 July 2019	–	3,000,000	–	–	3,000,000	0.385	05/07/2019 to 04/07/2022
	–	3,000,000	–	–	3,000,000		
Sub-total	9,000,000	3,000,000	–	(4,000,000)	8,000,000		
Independent non-executive directors							
Loke Yu (alias Loke Hoi Lam)							
— on 2 September 2016	700,000	–	–	(700,000)	–	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	750,000	–	–	–	750,000	0.229	25/01/2018 to 24/01/2021
— on 5 July 2019	–	1,000,000	–	–	1,000,000	0.385	05/07/2019 to 04/07/2022
	1,450,000	1,000,000	–	(700,000)	1,750,000		

SHARE OPTION SCHEMES (Continued)

2019

	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
Gong Zhankui							
— on 2 September 2016	700,000	–	–	(700,000)	–	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	750,000	–	–	–	750,000	0.229	25/01/2018 to 24/01/2021
— on 5 July 2019	–	1,000,000	–	–	1,000,000	0.385	05/07/2019 to 04/07/2022
	1,450,000	1,000,000	–	(700,000)	1,750,000		
Wang Linan							
— on 2 September 2016	700,000	–	–	(700,000)	–	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	750,000	–	–	–	750,000	0.229	25/01/2018 to 24/01/2021
— on 5 July 2019	–	1,000,000	–	–	1,000,000	0.385	05/07/2019 to 04/07/2022
	1,450,000	1,000,000	–	(700,000)	1,750,000		
Sub-total	4,350,000	3,000,000	–	(2,100,000)	5,250,000		
Employees							
— on 2 September 2016	2,900,000	–	–	(2,900,000)	–	0.371	02/09/2016 to 01/09/2019
— on 3 May 2018	99,000,000	–	–	(99,000,000)	–	0.550	03/05/2018 to 02/05/2019
— on 5 July 2019	–	42,000,000	–	–	42,000,000	0.385	05/07/2019 to 04/07/2022
Sub-total	101,900,000	42,000,000	–	(101,900,000)	42,000,000		
Others							
— on 2 September 2016	1,000,000	–	–	(1,000,000)	–	0.371	02/09/2016 to 01/09/2019
— on 3 May 2018	51,000,000	–	–	(51,000,000)	–	0.550	03/05/2018 to 02/05/2019
— on 5 July 2019	–	20,000,000	–	–	20,000,000	0.385	05/07/2019 to 04/07/2022
Sub-total	52,000,000	20,000,000	–	(52,000,000)	20,000,000		
Total	167,250,000	68,000,000	–	(160,000,000)	75,250,000		

SHARE OPTION SCHEMES (Continued)

2018

	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 16 October 2015	3,000,000	–	–	(3,000,000)	–	0.570	16/10/2015 to 15/10/2018
— on 2 September 2016	2,000,000	–	–	–	2,000,000	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	–	2,000,000	–	–	2,000,000	0.229	25/01/2018 to 24/01/2021
	5,000,000	2,000,000	–	(3,000,000)	4,000,000		
Wang Chun							
— on 16 October 2015	5,700,000	–	–	(5,700,000)	–	0.570	16/10/2015 to 15/10/2018
— on 2 September 2016	2,000,000	–	–	–	2,000,000	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	–	3,000,000	–	–	3,000,000	0.229	25/01/2018 to 24/01/2021
	7,700,000	3,000,000	–	(5,700,000)	5,000,000		
Ji Qiang							
— on 16 October 2015	1,000,000	–	–	(1,000,000)	–	0.570	16/10/2015 to 15/10/2018
— on 25 January 2018	–	750,000	(750,000)	–	–	0.229	25/01/2018 to 24/01/2021
	1,000,000	750,000	(750,000)	(1,000,000)	–		
Sub-total	13,700,000	5,750,000	(750,000)	(9,700,000)	9,000,000		
Independent non-executive directors							
Loke Yu (alias Loke Hoi Lam)							
— on 16 October 2015	2,000,000	–	–	(2,000,000)	–	0.570	16/10/2015 to 15/10/2018
— on 2 September 2016	700,000	–	–	–	700,000	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	–	750,000	–	–	750,000	0.229	25/01/2018 to 24/01/2021
	2,700,000	750,000	–	(2,000,000)	1,450,000		

SHARE OPTION SCHEMES (Continued)

2018

	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
Gong Zhankui							
— on 16 October 2015	2,000,000	–	–	(2,000,000)	–	0.570	16/10/2015 to 15/10/2018
— on 2 September 2016	700,000	–	–	–	700,000	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	–	750,000	–	–	750,000	0.229	25/01/2018 to 24/01/2021
	2,700,000	750,000	–	(2,000,000)	1,450,000		
Wang Linan							
— on 16 October 2015	2,000,000	–	–	(2,000,000)	–	0.570	16/10/2015 to 15/10/2018
— on 2 September 2016	700,000	–	–	–	700,000	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	–	750,000	–	–	750,000	0.229	25/01/2018 to 24/01/2021
	2,700,000	750,000	–	(2,000,000)	1,450,000		
Sub-total	8,100,000	2,250,000	–	(6,000,000)	4,350,000		
Employees							
— on 16 October 2015	21,300,000	–	(13,500,000)	(7,800,000)	–	0.570	16/10/2015 to 15/10/2018
— on 2 September 2016	7,900,000	–	(5,000,000)	–	2,900,000	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	–	3,000,000	(3,000,000)	–	–	0.229	25/01/2018 to 24/01/2021
— on 3 May 2018	–	99,000,000	–	–	99,000,000	0.550	03/05/2018 to 02/05/2019
Sub-total	29,200,000	102,000,000	(21,500,000)	(7,800,000)	101,900,000		
Others							
— on 16 October 2015	11,000,000	–	(10,000,000)	(1,000,000)	–	0.570	16/10/2015 to 15/10/2018
— on 2 September 2016	1,000,000	–	–	–	1,000,000	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	–	9,000,000	(9,000,000)	–	–	0.229	25/01/2018 to 24/01/2021
— on 3 May 2018	–	51,000,000	–	–	51,000,000	0.550	03/05/2018 to 02/05/2019
Sub-total	12,000,000	60,000,000	(19,000,000)	(1,000,000)	52,000,000		
Total	63,000,000	170,000,000	(41,250,000)	(24,500,000)	167,250,000		

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

As at 31 December 2019, 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	1,032,563,113 *(Note 1)*	24.51%	5,000,000 *(Note 2)*	0.12%
Wang Chun	Beneficial owner/ Interest of spouse/Founder of discretionary trust	1,032,563,113 *(Note 3)*	24.51%	5,000,000 *(Note 4)*	0.12%
Ji Qiang	Beneficial owner	750,000	0.02%	3,000,000	0.07%
Loke Yu (alias Loke Hoi Lam)	Beneficial owner	–	–	1,750,000	0.04%
Gong Zhankui	Beneficial owner	–	–	1,750,000	0.04%
Wang Linan	Beneficial owner	1,400,000	0.03%	1,750,000	0.04%

Note 1: As at 31 December 2019, Dr. Zhang Lijun ("Dr. Zhang") held and was deemed to hold under the SFO in aggregate 1,032,563,113 Shares, representing approximately 24.51% of the Company's issued share capital. These 1,032,563,113 Shares comprised: (i) 70,514,113 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 330,199,000 Shares held by Big Step Group Limited and 622,500,000 Shares held by Blazing Ace Limited, both of which wholly owned by Avis Trend Limited. Avis Trend Limited is wholly owned by Cantrust (Far East) Limited in its capacity as the trustee of a discretionary family trust established by Dr. Zhang as settlor, and the discretionary beneficiaries of the trust include Dr. Zhang, Ms. Wang and their family members.

Note 2: Of these 5,000,000 share options, 2,000,000 share options are directly held by Dr. Zhang. Dr. Zhang is also deemed to be interested in the remaining 3,000,000 share options through the interest of his spouse, Ms. Wang.

Note 3: As at 31 December 2019, Ms. Wang held and was deemed to hold under the SFO in aggregate 1,032,563,113 Shares, representing approximately 24.51% of the Company's issued share capital. These 1,032,563,113 Shares comprised: (i) 9,350,000 Shares directly held by Ms. Wang; (ii) deemed interest of 70,514,113 Shares directly held by Dr. Zhang, the spouse of Ms. Wang; and (iii) deemed interest of 330,199,000 Shares held by Big Step Group Limited and 622,500,000 Shares held by Blazing Ace Limited, both of which wholly owned by Avis Trend Limited. Avis Trend Limited is wholly owned by Cantrust (Far East) Limited in its capacity as the trustee of a discretionary family trust established by Dr. Zhang as settlor, and the discretionary beneficiaries of the trust include Dr. Zhang, Ms. Wang and their family members.

Note 4: Of these 5,000,000 share options, 3,000,000 share options are directly held by Ms. Wang. Ms. Wang is also deemed to be interested in the remaining 2,000,000 share options through the interest of her spouse, Dr. Zhang.

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:

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%
	Bank of Asia (BVI) Limited *(Note 5)*	Interest of controlled corporation of spouse	8,800,000	5.39%
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%
	Bank of Asia (BVI) Limited *(Note 6)*	Interest of controlled corporation	8,800,000	5.39%

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.

Note 2: VODone Holdings Limited (formerly known as Bentex (Hong Kong) Limited) ("VODone Holdings") is a wholly-owned subsidiary of Clear Concept. Dr. Zhang is deemed to be interested in 100% of VODone Holdings 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 VODone Holdings. Dr. Zhang is deemed to be interested in TMD1 under the SFO by virtue of his deemed interest in VODone Holdings.

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

Note 5: Bank of Asia (BVI) Limited ("BOA") is owned as to 47.53% by the Company and 5.39% by Oasis Sun Investment Limited ("Oasis Sun"), a company wholly-owned by Dr. Zhang. Dr. Zhang is deemed to be interested in Oasis Sun's 5.39% in BOA under the SFO.

Note 6: Ms. Wang is deemed to be interested in BOA through Dr. Zhang's deemed interest in BOA.

Save as disclosed herein, as at 31 December 2019, 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 33 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 2019, 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.

RELATED PARTY TRANSACTIONS

During the year, the Group had certain related party transactions, further details of which are included in note 33 and 35(b) 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 33(a), (c), (d), (e), (f) and 35(b) 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 33(b) to the financial statements constituted connected transactions for the Company but are fully exempt under Rule 14A.95 of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

1.A Particulars of Structured Contracts and Description of Business of TMD1 and TMD Service Companies

The Group acquired its tele-media business in 2006 through acquisition of 51% interest (the "2006 Acquisition") in Clear Concept International Limited ("Clear Concept") by the Company. Clear Concept is an investment holding company holding 100% interest in VODone Holdings Limited (formerly known as Bentex (Hong Kong) Limited ("VODone Holdings") which in turn holds 49% interest in VODone Datamedia Technology Co., Ltd. ("TMD1"). TMD1 had entered into an exclusive business support and content services agreement ("Master Agreement") with Vodone Telemedia Co., Ltd. ("VODONE") pursuant to which TMD1 as the exclusive service provider shall directly or through its designated third parties provide comprehensive business support and contents services to VODONE. VODONE is licensed in the PRC to provide an audio/video transmission platform delivering a range of cross media telecommunications contents and valued added services, directly and indirectly, to its customers. Details of the principal licenses held by VODONE are set out on pages 10 to 11 in the major and connected transaction circular of the Company dated 18 August 2006 (the "2006 Circular").

For TMD1 to effectively perform the full range of services under the Master Agreement, TMD1 had set up sub-contracting arrangements with each of VODone Information Engineering Group Co., Ltd (formerly known as VODone Information Engineering Co., Ltd. and Beijing Jinkaiman Tech Development Co., Ltd.) ("TMD2"), Beijing Adpeople International Cultural Exchange Co., Ltd (formerly Known as Beijing Adpeople International Advertising Co., Ltd. and Beijing Haoshuang Advertising Management Co., Ltd.) ("TMD3") and Beijing Union Times Entertainment Culture Development Co., Ltd. ("TMD4", together with TMD2 and TMD3, the "TMD Service Companies") to procure various technical or functionally specialized services (the "Service Agreements"). Details of the Service Agreements are disclosed on pages 14 to 15 of the 2006 Circular under the subsection headed "Scope of activities under the Service Agreements". In brief, under the Service Agreements, TMD Service Companies had agreed to provide the essential technical, advertising, promotion, contents production and other services to support TMD1 and ultimately VODONE in its business development.

Under the structure of the contractual arrangements for the Group's tele-media business, the Group has no right to acquire the equity interest of VODONE which holds various licenses to operate tele-communication and Internet services in the PRC, but could derive the economic benefits of the tele-media business through acquisition of interest in Clear Concept.

The Group's tele-media business is operated under VODONE. Pursuant to the Master Agreement, TMD1 is entitled to contracting fees which equate to an amount of not less than 60% of the gross revenues from the tele-media value added services generated by VODONE (as recorded by VODONE in accordance with PRC accounting standards). And by virtue of the Service Agreement the TMD Service Companies generate their respective revenues by charging TMD1 on services they respectively provide at market determined prices. Effectively all the revenue generated and expenses incurred by VODONE in running the tele-media business have been passed on to TMD1 and eventually to the TMD Service Companies (i.e. the Group) through the Structured Contracts and accordingly reflected in the financial statements of the Group.

1.B Particulars of Structured Contracts and Description of New Business

The Group acquired a new business through acquisition of 100% interest in Easy Prime by the Company in November 2018. Through Easy Prime's wholly owned subsidiary, WFOE entering into VIE Contracts with OPCO, a wholly owned subsidiary of VODONE, and VODONE, pursuant to which the Group engages in the development and operation of online and/or mobile game applications, live-streaming platforms and online mobile interactive game applications, online information platforms and related products of sports nature in the PRC. Details of the principal licenses held by the OPCO are set out on page 35 in the major and connected transaction circular of the Company dated 28 September 2018 (the "2018 Circular").

The OPCO agrees to engage the WFOE as the exclusive service provider to provide the OPCO with business support, technical and consulting services, including but not limited to, technical services, business and marketing consultation, intellectual property leasing, system integration and maintenance, research and development of products and intellectual property and Internet network support (the "Services").

During the term of the Exclusive Business Cooperation Agreement, without the prior written consent of the WFOE, the OPCO is not allowed to engage or co-operate with any third party for the provision of the same or similar Services.

The OPCO agreed to pay 100% of its net income to the WFOE as a fee for the Services on a quarterly basis.

Details of the VIE Contracts are set out on pages 51 to 66 in the 2018 Circular.

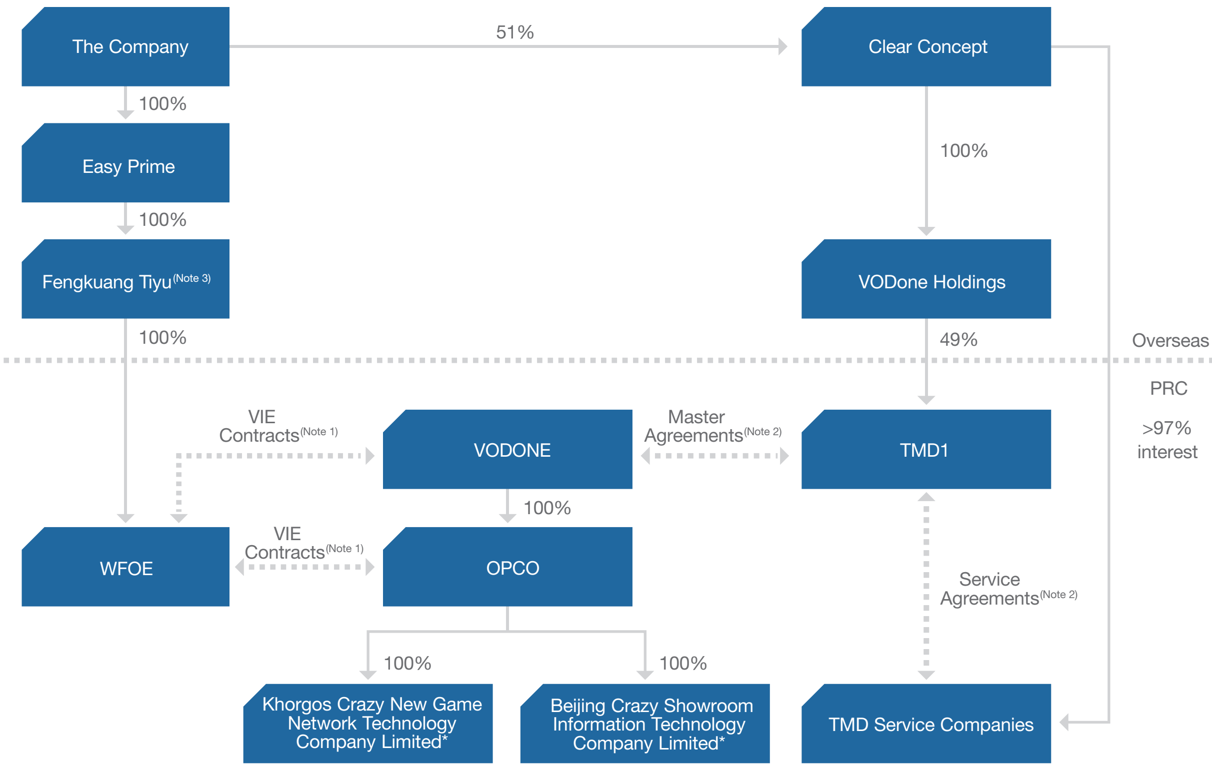
Pursuant to the VIE Contracts, the WFOE is able to control the finance and operation of the OPCO so as to obtain the economic interest and benefits from its business activities despite the lack of registered equity ownership. The Group has the right to consolidate the financial results of the OPCO Group in its consolidated accounts as if it were a subsidiary of the Group.

1.C Structured Contract Flowchart

Set out below is a chart outlining simplified shareholding structure of (a) VODONE, TMD1 and the TMD Service Companies and the structured contract relationship under the Master Agreement and Service Agreement (collectively the "Structured Contracts") as detailed in paragraph 1.A above and (b) VODONE, WFOE and OPCO and the VIE contract relationship underlying the new business as mentioned in paragraph 1.B above.

1.C Structured Contract Flowchart (Continued)

Shareholding structure chart and structured contract arrangements of the Group



Notes:

(1) *The VIE Contracts arrangements through which the business of Easy Prime and its subsidiaries is operated as described in paragraph 1.B above.*

(2) *The Structured Contracts arrangements through which the tele-media business of the Group is operated as described in paragraph 1.A above.*

(3) *Fengkuang Tiyu (HK) Limited.*

"–" *denotes shareholding relationship*

"…" *denotes contractual relationship*

* *for identification purposes only*

2. REVENUE AND ASSETS SUBJECT TO THE STRUCTURED CONTRACTS

For the year ended 31 December 2019 the revenue recorded by the Group arising from the Structured Contracts relating to the tele-media business amounted to HK$23,532,000. The assets of VODONE have never been consolidated into the financial statements of the Group under the Structured Contracts. The reportable segment assets of the tele-media business of the Group in note 6 to the financial statements for the year ended 31 December 2019 of the Group represented the assets of the members of the Group including the TMD Service Companies.

For the year ended 31 December 2019 the revenue recorded by the Group arising from the VIE Contracts relating to the mobile games, application and live-streaming platform business amounted to HK$184,580,000. The assets of OPCO and its subsidiaries have been consolidated into the financial statements of the Group under the VIE Contracts. The reportable segment assets of the mobile games, application and live-streaming platform business of the Group are disclosed in note 6 to the financial statements for the year ended 31 December 2019 of the Group.

3. THE EXTENT TO WHICH THE CONTRACTUAL ARRANGEMENTS RELATING TO REQUIREMENTS OTHER THAN THE FOREIGN OWNERSHIP RESTRICTION

STRUCTURED CONTRACTS

As advised by the Company's PRC legal advisers, requirements related to Structured Contracts (other than relevant foreign ownership restrictions) primarily concerns the legality, validity and binding effect of the Structured Contracts. The Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on parties thereto, and do not individually or collectively, constitute a breach of any PRC laws and regulations and will not be deemed invalid or ineffective under those laws and regulations; in particular, the Structured Contracts would not violate the provisions of the PRC Contract Law, including "concealing an illegitimate purpose under the guise of legitimate acts" under Article 52 of the PRC Contract Law, the General Principles of the PRC Civil Law and other applicable PRC laws and regulations.

VIE CONTRACTS

As advised by the Company's PRC legal advisers, according to the Catalogue (2017) and the Negative List (2018), the Company, as a foreign entity, is not allowed to hold any equity interests of the OPCO under the PRC laws. However, according the current PRC laws, (i) no approval from the authority is required for the execution of the VIE Contracts; and (ii) there is no prohibitive or restrictive requirement with respect to the VIE Contracts under current PRC laws.

4. REASONS FOR THE CONTRACTUAL ARRANGEMENTS AND ASSOCIATED RISKS

Currently, the regulatory requirements of the Internet information services in the PRC does not allow foreign ownership in VODONE which is the holder of certain business licenses which can only be held by PRC legal entities. Accordingly, the arrangements contemplated under Structure Contracts and VIE Contracts do not involve direct investment by the Company in VODONE. The Company's PRC legal adviser is of the opinion that:

A. The Structured Contracts are subject to the following risks:

(i) There is no assurance that the Structured Contracts will be deemed by the relevant PRC governmental and judicial authorities to be in compliance with existing PRC laws and regulations or that it will be in compliance with future PRC laws and regulations, including but not limited to the Draft Foreign Investment Law. However, given that VODONE and TMD1 remain under the absolute control of PRC nationals, the structured contracts of the Group's tele-media business will be considered as being "controlled" by "PRC investors" as defined under the Foreign Investment Law of the PRC (Draft for Comment)（《中華人民共和國外國投資法（草案徵求意見稿）》）and the Explanation on the draft PRC Foreign Investment Law（《關於〈中華人民共和國外國投資法（草案徵求意見稿）〉的説明》）circulated by the Ministry of Commerce of the PRC (collectively, the "Draft Foreign Investment Law"), and be justified to become PRC law compliant even if the Draft Foreign Investment Law is enacted into law in its current form;

(ii) The Group depends upon the Structured Contracts with VODONE in conducting its tele-media business's operations and receiving payments through VODONE, which may not be as effective in providing operational control as direct ownership over VODONE;

(iii) Dr. Zhang, who has an effective interest of 99.46% in VODONE, may have conflicts of interest with the Group, which may materially and adversely affect the tele-media business of the Group; and

(iv) The Structured Contracts may be subject to the scrutiny by the PRC tax authorities and additional taxes may be imposed.

4. REASONS FOR THE CONTRACTUAL ARRANGEMENTS AND ASSOCIATED RISKS (Continued)

B. The VIE Contracts are subject to the following risks:

(i) There can be no assurance that the VIE Contracts will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the VIE Contracts will be deemed to be in compliance of the PRC laws and regulations;

(ii) The Group relies on contractual arrangements under the VIE Contracts with the OPCO to operate the mobile game business in the PRC. These contractual arrangements may not be as effective in providing the Group with control over the OPCO as direct ownership;

(iii) The Group's control over the OPCO is based on the contractual arrangement under the VIE Contracts. Therefore, conflict of interests of the PRC Equity Owner will adversely affect the interests of the Company;

(iv) The VIE Contracts may be subject to the scrutiny by the PRC tax authorities and additional taxes may be imposed;

(v) The VIE Contracts provides for dispute resolution by way of arbitration in accordance with the arbitration rules of the Arbitration Commission. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in the OPCO in case of disputes;

(vi) A substantial amount of costs and time may be involved in transferring the ownership of the OPCO to the Group;

(vii) The Company does not have any insurance which covers the risks relating to the VIE Contracts and the transactions contemplated thereunder; and

(viii) The WFOE bears economic risks which may arise from difficulties in the operation of the OPCO's business.

4. REASONS FOR THE CONTRACTUAL ARRANGEMENTS AND ASSOCIATED RISKS (Continued)

The Group has adopted and/or will adopt the following measures to ensure legal and regulatory compliance and implementation:

I. The Structured Contracts:

(i) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(ii) the Group has implemented corporate governance measures to manage any conflict of interest between the Group and Dr. Zhang or any of his associates. For instance, a Director shall declare the nature of his or her interest at the beginning of each and every meeting of the Board, and if he or she is to be regarded as having material interest in any matter being considered in a meeting, such Director shall abstain from voting and not be counted in the quorum;

(iii) the Group, when and where appropriate, will engage legal advisors and/or other professionals to assist the Group to deal with specific issues arising from the Structured Contracts and to ensure that the operation and implementation of the Structured Contracts as a whole will comply with all applicable laws and regulations;

(iv) relevant business units and operation divisions of the Group's tele-media business will report regularly, which will be no less frequent than on a quarterly basis, to the senior management of the Company in relation to compliance and performance conditions under the Structured Contracts and other related matters;

(v) the independent non-executive Directors will monitor and review the effective implementation of the procedures, controls and compliance in relation to the Structured Contracts, and their confirmation will be disclosed in the Annual Report of the Company on an annual basis; and

(vi) the Company will disclose the overall performance and compliance with the Structured Contracts in its annual reports to update the Shareholders and potential investors.

4. REASONS FOR THE CONTRACTUAL ARRANGEMENTS AND ASSOCIATED RISKS (Continued)

II. The VIE Contracts

(i) the Group has appointed a board representative to the board of the OPCO (the "Representative") and set up a team stationing at the OPCO monitoring the daily managerial and operational activities of the OPCO. The Representative submits monthly reviews of OPCO's operations to the Board;

(ii) upon receiving notification of any major events of the OPCO by the Representative, the registered shareholders of the OPCO must report to the company secretary of the Company, who must in turn report to the Board;

(iii) the chief financial officer of the Company (the "Chief Financial Officer") shall conduct regular site visits to the OPCO and conduct personnel interviews quarterly and submit reports to the Board;

(iv) all seals, chops, incorporation documents and all other legal documents of the OPCO must be kept at the office of the WFOE;

(v) the Chief Financial Officer shall collect monthly management accounts, bank statements and cash balances and major operational data of the OPCO for review. Upon discovery of any suspicious matters, the Chief Financial Officer must report to the Board;

(vi) when there is a delay of the payment of the service fees from the OPCO to the WFOE, the Chief Financial Officer must meet with the registered shareholders of the OPCO to investigate, and should report any suspicious matters to the Board. In extreme cases, the registered shareholder(s) of the OPCO will be removed and replaced;

(vii) the OPCO must submit copies of latest bank statements for every bank accounts of the OPCO within 15 days after each month end; and

(viii) the OPCO must assist and facilitate the Company to conduct quarterly on-site internal audit on the OPCO.

5. ANY MATERIAL CHANGE IN THE STRUCTURED CONTRACTS AND UNWINDING OF THE STRUCTURED CONTRACTS AND VIE CONTRACTS

During the year ended 31 December 2019, there was no material change in the Structured Contracts and VIE Contracts, and/or the circumstances under which they were adopted, and none of the Structured Contracts and VIE Contracts has been unwound as none of the restrictions that led to the adoption of Structured Contracts and VIE Contracts has been removed.

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 2019, 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. For details on the Group's environmental policy, please refer to the Environmental, Social and Governance Report set out on pages 38 to 59 of this Annual Report.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For our relationship with employees, please refer to the paragraph headed "Employee and Remuneration Policies" as set out in the "Management Discussion and Analysis" on page 29 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 2019 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.

SUBSEQUENT EVENTS

On 20 January 2020, the Company and a placee entered into a placing agreement pursuant to which the Company agreed to allot and issue the 75,000,000 placing shares to the placee at a price of HK$0.200 per placing share ("Placing"). The net proceeds from the Placing (after deducting professional fees and other related costs and expenses incurred in the Placing) of approximately HK$14.8 million which would be used for the purpose of general working capital of the Group. The placement is expected to accelerate the building up of sports lottery new retail business of the Group. Details of the Placing can be referred to the announcements of the Company dated 20 January 2020 and 22 January 2020.

The outbreak of COVID-19 has brought about uncertainties on the operational environment of the Group since the beginning of 2020.

The Group has been closely monitoring the impact of the developments on its operations. The Group has formulated a series of emergency response measures, including: instantly established an antiepidemic leading team, with the Chairman of the Group's Board of Directors as the team leader and all the senior management of the Group as team members, to lead the epidemic prevention and control work of the Group; announcing real-time anti-epidemic requirements and arrangements through the WeChat and Weibo accounts of the Group; arranged the staff members in Beijing and foreign countries to work from home after the Lunar New Year holidays; and arranged staff of non-urgent positions to return to Beijing before 20 February 2020 after the government had announced that companies could resume work. Staff members were required to self-isolate at home for 14 days before being arranged to work in the office based on working requirements. Following the disease prevention and control requirements of the PRC, the Group arranged staff members to work at home to reduce the risk of infection in the workplace. Meanwhile, the Group purchased disinfectant alcohol, face masks and sanitizers for distribution to every staff member and sanitization was regularly conducted in the office area. The Group's branch offices in other countries were also required to carry out disease prevention and control measures according to the arrangements of the local governments. As the situation develops, the Group will continue to review our emergency response measures.

On behalf of the Board

Dr. Zhang Lijun
Chairman

Hong Kong
27 March 2020

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

FIVE YEAR FINANCIAL SUMMARY

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF V1 GROUP LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of V1 Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 100 to 191, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT ASSESSMENT OF GOODWILL AND INTANGIBLE ASSETS

Refer to notes 15 and 16 in the consolidated financial statements.

The Group has goodwill with carrying amount of HK$933,000 and intangible assets of HK$147,323,000 respectively relating to the cash generating unit ("CGU") of tele-media business and broadcasting TV business. The CGU incurred losses for the year ended 31 December 2019. This has increased the risk that the carrying values of goodwill and intangible assets may be impaired.

In the annual impairment review, management has concluded that the carrying amounts of HK$4,472,000 and HK$10,000,000 are required to be impaired in respect of the goodwill and intangible assets respectively during the year. This conclusion was based on a value in use model that required significant management judgment with respect to the discount rate and underlying cash flows, in particular future revenue growth.

Our response:

Our procedures in relation to management's impairment assessment included:

— Assessing the valuation methodology;

— Challenging the reasonableness of key assumptions adopted in the valuation, such as the discount rate, based on our knowledge of the business and industry and available market data; and

— Reconciling input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Choi Man On
Practising Certificate no. P02410

Hong Kong, 27 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	6(c)	2,444,825	3,381,809
Cost of revenue		(2,317,523)	(3,414,425)
Gross profit/(loss)		127,302	(32,616)
Other gains and losses	7	13,170	8,697
Selling and marketing expenses		(70,241)	(38,339)
Administrative expenses		(138,337)	(172,496)
Impairment of goodwill	15	(4,472)	(83,196)
Impairment of intangible assets	16	(10,000)	(179,288)
Impairment of interest in an associate	17	(69,771)	(110,329)
Share of losses of associates	17	(40,188)	(47,147)
Finance costs	8	(1,561)	–
Loss before income tax	9	(194,098)	(654,714)
Income tax credit/(expense)	12(a)	3,562	(274)
LOSS FOR THE YEAR		(190,536)	(654,988)
Other comprehensive income			
Items that maybe reclassified subsequently to profit or loss:			
Fair value loss of financial assets at fair value through other comprehensive income		(32,373)	(3,256)
Exchange differences arising on translation of foreign operations		7,152	(24,666)
Other comprehensive loss for the year		(25,221)	(27,922)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(215,757)	(682,910)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(185,190)	(647,558)
Non-controlling interests		(5,346)	(7,430)
		(190,536)	(654,988)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(209,096)	(675,865)
Non-controlling interests		(6,661)	(7,045)
		(215,757)	(682,910)
LOSS PER SHARE			
— Basic (HK cents)	13	(4.40) cents	(19.02) cents
— Diluted (HK cents)	13	(4.40) cents	(19.02) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	14	12,150	15,096
Goodwill	15	404,672	425,610
Intangible assets	16	209,996	257,073
Interests in associates	17	7,952	120,118
Financial asset at amortised cost	18	1,115	1,139
Financial assets at fair value through other comprehensive income	18	355,383	399,279
Right-of-use assets	27	27,335	–
Deferred tax assets	24	891	172
		1,019,494	1,218,487
CURRENT ASSETS			
Trade receivables	19	19,918	45,277
Other receivables, deposits and prepayments	20	69,943	99,861
Inventories		36,311	61,525
Financial assets at fair value through profit or loss	18	56,953	58,822
Amount due from an associate	33(c)	9,785	17,850
Amounts due from related companies	33(e)	783	951
Tax receivables		160	–
Cash and cash equivalents		58,920	131,918
		252,773	416,204
CURRENT LIABILITIES			
Trade and other payables	21	154,091	242,864
Contract liabilities	22	44,359	23,902
Lease liabilities	23	14,050	–
Amounts due to related companies	33(f)	6,248	18,084
Bank borrowings	23	5,572	–
Tax payable		112,094	114,020
		336,414	398,870
NET CURRENT (LIABILITIES)/ASSETS		(83,641)	17,334
TOTAL ASSETS LESS CURRENT LIABILITIES		935,853	1,235,821

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	8,978	11,752
Lease liabilities	23	13,441	–
Contingent consideration payable		–	87,892
		22,419	99,644
NET ASSETS		913,434	1,136,177
EQUITY			
Share capital	25	42,134	42,134
Reserves		854,871	1,078,673
Equity attributable to owners of the Company		897,005	1,120,807
Non-controlling interests		16,429	15,370
TOTAL EQUITY		913,434	1,136,177

Zhang Lijun
Director

Ji Qiang
Director

	Attributable to owners of the Company								
	Share capital (note 25) HK$'000	Share premium (note 26(a)) HK$'000	Investment revaluation reserve (note 26(b)) HK$'000	Other reserves (note 26(c)) HK$'000	Share-based compensation reserve (note 26(d)) HK$'000	Exchange fluctuation reserve (note 26(e)) HK$'000	Retained profits/ (accumulated losses) HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	32,979	1,488,282	56,170	1,059,408	5,307	36,514	(1,126,232)	21,276	1,573,704
Profit or loss	–	–	–	–	–	–	(647,558)	(7,430)	(654,988)
Other comprehensive income	–	–	(3,256)	–	–	(25,051)	–	385	(27,922)
Total comprehensive income for the year	–	–	(3,256)	–	–	(25,051)	(647,558)	(7,045)	(682,910)
Acquisition of subsidiary	–	–	–	–	–	–	–	1,139	1,139
Capital injection in a subsidiary (note 31)	–	–	–	–	–	–	300	–	300
Recognition of share-based payment expense (note 28(a))	–	–	–	–	23,828	–	–	–	23,828
Lapse of share options (note 28(a))	–	–	–	–	(2,229)	–	2,229	–	–
Exercise of share option	413	21,115	–	–	(3,357)	–	–	–	18,171
Issuance of share capital	8,742	193,203	–	–	–	–	–	–	201,945
At 1 January 2019	42,134	1,702,600	52,914	1,059,408	23,549	11,463	(1,771,261)	15,370	1,136,177
Profit or loss	–	–	–	–	–	–	(185,190)	(5,346)	(190,536)
Other comprehensive income	–	–	(32,373)	–	–	8,467	–	(1,315)	(25,221)
Total comprehensive income for the year	–	–	(32,373)	–	–	8,467	(185,190)	(6,661)	(215,757)
Disposal of a subsidiary (note 35)	–	–	–	–	–	–	–	2,170	2,170
Capital injection in a subsidiary (note 32)	–	–	–	–	–	–	(17,749)	5,550	(12,199)
Recognition of share-based payment expense (note 28(a))	–	–	–	–	3,043	–	–	–	3,043
Lapse of share options (note 28(a))	–	–	–	–	(23,033)	–	23,033	–	–
At 31 December 2019	42,134	1,702,600	20,541	1,059,408	3,559	19,930	(1,951,167)	16,429	913,434

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Loss before income tax		(194,098)	(654,714)
Depreciation of property, plant and equipment		4,147	2,598
Depreciation of right of uses assets		13,003	–
Gain on the modification of leases		(181)	–
Dividend income		(10,872)	–
Amortisation of intangible assets		40,694	34,578
Loss on disposal of property, plant and equipment		106	115
Loss on disposal of an associate		660	–
Net loss on disposal of subsidiaries		3,004	–
Gain on deregistration of subsidiaries		(4,385)	–
Gain on disposal of intangible assets		(173)	–
Impairment of goodwill		4,472	83,196
Impairment of intangible assets		10,000	179,288
Impairment of interest in an associate		69,771	110,329
Provision for expected credit losses on other receivables		2,043	–
Share of losses of associates		40,188	47,147
Share-based payment expenses		3,043	23,828
Interest income		(332)	(4,116)
Interest expense		1,561	–
Fair value gain on financial assets at fair value through profit or loss		1,869	(2,356)
Operating cash flows before working capital changes		(15,480)	(180,107)
Decrease/(increase) in trade receivables		25,272	(2,167)
Decrease/(increase) in other receivables, deposits and prepayments		8,962	(19,120)
Decrease/(increase) in inventories		20,265	(63,966)
Decrease in amount due from an associate		21,235	38,368
(Increase)/decrease in amounts due from related companies		(242)	2,868
(Decrease)/increase in trade payables		(23,236)	22,651
(Decrease)/increase in deposits received, other payables and accruals		(22,067)	22,031
Decrease in amount due to an associate		–	(374)
Decrease in amounts due to related companies		(10,118)	(38,811)
Increase in contract liabilities		20,457	20,047
Effect of foreign exchange rate changes		26,102	(3,839)
Taxation paid		(2,017)	–
Net cash generated from/(used in) operating activities		49,133	(202,419)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(2,970)	(1,405)
Proceeds on disposal of property, plant and equipment		261	61
Purchases of intangible assets		(3,792)	–
Purchase of financial asset at amortised cost		–	(1,139)
Purchase of financial asset at fair value through profit and loss		–	(54,154)
Purchase of financial asset at fair value through other comprehensive income		(16,715)	(50,283)
Proceed from disposal of financial asset through profit or loss		–	68,368
Proceed from disposal of an associate		1,709	–
Proceed from disposal of financial asset through OCI		26,708	–
Acquisition of subsidiaries, net of cash acquired		–	(98,993)
Proceed on disposal of intangible assets		173	–
Capital contribution to a subsidiary		(12,199)	–
Disposal of subsidiaries, net of cash disposed		(141)	–
Settlement for contingent consideration payable		(115,533)	–
Dividend received		10,872	–
Interest received		332	4,116
Net cash used in investing activities		(111,295)	(133,429)
FINANCING ACTIVITIES			
Interest paid		(227)	–
New bank borrowing raised		5,572	–
Repayment of lease liabilities		(14,170)	–
Proceeds from exercise of share options		–	18,173
Net cash (used in)/generated from financing activity	29	(8,825)	18,173
NET DECREASE IN CASH AND CASH EQUIVALENTS		(70,987)	(317,675)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		131,918	451,771
Effect of foreign exchange rate changes		(2,011)	(2,178)
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	58,920	131,918

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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. Its principal place of business in Hong Kong is located at Room 3006, 30th Floor, 9 Queen's Road Central, Central, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (thereafter referred to as the "Group") were operated under two business segments: (1) the sports and lottery related business was specialised in the development and operation of online information platform, online mobile game applications, live streaming platforms and provision of sales services of lottery tickets through retail channels in the People's Republic of China ("PRC"); and (2) the telemedia and e-commerce business involved the operation of online trading platform, provision of internet information services included internet audio-visual new media and other Internet + business in the PRC and the operation of a satellite TV station in Dubai, UAE.

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.

Beijing VODone Network Technology Group Limited (北京第一視頻網絡技術集團有限公司) (formerly known as 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 both VODone Telemedia and 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 fulfil its obligation as VODone Telemedia's exclusive service provider.

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

(a) ADOPTION OF NEW/REVISED HKFRSs — EFFECTIVE 1 JANUARY 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2018 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015–2018 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015–2018 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015–2018 Cycle	Amendments to HKAS 23, Borrowing Costs
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

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

(a) ADOPTION OF NEW/REVISED HKFRSs — EFFECTIVE 1 JANUARY 2019 (Continued)

A. HKFRS 16 — Leases

HKFRS 16 supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.35%.

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

(a) ADOPTION OF NEW/REVISED HKFRSs — EFFECTIVE 1 JANUARY 2019 (Continued)

A. HKFRS 16 — Leases (Continued)

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	36,192
Discounted using the lessee's incremental borrowing rate at the date of initial application	34,152
(Less): short-term leases recognised on a straight-line basis as expense	(4,246)
Lease liabilities recognised as at 1 January 2019	29,906
Of which are:	
Current lease liabilities	12,319
Non-current lease liabilities	17,587
Right-of-use assets recognised as at 1 January 2019	29,906

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	1 January 2019 HK$'000
Properties	**29,906**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	1 January 2019 HK$'000
Right-of-use assets — increase by	**29,906**
Lease liabilities — increase by	**(29,906)**
	–

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

(a) ADOPTION OF NEW/REVISED HKFRSs — EFFECTIVE 1 JANUARY 2019 (Continued)

A. HKFRS 16 — Leases (Continued)

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

— the use of a single discount rate to a portfolio of leases with reasonably similar characteristics

— reliance on previous assessments on whether leases are onerous

— the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

— the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application

— the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and

— to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to HKFRSs.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK-FRC (IFRIC 4) Determining whether an Arrangement contains a Lease.

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

(a) ADOPTION OF NEW/REVISED HKFRSs — EFFECTIVE 1 JANUARY 2019 (Continued)

A. HKFRS 16 — Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

— the amount of the initial measurement of lease liability

— any lease payments made at or before the commencement date less any lease incentives received

— any initial direct costs, and

— restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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

(a) ADOPTION OF NEW/REVISED HKFRSs — EFFECTIVE 1 JANUARY 2019 (Continued)

B. HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

— how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty

— that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored

— that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment

— that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and

— that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements. While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

Except for the abovementioned, in the current year, the Group has applied a number of amendments to HKFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these 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 or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 *Effective for annual periods beginning on or after 1 January 2020*

2 *Effective for annual periods beginning on or after 1 January 2021*

3 *The amendments were originally intended to be effective for periods beginning on or after 1 January 2019. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.*

HKFRS 17 Insurance Contracts

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 Insurance Contracts.

HKFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to HKFRS 17 addresses concerns and implementation challenges that were identified after HKFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of HKFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

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 10 and HKAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 3 Definition of a business
The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

Amendments to HKAS 1 and HKAS 8 Definition of material
The amendments are intended to make the definition of material in HKAS 1 easier to understand and are not intended to alter the underlying concept of materiality in HKFRS Standards. The concept of "obscuring" material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

The definition of material in HKAS 8 has been replaced by a reference to the definition of material in HKAS 1. In addition, the HKICPA amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

(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.

The consolidated financial statements have been prepared on a going concern basis, assuming that the Group will continue to operate as a going concern, notwithstanding the fact that the Group had net current liabilities of HK$83,641,000 as at 31 December 2019.

In the opinion of the directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration that the original shareholders of Crazysport have agreed not to demand for any repayment of the contingent consideration payable and other payable balance due to them with the aggregate carrying amount of HK$101,859,000 as at 31 December 2019 until the Group is in a financial position to do so.

Based on the above, the directors are satisfied that the Group will have sufficient cash resources to satisfy their future working capital and other financing requirements and it is appropriate to prepare these consolidated financial statements on a going concern basis. Accordingly, these consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern.

(c) FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Company is Renminbi ("RMB"), while the consolidated 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) BUSINESS COMBINATION AND BASIS OF CONSOLIDATION (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) PROPERTY, PLANT AND EQUIPMENT (Continued)

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(r)).

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) LEASES (ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2019)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in HKFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) LEASES (ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2019) (Continued)

(i) As a lessee (Continued)

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "loans and borrowings" in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) LEASES (ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2019) (Continued)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies HKFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in HKFRS 9 to the net investment in the lease (see note 4(j)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other revenue".

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from HKFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) LEASES (ACCOUNTING POLICIES APPLIED UNTIL 31 DECEMBER 2018)

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.

(i) 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
License and platform	2–10 years
Websites	10 years
Service contracts	3–10 years
Copy rights and patents	2 years
Games and applications	3–5 years

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) INTANGIBLE ASSETS (Continued)

(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.

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(r)).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) FINANCIAL INSTRUMENTS

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) FINANCIAL INSTRUMENTS (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) FINANCIAL INSTRUMENTS (Continued)

(ii) Impairment loss on financial assets (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) FINANCIAL INSTRUMENTS (Continued)

(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 amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group 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.

(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 HKFRS 9.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) FINANCIAL INSTRUMENTS (Continued)

(vi) Derecognition (Continued)

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.

(k) 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.

(l) REVENUE RECOGNITION

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

— provides all of the benefits received and consumed simultaneously by the customer;

— creates or enhances an asset that the customer controls as the Group performs; or

— does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) REVENUE RECOGNITION (Continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Revenue for advertising and service income and lottery advertisement income
Revenue is recognised when the services are rendered over time as those services provides all of the benefits received and consumed simultaneously by the customer. The performance obligation is satisfied when the associate, TMD1, used the advertising and Internet information services in their daily operations on the government lottery centres used the Group's services. The transaction price for the services are charged at a fixed rate with no significant variable consideration. Invoices are issued on a monthly basis and are usually payable within 90 days. No significant financial component existed. HKFRS 15 did not result in significant impact on the Group's accounting policies.

Revenue for sales of Internet games products
The Group generated revenue from operation of website games. The performance obligation is satisfied when the game players consumed the in-game premium features they paid for. Revenue is recognised over time as the game players are consuming the in-game virtual items simultaneously when the Group provides. HKFRS 15 did not result in significant impact on the Group's accounting policies.

Revenue for e-commerce trading income
Revenue is recognised when the customer takes possession of and accepts the products. Therefore, the initial adoption of HKFRS 15 did not result in significant impact on the Group's accounting policies on revenue for e-commerce trading income. Invoices are issued when the customer takes possession of and accepts the products. No significant financial component existed.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) REVENUE RECOGNITION (Continued)

Revenue under sports and lottery related business segment
Revenues are derived principally from the provision of games, online live streaming platform, online information platform and sale services of lottery tickets. The Group sells virtual currency to end users. The end users can register the virtual currency to their user accounts in the Group's platforms and then gain access to the Group's paid online products or services, such as interactive games, online live streaming platform and online information platform. Revenue from exchange of gifts represent the virtual currency the end users used for exchanging gifts. Receipts from the sales of virtual currency are deferred and recorded as "contract liabilities" (note 4(l)) in the consolidated statement of financial position.

The games published by the Group comprised of interactive games, self-developed mobile games and cooperating mobile games.

Revenue from the interactive games represents the gross pay-ins, net of the gross payouts to end users. Gross pay-ins represents the value of virtual currency received from end users when they participated in the interactive games. Gross payouts represent the aggregate rewards in terms of virtual currency paid to the end users.

The Group operates self-developed mobile games under free-to-play model. Game players purchase game credits which are virtual currency for acquisition of in-game virtual items for better in-game experience. The Group sells prepaid game credits through cooperation with various third party game distribution platforms and payment channels. These game distribution platforms include major online application stores.

The Group has evaluated the respective roles and responsibilities of the Group, third-party distribution platforms and third-party payment channels in the delivery of game experiences to the paying players ("Paying Players") in determining if the Group is acting as principal or as an agent in the arrangement. The Group is responsible for the hosting the self-developed games, providing customers' services to game players, determining the selling price of the in-game token, selection of distribution and payment channels and preventing, detecting and resolving cheating and hacking activities. The Group has evaluated and determined that it is the primary obligor in the rendering services to game players. Accordingly, the Group considers that the Paying Players as their customers and the game operation income reported in the consolidated financial statements are on gross basis for self-developed mobile games. Service charges by third-party distribution platforms and third-party payment channels are recorded as direct costs. Third party distribution platforms and third-party payment channels collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined according to the relevant terms entered into between the Group and the third-party distribution platforms or third-party payment channels.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) REVENUE RECOGNITION (Continued)

Revenue under sports and lottery related business segment (Continued)
Upon the sales of game credits or in-game virtual items, the Group typically has an implied obligation to provide the services which enable the game credits or in-game virtual items to be displayed, used or converted into other in-game virtual currencies/items in the games. As a result, the proceeds received from sales of game credits or in-game virtual items are initially recorded as "contract liabilities" (note 4(m)). The attributable portion of the deferred revenue relating to values of the game credits consumed and in-game virtual items converted are recognised as revenue upon the consumption of game credits and virtual items by Paying Players.

For revenue from cooperating mobile games, the Group has no right on the operation and pricing of the games. As the Group is acting as an agent, the Group has recognised the net proceeds to be received from the mobile game operators and the third-party channels as revenue from cooperating mobile games.

Interest income
Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

(m) CONTRACT LIABILITIES

A contract liability is recognised when the customer pays non-refundable consideration before the group recognises the related revenue for revenue under mobile games and application segment (see note 4(m)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

(n) 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)

(n) 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.

(o) 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)

(p) 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.

(q) 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

(s) 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.

(t) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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.

(v) 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.

(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.

(c) 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

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 consolidated 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 profit or loss and other comprehensive income over the useful life of the intangible asset.

(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.

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

(b) KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(iii) Impairment of amount due from an associate

Management reviews the amount due from an associate for the objective evidence of impairment at least on a yearly basis. Significant financial difficulties of the associate, the probabilities that the associate will enter into bankruptcy, and default or significant delay in payments are considered as objective evidence that the amount due is impaired. In determining this, management makes judgment as to whether there is observable data indicating that there has been significant change in the payment ability of the associate, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the associate operates in.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The chief operating decision-maker has been identified as the executive directors.

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Directors in order to allocate resources and assess performance of the segment.

The Group has presented two reportable segments in 2019 and 2018 as below:

- The sports and lottery related business which specialised on the development and operation of online information platform, online mobile game applications, live streaming platforms and provision of sales services of lottery tickets through retail channels in the PRC; and

- The telemedia and e-commerce business which involved the operation of an online trading platform, provision of Internet information services included Internet audio-visual new media and other Internet + business in the PRC and a satellite TV station in Dubai, UAE.

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.

6. SEGMENT REPORTING (Continued)

	Sports and lottery related business		Telemedia and e-commerce business		Total	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Revenue from external customers	185,975	16,835	2,258,850	3,364,974	2,444,825	3,381,809
Reportable segment gross profit/(loss)	124,096	11,837	3,206	(44,453)	127,302	(32,616)
Reportable segment profit/(loss)	52,971	4,291	(93,278)	(412,870)	(40,307)	(408,579)
Interest income	107	–	103	104	210	104
Interest expense	(371)	–	(1,190)	–	(1,561)	–
Impairment of intangible assets	–	–	10,000	179,288	10,000	179,288
Impairment of goodwill	–	–	4,472	83,196	4,472	83,196
Depreciation and amortisation	26,520	546	18,651	33,433	45,171	33,979
Reportable segment assets	533,195	604,137	288,304	380,211	821,499	984,348
Additions to non-current assets	5,945	4	2,959	1,401	8,904	1,405
Reportable segment liabilities	40,673	115,031	79,665	61,996	120,338	177,027

6. SEGMENT REPORTING (Continued)

(a) RECONCILIATION OF REPORTABLE SEGMENT LOSS, ASSETS AND LIABILITIES

	2019 HK$'000	2018 HK$'000
Loss before income tax		
Reportable segment loss	(40,307)	(408,579)
Other gains and losses	10,743	8,121
Share of losses of associates	(40,188)	(47,147)
Impairment loss on interest in an associate	(69,771)	(110,329)
Unallocated expenses:		
— Legal and professional fee	(4,202)	(22,663)
— Share-based payment expenses	(3,043)	(23,828)
— Staff costs	(25,612)	(25,239)
— Interest expense	(1,561)	–
— Others	(20,157)	(25,050)
Consolidated loss before income tax	(194,098)	(654,714)

	2019 HK$'000	2018 HK$'000
Assets		
Reportable segment assets	821,499	984,348
Other financial assets	412,336	458,102
Interests in associates	7,952	120,118
Cash at banks	21,830	68,331
Unallocated corporate assets	8,650	3,792
Consolidated total assets	1,272,267	1,634,691

	2019 HK$'000	2018 HK$'000
Liabilities		
Reportable segment liabilities	120,338	177,027
Deposits received, other payables and accruals	37,892	24,416
Tax provision for gain on disposal of subsidiaries	112,094	112,094
Contingent consideration payable	87,892	184,849
Unallocated corporate liabilities	617	128
Consolidated total liabilities	358,833	498,514

6. SEGMENT REPORTING (Continued)

(b) GEOGRAPHICAL INFORMATION

During 2019 and 2018, 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 and Dubai.

(c) DISAGGREGATION OF REVENUE

In the following table, revenue is disaggregated by primary geographical market, major products and service lines and timing or revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

	Sports and lottery related business		Telemedia and e-commerce business		Total	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
E-commerce trading platform	–	–	2,255,031	3,313,418	2,255,031	3,313,418
Internet gaming	–	–	140	2,977	140	2,977
Advertising and services income	–	–	3,679	48,579	3,679	48,579
Interactive game applications	3,182	643	–	–	3,182	643
Self developed games	61,857	7,448	–	–	61,857	7,448
Cooperation games	25,446#	–	–	–	25,446	–
Live stream online platform	42,620	2,758	–	–	42,620	2,758
Online information platform	51,465	4,116	–	–	51,465	4,116
Exchange of gifts	10	1,870	–	–	10	1,870
Lottery related commission income	1,395	–	–	–	1,395	–
	185,975#	16,835	2,258,850	3,364,974	2,444,825	3,381,809
Timing of revenue recognition						
At a point in time	10	1,870	2,255,031	3,313,418	2,255,041	3,315,288
Transferred over time	185,965	14,965	3,819	51,556	189,784	66,521
	185,975	16,835	2,258,850	3,364,974	2,444,825	3,381,809

According to cooperating mobile game contracts, the Group has no right on the operation and pricing of the games. As the Group is acting as an agent, the Group has recognised the net proceeds to be received from the mobile game operators and the third-party channels as revenue. The gross turnover of the cooperating mobile game is HK$204,906,000 for the year ended 31 December 2019, netted off the payments of HK$179,460,000 to mobile game operators and the third-party channels to arrive at the net proceeds recognised as revenue. The gross turnover of sports and lottery related business segment was HK$365,435,000.

6. SEGMENT REPORTING (Continued)

(d) MAJOR CUSTOMERS

Revenue from two customers (2018: two customers) of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2019 HK$'000	2018 HK$'000
Customer A	485,388	756,248
Customer B	299,098	326,442

7. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Dividend income from financial assets at fair value through other comprehensive income	10,872	–
Gain on deregistration of a subsidiary	4,385	–
Interest income	332	4,116
Net foreign exchange gains	330	278
Gain/(loss) on disposal of intangible assets	173	(1,746)
Loss on disposal of property, plant and equipment	(106)	(115)
Loss on disposal of an associate (Note 17)	(660)	–
Fair value (loss)/gain on financial assets at fair value through profit or loss	(1,869)	2,356
Net loss on disposal of subsidiaries (Note 35)	(3,004)	–
Others	2,717	3,808
	13,170	8,697

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on lease liabilities	227	–
Interest on bank borrowings	1,334	–
	1,561	–

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2019 HK$'000	2018 HK$'000
Staff costs (excluding directors' remuneration (note 10))		
— Salaries and wages	49,137	71,182
— Pension fund contributions	9,446	9,334
— Share-based payments	2,775	23,828
	61,358	104,344
Carrying amount of inventories sold	2,225,169	3,300,698
Depreciation of property, plant and equipment	4,147	2,598
Depreciation of right-of-use assets	13,003	–
Provision for expected credit losses on other receivables	2,043	–
Impairment of goodwill	4,472	83,196
Impairment of intangible assets	10,000	179,288
Impairment of interest in an associate	69,771	110,329
Amortisation of intangible assets included in		
— Cost of revenue	33,666	29,040
— Administrative expenses	7,028	5,538
Auditor's remuneration		
— Audit service	1,480	3,130
— Non-audit service	199	97

10. DIRECTORS' REMUNERATION

	2019 HK$'000	2018 HK$'000
Directors' fees		
— Executive directors	17,182	15,739
— Independent non-executive directors	1,039	1,044
Basic remuneration, allowances and benefits in kind	2,975	2,909
Pension fund contributions	36	36
Share-based payments	268	1,833
	21,500	21,561

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
2019					
Executive directors					
Zhang Lijun	12,468	1,138	–	18	13,624
Wang Chun	4,714	1,138	–	18	5,870
Ji Qiang	–	699	136	–	835
Independent non-executive directors					
Loke Yu, Alias Loke Hoi Lam	387	–	44	–	431
Wang Linan	326	–	44	–	370
Gong Zhankui	326	–	44	–	370
	18,221	2,975	268	36	21,500

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
2018					
Executive directors					
Zhang Lijun	11,430	1,138	458	18	13,044
Wang Chun	4,309	1,138	687	18	6,152
Ji Qiang	–	633	172	–	805
Independent non-executive directors					
Loke Yu, Alias Loke Hoi Lam	440	–	172	–	612
Wang Linan	302	–	172	–	474
Gong Zhankui	302	–	172	–	474
	16,783	2,909	1,833	36	21,561

There were no arrangements under which a director waived or agreed to waive any remuneration for the year (2018: 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 (2018: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2018: two) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining three (2018: three) individuals are as follows:

	2019 HK$'000	2018 HK$'000
Basic remuneration, allowances and benefits in kind	2,698	3,593
Pension fund contributions	172	54
Share-based payments	–	–
	2,870	3,647

Their emoluments are within the following bands:

	2019 No. of employees	2018 No. of employees
HK$1,500,000 to HK$2,000,000	–	1
HK$1,000,001 to HK$1,500,000	1	1
Below HK$1,000,000	2	1

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

	2019 No. of employees	2018 No. of employees
HK$1,000,001 to HK$1,500,000	1	1
Below HK$1,000,000	5	1

12. INCOME TAX (CREDIT)/EXPENSE

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 HK$'000	2018 HK$'000
Current tax		
— Hong Kong profits tax for the year	–	–
— PRC income tax for the year	–	270
	–	270
Deferred taxation (note 24)		
— Attributable to the reversal of temporary differences	(3,562)	4
Income tax (credit)/expense	(3,562)	274

No provision was made for Hong Kong profits tax as the Group had no assessable profits during the year.

Arab Business TV FZ-LLC is incorporated as a free zone limited liability company in Dubai. Pursuant to the income tax rules and regulations in Dubai, it is exempted from income tax for a period of 50 years.

Beijing Crazy Sports Management Company Limited (北京瘋狂體育產業管理有限公司) which is recognised as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 15% for the period ended 31 December 2018 and 2019.

Khorgos Crazy New Game Network Technology Company Limited (霍爾果斯瘋狂新遊網絡科技有限公司), a company incorporated as a limited liability company in Khorgos Special Region, Xinjiang, PRC. Pursuant to the tax exemption document and complied with PRC tax regulations, Khorgos Crazy is exempted from income tax for a period of 4 years form 1 January 2017 to 31 December 2020.

12. INCOME TAX (CREDIT)/EXPENSE (Continued)

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

	2019 HK$'000	2018 HK$'000
Loss before income tax	(194,098)	(654,714)
Taxation calculated at PRC income tax of 25% (2018: 25%)	(48,525)	(163,679)
Tax effect of non-taxable income	(6,878)	(39,584)
Tax effect of expenses not deductible for taxation purposes	26,143	91,406
Effect of lower tax rate applicable to subsidiaries as a result of preferential tax policy as described in (a)	1,834	6,491
Effect of tax exemption granted	3,570	(4,171)
Effect of tax rate in foreign jurisdictions	8,261	29,455
Tax effect of temporary difference not recognised	12,033	80,356
Income tax (credit)/expense for the year	(3,562)	274

13. LOSS PER SHARE

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

	2019 HK$'000	2018 HK$'000
Loss for the purposes of basic and diluted loss per share	**(185,190)**	(647,558)

Number of shares

	2019 '000	2018 '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**4,213,395**	3,405,227

Loss per share

	2019 HK Cents	2018 HK Cents
— Basic	**(4.40)**	(19.02)
— Diluted	**(4.40)**	(19.02)

The computation of diluted loss per share for the year ended 31 December 2019 and 2018 does not assume the exercise of the outstanding share options as they had an anti-dilutive effect on the loss per share calculation.

14. 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 2018	18,046	12,518	80,596	22,212	2,213	135,585
Acquisition of subsidiaries	396	3,105	–	498	599	4,598
Additions	176	–	1,225	4	–	1,405
Disposals	–	–	(579)	(456)	(146)	(1,181)
Exchange adjustments	(880)	(585)	(4,036)	(1,114)	(66)	(6,681)
At 31 December 2018	17,738	15,038	77,206	21,144	2,600	133,726
Additions	1,513	–	156	1,005	296	2,970
Disposals	(1,105)	–	(1,272)	(255)	(447)	(3,079)
Disposal of subsidiaries	(176)	(3,075)	(33,889)	(99)	(538)	(37,777)
Written off	–	–	(196)	(11)	–	(207)
Exchange adjustments	(367)	(314)	(1,593)	(452)	(44)	(2,770)
At 31 December 2019	**17,603**	**11,649**	**40,412**	**21,332**	**1,867**	**92,863**
Accumulated depreciation and impairment:						
At 1 January 2018	17,214	7,173	73,583	19,521	1,665	119,156
Acquisition of subsidiaries	244	1,933	–	105	251	2,533
Charge for the year	470	1,155	1,324	(529)	178	2,598
Disposals	–	–	(554)	(313)	(138)	(1,005)
Exchange adjustments	(874)	(383)	(3,763)	437	(69)	(4,652)
At 31 December 2018	17,054	9,878	70,590	19,221	1,887	118,630
Charge for the year	668	1,234	1,130	864	251	4,147
Disposals	(1,009)	–	(1,139)	(254)	(310)	(2,712)
Disposal of subsidiaries	(176)	(2,361)	(33,854)	(26)	(260)	(36,677)
Written off	–	(1)	(146)	(2)	–	(149)
Exchange adjustments	(352)	(229)	(1,488)	(421)	(36)	(2,526)
At 31 December 2019	**16,185**	**8,521**	**35,093**	**19,382**	**1,532**	**80,713**
Carrying amount:						
At 31 December 2019	**1,418**	**3,128**	**5,319**	**1,950**	**335**	**12,150**
At 31 December 2018	684	5,160	6,616	1,923	713	15,096

15. GOODWILL

	HK$'000
Cost:	
At 1 January 2018	471,689
Acquisition of subsidiaries	416,530
Exchange adjustments	(19,613)
At 31 December 2018	868,606
Disposal of subsidiaries (note 35)	(183,161)
Written off	(9,118)
Exchange adjustments	(14,589)
At 31 December 2019	**661,738**
Accumulated impairment losses:	
At 1 January 2018	368,987
Additions	83,196
Exchange adjustments	(9,187)
At 31 December 2018	442,996
Additions	4,472
Disposal of subsidiaries (note 35)	(175,595)
Written off	(9,118)
Exchange adjustments	(5,689)
At 31 December 2019	**257,066**
Carrying amount:	
At 31 December 2019	**404,672**
At 31 December 2018	425,610

15. GOODWILL (Continued)

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

	2019 HK$'000	2018 HK$'000
Tele-media CGU (TMD) — PRC	933	8,570
Broadcasting TV CGU (CATV) — Dubai	–	4,472
Mobile application and live streaming business CGU (Crazysport)— PRC	403,739	412,568
	404,672	425,610

TELE-MEDIA CGU (TMD)

For the purpose of impairment testing for assets allocated to the tele-media CGU in 2019 and 2018, 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. It is determined with reference to the valuation prepared by Graval Consulting Limited ("Graval"). Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2018: 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.

	2019	2018
Operating margin	0.4% – 1%	0.5% – 1%
Discount rate	23.53%	20.63%
Growth rate within the five-year period	16% – 31%	3% – 18%

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.

During 2018, as the trading of electronic products is hindered by the adverse media coverage and tense international trading atmosphere, only a minimal profit is resulted from the Liangzi Gang's e-commerce business. Management is of the opinion that the possibility for the Group to resume generating a sufficient profit for assets allocated to Tele-media CGU is remote due to the occurrence of new technology. Therefore, a significant impairment was made to goodwill and intangible assets attributable to the Tele-media CGU in 2018. The carrying amounts of the goodwill of HK$83,196,000 and intangible assets amounted to HK$179,288,000 of the tele-media CGU (TMD) have been impaired in 2018. During 2019, the Group wrote off goodwill amounting to HK$7,566,000 which arose from Interactive Space-time as detailed in note 35(c). No further impairment of goodwill or intangible assets for tele-media CGU (TMD) was recognised during 2019.

15. GOODWILL (Continued)

BROADCASTING TV CGU (CATV)

The recoverable amounts of broadcasting TV CGU (CATV) 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% (2018: 3%), which does not exceed the long-term growth rate for broadcasting TV 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.

	2019	2018
Operating margin	-36% – 22%	12% – 30%
Discount rate	20.77%	23.54%
Growth rate within the five-year period	10% – 34%	5% – 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.

During 2019, as the management of the Group took a longer time and efforts on formulating the product strategies and improving the production of CATV, fewer programme was launched successfully, hence a loss is resulted from the CATV's operation. Management is of the opinion that there are increasing uncertainty on the future earning ability of CATV. Therefore, an impairment loss on goodwill of HK$4,472,000 and intangible assets of HK$10,000,000 respectively was recognised in other gains and losses. As the carrying amount of the CGU has been reduced to its recoverable amount, any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment losses on intangible assets in subsequent years.

MOBILE APPLICATION AND LIVE-STREAMING BUSINESS CGU (CRAZYSPORT)

The recoverable amounts of Mobile application and live streaming business CGU (Crazysport) 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%, which does not exceed the long-term growth rate for mobile application and live streaming 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.

	2019
Operating margin	22% – 26%
Discount rate	26.94%
Growth rate within the five-year period	2% – 17%

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.

Management believes that any reasonably possible change in any of these assumption would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. As at 31 December 2019, management determines that there is no impairment on goodwill.

16. INTANGIBLE ASSETS

	Internet SNS assets HK$'000 *(Note (a))*	Platform and domain HK$'000 *(Note (b))*	Purchased software and technology HK$'000 *(Note (c))*	License and platform HK$'000 *(Note (d))*	Websites HK$'000 *(Note (e))*	Service contracts HK$'000 *(Note (f))*	Copy rights and patents HK$'000	Games and applications HK$'000	Total HK$'000
Cost:									
At 1 January 2018	59,500	326,963	578,464	58,998	15,198	194,333	–	–	1,233,456
Acquisition of subsidiaries	–	126	–	–	–	–	8,935	83,599	92,660
Disposal of intangible asset	–	–	–	(16,905)	–	–	–	–	(16,905)
Exchange difference	–	(5,443)	(20)	29	(787)	(10,074)	(341)	685	(15,951)
At 31 December 2018	59,500	321,646	578,444	42,122	14,411	184,259	8,594	84,284	1,293,260
Additions	–	–	–	–	–	–	4,283	1,651	5,934
Disposal of subsidiaries *(note 35)*	–	(67,493)	–	–	(14,103)	(180,316)	–	–	(261,912)
Disposal of intangible asset	–	(222,062)	(368,293)	(23,384)	–	–	–	–	(613,739)
Written off	–	–	–	(154)	–	–	–	–	(154)
Exchange difference	–	(2,131)	(8)	(112)	(308)	(3,943)	(262)	(1,834)	(8,598)
At 31 December 2019	**59,500**	**29,960**	**210,143**	**18,472**	**–**	**–**	**12,615**	**84,101**	**414,791**
Amortisation and impairment:									
At 1 January 2018	–	294,802	300,035	42,763	15,198	194,333	–	–	847,131
Amortisation for the year	–	–	30,827	1,860	–	–	372	1,519	34,578
Impairment	10,000	–	169,288	–	–	–	–	–	179,288
Acquisition of subsidiaries	–	–	–	–	–	–	4,933	2,154	7,087
Disposal of intangible asset	–	–	–	(16,905)	–	–	–	–	(16,905)
Exchange difference	–	(3,771)	(20)	3	(787)	(10,074)	(203)	(140)	(14,992)
At 31 December 2018	10,000	291,031	500,130	27,721	14,411	184,259	5,102	3,533	1,036,187
Amortisation for the year	–	–	12,646	1,858	–	–	5,265	20,925	40,694
Impairment	–	10,000	–	–	–	–	–	–	10,000
Disposal of subsidiaries *(note 35)*	–	(67,493)	–	–	(14,103)	(180,316)	–	–	(261,912)
Disposal of intangible asset	–	(222,062)	(368,293)	(23,384)	–	–	–	–	(613,739)
Exchange difference	–	(1,476)	(8)	(37)	(308)	(3,943)	(205)	(458)	(6,435)
At 31 December 2019	**10,000**	**10,000**	**144,475**	**6,158**	**–**	**–**	**10,162**	**24,000**	**204,795**
Carrying amount:									
At 31 December 2019	**49,500**	**19,960**	**65,668**	**12,314**	**–**	**–**	**2,453**	**60,101**	**209,996**
At 31 December 2018	49,500	30,615	78,314	14,401	–	–	3,492	80,751	257,073

16. INTANGIBLE ASSETS (Continued)

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 15). As defined in note 15, management is of the opinion that the possibility for the Group to resume generating a sufficient profit for all assets allocated to Tele-media CGU is remote due to the occurrence of new technology. Hence, its carrying amount is impaired by HK$10,000,000 during 2018.

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

(i) The balance included a software application of a website, with an indefinite useful life, which was named as miniV.tv Assets. 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 Broadcasting TV CGU (note 15). As defined in note 15, management is of the opinion that the possibility for the Group to resume generating a sufficient profit for all assets allocated to CATV CGU is remote due to the reason as disclosed in note 15. Hence, its carrying amount is impaired by HK$10,000,000 during the year.

(ii) The balance in 2018 included an intellectual property right of a shopping website and a software application system for lottery platform. Both of the assets were fully impaired in 2018. The assets are disposed of during 2019.

(iii) A software application system for lottery platform used in smartphone and an intellectual property right of the lottery website, with an definite useful life. The carrying amount was fully impaired and it is disposed during 2019 following the disposal of Victor Choice as detailed in Note 35(a).

(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. The carrying amounts of all these platforms have been fully impaired in 2018. The assets are disposed of during 2019.

(ii) E-commerce platform system with carrying amounts of HK$53,900,000 (2018:HK$61,007,000). 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 TMD TV CGU (note 15).

(iii) Software for live broadcasting on website, and video sharing used in smart phones. The carrying amounts of all these software has been fully impaired in 2018. The assets are disposed of during 2019.

(iv) An information website computer system with estimated useful lives of ten years and carrying amount of HK$11,768,000 (2018:HK$17,307,000).

(v) A web-based application which provides a web platform for end users to upload and watch videos through Internet browser using 4G technology with a carrying amount of HK$84,952,000. The carrying amount was fully impaired in 2018. The assets are disposed of during 2019.

(d) The balances include a set of licenses for web games and game engines. The carrying amount of web games and game engines is fully impaired. The assets are disposed of during 2019.

As at 31 December 2019, the remaining balance represents the broadcasting TV license acquired through acquisition of CATV Group Limited and its subsidiaries during 2016, with estimated useful life of ten years are tested for impairment of Broadcasting TV CGU (CATV) (note 15).

16. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(e) *The websites acquired through acquisition of Pinzheng Group by Victor Choice, with estimated useful life of ten years. The carrying amount was fully impaired and it is disposed during 2019 following the disposal of Victor Choice as detailed in note 35(a).*

(f) *Service contract represented an sport lottery sales contract with Qinghai Province Sports Lottery Administration Centre and Hebei Province Sports Lottery Administration Centre. These assets have been fully impaired in previous year. Following the disposal of Victor Choice as detailed in note 35(a), the assets has been disposed of to an independent third party.*

17. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Share of net assets	(14,603)	24,147
Goodwill	238,181	241,826
	223,578	265,973
Less: impairment	(215,626)	(145,855)
	7,952	120,118

Particulars of the Group's associates are as follows:

Name of company	Form of business structure	Place of incorporation and operation	Percentage of ownership interests/voting rights/profit share	Principal activity
VODone Datamedia Technology Co., Ltd. ("TMD1")	Corporation	PRC	49%	Provision of tele-media business support and content services *(Note 1)*
Rocs and Partners	Limited company	BVI	Nil (2018: 30%)	Inactive *(Note 2)*
Bank of Asia (BVI) Limited ("BOA")	Limited company	BVI	47.53% (2018: 37.53%)	Provision of BVI banking services *(Note 3)*
Shenzhen Interactive Space-time Technology Co. Ltd ("Interactive Space-time")	Limited company	PRC	28% (2018: 51%)	Provision of development and operation IP derivatives *(Note 4)*

17. INTERESTS IN ASSOCIATES (Continued)

Note 1: The acquisition of the associates was related to the Group's tele-media services business ("Tele-media CGU") in the PRC and the carrying amounts of interests in associates have been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 15).

Note 2: Pursuant to a sales and purchase agreement signed on 9 May 2019 with an independent third party, the Group has disposed all its interest in Rocs and Partners. The loss from disposal of an associate amounted to HK$660,000 has been recognised as Other gains and losses in the profit and loss account.

Note 3: Bank of Asia (BVI) Limited ("BOA") is established to provide online banking services mainly for BVI companies. During 2018, the Group's subsidiary, Smart Token Holdings Limited ("Smart Token") entered into a subscription agreement (the "Second Subscription Agreement") and completed the subscription of new shares of BOA. Afterward the Group holds 37.53% equity interest in BOA. In 2019, pursuant to the Second Subscription Agreement, Bank of Asia undertook to Smart Token that it should commence commercial operation and offer banking business to customers as granted under the Approval Letter on or before 27 September 2017, failing which Smart Token might require the Guarantor to transfer to it for nil consideration such number of shares as would be equal to 10% of the total number of shares of Bank of Asia (the "Compensation Shares") in issue immediately after completion of Second Subscription Agreement. On 17 August 2019, Bank of Asia had notified the Company that the British Virgin Islands Financial Services Commission had approved the transfer of the Compensation Shares to Smart Token, and accordingly the Group holds 47.53% equity interest in BOA. The gain from obtaining compensation shares for nil consideration amounted to HK$840,000. The amount is included in the Group's share of losses of associates in the profit and loss account.

Note 4: With the issuance of Interactive Space-time's share to a new shareholder on 23 August 2019, the Company's equity interest in Interactive Space-time has been diluted from 51% to 28%. The Group has lost the control over Interactive Space-time as the voting rights of the Group in the shareholders' meeting of Interactive Space-time has been decreased from 51% to 28% under the provisions stated in the Article of Association of Interactive Space-time. Accordingly, the investment in Interactive Space-time was reclassified as interest in associate. The assets and liabilities of Interactive Space-time were deconsolidated from the Group's consolidated statement of financial position and the interest in Interactive Space-time has been accounted for as an associate using equity method. The fair value of the 28% retained interest in Interactive Space-time at the date on which the control was lost is regarded as the cost on initial recognition of the investment in Interactive Space-time as an associate.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

During the year, an accumulated impairment loss of HK$180,100,000 (2018: HK$110,329,000) was recognised in respect of the Group's interest in BOA based on the recoverable amount, being the higher of value in use and fair value less cost of disposal, determined by the management. The fair value is measured by reference to a valuation report issued by Graval with market approach, which is level 3 inputs in terms of HKFRS 13. The key parameters are as below:

	2019	2018
Adjusted P/B ratio	0.83	3.29
Discount for Lack of Marketability	15.8%	15.8%
Control premium	28.46%	29.62%

17. INTERESTS IN ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION (MATERIAL ASSOCIATES)

BOA

	2019 HK$'000	2018 HK$'000
As at 31 December		
Current assets	15,891	105,196
Non-current assets	8,567	11,212
Current liabilities	(14,113)	(3,190)
Net assets	10,345	113,218
Included in the above amounts are:		
Bank balances and cash	8,834	64,172
Current financial liabilities (excluding trade and other payables)	(6,455)	(3,190)
Non-current financial liabilities (excluding other payables and provisions)	–	–
Year ended 31 December		
Revenue	260	1,133
Loss for the year	(102,975)	(113,299)
Total comprehensive income	(102,975)	(113,299)
Dividend received from associate	–	–
Included in the above amounts are:		
Depreciation and amortisation	7,655	5,264

17. INTERESTS IN ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION (MATERIAL ASSOCIATES) (Continued)

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

	2019 HK$'000	2018 HK$'000
Net assets of the associate	10,345	113,218
Proportion of the Group's ownership interest in the associate	47.53%	37.53%
Goodwill	183,135	185,057
	188,052	228,079
Less: impairment	(180,100)	(110,329)
Carrying amount of the Group's interest in the associate	7,952	117,750

SUMMARISED FINANCIAL INFORMATION (IMMATERIAL ASSOCIATES)

	2019 HK$'000	2018 HK$'000
Year ended 31 December		
Loss for the year	(251)	(845)
Total comprehensive income	(251)	(845)

18. OTHER FINANCIAL ASSETS

	2019 HK$'000	2018 HK$'000
Current assets		
Financial assets at FVTPL		
Compensation arising from profit guarantee *(Note (a))*	**1,244**	3,248
Listed equity investment *(Note (d))*	**7,560**	33,373
Derivatives instrument *(Note (d))*	**48,149**	22,201
	56,953	58,822
Non-current assets		
Financial asset at amortised cost		
Managed fund (PRC) *(Note (e))*	**1,115**	1,139
Financial assets at FVOCI		
Investment funds *(Note (b))*	**311,493**	358,981
Unlisted equity investments *(Note (c))*	**43,890**	40,298
	355,383	399,279

Notes:

(a) Pursuant to the profit guarantee arrangement in relation to the acquisition of 3GUU Group, the Group 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 Group has decided not to recall the consideration shares and asked the vendors to dispose of the related shares to settle the compensation in cash. Compensation is determined on the agreed number of shares to be disposed of at their fair value at the end of reporting period. The Directors classified the investment as financial asset at fair value through profit or loss.

(b) The investment funds are as follows:

(i) On 14 December 2015, the Group 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$243,348,000) 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 Directors classified the investment as financial asset at fair value through other comprehensive income as it is held for long term strategic gains and not for trading. As at 31 December 2019, a fair value loss of HK$17,019,000 was recognised as other comprehensive income and reduced the investment revaluation reserve (2018: fair value loss of HK$28,318,000).

For the year ended 31 December 2018, the Group have wholly settled the committed investment of US$31,250,000 to the Mobile Internet Fund.

18. OTHER FINANCIAL ASSETS (Continued)

Notes: (Continued)

(b) The investment funds are as follows: (Continued)

(ii) In 2017, the Group entered into a limited partnership agreement to subscribe, as a limited partner, in the total amount of US$6,500,000 (equivalent to HK$50,616,000) of Golden Rock Cayman LP (the "Golden Rock"). The fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in securities and/or equity of companies that operate in Internet related sectors. The Group is a limited partner in Golden Rock and does not have control nor significant influence in its operational and financing decisions. The Directors classified the investment as financial asset at fair value through other comprehensive income as it is held for long term strategic gains and not for trading.

In 2018, the Group requested a reduction of investment of US$1,500,000 and the Group received the reduced balance in cash which equals to its original investment cost. During the year, the Group disposed part of its interests and it was approved by the general partner of the Golden Rock. The investment with cost of US$3,000,000 (equivalent to HK$23,361,000) is disposed during the year and the Group received the consideration amounted to US$3,138,000 (equivalent to HK$24,438,000). As at 31 December 2019, a fair value loss of HK$6,031,000 with respect to the remaining US$2,000,000 interest was recognised as other comprehensive income earned and debited to the investment revaluation reserve (2018: fair value gain of HK$19,275,000).

(iii) On 30 June 2017, the Group entered into a Limited Partnership Agreement (the "Agreement") to subscribe, as a limited partner, in the total amount of RMB100,000,000 (equivalent to HK$111,436,000) of Hangzhou China Capital Qianhai Weiyi Investment Partnership Limited (the "China Capital Qianhai Weiyi Fund"). The timing of capital contribution of the investment is generally on an "as needed" basis. As at 31 December 2019, the Group has contributed RMB23,000,000 to the China Capital Qianhai Weiyi Fund (equivalent to HK$25,630,000).

China Capital Qianhai Weiyi Funds is an established in the PRC and is principally engaged in asset management and investment management. It is established to achieve long-term capital appreciation primarily through privately-negotiated investments in internet, artificial intelligence and medical and health care industries. The Group is a limited partner in this China Capital Qianhai Weiyi Funds and does not have control nor significant influence in the China Capital Qianhai Weiyi Funds operational and financing decisions. The Directors classified the investment as financial asset at fair value through other comprehensive income as it is held for long term strategic gains and not for trading.

During the year, the Group requested a reduction of investment and it was approved by the general partner of the China Capital Qianhai Weiyi Funds. The investment is therefore reduced by RMB2,000,000 (equivalent to HK$2,270,000) and the Group received the reduced balance in cash which equals to its original investment cost. As at 31 December 2019, a fair value loss of HK$1,853,000 with respect to the remaining RMB23,000,000 interest was recognised as other comprehensive income and decreased the investment revaluation reserve (2018: fair value gain of HK$4,660,000).

(iv) In 2019, the Group entered into a limited partnership agreement to subscribe, as a limited partner, in the total amount of RMB15,000,000 (equivalent to HK$16,715,000) of Shenzhen Zhongjin Qianhai Weiyi Equity Investment Partnership (Limited Partnership) (the "Shenzhen Zhongjin"). The fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in equity of companies that operate in Internet related sectors. The Group is a limited partner in Shenzhen Zhongjin and does not have control nor significant influence in its operational and financing decisions. The Directors classified the investment as financial asset at fair value through other comprehensive income as it is held for long term strategic gains and not for trading. The investment's fair value is approximate to cost as at 31 December 2019.

18. OTHER FINANCIAL ASSETS (Continued)

Notes: (Continued)

(c) The unlisted equity investments are as follows:

(i) The Group invested in 10% equity interest in Hangzhou Yixin Technology Limited, a company incorporated in the PRC, at a consideration of RMB6,400,000 (equivalent to HK$7,132,000). The Directors classified the investment as financial asset at fair value through other comprehensive income as it is held for long term strategic gains and not for trading. As at 31 December 2019, a fair value loss of HK$859,000 was recognised as other comprehensive income and decreased the investment revaluation reserve (2018: fair value gain of HK$1,126,000).

(ii) During the year, the Group invested in 8% equity interest in Shenzhen Qianhai Shouhui Technology Culture Co., Ltd., a company incorporated in the PRC, at a consideration of RMB28,000,000 (equivalent to HK$31,202,000). As at 31 December 2019, a fair value gain of HK$5,412,000 was recognised as other comprehensive income and increased the investment revaluation reserve (2018: fair value is approximate to cost).

(d) The financial assets at FVTPL are as follows:

(i) It represents an equity investment of listed securities in NASDAQ. As at 31 December 2019, a fair value loss of HK$25,813,000 was recognised as "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income (2018: fair value loss of HK$19,327,000).

(ii) During 2018, the Group purchased a put option linked with the listed securities in NASDAQ abovementioned in note 18(d)(i). As at 31 December 2019, a fair value gain of HK$25,948,000 was recognised as "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income (2018: fair value gain of HK$21,985,000).

(e) The financial assets at amortised cost represents a PRC wealth management product with principal amount of RMB1,000,000 and a maturity period of 3 years. The annual rate of return is approximately 7.5% in first two years and 8% in the third year. The Directors classified the investment as financial asset at amortised cost under HKFRS 9.

19. TRADE RECEIVABLES

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2019 HK$'000	2018 HK$'000
Within 6 months	18,055	45,189
Over 6 months but within 1 year	1,854	26
Over 1 year but within 2 years	9	62
	19,918	45,277

The Group and the Company assessed impairment loss based on the accounting policy stated in note 4(j)(ii). No impairment loss on trade receivables is recognised as the expected credit loss assessed is not material to the financial statements. The Group has a policy allowing its customers credit periods normally ranging from 10 to 90 days. The Group does not hold any collateral as security.

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 HK$'000	2018 HK$'000
Other tax receivables	22,106	37,665
Purchase deposits	15,513	9,017
Other receivables	12,078	9,530
Prepayments	15,798	38,839
Deposits	4,448	4,810
	69,943	99,861

21. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	899	29,056
Deposits received	96	6,629
Accruals	21,607	23,097
Dividends payable	4,301	4,419
Contingent consideration payable	87,892	96,957
Other payables	39,296	82,706
	154,091	242,864

Included in trade and other payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2019 HK$'000	2018 HK$'000
Within 6 months	704	24,199
Over 6 months but within 1 year	195	1,511
Over 1 year but within 2 years	–	1,766
Over 2 years but within 3 years	–	1,058
Over 3 years	–	522
Total trade payables	899	29,056
Accrued liabilities and other liabilities	153,192	213,808
	154,091	242,864

22. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Contract liabilities arising from:		
Games and applications	15,932	10,151
Advance payments received from e-commerce trading platform	28,427	13,751
	44,359	23,902

Movements in contract liabilities:

2019	Games and applications HK$'000	E-commerce trading platform HK$'000	Total HK$'000
Balance as at 1 January	10,151	13,751	23,902
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(10,151)	(13,751)	(23,902)
Increase in contract liabilities as a result of advance payment received for e-commerce platform for goods not yet delivered	–	28,427	28,427
Increase in contract liabilities as a result of sales of virtual currency from users of games and applications	15,932	–	15,932
Balance as at 31 December	15,932	28,427	44,359

22. CONTRACT LIABILITIES (Continued)

2018	Games and applications HK$'000	E-commerce trading platform HK$'000	Total HK$'000
Balance as at 1 January	–	–	–
Acquisition of subsidiary	3,855	–	3,855
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(3,855)	–	(3,855)
Increase in contract liabilities as a result of advance payment received for e-commerce platform for goods not yet delivered	–	13,751	13,751
Increase in contract liabilities as a result of sales of virtual currency from users of games and applications	10,151	–	10,151
Balance as at 31 December	10,151	13,751	23,902

23. LOANS AND BORROWINGS

	2019 HK$'000	2018 HK$'000
Current liabilities		
Bank loan due for repayment within one year *(Note (a))*	5,572	–
Lease liabilities — current portion	14,050	–
Loan and borrowings — repayable within one year	19,622	–
Non-current liabilities		
Lease liabilities — non-current portion	13,441	–

Note:

The bank borrowings included the loans below:

(a) A bank loan granted by the Bank of China is secured by a cooperate guarantee as detailed in note 33(d) and bear interest at 4.35% per annum. The loan is carried at amortised cost. The loan is repayable within one year on 30 June 2020.

Another bank loan advance from the Bank of China and bear interest at 3.9% per annum. The loan is carried at amortised cost. The loan is repayable within one year on 20 December 2020.

23. LOANS AND BORROWINGS (Continued)

LEASE LIABILITIES

	Properties HK$'000
At 1 January 2019	29,906
Addition	22,071
Interest expense	1,334
Lease payments	(14,170)
Modification of lease	(7,894)
Disposal of subsidiaries *(note 35)*	(3,242)
Exchange realignment	(514)
At 31 December 2019	27,491

Future lease liabilities are payable as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
At 1 January 2019			
Not later than one year	13,433	(1,114)	12,319
Later than one year and not later than five years	20,719	(3,132)	17,587
	34,152	(4,246)	29,906

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
At 31 December 2019			
Not later than one year	15,033	(983)	14,050
Later than one year and not later than five years	13,769	(328)	13,441
	28,802	(1,311)	27,491

23. LOANS AND BORROWINGS (Continued)

LEASE LIABILITIES (Continued)

The present value of future lease payments are analysed as:

	2019 HK$'000
Current liabilities	14,050
Non-current liabilities	13,441
	27,491

24. DEFERRED TAXATION

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

	Fair value adjustment HK$'000	Contract liabilities HK$'000	Impairment loss on other receivables HK$'000	Total HK$'000
At 1 January 2018	–	–	–	–
Acquisition of subsidiaries	(11,752)	172	–	(11,580)
At 31 December 2018	(11,752)	172	–	(11,580)
Credit to profit or loss for the year	2,826	430	306	3,562
Exchange realignment	(52)	(11)	(6)	(69)
At 31 December 2019	(8,978)	591	300	(8,087)

The deferred income tax balance is as follows:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	891	172
Deferred tax liabilities	(8,978)	(11,752)
	8,087	(11,580)

24. DEFERRED TAXATION (Continued)

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

	2019 HK$'000	2018 HK$'000
Deductible/(taxable) temporary differences	2,939	(3,189)
Unused tax losses	215,043	272,894
	217,982	269,705

Out of the tax losses of the Group as at 31 December 2019, approximately HK$123,329,000 (2018: HK$183,807,000) has an expiry period of five years since 2013. No deferred tax asset has been recognised in respect of the unused tax losses due to unpredictability of future profit streams. The deductible temporary differences can be carried forward indefinitely. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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 2019, the Group has not recognised deferred tax liabilities of HK$9,423,000 (2018: HK$9,985,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to HK$94,232,000 (2018: HK$99,849,000), 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.

25. SHARE CAPITAL

	2019 HK$'000	2018 HK$'000
Authorised: 50,000,000,000 ordinary shares of HK$0.01 each	500,000	500,000
Issued and fully paid:		
4,213,395,262 (2018: 3,297,925,262) ordinary shares of HK$0.01 each at beginning of year	42,134	32,979
Issuance of share upon exercise of share options	–	413
Share allotment for the acquisition of Easy Prime	–	8,742
4,213,395,262 (2018: 4,213,395,262) ordinary shares of HK$0.01 each at end of year	42,134	42,134

26. 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/ (accumulated losses) HK$'000	Total reserves HK$'000
At 1 January 2018	1,488,282	56,170	523,125	5,307	(921,143)	1,151,741
Loss and total comprehensive income for the year	–	(9,043)	–	–	(299,294)	(308,337)
Recognition of share-based payment expense (note 28(a))	–	–	–	23,828	–	23,828
Lapse of share options (note 28(a))	–	–	–	(2,229)	2,229	–
Exercise of share option	21,115	–	–	(3,357)	–	17,758
Issuance of share capital	193,203	–	–	–	–	193,203
At 1 January 2019	1,702,600	47,127	523,125	23,549	(1,218,208)	1,078,193
Loss and total comprehensive income for the year	–	(34,643)	–	–	(50,052)	(84,695)
Recognition of share-based payment expense (note 28(a))	–	–	–	3,043	–	3,043
Lapse of share options (note 28(a))	–	–	–	(23,033)	23,033	–
Balance at 31 December 2019	**1,702,600**	**12,484**	**523,125**	**3,559**	**(1,245,227)**	**996,541**

Notes:

(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 financial assets at fair value through other comprehensive income.

(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.

(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(q).

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

27. LEASE

(a) LEASES AS LESSEE

The Group leases office properties. The leases typically run for a period of one to two years. Lease payments are renegotiated every one to two years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Previously, these leases were classified as operating leases under HKAS 17. Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as Right-of-use assets.

	Properties HK$'000
2019	
Balance at 1 January	29,906
Modification of lease	(7,713)
Additions	22,071
Depreciation charge for the year	(13,003)
Disposal of a subsidiary (note 35)	(3,405)
Exchange realignment	(521)
Balance at 31 December	27,335

27. LEASE (Continued)

(a) LEASES AS LESSEE (Continued)

(ii) Amounts recognised in profit or loss

	HK$'000
2019 — Leases under HKFRS 16	
Interest on lease liabilities	1,334
Expenses relating to short-term leases	6,353
Gain on the modification of lease	(181)
	7,506
Aggregate undiscounted commitments for short-term leases	758

(iii) Operating lease under HKAS 17 (2018)

	HK$'000
2018 — Operating leases under HKAS 17	
Minimum lease payments	18,996

The total future minimum lease payments are due as follows:

	2018 HK$'000
Within one year	14,701
In the second to fifth years inclusive	21,491
Lease expense	36,192

(iv) Amounts recognised in statement of cash flows

	HK$'000
2019	
Total cash outflow for leases	(14,170)

28. 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:

2019

	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 2 September 2016	2,000,000	–	–	(2,000,000)	–	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	2,000,000	–	–	–	2,000,000	0.229	25/01/2018 to 24/01/2021
	4,000,000	–	–	(2,000,000)	2,000,000		
Wang Chun							
— on 2 September 2016	2,000,000	–	–	(2,000,000)	–	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	3,000,000	–	–	–	3,000,000	0.229	25/01/2018 to 24/01/2021
	5,000,000	–	–	(2,000,000)	3,000,000		
Ji Qiang							
— on 5 July 2019	–	3,000,000	–	–	3,000,000	0.385	05/07/2019 to 04/07/2022
Sub-total	9,000,000	3,000,000	–	(4,000,000)	8,000,000		

28. SHARE-BASED PAYMENT (Continued)

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

2019

	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 2 September 2016	700,000	–	–	(700,000)	–	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	750,000	–	–	–	750,000	0.229	25/01/2018 to 24/01/2021
— on 5 July 2019	–	1,000,000	–	–	1,000,000	0.385	05/07/2019 to 04/07/2022
	1,450,000	1,000,000	–	(700,000)	1,750,000		
Gong Zhankui							
— on 2 September 2016	700,000	–	–	(700,000)	–	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	750,000	–	–	–	750,000	0.229	25/01/2018 to 24/01/2021
— on 5 July 2019	–	1,000,000	–	–	1,000,000	0.385	05/07/2019 to 04/07/2022
	1,450,000	1,000,000	–	(700,000)	1,750,000		
Wang Linan							
— on 2 September 2016	700,000	–	–	(700,000)	–	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	750,000	–	–	–	750,000	0.229	25/01/2018 to 24/01/2021
— on 5 July 2019	–	1,000,000	–	–	1,000,000	0.385	05/07/2019 to 04/07/2022
	1,450,000	1,000,000	–	(700,000)	1,750,000		
Sub-total	4,350,000	3,000,000	–	(2,100,000)	5,250,000		
Employees/others							
— on 2 September 2016	3,900,000	–	–	(3,900,000)	–	0.371	02/09/2016 to 01/09/2019
— on 3 May 2018	150,000,000	–	–	(150,000,000)	–	0.550	03/05/2018 to 02/05/2019
— on 5 July 2019	–	62,000,000	–	–	62,000,000	0.385	05/07/2019 to 04/07/2022
Sub-total	153,900,000	62,000,000	–	(153,900,000)	62,000,000		
Total	167,250,000	68,000,000	–	(160,000,000)	75,250,000		

28. SHARE-BASED PAYMENT (Continued)

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

2018

	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 16 October 2015	3,000,000	–	–	(3,000,000)	–	0.570	16/10/2015 to 15/10/2018
— on 2 September 2016	2,000,000	–	–	–	2,000,000	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	–	2,000,000	–	–	2,000,000	0.229	25/01/2018 to 24/01/2021
	5,000,000	2,000,000	–	(3,000,000)	4,000,000		
Wang Chun							
— on 16 October 2015	5,700,000	–	–	(5,700,000)	–	0.570	16/10/2015 to 15/10/2018
— on 2 September 2016	2,000,000	–	–	–	2,000,000	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	–	3,000,000	–	–	3,000,000	0.229	25/01/2018 to 24/01/2021
	7,700,000	3,000,000	–	(5,700,000)	5,000,000		
Ji Qiang							
— on 16 October 2015	1,000,000	–	–	(1,000,000)	–	0.570	16/10/2015 to 15/10/2018
— on 25 January 2018	–	750,000	(750,000)	–	–	0.229	25/01/2018 to 24/01/2021
	1,000,000	750,000	(750,000)	(1,000,000)	–		
Sub-total	13,700,000	5,750,000	(750,000)	(9,700,000)	9,000,000		

28. SHARE-BASED PAYMENT (Continued)

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

2018

	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 16 October 2015	2,000,000	–	–	(2,000,000)	–	0.570	16/10/2015 to 15/10/2018
— on 2 September 2016	700,000	–	–	–	700,000	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	–	750,000	–	–	750,000	0.229	25/01/2018 to 24/01/2021
	2,700,000	750,000	–	(2,000,000)	1,450,000		
Gong Zhankui							
— on 16 October 2015	2,000,000	–	–	(2,000,000)	–	0.570	16/10/2015 to 15/10/2018
— on 2 September 2016	700,000	–	–	–	700,000	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	–	750,000	–	–	750,000	0.229	25/01/2018 to 24/01/2021
	2,700,000	750,000	–	(2,000,000)	1,450,000		
Wang Linan							
— on 16 October 2015	2,000,000	–	–	(2,000,000)	–	0.570	16/10/2015 to 15/10/2018
— on 2 September 2016	700,000	–	–	–	700,000	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	–	750,000	–	–	750,000	0.229	25/01/2018 to 24/01/2021
	2,700,000	750,000	–	(2,000,000)	1,450,000		
Sub-total	8,100,000	2,250,000	–	(6,000,000)	4,350,000		
Employees/others							
— on 16 October 2015	32,300,000	–	(23,500,000)	(8,800,000)	–	0.570	16/10/2015 to 15/10/2018
— on 2 September 2016	8,900,000	–	(5,000,000)	–	3,900,000	0.371	02/09/2016 to 01/09/2019
— on 25 January 2018	–	12,000,000	(12,000,000)	–	–	0.229	25/01/2018 to 24/01/2021
— on 3 May 2018	–	150,000,000	–	–	150,000,000	0.550	03/05/2018 to 02/05/2019
Sub-total	41,200,000	162,000,000	(40,500,000)	(8,800,000)	153,900,000		
Total	63,000,000	170,000,000	(41,250,000)	(24,500,000)	167,250,000		

28. SHARE-BASED PAYMENT (Continued)

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

On 5 July 2019, a total of 68,000,000 share options were granted to directors and eligible participants under the V1 Group Scheme and entitled the grantees to subscribe for ordinary shares at an exercise price of HK$0.385 per share. The options may be exercisable during the period from 5 July 2019 to 4 July 2022.

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

Fair value at grant date	HK$0.0448
Weighted average share price at grant date	HK$0.207
Weighted average contractual life	3 years
Expected volatility	73.7%
Expected dividend rate	0%
Risk-free interest rate	1.54%

Details and movements of share options are as follows:

	Weighted average exercise price	Number '000
At 1 January 2018	HK$0.523	63,000
Granted during the year	HK$0.512	170,000
Exercised during the year	HK$0.440	(41,250)
Lapsed during the year	HK$0.570	(24,500)
At 31 December 2018	HK$0.525	167,250
Granted during the year	HK$0.385	68,000
Lapsed during the year	HK$0.539	(160,000)
At 31 December 2019	**HK$0.370**	**75,250**

The weighted average exercise price of options outstanding at the end of the year is HK$0.370 (2018: HK$0.525) and their weighted average remaining contractual life was 2.37 years (2018: 2.23 years).

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

No share options were exercised during the year ended 31 December 2019.

In 2019, 160,000,000 (2018: 24,500,000) share options lapsed. Accordingly, the related share-based compensation reserve of HK$23,033,000 (2018: HK$2,229,000) was released to retained profits.

29. NOTES SUPPORTING CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	2019 HK$'000	2018 HK$'000
Cash available on demand	58,920	131,918

The Group's bank balances that are denominated in foreign currencies of the relevant group entities (whose functional currency is HK$) are set out as below:

	2019 HK$'000	2018 HK$'000
Denominated in RMB	36,917	64,111
Denominated in USD	15,334	57,561
Denominated in AED	107	1,217

(b) Reconciliation of liabilities arising from financing activities:

	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 31 December 2018	–	–	–
Initial application of HKFRS16	–	29,906	29,906
Restated balance at 1 January 2019	–	29,906	29,906
Changes from financing cash flows			
Proceeds from new bank borrowings	5,572	–	5,572
Payment of lease liabilities	–	(14,170)	(14,170)
Interest paid	(227)	–	(227)
Total changes from financing cash flows	5,345	(14,170)	(8,825)
Other changes			
Interest expense	227	1,334	1,561
Addition of new lease	–	22,071	22,071
Modification of lease	–	(7,894)	(7,894)
Exchange differences	–	(514)	(514)
Disposal of subsidiaries	–	(3,242)	(3,242)
Total liability-related other changes	–	11,755	11,982
At 31 December 2019	5,572	27,491	33,063

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the condensed statement of financial position of the Company as at 31 December 2019 and 31 December 2018:

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		1,470	501
Interests in subsidiaries		1,902,185	1,902,185
Intangible assets		115,169	127,815
Financial assets at fair value through other comprehensive income		314,921	348,053
		2,333,745	2,378,554
CURRENT ASSETS			
Other receivables, deposits and prepayments		950	3,152
Financial assets at fair value through profit or loss		8,804	36,621
Amounts due from subsidiaries		780,497	742,763
Amounts due from a related company		33	33
Bank balances and cash		18,878	64,978
		809,162	847,547
CURRENT LIABILITIES			
Deposits received, other payables and accruals		204,462	118,022
Amounts due to subsidiaries		1,887,406	1,887,406
Amount due to a related company		3,603	3,603
Dividend payable		3,013	3,103
Tax payable		5,748	5,748
		2,104,232	2,017,882
NET CURRENT LIABILITIES		(1,295,070)	(1,170,335)
NON-CURRENT LIABILITIES			
Contingent consideration payable		–	87,892
NET ASSETS		1,038,675	1,120,327
EQUITY			
Share capital	25	42,134	42,134
Reserves	26	996,541	1,078,193
TOTAL EQUITY		1,038,675	1,120,327

31. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2019 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 Directly	Indirectly	Principal activities
第一視頻信息工程集團有限公司 (VODone Information Engineering Group Co, Ltd.) ("TMD2") (Note) (1)	PRC	PRC	RMB402,753,568	44.38%	55.48%	Provision of technical and promotional and advertising services
北京日升影響文化交流有限公司 (Beijing Adpeople International Culture Exchange Co, Ltd.) ("TMD3") (Note) (2)	PRC	PRC	RMB301,975,000	–	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") (Note)	PRC	PRC	RMB160,333,800	71.78%	27.79%	Provision of entertainment production services
第一視頻(中國)投資有限公司 (Note)	PRC	PRC	USD59,871,000	100%	–	Investment holding
Arab Business TV FZ-LLC ("ABTV")	Dubai	Dubai	AED2,500,000	–	70.61%	Operation of television channel
Fengkuang Tiyu (HK) Limited	Hong Kong	Hong Kong	HK$10,000	100%	–	Investment holding
瘋狂新遊(北京)技術有限公司 Crazy New Game (Beijing) Technology Company Limited	PRC	PRC	RMB1,000,000	–	100%	Investment holding
北京瘋狂體育產業管理有限公司 Beijing Crazy Sports Management Company Limited ("Crazy Sport")	PRC	PRC	RMB10,230,000	–	100%	Development and operation of mobile applications
霍爾果斯瘋狂新遊網絡科技有限公司 Khorgos Crazy New Game Network Technology Company Limited ("Khorgos Crazy")	PRC	PRC	RMB1,000,000	–	100%	Provision of telecommunication services
Easy Prime Developments Limited	BVI	Hong Kong	USD10,000	100%	–	Investment holding

Note: The companies are foreign investment enterprises established in the PRC.

(1) *Formerly known as VODone Information Engineering Co., Ltd. (第一視頻資訊工程有限公司)*

(2) *Formerly known as Beijing Adpeople International Advertising Co., Ltd. (北京日升影響廣告有限公司)*

32. NON-CONTROLLING INTERESTS

CATV Group Limited ("CATV"), being a 95.92% (2018: 78.46%) owned subsidiary of the Company, became the material non-controlling interests ("NCI") of the Company. 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 CATV, before intra-group eliminations, is presented below:

	1 January to 31 December 2019 HK$'000	1 January to 31 December 2018 HK$'000
For the period from		
Revenue	3,044	996
Loss for the year	13,139	17,212
Total comprehensive loss	13,247	17,194
Loss allocated to NCI	108	1,721
Dividend paid to NCI	–	–
For the period from	–	–
Cash flows used in operating activities	(536)	(3,870)
Cash flows used in investing activities	215	(140)
Cash flows from financing activities	(480)	–
Net cash outflows	(801)	(4,010)

As at 31 December	2019 HK$'000	2018 HK$'000
Current assets	1,554	2,486
Non-current assets	16,807	16,283
Current liabilities	(25,779)	(13,396)
Non-current liabilities	(1,417)	–
Net liabilities	(8,835)	5,373
Accumulated non-controlling interests	(360)	2,418

32. NON-CONTROLLING INTERESTS (Continued)

Note:

During the year, the Group acquired an additional 17.46% and 10% ownership interest in its subsidiaries CATV Group Limited ("CATV") and Arab Business TV FZ-LLC ("Arab TV") respectively. Prior to the increase in ownership, CATV held 90% interest in Arab TV and the Company's wholly owned subsidiary, Golden Target Global Limited, held 78.46% interest in CATV. Following the acquisition, the Group's interest held in CATV increased from 78.46% to 95.92%, while the indirect interest held in Arab TV increased from 70.61% to 95.92%. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	HK$'000
Consideration paid for additional ownership interest in CATV and Arab TV	(12,199)
Net liabilities attributable to ownership interest at acquisition date	(5,550)
Decrease in equity attributable to owners of the Company (included in retained earnings)	(17,749)

33. 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:

	Notes	2019 HK$'000	2018 HK$'000
Service fee income earned from an associate, TMD1	(i)	**3,689**	43,753
Management fee charged by TMD1	(ii)	**8,253**	61,255

Notes:

(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.

33. RELATED PARTY TRANSACTIONS (Continued)

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

	2019 HK$'000	2018 HK$'000
Short term benefits	21,232	19,728
Share-based payments	268	1,833
	21,500	21,561

(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.

(d) On 25 June 2019, Mr. Peng Xitao, being the senior management of the Group and the director of Crazysport, Mr. Hou Liqiang (候力強先生) and Mr. Wei Guilei, being the director of Crazysport, entered into a guarantee agreement with a third party corporate, Beijing Zhongguancun Technology Financing Guarantee Co., Ltd. ("Beijing Zhongguancun"), pursuant to which a property owned by Mr. Hou Liqiang and Mr. Wei Guilei and unlimited personal guarantee by Mr. Peng Xitao was guaranteed to Beijing Zhongguancun as counter-guarantee. Beijing Zhongguancun will provide guarantee to the Bank of China for a banking facility of RMB10,000,000, in relation to abovementioned the bank borrowing.

(e) 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:

	2019 HK$'000	2018 HK$'000
Balance at 1 January	951	4,099
Balance at 31 December	783	951
Maximum amount outstanding during the year	951	4,099

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 2019 and 2018.

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

34. 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.

35. DISPOSAL OF SUBSIDIARIES

(a) DISPOSAL OF VICTOR CHOICE INVESTMENT LIMITED ("VICTOR CHOICE")

On 6 June 2019, the Company disposed of the entire equity interest in Victor Choice to an independent third party, at consideration of HK$58,000.

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

	HK$'000
Intangible assets *(Note)*	–
Goodwill *(Note)*	–
Bank balances and cash	58
Other payables	(164)
Net liabilities disposed of	(106)

The gain arising from the Disposal shown in the consolidated statement of other comprehensive income is calculated as follows:

	HK$'000
Consideration received	58
Add: net liabilities disposed of	106
Gain on disposal of subsidiaries	164

Cash inflows arising from disposal of subsidiaries:

	HK$'000
Total cash consideration	58
Bank balances and cash disposed of	(58)
	–

Note:

Victor Choice possessed intangible assets and goodwill that was fully impaired in previous financial periods.

35. DISPOSAL OF SUBSIDIARIES (Continued)

(b) DISPOSAL OF 北京快兔動力信息技術有限公司 (BEIJING QUICK TO POWER INFORMATION TECHNOLOGY CO., LTD.) ("QUICK TO")

On 1 January 2019, the Company disposed of the entire equity interest in Quick To to Mr. Zhang Lijun, the director of the Company, at consideration of HK$111,000 (equivalent to RMB100,000).

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

	HK$'000
Property, plant and equipment	43
Other receivables	5,986
Bank balances and cash	244
Other payables	(6,870)
Net liabilities disposed of	(597)

The gain arising from the Disposal shown in the consolidated statement of other comprehensive income is calculated as follows:

	HK$'000
Consideration received	111
Add: net liabilities disposed of	597
Gain on disposal of subsidiaries	708

Cash inflows arising from disposal of subsidiaries:

	HK$'000
Total cash consideration	111
Bank balances and cash disposed of	(244)
	(133)

35. DISPOSAL OF SUBSIDIARIES (Continued)

(c) DEEMED DISPOSAL OF INTERACTIVE SPACE-TIME

With the issuance of Interactive Space-time's share to a new shareholder on 23 August 2019, the Company's equity interest in Interactive Space-time has been diluted from 51% to 28%. The Group has lost the control over Interactive Space-time as the voting rights of the Group in the shareholders' meeting of Interactive Space-time has been decreased from 51% to 28% under the provisions stated in the Article of Association of Interactive Space-time. Accordingly, the investment in Interactive Space-time was reclassified as interest in associate. The assets and liabilities of Interactive Space-time were deconsolidated from the Group's consolidated statement of financial position and the interest in Interactive Space-time has been accounted for as an associate using equity method. The fair value of the 28% retained interest in Interactive Space-time at the date on which the control was lost is regarded as the cost on initial recognition of the investment in Interactive Space-time as an associate. The net assets of Interactive Space-time at the date of disposal on 23 August 2019 were as follows:

Analysis of assets and liabilities over which control was lost

	23 August 2019 HK$'000
Property, plant and equipment	1,057
Goodwill	7,566
Cash and cash equivalents	8
Right-of-use assets	3,405
Trade receivables	80
Other receivables, deposits and prepayments	3,755
Inventories	700
Amounts due from NCI	1,114
Trade payables	(4,455)
Deposits received, other payables and accruals	(8,282)
Lease liabilities	(3,242)
Net assets disposed of	1,706

35. DISPOSAL OF SUBSIDIARIES (Continued)

(c) DEEMED DISPOSAL OF INTERACTIVE SPACE-TIME (Continued)

Loss on deemed disposal of Interactive Space-time

	23 August 2019 HK$'000
Net assets disposed of	(1,706)
Fair value of interest retained *(Note)*	–
Less: non-controlling interests	(2,170)
Loss on deemed disposal of a subsidiary	(3,876)

Net cash outflow arising on disposal

	23 August 2019 HK$'000
Cash and cash equivalents of Interactive Space-time disposal of	(8)

Note:

The fair value of interest retained is zero due to the net liability position of the subsidiary and the probability for the subsidiary to generate positive cash inflow in the future is remote.

36. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for:		
— Investment of investment fund (note 18(iii))	83,644	85,405

37. 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 receivables, 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.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are state-owned commercial banks in China or public listed companies. Most of the bank deposits of the Group are placed with commercial banks with an acceptable credit rating.

Trade receivables

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets after deducting any impairment allowance. The Group does not provide financial guarantee which would expose the Group to credit risk.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicated significantly different loss patterns for different customer segments, the grouping for trade receivables for the assessment of ECLs is by aging of past due day. After applying the ECL model, the directors considered that no provision for impairment loss on trade receivables is required as the calculated ECL is minimal.

Amounts due from an associate and related parties

The directors consider that the credit risk arising from trading transactions with an associate and related parties are minimal. After applying the expected credit loss rate to gross amount of amounts due from an associate and related parties, the management considered that no significant impairment loss of financial assets should be recognised in the consolidated financial statements.

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.

37. FINANCIAL RISK MANAGEMENT (Continued)

INTEREST RATE RISK

The Group's bank deposits have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits. The directors consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank deposits have short maturity periods. The Group's held-to-maturity investments carry at fixed interest rate and therefore are not subject to cash flow interest rate risk.

The Group has no significant interest-bearing financial liabilities. Accordingly, management considers the Group has no significant cash flow interest rate risk from financial liabilities.

The Group does not have an interest rate hedging policy. However, management monitors interest rate exposures will consider hedging significant interest rate exposures should the need arise.

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 2019.

38. 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 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Bank borrowings	5,572	–
Total equity	913,434	1,136,177
Gearing ratio	0.61%	N/A

39. 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 2019 and 2018 may be categorised as follows:

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost	129,153	258,157
Financial assets at fair value through profit or loss	56,953	58,822
Financial asset at fair value through other comprehensive income	355,383	399,279
	541,489	716,258
Financial liabilities		
Financial liabilities measured at amortised cost	151,848	214,159

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

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).

	2019		
	Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000
Financial assets at fair value through other comprehensive income	–	–	355,383
Financial assets at fair value through profit or loss	49,393	7,560	–
	49,393	7,560	355,383

	2018		
	Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000
Financial assets at fair value through other comprehensive income	–	–	399,279
Financial assets at fair value through profit or loss	25,449	33,373	–
	25,449	33,373	399,279

For the financial assets at fair value through other comprehensive income, it mainly consisted of unlisted investment fund as detailed in note 18, the fair value is arrived at based on a valuation carried out by Graval, an independent valuer not connected to the Group. The fair value was determined based on market approach, where fair value estimated with references to comparable companies' benchmark multiples.

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

SIGNIFICANT UNOBSERVABLE INPUTS

Mobile Internet Fund

Market multiples of comparable companies adopted	At 31 December 2019	At 31 December 2018
— P/E Ratio	37.68	17.81
— Market rate of return	1.29 – 1.42	0.44 – 0.94
Discount for lack of marketability	15.80%	20.70%

Had the P/E Ratio of comparable companies adopted increased by 1%, it would increase the fair value of the unlisted investment by HK$425,000. Had the P/E Ratio of comparable companies adopted decreased by 100 basis points, it would decrease the fair value of the unlisted investment by HK$425,000.

Had the market rate of return of comparable companies adopted increased by 1%, it would increase the fair value of the unlisted investment by HK$335,000. Had the market rate of return of comparable companies adopted decreased by 100 basis points, it would decrease the fair value of the unlisted investment by HK$335,000.

Golden Rock Fund

Market multiples of comparable companies adopted	At 31 December 2019
— P/S Ratio	6.29
Discount for lack of marketability	24.90%

Had the P/S Ratio of comparable companies adopted increased by 1%, it would increase the fair value of the unlisted investment by HK$180,000. Had the P/S Ratio of comparable companies adopted decreased by 100 basis points, it would decrease the fair value of the unlisted investment by HK$180,000.

China Capital Qianhai Weiyi fund

Market multiples of comparable companies adopted	At 31 December 2019
— P/E ratio	34.56
— P/S ratio	5.96
— P/B ratio	5.59
Discount for lack of marketability	36.0%

Had the P/E Ratio, P/S Ratio and P/B ratio of comparable companies adopted increased by 1%, it would increase the fair value of the unlisted investment by HK$182,000. Had the P/E Ratio, P/S Ratio and P/B ratio of comparable companies adopted decreased by 100 basis points, it would decrease the fair value of the unlisted investment by HK$182,000.

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

SIGNIFICANT UNOBSERVABLE INPUTS (Continued)

The following table shows the reconciliation of Level 3 fair value measurement of the unlisted investment fund:

	HK$'000
At 1 January 2019	399,279
Disposal	(26,708)
Purchase	16,715
Change in fair value (included in other comprehensive income)	(32,373)
Exchange difference	(1,530)
At 31 December 2019	355,383

The directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the financial statements approximate their fair values.

There were no transfers between levels during the period.

40. EVENTS AFTER THE REPORTING PERIOD

ASSESSMENT OF THE IMPACT OF THE CORONAVIRUS DISEASE 2019

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will earnestly implement the requirements of the Notice on Further Strengthening Financial Support for Prevention and Control of COVID-19, which was issued by the People's Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and State Administration of Foreign Exchange, and strengthen financial support for the epidemic prevention and control. The COVID-19 has certain impacts on the business operation and overall economy in some areas or industries, including in Beijing and all major cities in the PRC. This may affect the revenue for the Group's operation located in the PRC in a degree, and the degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

41. 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 27 March 2020.

* for identification only

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:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Year ended 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000 *(Note)*
Revenue	**2,444,825**	3,381,809	510,626	154,121	1,291,682
Gross profit/(loss)	**127,302**	(32,616)	(116,346)	(145,820)	532,888
Loss before income tax	**(194,098)**	(654,714)	(371,700)	(1,015,327)	225,169
Loss for the year	**(190,536)**	(654,988)	(371,700)	(981,629)	217,856
Loss for the year attributable to owners of the Company	**(185,190)**	(647,558)	(366,304)	(980,071)	142,666
Total comprehensive loss for the year	**(215,757)**	(682,910)	(339,708)	(1,034,897)	125,865
Total comprehensive loss for the year attributable to owners of the Company	**(209,096)**	(675,865)	(336,844)	(1,032,041)	70,455

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.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Assets					
Non-current assets	**1,019,494**	1,218,487	1,143,523	800,428	1,373,835
Current assets	**252,773**	416,204	582,387	1,191,544	1,694,127
Total assets	**1,272,267**	1,634,691	1,725,910	1,991,972	3,067,962
Equity					
Equity attributable to owners of the Company	**897,005**	1,120,807	1,496,258	1,833,220	2,865,232
Non-controlling interests	**16,429**	15,370	21,276	24,085	20,183
Total equity	**913,434**	1,136,177	1,517,534	1,857,305	2,885,415
Liabilities					
Non-current liabilities	**22,419**	99,644	–	–	35,849
Current liabilities	**336,414**	398,870	208,376	134,667	146,698
Total liabilities	**358,833**	498,514	208,376	134,667	182,547
Total equity and liabilities	**1,272,267**	1,634,691	1,725,910	1,991,972	3,067,962