第一视频集团
V1 GROUP LIMITED

V1 GROUP LIMITED

INCORPORATED
IN BERMUDA WITH
LIMITED LIABILITY

STOCK CODE: 82

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ANNUAL REPORT 2020

CONTENTS

FINANCIAL PAGES

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Zhang Lijun *(Chairman)*
Mr. Peng Xitao *(appointed on 1 January 2021)*
Ms. Cheng Po Chuen *(appointed on 18 April 2020)*
Ms. Wang Chun *(resigned on 1 January 2021)*
Mr. Ji Qiang *(resigned on 1 January 2021)*

Independent Non-Executive Directors

Dr. Loke Yu (alias Loke Hoi Lam)
Mr. Zang Dongli *(appointed on 1 January 2021)*
Mr. Zhou Jingping *(appointed on 1 January 2021)*
Prof. Gong Zhankui *(resigned on 1 January 2021)*
Mr. Wang Linan *(resigned on 1 January 2021)*

AUDIT COMMITTEE

Dr. Loke Yu (alias Loke Hoi Lam) *(Chairman)*
Mr. Zang Dongli *(appointed to be a member on 1 January 2021)*
Mr. Zhou Jingping *(appointed to be a member on 1 January 2021)*
Prof. Gong Zhankui *(ceased to be a member on 1 January 2021)*
Mr. Wang Linan *(ceased to be a member on 1 January 2021)*

NOMINATION COMMITTEE

Dr. Zhang Lijun *(Chairman)*
Dr. Loke Yu (alias Loke Hoi Lam)
Ms. Cheng Po Chuen *(appointed to be a member on 1 January 2021)*
Mr. Zang Dongli *(appointed to be a member on 1 January 2021)*
Mr. Zhou Jingping *(appointed to be a member on 1 January 2021)*
Ms. Wang Chun *(ceased to be a member on 1 January 2021)*
Prof. Gong Zhankui *(ceased to be a member on 1 January 2021)*
Mr. Wang Linan *(ceased to be a member on 1 January 2021)*

REMUNERATION COMMITTEE

Dr. Loke Yu (alias Loke Hoi Lam) *(Chairman)*
Ms. Cheng Po Chuen *(appointed to be a member on 1 January 2021)*
Mr. Zang Dongli *(appointed to be a member on 1 January 2021)*
Dr. Zhang Lijun *(ceased to be a member on 1 January 2021)*
Ms. Wang Chun *(ceased to be a member on 1 January 2021)*
Prof. Gong Zhankui *(ceased to be a member on 1 January 2021)*
Mr. Wang Linan *(ceased to be a member on 1 January 2021)*

CORPORATE GOVERNANCE COMMITTEE

Ms. Cheng Po Chuen *(Chairman)* *(appointed to be a member on 1 January 2021)*
Prof. Gong Zhankui *(Chairman)* *(ceased to be a member on 1 January 2021)*
Mr. Peng Xitao *(appointed to be a member on 1 January 2021)*
Mr. Zhou Jingping *(appointed to be a member on 1 January 2021)*
Dr. Zhang Lijun *(ceased to be a member on 1 January 2021)*
Dr. Loke Yu (alias Loke Hoi Lam) *(ceased to be a member on 1 January 2021)*
Mr. Wang Linan *(ceased to be a member on 1 January 2021)*

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Peng Xitao *(Chairman)* *(appointed to be a member on 1 January 2021)*
Ms. Cheng Po Chuen *(appointed to be a member on 1 January 2021)*
Mr. Zang Dongli *(appointed to be a member on 1 January 2021)*
Mr. Zhou Jingping *(appointed to be a member on 1 January 2021)*

AUTHORISED REPRESENTATIVES

Dr. Zhang Lijun
Mr. Lam Yau Yiu

COMPANY SECRETARY

Mr. Lam Yau Yiu

AUDITOR

BDO Limited

PRINCIPAL BANKERS

UBS AG
The Hongkong and Shanghai Banking Corporation Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Bermuda

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CORPORATE WEBSITE

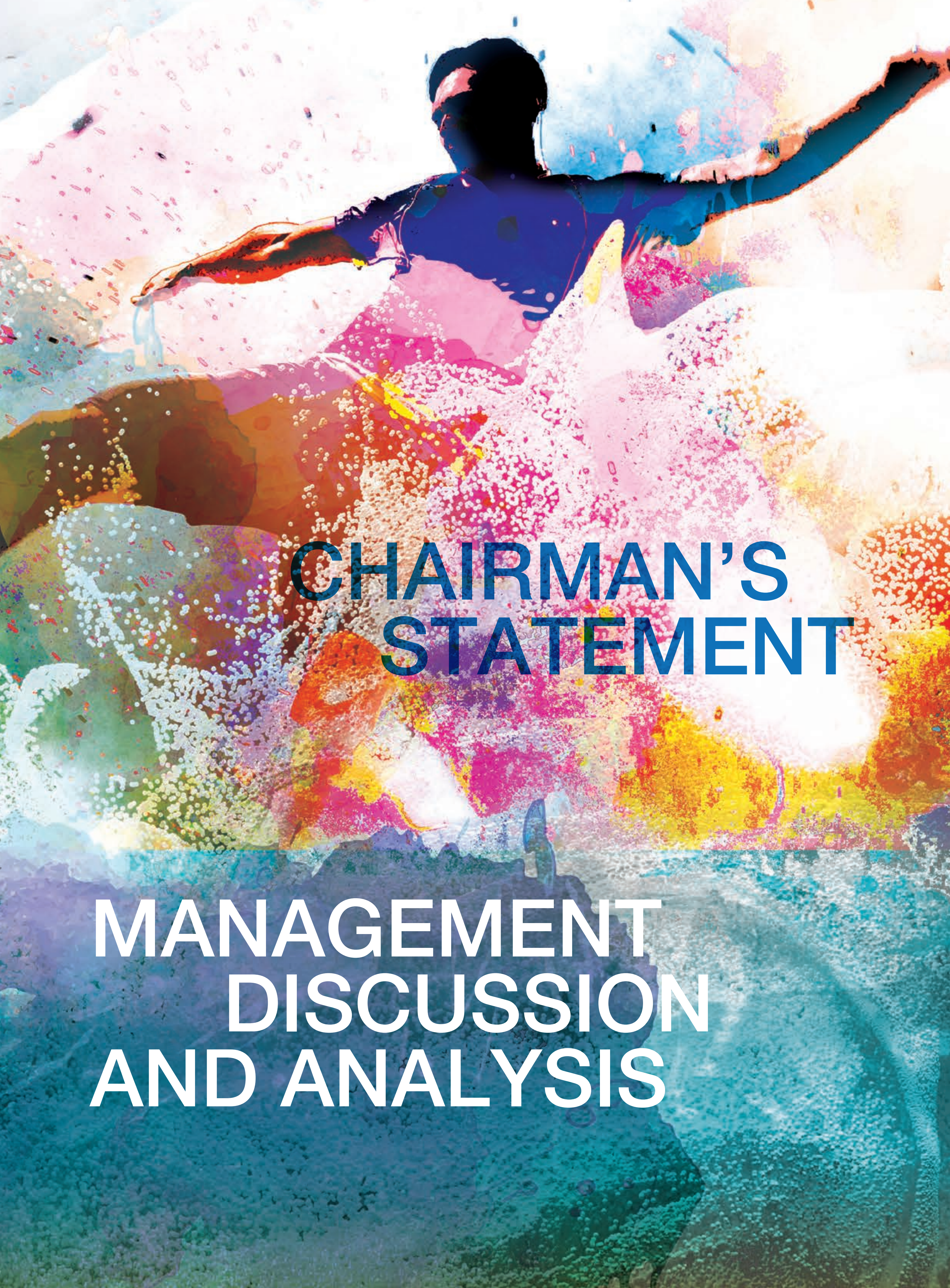
www.v1group.com

STOCK CODE

00082

OUR MISSION

To Become a Leading Digital Sports Entertainment Group in China



CHAIRMAN'S STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

CHAIRMAN'S STATEMENT

2020 —
Disruptive Innovation

Dear Shareholders,

In 2020, for the world as a whole, the catchword was "COVID-19". Yet, for us, V1 Group, the catchwords were predominately "Restructuring", "Hainan" and "The Inaugural Year".

I am overwhelmed with excitement being able to steer V1 Group through its historical turning point to see the completion of its restructuring during this extraordinary year. Following the guiding strategy of "Streamline First, Scale up Next", we initially divest from the underperformed business. Building on Crazy Sports as our principle business, we are positioning ourselves as the largest sports lottery and entertainment operator in China by combining online sports lottery information service and offline lottery points of sales.

Restructuring (Disruptive)

On 7 December 2020, V1 Group announced the Restructuring. The Group had been operating under two business segments, namely the sports and lottery related business and the telemedia and e-commerce business. These two business segments had been running independently following their respective strategies and attributes over the years. On the one hand, the Group's sports and lottery related business has been experiencing rapid growth and development since the acquisition of Crazy Sports by late 2018. Crazy Sports has proven to be a core driver contributing profit to our Group.

On the other hand, the Group's telemedia and e-commerce business segment had not come up with any suitable opportunity and market trend to stand out from its competitive peers. Due to its challenging and highly competitive operating environment, Liangzi Port had been operating with low profit margin. As such, the Board decided to terminate the business operation of Liangzi Port, as well as to dispose of the telemedia business by the first quarter of 2021. From that time onwards, the Group ceased to run the telemedia business. Meanwhile, the Group continued to own interests in CATV Group and China Investment so as to secure potential returns by acting as a passive investor in the CATV Fund. The investments in CATV Group and China Investment are deemed as capital intensive investments. The Company intends to explore further potential financing opportunities by leveraging the external network of CATV Fund and applying the expertise of the general partner, and thus, to continue the smooth running of these businesses with further capital funding provided by new investors.

The restructuring has allowed the Company to deploy and streamline its financial structure, personnel and other resources, with its strategic focus on the most profitable and promising business sectors, i.e. Crazy Sports. From then onwards, the "sports and entertainment community" in the sports industry, by combining online sports lottery information service and offline retailing has evolved to be the Group's core business, featuring concentrated resources, quality core data, huge market potential and strong core competitive edges.

The Board considers the restructuring to be the most appropriate arrangement, which aligns with overall interests of the Company and shareholders as a whole.

The sports business, due to its capacity to drive emotions from fans, confers immense economic value, and thus a valuable hinterland for immense profit opportunities. Focusing on sports industry, the Group is building an ecosystem that incorporates sports lottery retail, sports entertainment and information services, while ushering into a brand new business horizon with massive market potential.

The Restructuring also involved a significant adjustment in the Group's management, embodying the concept of "younger and professional team". From the directors to the operational teams, new faces and changes are being introduced. Young and professional candidates with work experience in large international investment banks, lottery and internet business, sports industry operation and management, investment and financing and partners of well-known law firms have been added into the Company's core team.

More importantly, these moves have contributed to a more comprehensive corporate governance structure, better work assignments and collaboration between the Board and the management team in strategic decision-making and business operations.

Upon completion, the business operation of the Group will be duly transformed to enable Crazy Sports to unleash its inherent potential, creating encouraging returns to shareholders.

The Board has proposed to change its English name of the Company from "V1 Group Limited" to "Crazy Sports Group Limited", and its Chinese name from "第一視頻集團有限公司" to "瘋狂體育集團有限公司", which are subject to approval at the annual general meeting of the Company to be convened in May 2021 and the approval of the Registrar of Companies in Bermuda.

Hainan (Innovation)

In 2020, Crazy Sports secured the approval from relevant authorities in Hainan Province to build a blockchain technology-driven sports quiz platform and a reward point system. The Group is aiming at the development opportunity in the unique sports entertainment industry in Hainan. We will further extend our footprints in our sports and entertainment business from digital sports entertainment territories, and promote the development of Hainan tourism industry with features of its own.

Based on entertainment services provided such as sports games information, live broadcasting and sports games prediction, etc, Crazy Sports is poised to be a brand new and unique attractive hub for tourism in Hainan, enhancing tourist consumption, fulfilling demand for entertainment and facilitating the development of social welfare.

Crazy Sports plans to leverage its "sports quiz platform", bringing in domestic and international game events to build an integrated sports tournament and e-sports service platform that incorporates sports events, entertainment media, club training centre, big data analyses and the user community. Ultimately, Crazy Sports will establish a fully-integrated sport culture hub with the cross-over of sports, culture and tourism and investment in Hainan.

Crazy Sports' Inaugural Year (Remarkable Growth)

From the acquisition of Crazy Sports three years ago, followed by the Group accomplishing its restructuring in 2020, to securing a firm foothold in Hainan with a sports quiz approval; further along, the Group signed contracts with FIFPro and Chinese Super League for top football IP rights; besides, Crazy Sports achieved its profit guarantee in 2020, with a three-year accumulated profit of RMB180 million. All these developments are testimonies of the fact that restructuring, Hainan sports quiz, top football IPs, and on top of all, the profit-making capability of Crazy Sports, Crazy Sports is adequately fueled up with the necessary resources in 2020 and ready to leap forward in the inaugural year of golden racecourse in 2021.

In 2021, the sports industry has entered into a new stage of rapid development. The year not only marks the beginning of the "14th Five-Year Plan", but also a crucial year for China to plan on evolving into a sports superpower. In 2020, the market size of the sports sector exceeded RMB3 trillion. Meanwhile, with the commencement of "14th Five-Year Plan" the market is estimated to grow to a target size of RMB5 trillion by 2025.

Going forward, the Group has determined to participate and excel in this multitrillion-dollar sports sector. Today, our crucial mantra include: Hong Kong–Shenzhen Stock Connect, sports lottery retail, Crazy Red Insights, Hainan sports quiz, UEFA Euro, CSL game IP, Beijing green gaming channel, Sinopec Easy Joy convenience store, 7-Eleven, Bianlifeng and China Resources Vanguard; these are our embracing elements in moving forward together.

In the new year ahead, the list of our engaging partners will continue to grow. As we, 00082, emerge as the first internet sports stock in Hong Kong, we will definitely earn all respect and pride that all our shareholders justifiably deserve.

"Disruptive Innovation!"

The Board and I would like to express our sincere gratitude to our shareholders for your ongoing support, guiding us all along, so that we always stay aligned to our original inspiration, leaping forward amid challenges.

On behalf of the Company and all staff members, I am extending my heartfelt gratitude to you all.

Dr. Zhang Lijun
Chairman

18 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2020, the business segments of the Group included (1) the sports and lottery related business; and (2) the telemedia and e-commerce business. The sports and lottery related business operated by the Group covered the development and operation of an online paid sports lottery information platform, an interactive live-streaming platform, mobile game applications, and the provision of sales services of lottery tickets through retail channels in China. Leveraging on its digital capabilities and advantages, Crazy Sports has successfully established a Chinese lottery players-orientated comprehensive O+O sports community and lottery entertainment ecosystem. The telemedia and e-commerce business covered the operation of an e-commerce platform, Liangzi Port, the provision of online information services (including its internet audio-visual new media and other Internet+ businesses) in China, as well as the operation of a satellite TV station, CATV, in Dubai, the UAE.

The outbreak of COVID-19 posed challenges and created opportunities at the same time for global economy and enterprises worldwide in 2020. Crazy Sports, which carried out the sports and lottery related business of the Group, rose to challenges and sailed against the current during the first half of 2020, thereby its various business segments exhibiting robust growth in the second half of the year. Crazy Sports has become a core business engine of the Group.

On the other hand, the Group's telemedia and e-commerce business segment has not had the right opportunity and market development to excel. By consolidating superior resources, the Group announced the Restructuring, which involved mainly the discontinuation of the operation of Liangzi Port by the first quarter of 2021, and the disposal of CATV and telemedia equipment to an independent third party fund. After Restructuring, CATV and assets related to internet information services are operated and managed by an independent third party fund. The purpose of the disposal is to exploit potential financing opportunities by leveraging on the external network and the expertise of the general partner of the fund. The Group held interests in such fund in its capacity as passive investor, thus allowing the Group to deploy and streamline its financial, personnel and other resources in further facilitating its strategic focus on the most profitable and promising business segment, i.e. the Crazy Sports business. Following the disposal, the Group ceased to operate the telemedia and e-commerce business. For details in relation to termination of the operation of Liangzi Port and the disposal of CATV, please refer to the announcements of the Company dated 7 December, 11 December and 24 December 2020.

On the same day, the Group successfully raised approximately HK$48 million from independent third parties. To reflect the Group's new core business, the Board proposed to change the Company's English name from "V1 Group Limited" to "Crazy Sports Group Limited", and the Company's Chinese name from "第一視頻集團有限公司" to "瘋狂體育集團有限公司", which is subject to the approval by shareholders at the 2021 Annual General Meeting. The Restructuring also involved a significant adjustment in the Company's management team, embodying the concept of "young and professional team" to bring greater success for future development.

SPORTS AND LOTTERY RELATED BUSINESS

Crazy Sports is a leading sports lottery and sports entertainment company in China. Our platforms comprised of (i) Crazy Red Insights APP, a paid sports lottery information services platform; (ii) Crazy Sports APP and China Soccer Lottery website, the match information, live-streaming and social interactive services platforms; (iii) online mobile interactive gaming applications; and (iv) the provision of lottery sales services in China through nationwide retail channels. According to the China Insights Consultancy Report, the paid sports lottery information services of Crazy Sports ranked first in China in terms of revenue in 2019. This was attributable to the Group's core lottery player data, artificial intelligence technology, content provision and the paid content published on various sports media platforms.

Through our unique O+O sports community and lottery entertainment ecosystem, users could participate in sports lottery and entertainment activities in a number of ways, including access to professional analyses, predictions, tips, odds and updates of football matches and basketball matches, watching sports event live broadcast with anchors, playing a variety of sports related mobile games and purchasing sports lottery tickets through retail channels in the neighborhood. We focused on building innovative product offerings and services that are highly complementary in its ecosystem, thereby enhancing users experience, engagement and retention.

Since its commencement of business in 2015, Crazy Sports achieved remarkable growth. In 2020, revenue of this business segment amounted to HK$300.8 million, with gross profit of HK$130.7 million, up by 61.7% and 5.3% respectively as compared to 2019. Regardless of impacts of COVID-19 on global sports events in 2020, Crazy Sports still made significant progress in developing an innovative business model that enjoys unique edges and ensures our continuous leading position. Our advantages are based on:

(i) Our core assets: Vast user resources, massive big data, cutting-edge technologies and top football IP licences

Vast user resources and big data vault — As an established listed company in the lottery-related services industry with more than a decade of experience, the Group has succeeded in operating "Lottery 365" (彩票365) and "China Soccer Lottery" (中國足球網), the largest mobile lottery platform in China, amassing more than 200 million user resources and massive big data.

Professional data and leading industry technologies — By combining big data collected over past two decades by China Soccer Lottery and proprietary artificial intelligence technology, Crazy Sports produced quality content that are highly favored by users with superior accuracy.

Top football IP licences — Being the official game partner of Chinese Super League, Crazy Sports possessed official IP licenses of 16 Chinese Super League clubs and more than 500 football players. Taking advantage of these IP licences, Crazy Sports successfully generated sustainable profit growth from a series of Chinese Super League mobile games developed and operated by it.

Furthermore, Crazy Sports formally entered into an agreement with FIFPro in December 2020 to obtain the IP licences of football players from 54 countries and football leagues, such as England, France, Spain, Italy and the Netherlands, including names and portrait rights of numerous international football stars. Crazy Sports rolled out the UEFA Euro strategy right after, and will soon launch soccer e-sports mobile game titled Ace Soccer (球場風雲).

(ii) Proven industry leadership with Crazy Sports being a partner of choice

Crazy Red Insights is a forerunner in the paid sports lottery information services industry. Apart from directly offering proprietary content to paid users on its platforms, Crazy Red Insights distributed its paid contents to 27 sports media platforms of high user traffic with a take rate. Coupled with user resources of Lottery 365 and China Soccer Lottery owned by the Group, Crazy Red Insights served close to 80% of internet sports users and was ranked first among paid lottery information platforms in terms of comprehensive capabilities and user coverage, according to a report prepared by Analysys International in 2019.

In September 2019, Crazy Sports announced the “sports lottery retail strategy”, and formally initiated sports lottery retail business. Since then, Crazy Sports signed cooperation agreements with 18 branded chain convenience stores, to install sports lottery terminals covering nearly 30,000 retail point of sales in various cities and provinces across China. Forging business collaboration relationships with numerous renowned enterprises as important recognition of Crazy Sports as a choice of partner in the industry.

(iii) Innovative and diversified monetization capability

Innovative and diversified monetization models of Crazy Sports have all along been driving the development and profitability of the entire platform. Focusing on the interests and attributes of our sports and lottery players community, Crazy Red Insights APP, Crazy Sports APP, various sports mobile games and lottery sales services at retail point of sales operated by Crazy Sports has clear and reliable sources of profits. The development strategy of the entire platform was capable of driving fission growth among the online and offline user base and creating a new consumption model featuring O+O user redirection and consumption through multiple channels.

(iv) **Further developing the sports and entertainment market with great growth potential in China**

According to the China Insights Consultancy Report, the market size for the sports lottery industry in China is projected to increase from RMB230.8 billion in 2019 to RMB395.5 billion in 2024. In particular, sports quiz lottery will be catalyzed by large sports events, and will boast a high retention rate as participants are educated after major sports events. The percentage of sports quiz lottery as to total sports lottery sales has grown significantly in recent years, boosting the demand for paid sports lottery information services. It accounted for 53% of total sports lottery sales in 2019, up from 35% in 2015, and is expected to grow to 67% by 2024. Following the suspension of major sports events due to COVID-19 pandemic for nearly a year, it is expected that major sports events (such as UEFA EURO and FIFA World Cup) to be held in 2021 and 2022 will substantially boost sports quiz lottery sales. In light of a better sports lottery environment and the stringent government regulations, the sports lottery market in China is being revitalized towards a more transparent and controllable mechanism. The General Administration of Sport of China announced its decision to promote high-quality sports development during the 14th Five-Year Plan period. Similarly, in 2016, the "13th Five-Year Plan for the Sports Industry" included the sports lottery industry as one of the 8 key development industries. The China Insights Consultancy Report also pointed out that the market size for the paid sports lottery information industry will increase to RMB2.7 billion in 2024 from RMB440 million in 2019, representing a compound annual growth rate of 43.4%. This has created enormous market opportunities for us to accelerate the development of sports lottery and entertainment ecosystem to serve the growing needs of lottery players.

(v) **Visionary and experienced management team**

The management team of Crazy Sports has extensive experience in Chinese sports lottery and entertainment industry, with over ten years of sound track record. Under their leadership, effective competition and long-term objectives can be attained by Crazy Sports.

(vi) **Recognition from industry peers for our contributions to internet sports industry**

On 22 December 2020, the 2020 International Sci-Tech Innovation Festival and Global Digital Conference (2020國際科創節暨全球數字大會), jointly initiated by syobserve.com (數央網) and domestic technological and financial media, was convened in Beijing. As an outstanding representative of sports industry in China, Crazy Sports gained recognition for its self-developed sports lottery and entertainment services ecosystem. As a role model pursuing sports industry digitalization in China, Crazy Sports kept innovating, as well as applied AI and big data to sports community, sports mobile games and sports lottery. Riding on "innovation-driven and digital empowerment", Crazy Sports, as the only award-winning company in the sports industry, was awarded the "Leading Brand Award 2020" at the International Sci-Tech Innovation Festival.

In 2020, revenues of sports and lottery related business of the Group were derived from the following four aspects:

(1) Online paid lottery information services platform — Crazy Red Insights APP

The paid information published by Crazy Red Insights focused on football and basketball matches, which covered from top international events such as Premier League, top 5 European leagues and NBA, to mega-scale sports tournaments such as FIFA World Cup, European Cup and the Olympics, providing fans and lottery players with schedules and competition systems of league matches in nearly 200 countries worldwide. In addition, taking a multi-aspect approach to provide reference to lottery players, Crazy Red Insights entered into agreements with experts, athletes and reputable media reporters to offer their forward-looking analyses, predictions and recommendations on sports events on the platform.

When providing match analysis services, Crazy Red Insights also uses its data AI products to provide lottery players with precise analysis models and match result probability analyses by utilizing big data models to refine analyses about sports events, strength, states, competition, morale, odds and sure win bets, as well as the prevailing odds volatility.

In addition to operations on its own platform, Crazy Red Insights collaborated with over 27 established platforms with high traffic, including Tencent Sports (騰訊體育), Zhibo8.cc (直播吧), PP Sports (PP體育), HUPU Sports (虎撲體育) and All Football (懂球帝) over a long period of time in providing and publishing paid sports lottery information to expand user coverage, brand coverage and achieve commercialization and monetization. After five years of rapid growth, Crazy Red Insights business evolved into a stable growing business line of the Group in 2020 and a common tool platform used by sports lottery players.

The multi-dimensional subscriptions model at Crazy Red Insights included charge for a single content, periodic subscription fees for advices from a individual expert, package fee for access to recommendations during a specific period of time, periodic subscription fee for big data models, as well as membership fee. Also, we shared revenue in the manners agreed between third party internet information platform partners and us.

Despite the suspension of sports events caused by the pandemic during the first half of 2020, Crazy Red Insights was able to deliver overall stable performance in 2020, owing to our advantages in top experts, improving products, O+O redirection and ever-increasing channel users. Robust upward trend emerged during the second half of 2020 following the resumption of various sports events. As compared with the fourth quarter of 2019, the revenue of Crazy Red Insights increased by 22% year on year in the fourth quarter of 2020, with substantially improved monthly active users and average revenue per paying user, which laid a solid foundation for a new leap in revenue during the major sports year in 2021 and 2022.

— Product innovation and user experience enhancement during COVID-19

In addition to upgrading its existing versions of products, Crazy Red Insights launched Specialty Courses (精品課), Action Plan (計劃單), Highlights (看料, a video sharing page), database and other functions while working on product innovation and improvement in respect of the user payment procedures, membership services for Red Insights big data and functions of community information board. The two brand-new paid products, namely Specialty Courses and Action Plan, in which the analysts of Crazy Red Insights would share their expert insights with subscribers and explain details of various lottery games based on the actual lottery tickets that they had purchased, dramatically strengthened lottery knowledge and analysis skills of subscribers.

To meet users' demand for sports event live broadcast, CBox (央視影音), iQIYI Sports (愛奇藝體育), Tencent Sports (騰訊體育) and other partners owning the new media copyrights of top 5 European leagues and NBA matches have granted Crazy Red Insights the right of live streaming notification. Users can directly click into the live-streaming links on the platform of Crazy Red Insights that redirect to sports event live broadcast.

Notwithstanding decline in sports events, the demand of lottery players in China still existed during the first half of the year. By screening out excellent data analysts, Crazy Red Insights made a number of accurate predictions of jackpot number range during RMB990 million worth of Super Lotto lucky draws, gaining popularity among lottery players.

— Deepening strategic collaboration with partners

With full resumption of sports events in the second half of 2020, the user base of the sports traffic platforms which are partners of Crazy Red Insights, has been expanding continuously, this has also turned into new users of Crazy Red Insights. Crazy Red Insights stepped up strategic cooperation with its partners and enriched product offerings for subscription. For example, it launched Red Insights membership function, AI prediction, big data tips, match analysis on HUPU Sports, in order to increase readable content and exposure of expert products.

Seizing new opportunities brought about by 5G, Crazy Red Insights enhanced the production and output of audio and video clips for paid information in 2020. At present, it has successfully created a Crazy Red Insights sports event analysis programme on Himalaya APP (喜馬拉雅). The registered users of Himalaya APP exceeded 100 million, many of which were sports and lottery players. Leveraging the vast user base of Himalaya, the written content of paid lottery information is extended to multimedia formats including audio and video clips, with the leading services mode, thereby providing a promising future to Crazy Red Insights.

Furthermore, in an effort to expand the cooperation channels, Crazy Red Insights' expert panel made contracts with 27 high traffic platforms, adding Sohu Sports (搜狐體育), Kball (K球), QUIHUI.COM (球會體育), V Station (V站) and others.

(2) Sports interactive live-streaming platform

Crazy Sports APP is an interactive service platform offering sports game information, sports short videos and sports event live broadcast. Sports journalists engaged by the platform were responsible for preparing popular contents, such as latest coverage on football, basketball and other sports, forward-looking analysis, athlete information and tidbits. Crazy Sports App also gathered a pool of user traffic for other business segments such as live-streaming, Crazy Red Insights and games. Its billing model comprised of advertisement, paid information, paid video, membership fee, top-ups and tips from users..

As affected by COVID-19, most of the top sports information platforms suffered from a negative growth in users number during the first half of 2020, while Crazy Sports APP delivered a growth against the overall downtrend. This was attributable to Crazy Sports introducing livestream sports games preview of third party platforms with copyrighted matches in 2020 and brought about convenience to users who watch sports games; concurrently, Crazy Sports produces a lot of sports short videos with a focus on quality short videos content and Highlights (看料) content as recorded by KOLs, and provided users with interactive and entertaining sports content during the period of matches suspension, thereby increasing number of active users. Crazy Sports APP comprehensively upgraded the Red Insights recommendation function and live-streaming that combined match recommendations with real-time scores. Integration with the membership system of Crazy Sports allowed members to watch livestreaming videos while receiving expert analysis, making it more convenient to users. Expert anchors can display their real-time lottery analysis on the e-store interface, and paid users can access such analysis.

Crazy Sports introduced a brand new online membership reward point system that enables members to earn reward points through signing in, sharing and posting original content in the APP. Reward points can be used to exchange for coupons and gifts packages for Crazy Red Insights, games and others. Reward points sharing will be activated after connecting with Crazy Red Insights membership system. Crazy Sports has initially built a system of earning and exchanging reward points at e-store, to foster user engagement, create strategic synergy with the "Fantasy Sport Platform" (夢幻賽事平台) which was approved by the authorities in Hainan and completed the preliminary planning, thereby laying a foundation for launching sports quiz business in 2021.

(3) Retail services for sports lottery

Sports lottery retail services of Crazy Sports are made up by two components: (i) by rolling out nation wide lottery sales business by installing sports lottery terminals at chain convenience stores to facilitate lottery purchasing in the neighbourhood; (ii) by establishing strategic cooperation relationships with lottery specialty stores to provide one-to-one services to VIP members of Crazy Sports and its cooperation channels.

Since the COVID-19 pandemic eased in the fourth quarter of 2020, Crazy Sports implemented sports lottery retail strategies in an all-round manner and substantially increased the number of chain convenience stores and single-store sales. On top of 12 convenience store brands that have already signed contracts with Crazy Sports, there are 7 new brands, namely Sinopec's Easy Joy (易捷) in Hunan and Jiangxi, China Resources Vanguard in Guangdong (廣東華潤萬家), Lianhe Kuaike (聯合快客) in Dalian, Fengwu Supermarket (鳳梧超市) in Chongqing, Bianlizan (便利贊)/Hey Bro (江湖舖子) in Jiangsu and Lin Lin Qi (鄰鄰七). The number of potential retail point of sales is expected to be nearly 30,000. As of 31 December 2020, a total of 1,003 lottery retail point of sales was set up. The highest monthly sales of a single store was close to RMB20,000.

— Accelerating strategic cooperation with branded convenience stores to compete for retail resources

Among the chain convenience stores that have signed contracts with Crazy Sports, six brands were listed in the list of top 100 convenience stores in China published by China Chain-Store & Franchise Association in July 2020. In addition, Crazy Sports reached strategic cooperation with Lakala (Beijing) E-Billing Technology & Service Co., Ltd. (拉卡拉匯積天下技術服務(北京)有限公司) ("E-Billing") on 20 January 2021. Crazy Sports will provide sports lottery sales and technical services to retailers in E-Billing's cooperative network. The current strategic cooperation not only accelerates the installation of retail lottery business, but also offer a more convenient and smart lottery services to immersive lottery players in China.

The issuance of Chinese sports lottery tickets is supervised by Ministry of Finance in the PRC. It is an industry under Franchise operation that requires special approval of sports lottery centres in all provinces and is subject to numerous requirements relating to the eligibility of convenience stores that are approved to engage in sports lottery business. Thanks to sound foundation of cooperation with various sports lottery centres and extensive experience of lottery sales for years, Crazy Sports become the lottery retail cooperation partner of sports lottery centres, adding in Hunan, Qinghai, Liaoning, Taiyuan Shanxi and Shenzhen Guangdong to the list. At present, Crazy Sports has signed contracts to carry out sports lottery retail business in 13 cities and provinces. As of 31 December 2020, there were a total of 1,003 lottery retail point of sales in 13 cities, including Beijing, Tianjing, Chongqing, Weihai Shandong, Nanjing Jiangsu, Xuchang Henan, Changsha Hunan, Zhuzhou Hunan, Hengyang Hunan, Guangzhou Guangdong, Shenzhen Guangdong and Wuhan Hubei.

— Delicacy operation to boost sales and optimize lottery service ecosystem

Before setting up offline retail point of sales, Crazy Sports would make field research and layout preparation on the surrounding environment, foot traffic, retail sales, user consumption behaviour of each outlet, and would prepare for spatial layout and renovation, thereby increasing the exposure of sports lottery terminals and laying a solid foundation for subsequent sales boost. With the acceleration of the installation of terminals in various municipalities and provinces, awareness of the general public about the novel idea of purchasing lottery at convenience stores has been raised. Promotional activities tailored to different point of sales can contribute to dramatic increases in sales. Point of sales in some cities and provinces recorded a more than 20% monthly sales growth rate in several consecutive months since the installation of terminals. Single store monthly sales of RMB10,000 or above became increasingly common in Guangzhou, Tianjing and Nanjing where a historic high of RMB19,936 was recorded by a point of sales in November 2020.

As more smart lottery terminals are installed in chain convenience stores across China, Crazy Sports can obtain more offline lottery players under a low-cost and extensive mixed operation model, as well as increase the turnover from online sports information, paid lottery information services, sports mobile games and interactive live-streaming. Crazy Sports used its official WeChat account, Crazy Red Insights APP and Crazy Sports APP to provide lottery players with online customer services, winning number enquiry, lottery information, speedy prize claim and expert recommendations, and to redirect traffic for its online services in order to achieve a closed-loop for O2O lottery interaction.

As to lottery specialty stores, Crazy Sports established strategic cooperation relationships with 45 specialty stores. The single store monthly sales reached as high as RMB960,000.

(4) Sports-related mobile games

Crazy Sports mobile game business focuses on providing quality sports game and entertainment products to sports users. So far, Crazy Sports has established a global sports mobile game R&D and distribution system, which has produced Sociable Soccer, Soccer Manager, Realtime CSL (實況中超) and other star products. Its R&D and distributing partners come from China, the United Kingdom, Spain, the United States, Russia, Finland, Austria, Slovakia and other countries. As one of the professional sports mobile game publishers in China, the sports mobile game business of Crazy Sports recorded a surge in revenue of over 121% in 2020 as compared with 2019. Revenue mainly derived from competitive sports chess and card games, CSL series, Soccer Manager series (a simulated football management game), Sociable Soccer (a real-time competitive football game) and Realtime CSL (a live battle mobile game). As for jointly-operated games, Crazy Sports formed a strategic cooperation with 360 Games (360遊戲) in April 2020, and successfully introduced 120 quality games, including MU Miracle (全民奇跡), Legends of The Condor Heroes (射雕英雄傳), Uncharted Waters (大航海時代) and others. At present, Crazy Sports is a cooperative partner of Tencent, NetEase, 360 and BlueStacks. As for downstream cooperation, Crazy Sports has also established partnerships with several downstream channels such as Quanyou E-Sports (全游電競) to distribute quality games through game organisations and cyber café associations.

In November 2020, Realtime CSL, a Chinese Football Association Super League official e-sports mobile game of Crazy Sports, obtained an official reply from Heilongjiang Sports Bureau and became an official e-sports of Heilongjiang Province. An e-sports version of Realtime CSL will be published by Crazy Sports for online selection and offline e-sports competition of the first “Longjiang Cup” (龍江杯) E-sports League. At the 2020 award ceremony of “Golden Seagull Award” (金鷗獎) convened on 26 January 2021, Realtime CSL was awarded the Best Sports Game Award for 2020 due to its dazzling performance in sports mobile game market in 2020. This award was initiated by xiouwang.cn and reviewed by 40 media institutions and investment institutions to identify annual representative projects and individuals of innovation and entrepreneurship, aiming to incentivising forerunners.

Entering 2021, major sports mobile game strategies of Crazy Sports include:

(i) ***Commencement of UEFA Euro strategy by entering into agreement with FIFPro and launching a flagship game Ace Soccer (球場風雲)*** In December 2020, Crazy Sports entered into an agreement with FIFPro, an international sports organization, and obtained its IP licenses. By entering into agreement with FIFPro, Crazy Sports secured IP licenses of football players from 54 countries and football leagues across the world, such as England, France, Spain, Italy and the Netherlands, including names and portrait rights of numerous international football stars. Ace Soccer targets the niche market of "live battle + football management" games. As a flagship product under the UEFA Euro strategy, for the moment, Ace Soccer is available for pre-registration in different channels such as Huawei, OPPO, VIVO, UC and Myapp, with over 1.06 million gamers registered. In addition, Crazy Sports granted Gameone Group Limited the sole agency right of distributing Ace Soccer in Hong Kong, Macao and Taiwan.

(ii) ***Sociable Soccer's official foraying into Chinese market*** Sociable Soccer is a live battle e-sports mobile game. Its overseas version is exclusively distributed by Apple Inc., and highly recommended in over 150 countries. It is jointly developed and produced by Crazy Sports, MIGU of China Mobile and Tower Studios based on a football game engine built over 20 years. Among the first batch of football games exclusively distributed by overseas Arcade selected by Apple Inc., Sociable Soccer has a remarkable game engine, smooth battle scenes and revolutionary playing methods. At present, the National Press and Publication Administration of the PRC has granted Sociable Soccer publishing license. Its formal introduction to Chinese gamers is due to be around the eve of Euro 2021.

Moreover, Crazy Sports entered into new contracts and will publish the following sports mobile games in succession: Football Chairman (足球主席), Sociable Basketball (夢想籃球), Basketball Slam (超級灌籃), Fantasy Basketball Manager (夢幻籃球世界), Drift Legends (漂移飛車傳奇), Tennis World Open (網球公開賽), Galaxy Bowling (銀河保齡), Cute Rush Runaway (可愛跑酷), Slapstick Fighter (火柴人大亂鬥) and other mobile games. The themes of these sports mobile games cover football, basketball, car racing, tennis and bowling etc. These games are in the process of applying for publishing license, and expected to be launched in China gradually.

In early February 2021, Crazy Sports participated in the signing ceremony of "two zones" construction projects in Beijing Economic and Technological Development Zone, and became a key enterprise introduced to the "two zones", namely Comprehensive Demonstration Zone for Expanding the Opening-up of National Service Industry in Beijing Economic and Technological Development Area (北京經濟技術開發區國家服務業擴大開放綜合示範區) and China (Beijing) Free Trade High-End Industrial Pilot Zone (中國(北京)自由貿易試驗區高端產業片區). It is eligible for special financial support from the Beijing Economic Development Zone in technological innovation, key equipment research and development and high-end talent recruitment, as well as green channel treaty for game publishing license registration, thus generating momentum for further development of the mobile gaming business of Crazy Sports.

(5) Establishment of a sports quiz platform and a reward point system in Hainan Province

Pursuant to relevant provisions under the "Implementation Opinions of the People's Government of Hainan Province on Accelerating the Development of the Sports Industry and Promoting Sports Consumption" (海南省人民政府關於加快發展體育產業促進體育消費的實施意見) (Qiong Fu 2015 No. 62) and the "Implementation Opinions of the General Office of the People's Government of Hainan Province on Accelerating the Development of the Fitness and Leisure Industry" (海南省人民政府辦公廳關於加快發展健身休閒產業的實施意見) (Qiong Fu Ban 2017 No. 142), in late December 2020, Crazy Sports, through its subsidiary, has secured an approval from relevant authorities of Hainan Province to establish a sports quiz platform and reward point system in Hainan Province leveraging on blockchain technology, which will be a comprehensive entertainment platform integrating sports information, sports games prediction, sports live broadcast and sports community, and conduct prize-winning quizzes for various sports events, bicycle races, formula motorsports, boxing and other events in Hainan Province, as well as international football and basketball matches. The winners will receive reward points, which can be used to redeem goods and services in duty-free shops, hotels and airline services etc. through the system platform, thereby stimulating tourism consumption in Hainan Province.

In early 2021, Crazy Sports finalized its strategic cooperation with Huochain Technology under Huobi Group, which focus on the sports quiz sector empowered by blockchain technology and jointly explore new business models of sports quiz, sports mobile games and other businesses that use digital currency as payment method, with an aim to establish a model showcase of "Blockchain + Sports".

Crazy Sports has accumulated user resources of over 200 million loyal lottery players. With its expert resources and sports events big data accumulated over the years, Crazy Sports provides users with supreme entertainment experience and professional match analysis, which is complementary with various business segments like the quiz business. The sports quiz platform and reward point system and European Cup activities are scheduled to launch in the second quarter of 2021.

TELEMEDIA AND E-COMMERCE BUSINESS

The Group's telemedia and e-commerce business covers Liangzi Port, V1 platform and CATV. In 2020, this business sector posted a revenue of HK$2,159.6 million, gross loss of HK$17.3 million and segment loss of HK$199.9 million. The telemedia and e-commerce business was restructured in 2020. Financial results, assets and liabilities of relevant operating companies of the telemedia and e-commerce business ceased to be consolidated into the accounts of the Group. As a result of termination of operation, the Group made provision for impairment and write-off of HK$103.5 million in respect of goodwill and intangible assets related to telemedia and e-commerce business of the Group.

Liangzi Port

Liangzi Port is a B2B digital consumer product e-commerce platform. The products sold by Liangzi Port included mobile phones, laptops, tablets, earphones, smart watches, mobile chargers, projectors, etc.. In 2020, Liangzi Port recorded sales revenue of HK$2,138.2 million. Sales of Liangzi Port have been adversely affected by the COVID-19 pandemic during the first half of 2020. The supply of goods by its suppliers continued to be disrupted due to the logistic control and quarantine measures, which in turn affected the source of projected profit of Liangzi Port. The business of Liangzi Port had been operating under a challenging and competitive environment with thin profit margins. Following the termination of operation of Liangzi Port, the Group does not operate any e-commerce platform. Relevant intangible assets of HK$46.8 million were fully written-off at the end of 2020. The Board is of the view that the discontinuation of the operation of Liangzi Port will enable the Group to better utilize the resources for business development of Crazy Sports and other high return investments.

V1 Platform

The V1 website and APP is a news video-blogging platform. The platform interacted with users in a location-based, multi-channel and multi-dimensional manner through media integration to promote the economic development of county areas. During the COVID-19 pandemic in 2020, V1 Platform completed numerous live-streaming distribution with a number of media channels. The business team explored the development in the fields of KOL incubation and live streaming e-commerce. In spite of the dedicated efforts of the management and business team, we, confronted with competitive pressure, need to continuously deploy more resources during the current stage of “money-burning” investment in the industry. The Board is of the view that the Group should make better use of resources by focusing on business development of Crazy Sports and other high-return investments. Therefore, along with the Restructuring, the telemedia assets of the Group had been disposed to CATV Fund on 7 December 2020. Upon the disposal of telemedia assets, relevant intangible assets of HK$55.7 million, including the online social media service asset Domouse software and a computer system for information website, were fully written-off at the end of 2020.

CATV

CATV is a Chinese-Arabic bilingual satellite TV channel headquartered in Dubai. In 2020, CATV produced a variety of programmes, including important news from China and the Arabian countries, Chinese films and TV dramas, as well as programmes that introduce the Chinese history, culture, economy and social lifestyle to Arab audiences. CATV developed its business in areas such as film and TV drama translation and production, exchange activities and AI research and development. However, the investment in CATV Group is capital intensive. The brand of CATV needs more time and opportunities for development so as to generate huge investment return. Following the optimization and integration in the past two years, the Group is of the view that CATV can move another step forward upon the completion of Restructuring. The Group would like to exploit potential financing opportunities by leveraging on the external network and the expertise of the general partner of CATV Fund, thereby continue to develop such business operation by utilizing further investments made by other investors.

STRATEGIC INVESTMENTS

Apart from focusing on the organic growth of its principal businesses, the Group also made strategic investments in order to effectively allocate resources to maximize corporate value and realise the integration of resource advantages through strategic investments. We have developed focused investment strategies, targeting to invest, acquire or form alliances that will either complement our existing businesses or drive innovation initiatives.

Investment in private equity funds

As at 31 December 2020, the Group has investment in private equity funds amounted to HK$361.6 million, which accounted for 30.5% of the total assets. The balance comprised of three funds as below:

(a) Mobile Internet Fund

In 2015, the Group entered into a limited partnership agreement to subscribe for the limited partnership interests in the Mobile Internet Fund as a limited partner and injected US$31,250,000 to the Mobile Internet Fund. The Mobile Internet Fund is an exempted limited partnership registered under the laws of the Cayman Islands, which is principally engaged to achieve long-term capital appreciation primarily through private investments in securities and/or equity that operate in mobile internet and technology industries in the Greater China region, in particular the culture and entertainment industry, such as internet literature, dramas and movies, motion pictures, manga and animations, amongst others. Due to return received from successful underlying investments, the Group had received dividend income amounted to HK$26.5 million from the Mobile Internet Fund during the year. The fair value of the Group's investment in Mobile Internet Fund is HK$256.4 million at 31 December 2020, with a fair value gain of HK$7.7 million recognised as other comprehensive income.

(b) Golden Rock Fund

In 2017, the Group entered into a limited partnership agreement to subscribe for the limited partnership interests in the Golden Rock Fund and injected a total of US$2,000,000 to the Golden Rock Fund. The Golden Rock Fund is an exempted limited partnership registered under the laws of the Cayman Islands, which is principally engaged to achieve long-term capital appreciation primarily through private investments in securities and/or equity that operate in or otherwise derive significant business opportunities from the mobile Internet sector, its related technologies, products and services. The fair value of the Group's investment in Golden Rock Fund was HK$19.3 million as at 31 December 2020. Gains in fair value of HK$1.4 million has been recognized as other comprehensive income.

(c) CATV Fund

On 7 December 2020, the Group has completed Restructuring and entered into a subscription agreement pursuant to which the Group agreed to subscribe for the limited partnership interests in the CATV Fund at an aggregate subscription amount of US$11,080,000. The Group's CATV business and telemedia assets, two private equity investments and limited partnership interest in Hangzhou CICC Qianhai Weiyi Investment Partnership had been disposed to CATV Fund. CATV Fund is established to achieve long-term capital appreciation of the investments and telemedia assets held, by leveraging on the external network and the expertise of the general partner of CATV Fund, thereby continue to develop such business operation by utilizing further investments made by other investors. Since the CATV Fund is recently formed, its fair value as at 31 December 2020 was approximately equal to the value of capital injection as at 7 December 2020, which was US$11,080,000 (equivalent to HK$85.9 million).

Investment in Bank of Asia

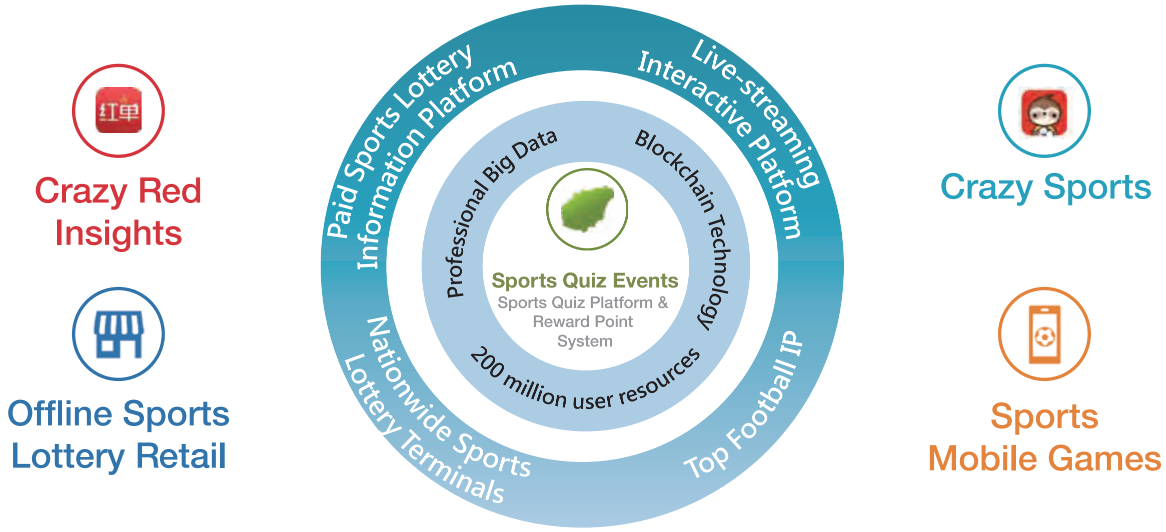
The Group has invested in 46.0% equity interest in Bank of Asia, which was established to provide online digital banking services. Bank of Asia's fintech platform, robust "know your clients" and "anti-money laundering" processes and BVI regulatory framework allow remote onboarding of customers, which is a competitive edge over the traditional banks that have to establish physical contacts with business partners. Bank of Asia has opened accounts for customers from 33 countries, mainly in Asia, Europe, the Middle East, the Caribbean and South America. It became the first banking institution to join the Belt and Road Service Connect, the network of professional services organisations across the Belt and Road.

By the end of 2020, BVI Financial Services Commission granted a general license to Bank of Asia to provide banking services to the local population. Currently, a number of advisory mandates have been obtained and are currently under execution. Those ranged from regulatory advice to leading digital assets/crypto currency exchanges seeking to set up regulated presence in the BVI and other offshore jurisdictions to corporate re-structuring of PRC groups for offshore capital markets initiatives, advisory services relating to the use of Special Purpose Acquisition Companies (SPAC) and capital raising for natural resources companies. As a result, the above mentioned new services will generate incomes to Bank of Asia in 2021 and onwards.

Bank of Asia is still in the development stage and has been recording losses. In 2020, there was impairment of HK$870,000 of the Group's interest in Bank of Asia after referencing to valuation by an independent valuation expert and the fact that the business had not attained the operational targets in 2020 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 USD10.0 million to strengthen its financial position.

The investment in BOA contributed a net gain to the Group during 2020, which is a combined effect from a gain from deemed disposal of HK$35.7 million from the fund raising, compensated by a share of loss of HK$31.7 million recorded for the year.

BUSINESS OUTLOOK



Along with the success of the Group's Restructuring, Crazy Sports has become the business engine of the Group. Crazy Sports is integrating resources, as supported by Hainan sports quiz qualification, leveraging advanced blockchain technology, comprehensive application of core competitive edges including vast reserve of lottery players, massive big data and top football IPs, to become an operator that provides paid sports lottery information services, sports social interactive platform, sports quiz, sports mobile games, as well as offline sports lottery sales services. Through the comprehensive online and offline sports community ecosystem, it promotes fission growth of the user group and carries out operations under a business model featuring O+O user redirection and consumption through multiple channels. The Group targets to become a leading digital sports entertainment group in China.

The sports sector will usher into a golden era. Our priorities are pursuing establishment of a blockchain-driven sports quiz platform and a reward point system in Hainan which serves to provide users with real-time experience in sports events; accelerating the installation of national sports lottery retail point of sales to reach new lottery players and redirect users to online platforms; strengthening Crazy Red Insights' leading position in paid content; leveraging core football IPs to develop and publish a variety of sports mobile games; continuously investing in technology and big data capabilities to integrate the platform; and enhancing brand awareness of Crazy Sports through marketing efforts. The management is confident in mobilizing platform user resources, attracting new lottery players and the younger generation to expand the monthly active user base, encouraging user participation within the Group's ecosystem, achieving monetization by cross-selling and expanding the paid user base of the platform.

The sports lottery market is characterized by strong end-user demand. In addition to regular matches like Premier League, top 5 leagues in Europe and NBA, etc., 2021, 2022 and 2023 will see hosting of UEFA Euro, Copa America, Tokyo Olympic Games, Qatar World Cup qualifier, World Cup, Beijing Winter Olympic Games, FIFA Club World Cup, Asian Cup and other sports events. Opportunities in the sports industry are enormous. Hainan Province is regarded as a showcase region for the sports industry in China, creating exponential opportunities. Combining the future development positioning of Hainan Province and the favourable policies by the Central Government, Crazy Sports has been approved to develop this unique project, which will strengthen our competitiveness, innovation and operating efficiency, this is a major historical development opportunity for Crazy Sports.

Sports lottery is a vital pathway to foray into the trillion-worth of sports market in China. Adhering to the concept of "let sports create happiness" and centering on the interests and needs of sports users for the provision of value-added services, Crazy Sports aspires to evolve itself into the largest sports entertainment group in China.

FINANCIAL REVIEW

	For the year ended 31 December	
	2020 (HK$'000)	2019 (HK$'000) (Represented)
CONTINUING OPERATIONS		
Revenue	**300,805**	185,975
Cost of revenue	**(170,104)**	(61,879)
Gross profit	**130,701**	124,096
Other gains and losses	**83,405**	12,598
Selling and marketing expenses	**(52,903)**	(48,888)
Administrative expenses	**(61,354)**	(76,253)
Provision for expected credit loss on other receivables	**–**	(2,043)
Impairment of interest in an associate	**(870)**	(69,771)
Share of losses of associates	**(31,734)**	(40,188)
Finance costs	**(856)**	(371)
Profit/(loss) before income tax	**66,389**	(100,820)
Income tax credit	**2,136**	3,562
Profit/(loss) for the year from continuing operations	**68,525**	(97,258)
DISCONTINUED OPERATIONS		
Loss for the year from discontinuing operations	**(199,861)**	(93,278)
Loss for the year	**(131,336)**	(190,536)

Following the Restructuring and the disposal of certain subsidiaries completed on 7 December 2020, the telemedia and e-commerce business constitute a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as the disposed entities represented one of the main business of the Group. The operation of the telemedia and e-commerce business for 2020 was presented as discontinued operations in the consolidated financial statements of the Group. The consolidated statement of profit and loss and other comprehensive income for 2019 have been represented to separate the disclosures relating to the discontinued operations from that of the continuing operations. Currently, the sports and lottery related business, through Crazy Sports become the principal operation of the Group and main component of the continuing operations.

CONTINUING OPERATIONS

Revenue

The Group's revenue from continuing operations, as contributed by the sports and lottery-related business segment, was HK$300.8 million in 2020, representing an increase of 61.7% as compared to HK$186.0 million in 2019.

The Group generated revenue mainly from four areas: (i) paid sports lottery information platform; (ii) sports social interactive platform; (iii) self developed and cooperative games; and (iv) lottery-related commission income.

	2020		2019	
	HK$'000	%	HK$'000	%
Paid sports lottery information platform	53,716	17.9	51,465	27.7
Sports social interactive platform	44,978	14.9	42,620	22.9
Self developed and cooperation games	199,540	66.3	87,303	46.9
Lottery related commission income	2,455	0.8	1,395	0.8
Others	116	0.1	3,192	1.7
	300,805	100%	185,975	100%

The increase in the Group's revenue in 2020 was contributed primarily by mobile games, as driven by "stay-at-home" restrictions which boosted user engagement and consumer spending during the period. This had compensated the drop in revenue from paid sports lottery information services due to the suspension of international football and basketball tournaments and closure of national sports lottery sales in the first half of 2020.

However, there was strong recovery in the demand for paid sports lottery information services in the second half of 2020 especially in the last quarter when major football leagues resumed its regular seasons and most games were played without fans in attendance.

In 2020, the stream of commission income generated from the provision of lottery ticket sales services at retail point of sales had increased and revenue was generated from the last quarter of 2020 when the operational team was able to arrange the installation sports lottery terminals at the chain convenience stores in different provinces and cities after COVID-19 pandemic came under control.

Gross profit

The Group reported a gross profit of HK$130.7 million for 2020, representing an increase of 5.3% as compared to HK$124.1 million for 2019. Gross margin for 2020 was 43.5% as compared to gross margin of 66.7% for 2019. The decrease in gross margin for the year was mainly due to shift in product mix for mobile games which recorded lower gross profit margin in 2020. The margin for other business areas maintained stable in 2020.

Other gains and losses

Other gains and losses recorded a gain of HK$83.4 million in 2020 compared to a gain of HK$12.6 million in 2019. The gain was primarily due to dividend income of HK$46.0 million received from financial assets held by the Group, the gain on deemed disposal of an associate of HK$35.7 million, waiver of fund management fee of HK$14.5 million and a fair value gain on financial assets at fair value through profit and loss of HK$7.5 million. This was offset by a loss on settlement and derecognition of financial assets at fair value through profit or loss of HK$31.1 million in 2020.

Selling and marketing expenses

Selling and marketing expenses increased by 8.2% to HK$52.9 million in 2020 from HK$48.9 million in 2019. The increase was primarily due to the increase in service fee of HK$9.1 million for marketing of the mobile games during the year. This was offset by an overall reduction in staff costs and other marketing spending as a result of cost reduction efforts of the Group during the year.

Administrative expenses

Administrative expenses decreased by 19.5% to HK$61.4 million in 2020, from HK$76.3 million in 2019. The decrease was primarily due to streamlining of the administrative function of the Group through reducing management headcount while maintaining a highly efficient structure, and the reduction in depreciation and amortization.

Impairment of interest in an associate

Impairment loss of HK$870,000 was recognized in respect of the Group's interest in Bank of Asia in 2020, as compared to HK$69.8 million in 2019. The fair value of Bank of Asia was determined with references to an independent valuation as at 31 December 2020 and impairment loss was made primarily due to uncertainty of future income to be generated. As at 31 December 2020, the carrying amount of our Group's interest in Bank of Asia was HK$11.2 million.

Share of losses of associates

Share of losses of associates decreased 21.0% to HK$31.7 million in 2020, from HK$40.2 million in 2019. The decrease was due to cost control measures taken by Bank of Asia.

Income Tax

There was a tax credit in 2020 due to the reversal of temporary differences generated during the year.

DISCONTINUED OPERATIONS

Revenue

Revenue from the telemedia and e-commerce business was decreased to HK$2,159.6 million in 2020 from HK$2,258.9 million in 2019. The revenue from the telemedia and e-commerce business was comprised of (i) Liangzi Port (量子港); (ii) V1 platforms; and (iii) CATV.

The revenue contribution from Liangzi Port accounted for 99.0% (2019: 99.8%) of the segment revenue. During 2020, Liangzi Port was affected by the lockdown measures during COVID-19 pandemic and thus the sales revenue was reduced. The telemedia and e-commerce business was ceased to operate by the Group upon the Restructuring.

Gross profit

Our cost of revenue decreased by 3.5% to HK$2,176.9 million in 2020, from HK$2,255.6 million in 2019. 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 gross loss was HK$17.3 million whereas a gross profit of HK$3.2 million was recorded in 2019. The drop in gross profit was mainly due to the increase in costs during the COVID-19 pandemic.

Selling and marketing expenses

Selling and marketing expenses from discontinued operations increased by 7.8% to HK$23.0 million in 2020 from HK$21.4 million in 2019. The increase was primarily due to the increase in average salary of staff supporting the sales and distribution of Liangzi Port products and increase in logistic cost due to COVID-19 lockdowns.

Administrative expenses

Administrative expenses from discontinued operations decreased by 46.5% to HK$32.1 million in 2020, from HK$60.0 million in 2019. The reduction was primarily due to implementation of cost saving measures during the COVID-19 pandemic, through refining the management and optimising processes.

Written off intangible assets

During 2020, the carrying amount of the Group's intangible assets, including an internet SNS asset and an e-commerce platform system, were fully written off following the termination of internet information services agreements that related to the discontinued operations of telemedia and e-commerce businesses.

Loss for the year from discontinuing operations

As a result of the Restructuring, the telemedia and e-commerce business was discontinued in December 2020. The loss for the year from discontinued operations mainly consisted of loss on disposal of companies of HK$22.4 million, discontinued operation loss of HK$74.0 million and the written off of related intangible assets and goodwill of HK$103.5 million.

Loss for the year

As a result of the foregoing, the Group had losses of HK$131.3 million and HK$190.5 million in 2020 and 2019 respectively.

LIQUIDITY AND CAPITAL RESOURCES

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

	Year ended 31 December	
	2020 HK$'000	2019 HK$'000
Net cash (used in)/generated from operating activities	**(29,182)**	49,133
Net cash generated from/(used in) investing activities	**27,204**	(111,295)
Net cash generated from/(used in) financing activities	**52,678**	(8,825)
Net increase/(decrease) in cash and cash equivalents	**50,700**	(70,987)
Cash and cash equivalents at beginning of year	**58,920**	131,918
Effect of foreign exchange rate changes	**144**	(2,011)
Cash and cash equivalents at end of year	**109,764**	58,920

Working capital

The Group had HK$109.8 million cash and cash equivalents as at 31 December 2020, compared to a balance of HK$58.9 million as at 31 December 2019.

Net cash used in operating activities

Our Group's net cash used in operating activities was amounted to HK$29.2 million for 2020 as compared to net cash generated from operating activities of HK$49.1 million in 2019. It was primarily due to the operating loss resulted from the telemedia and e-commerce segment, which had been discontinued on 7 December 2020.

The loss before income tax was adjusted by the following major items:

(i) non-cash items, which primarily comprised depreciation and amortisation of HK$52.1 million, loss on written off goodwill and intangible assets of HK$103.6 million, gain on deemed disposal of an associate of HK$35.7 million and share of losses of associates of HK$31.7 million; and

(ii) changes in working capital, which primarily comprised an increase in trade receivables of HK$15.2 million, a decrease in inventories of HK$14.3 million, a decrease in contract liabilities of HK$29.7 million, an increase in trade payables of HK$16.9 million, and a decrease in deposits received, other payables and accruals of HK$4.7 million,

to arrive at net cash used in operating activities of HK$29.2 million in 2020.

Net cash generated from investing activities

Net cash generated from investing activities was HK$27.2 million in 2020, compared to net cash used in investing activities of HK$111.3 million in 2019. The net cash generated from investing activities mainly comprised dividend income of HK$26.5 million and proceeds from disposal of financial assets at fair value through other comprehensive income of HK$16.7 million.

Net cash generated from financing activities

Net cash generated from financing activities was HK$52.7 million in 2020 as compared to net cash used in financing activities of HK$8.8 million in 2019. The net cash generated was primarily comprised of the gross proceeds received from share placements of HK$62.7 million and repayment of lease liabilities of HK$13.0 million, representing rental cost of the Group in 2020.

OTHER FINANCIAL INFORMATION

Treasury policy

The Group have established policies to monitor and control the risks relating to the business operations and treasury activities in order to meet the financial obligations in a timely manner. The Group’s treasury policy seeks to govern areas regarding counterparty, interest rate and foreign exchange risks to ensure that the Group has sufficient sources of funding for working capital and investments. As part of our cash management activities, we typically invest our surplus cash in low-risk and/or high investment grade instruments that generate reasonable returns.

Material acquisitions and disposals

Except for the Restructuring, the disposals of the equity interest in subsidiaries and associate and the acquisition at Hainan Ri Chung as disclosed in notes 13, 18, 35 and 36 to the consolidated financial statements, there was no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2020.

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 2020 (2019: Nil).

Contingent liabilities

As at 31 December 2020 and 2019, we did not have any material contingent liabilities.

Gearing ratio

As at 31 December 2020, gearing ratio was approximately 1.0%, which was calculated by dividing the total borrowings by the total equity attributable to owners of the Company.

Dividends

No dividends have been paid or declared by the Group during the years ended 31 December 2020 and 2019.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total of 90 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.

DIRECTORS AND SENIOR MANAGEMENT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

DIRECTORS AND SENIOR MANAGEMENT

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 57, holds a Doctoral degree in Economics and is the Chairman of the Board. 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.

Mr. PENG Xitao (彭錫濤先生), aged 43, was appointed as executive Director and Chief Executive Officer of the Group on 1 January 2021. He is responsible for daily operation, management and planning of the Group. Prior to that, he was appointed as the Joint Chief Operations Officer of the Group since October 2018. Mr. Peng holds a Master degree of Computer Application from Nankai University and has more than 18 years of experience in the internet and related industries. He worked at China Unicom Internet and E-commerce Department as an engineer, engaging in the maintenance and construction work of internet network, he was responsible for the maintenance work of China Unicom Backbone Network, China Unicom IDC, and Beijing Unicom 165 Network, providing network access and IDC solutions to users. In 2012, he founded Yicai Yangguang* (溢彩陽光) as Chief Executive Officer, and Lottery 365 under his leadership quickly emerged as the number one mobile customers product in terms of the number of users and market share in the mobile internet lottery sector in China. With its outstanding product features, Lottery 365 had received many prestigious awards for its product innovation and branding in the industry. In 2015, Mr. Peng founded Crazy Sports and served as the Chief Executive Officer. He pioneered the paid lottery information service platform — Crazy Red Insights which focus on providing lottery players with professional analyses and information services relating to football and basketball games, such platform has quickly become a leader in the industry. Crazy Sports was fully acquired by the Group in October 2018.

Ms. CHENG Po Chuen (鄭寶川女士), aged 49, joined the Group as Chief Financial Officer in January 2020 and was appointed as executive Director in April 2020. She is responsible for overseeing the financial and capital management 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, she 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.

Independent non-executive Directors

Dr. LOKE Yu (alias Loke Hoi Lam) (陸海林博士), aged 71, was appointed as an independent non-executive Director in May 2005. He is also the chairman of the Audit Committee and the Remuneration Committee of the Company. He has over 42 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, The Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries. He is also a life member of The Hong Kong Independent Non-Executive Director Association. Currently, he serves as an independent non-executive director of Chiho Environmental Group Limited, China Silver Technology Holdings Limited, Hang Sang (Siu Po) International Holding Company Limited, Hong Kong Resources Holdings Company Limited, Matrix Holdings Limited, Tianjin Development Holdings Limited, Times Universal Group Holdings Limited, TradeGo FinTech Limited, Zhenro Properties Group Limited and Zhong An Group Limited, and as a non-executive director of Veson Holdings Limited, companies listed on the Stock Exchange.

Mr. ZANG Dongli (臧東力先生), aged 61, was appointed as independent non-executive Director on 1 January 2021. He has about 40 years of experience in cultural and sport industries. He had been engaging in the development, advertising and fund-raising activities of national large-scale projects. He was responsible for the advertising, marketing and financing work of various large-scale projects, including the 11th Asia Games, the 7th National Games of the PRC, the 3rd Far East and South Pacific Games for the Disabled, the 21st Universiade and the 2008 Olympic Games in Beijing respectively. From 2007 to 2009, he served as the head of the market development department of Beijing International Media Center to provide services to the 2008 Olympic Games in Beijing, during which he was responsible for raising funds for the establishment of the Media Center and facilitated the cooperation with dozens of famous brands and enterprises in respect of fund raising and in-kind contributions. Thereafter, Mr. Zang worked as a project director of the business department of National Stadium Co., Ltd., responsible for the development of large-scale events and project fundraising for the National Stadium (Bird’s Nest) until his retirement in early 2020.

Mr. ZHOU Jingping (周京平先生), aged 55, was appointed as independent non-executive Director on 1 January 2021. He is currently the Vice Chairman of HeYi Group (和易集團) and the Managing Director of King & Wood Mallesons. Before his career in business, he worked as a police officer for 35 years and was recognized as a National Outstanding Police Officer and won the Outstanding Central State Organization Youth Award. He used to serve as the Director of the Economic Crime Investigation Division of the Ministry of Public Security, and the Deputy District Head and Police Chief of the Public Security Bureau of the People’s Government of Fuling District, Chongqing. He always focuses on the development of sports. During his tenure in Chongqing, he successfully organized various large-scale sports and culture events and exhibitions to promote the exchange of sports culture in China. Mr. Zhou holds a degree of Economics and Management from the Central Party School.

Senior Management

Mr. HOU Liqiang (侯力強先生), aged 46, is the Chief Technology Officer of the Group. He holds a Master Degree of Information Engineering from China Academy of Information and Communications Technology, and a Bachelor Degree of Science from School of Instrumentation Science and Engineering of Harbin Institute of Technology. He has over 23 years of experience in research and development in mobile phone and Internet. He was appointed as Chief Technology Officer of Crazy Sports in July 2015. He had been taking research posts of various sizeable foreign enterprises and set up companies with working various senior posts including chief technology officer.

Mr. LI Zhenyu (李震宇先生), aged 49, 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 21 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. (國美金控投資有限公司), Simsen International Corporation Limited (天行國際有限公司), Zhongji Investment Holding Group Co., Ltd (中際投資控股集團有限公司) and other organisations. He holds an Economics Bachelor degree from the College of Economics and Management of Northeast Forestry University, majoring in Accounts.

Mr. LAM Yau Yiu (林友耀先生), aged 57, is the Company Secretary and Financial Controller of the Group. He has about 32 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 Group Limited, a company listed on the Stock Exchange, from October 2008 to December 2016. Mr. Lam is also an independent non-executive director of Veson Holdings 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW

The Group is pleased to present the ESG Report to demonstrate the Group's commitment, policies and performance in corporate sustainability. In 2020, the business segments of the Group include (1) the sports and lottery related business; and (2) the telemedia and e-commerce business. The sports and lottery related business operated by the Group covers the development and operation of paid sports lottery information platform, sports social interactive platform, online mobile game applications and provision of sales services of lottery tickets through retail channels in the PRC. The telemedia and e-commerce business covers the operation of Liangzi Port (an online trading platform), provision of online information services (including its internet audio-visual new media and other Internet+businesses) in the PRC, as well as the operation of CATV (a satellite TV station) in Dubai, the UAE.

ABOUT THE ESG REPORT

This report covers the Group's sports and lottery related business in the PRC ("Continuing Business") and telemedia and e-commerce business of which the disposal was completed in December 2020 ("Discontinued Business") and has been prepared in strict compliance with the requirements under Appendix 27—"Environmental, Social and Governance Reporting Guide" of the Listing Rules. The coverage includes places of operation and offices of the Group in Beijing, Hong Kong, and Dubai. The reporting period of the Continuing Business was from 1 January 2020 to 31 December 2020 ("Reporting Period"), and the reporting period of the Discontinued Business was from 1 January 2020 to 7 December 2020. Key performance indicators that need to be revealed compulsorily as required by the "Environmental, Social and Governance Reporting Guide" were all addressed in the sections headed "Environmental Sustainability Development" and "Social Sustainability" of this report. Apart from complying with the reporting principles of the "Environmental, Social and Governance Reporting Guide", this report has made illustrations on our compliance with relevant laws and regulations. This document is prepared in both English and Chinese versions and have been uploaded onto the website of the Group at *www.v1group.com* and HKEXnews website at *www.hkexnews.hk*.

STAKEHOLDER ENGAGEMENT

Stakeholders refer to groups and individuals significantly influencing or being influenced by the Group's businesses. The stakeholders of the Group include governments, regulatory authorities, shareholders/investors, directors, employees, customers, suppliers and the general public. We strongly believe that the construction of an effective communication channel with stakeholders is crucial to the Group's business development and creation of long-term value. It also assists the Group to comprehend sustainability issues concerned by stakeholders, so that we can provide suitable and effective responses and compile this report in accordance with ESG issues essential to stakeholders. The following is the communication activities with different stakeholders conducted by the Group during 2020:

Stakeholders	Communication activities
Shareholders/Investors	Annual general meeting One-to-one and group investor conferences Non-deal investor roadshows
Directors	Board meetings
Employees	Employee exchange seminar
Customers	Complaint and enquiry telephone hotline and email
Suppliers	Supplier conference
Media/The public	Management interviews by the media

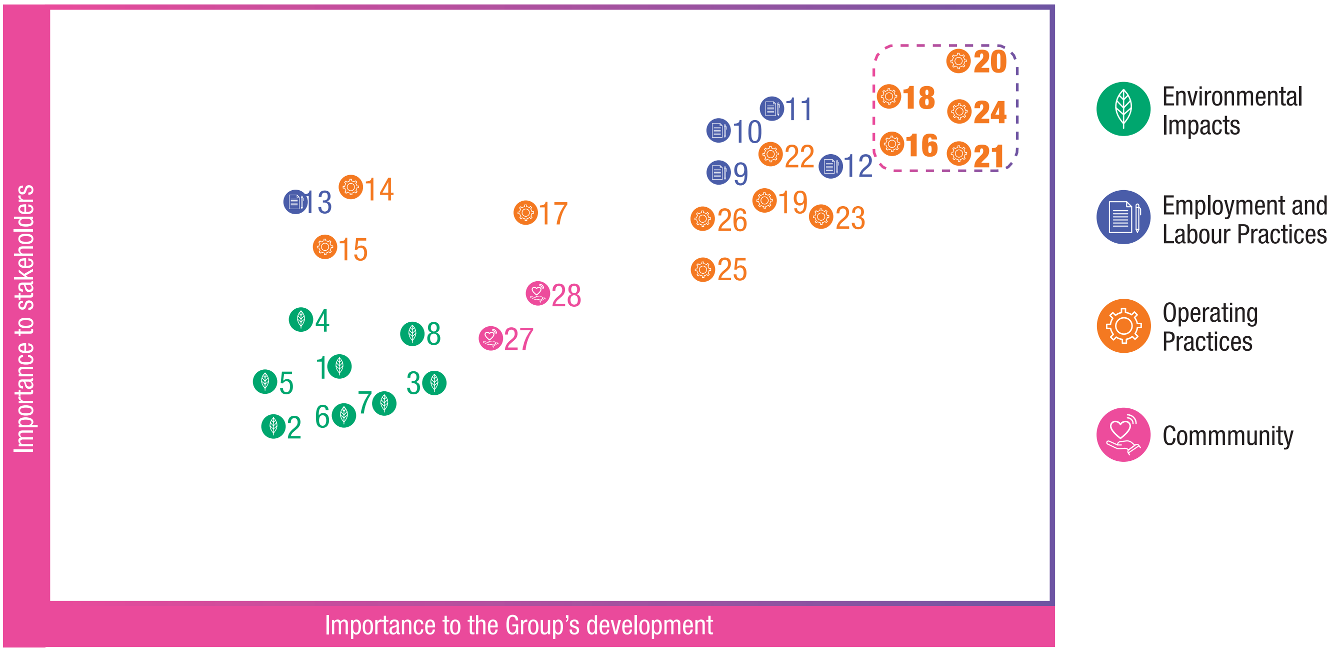
The Group welcomes stakeholders' opinions and feedback, especially on our sustainability effort and performance. Readers are also welcomed to share their views with the Group via the following ways:

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

MATERIALITY ASSESSMENT

Different companies face different sustainable risks due to their unique business operation models. During 2020, the Group underwent the Restructuring. Therefore, the Group specifically delegated an independent third-party consultant for materiality assessment on sustainability to identify the sustainability risks greatly concerned by the Group's stakeholders after the Restructuring. We invited different types of stakeholders to participate in the survey prepared by independent third-party consultant. The invited stakeholders would select the most important option from a series of sustainability topics related to the business of the Group, resulting in the formation of materiality assessment matrix as set out below. This scientific materiality assessment facilitates the Group in identifying the priority in handling items of ESG issues as well as formulating and managing ESG strategies and initiatives more effectively.

Based on the materiality assessment matrix, the Group identified the following five ESG items invaluable to the Group and stakeholders from the 28 sustainability topics:



1 Greenhouse gas emissions
2 Climate changes
3 Use of resources
4 Water consumption and sewage treatment
5 Land use, pollution and restoration
6 Solid waste treatment
7 Use of raw/packaging materials
8 Mitigation measures to protect environment and natural resources
9 Composition of employees
10 Employee remuneration and benefits
11 Employee occupational health and safety
12 Employee development and training
13 Prevention of child labor and forced labor
14 Responsible procurement
15 Supplier management
16 Healthy online game content
17 Impact on the society, health and safety of products/services
18 Customers satisfaction about products and services
19 Marketing and promotional strategies of products and services
20 Protection of intellectual property rights
21 Protection of customers information and privacy
22 Prevention of bribery, extortion, fraud and money laundering
23 Anti-corruption policies and whistle-blowing procedures
24 Responsible lottery
25 Cyber attack and fraud
26 Corporate governance
27 Support for local community
28 Public welfare and charity

BOARD PARTICIPATION

The Board is the highest governing body primarily responsible for the formulation of the Group's sustainability strategy. The Board regularly integrates the Group's sustainability objective into its businesses, identifies and manages our sustainability risks and provides improvement recommendations. We established the Corporate Social Responsibility Committee on 1 January 2021 to facilitate the Board in implementing sustainability policies and regularly report to the Board on performance of any problem regarding the Group's sustainability. The Corporate Social Responsibility Committee consists of the chief executive officer, chief financial officer and two independent Directors. In the future, the Corporate Social Responsibility Committee will convene regular meetings and review the Group's important sustainability issues from the strategic and operational viewpoints and endeavor to enhance the Group's corporate social responsibility in line with business transformation. Moreover, the Group engaged independent third-party consultant to facilitate the collection and integration of our sustainability information as well as provide recommendations on our future sustainability.

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

RESPONSIBLE LOTTERY

The objective for issuance of sports lottery in China is "what is obtained from the people is used for the people". While operating its sports lottery business, the Group keeps in mind the duty and mission of national public welfare sports lottery. By complying with the laws and regulations in constructing retail point of sales, strengthening sports lottery brand promotion and protecting the safe operation of sales activities, we achieved a safe, healthy, stable and sustainability of sports lottery. The key works for responsible lottery carried out by the Group is as followed:

Enhancing management for a solid foundation of lottery business development. We emphasize on integrating the construction of responsible lottery into the daily operation of lottery business for promoting a continuous and healthy development of lottery point of sales. We strive to focus on safe production, asset inspection and safety in sales, thereby ensuring the safe and stable operation of sports lottery. Meanwhile, the Group values environmental protection and advocates Crazy Sports to practice green operation with green office, energy conservation, emission reduction and low-carbon journeys.

Centering on the needs of the lottery participants and focusing on business operation for the provision of intimate and satisfactory services to the lottery participants. We display "Minors are prohibited from buying lottery tickets" signs in prominent positions in lottery outlets, emphasize on regulating the marketing and promotion, and actively advocate rational lottery buying with a view to creating a healthy and excellent lottery buying environment. We pay attention to implementing standardized lottery announcement process to demonstrate the "fair, just and open" spirit and strengthen the credibility and transparency of sports lottery.

Attaching great importance to the cooperation with stakeholders to facilitate mutual growth. We actively uphold the concept of honest operation and display a responsible public image to related parties. The Group enhances the practitioners' sense of recognition and sense of belonging by adhering to the people-oriented concept and valuing the protection of the rights of cooperation channel practitioners. We also care for the practitioners' growth and development and improve their training mechanism so as to lay a solid foundation for sports lottery business development. We enhance the sports lottery publicity effect by valuing the communication and public opinion and strengthening the construction of rich media channels.

We understand the importance of responsible lottery and are dedicated to support the responsible lottery initiatives. In the future, we shall work closely and communicate with different stakeholders including governments, customers, employees, the community and non-government organisations in formulating and implementing the best measures for promoting responsible lottery.

A. ENVIRONMENTAL SUSTAINABLE DEVELOPMENT

This section primarily discloses the Group's policies and key performance indicators of emissions, use of resources, environment and natural resources of the Continuing Business and the Discontinued Business in 2020.

A.1 Emissions

The Group's business did not have a significant impact on the environment in respect of air pollutant emissions, water and land emissions, and the generation of hazardous waste. During 2020, the Group generated 162.9 kg of nitrogen oxides, 0.24 kg of sulfur oxides and 15.5 kg of particulate matter. During the same period, the total greenhouse gas emissions from the Group amounted to 256.4 tonnes of carbon dioxide equivalent.

Table 1: Amount of Various Types of Emissions in 2020

Gas	Unit	Amount of Emissions
Nitrogen oxides (NO_X)	kg	162.9
Sulphur oxides (SO_X)	kg	0.24
Particulate matter	kg	15.5

Table 2: Amount of Various Types of Greenhouse Gas Emissions in 2020

Key Performance Indicator	Unit	Amount of Emissions	Intensity* (unit/revenue per HK$ million)
Scope 1 (direct emissions)	tonnes of CO_2 equivalent	38.2	0.016
Scope 2 (indirect emissions)	tonnes of CO_2 equivalent	213.3	0.087
Scope 3 (other indirect emissions)	tonnes of CO_2 equivalent	4.9	0.002
Total	tonnes of CO_2 equivalent	256.4	0.105

Note: Intensity is calculated based on the total revenue for Continuing Business and Discontinued Business for 2020 of HK$2,460.4 million.

The greenhouse gases emitted by the Group were mainly attributable to the Scope 2 (indirect emissions) contained in the Environmental, Social and Governance Reporting Guide. The largest consumption was the electricity used in daily office operations. The Scope 1 (direct emissions) of the Group as described in the Environmental, Social and Governance Reporting Guide mainly came from vehicles and gasoline used in performing the daily official duties of the Group. The Scope 3 (other indirect emissions) came from paper used in daily office work. In order to reduce greenhouse gas emissions, the Group adopted various measures, including new energy-saving technologies and reducing the consumption of electricity, water, gasoline and paper. For details of the measures adopted by the Group during 2020, please refer to A.2 Use of Resources in this report.

Other commercial solid waste produced in the course of operations of the Group were mainly solid waste generated from daily office operations, including plastics, waste paper and daily life waste. The Group implemented a waste classification and recycling plan. We used recycling bins to separate solid waste, and then delivered it to a recycling center or waste treatment center by a professional recycling service company for further disposal. Meanwhile, we also reduced waste generation from the source. The Group basically achieved paperless office, encouraged employees to use electronic documents and made good use of electronic communications, and reduced paper usage. In addition, we also encouraged employees to reuse old office equipment to reduce the habit of throwing away immediately after use.

Table 3: Amount of Non-Hazardous Waste of Emissions in 2020

Waste	Type	Unit	Amount of Emissions	Intensity (unit/revenue per HK$ million)
Non-Hazardous Waste	Daily solid waste	kg	11,250	4.6

Note: Intensity is calculated based on the total revenue for Continuing Business and Discontinued Business for 2020 of HK$2,460.4 million.

A.2 Use of Resources

The Group always strictly controlled the use of various resources in its operations, and initiated a series of internal control systems related to the procurement and use of natural resources. During 2020, the major resources consumed by the Group were electricity, water, petrol and paper.

Table 4: Amount of Various Types of Resources Used in 2020

Resources	Unit	Amount	Intensity (unit/revenue per HK$ million)
Electricity	kWh	222,820	90.6
Water	m^3	18,144	7.4
Petrol	liter	16,175	6.6
Paper	kg	1,012	0.4

Note: Intensity is calculated based on the total revenue for Continuing Business and Discontinued Business for 2020 of HK$2,460.4 million.

Electricity

The electricity consumption of the Group was mainly attributable to daily office operations. We believed that reduction in electricity consumption can reduce greenhouse gas emissions. During 2020, we encouraged employees to save electricity, educated them on energy conservation and emission reduction, and ensured that all employees comply with energy-saving measures. Meanwhile, we actively researched the use of more environmentally friendly new technologies in business operations and operating procedures. The effective electricity consumption measures implemented by the Group were as follows:

- ✓ Posting prominently environmental protection signs such as "Please turn off all lights after work" in major places in the office to remind employees to save electricity
- ✓ Promoting the use of energy-saving lighting systems such as LED
- ✓ Maintaining the indoor air-conditioning temperature at 25 degrees Celsius
- ✓ Checking the status of electrical appliances regularly every day to prevent people from leaving without turning off the electrical appliances
- ✓ Hiring professional maintenance experts regularly to repair and clean the air-conditioning system
- ✓ Purchasing products with energy efficiency labels

Water

The Group's water consumption was mainly attributable to daily office work. We regularly emphasized the importance of water conservation to our employees and required them to save water. The measures included:

- ✓ Cutting off unnecessary water use from the source, and regularly checking the water consumption of each office
- ✓ Posting "Water Conservation" promotional posters prominently
- ✓ Reminding employees to close the faucet tightly after using water
- ✓ In case of water leakage, repairing or replacing water facilities immediately

Petrol

The Group's use of petrol was mainly attributable to our official vehicles. We advocated the use of high-grade petrol and diesel to reduce the impact on the environment. Meanwhile, we attempted to purchase low-fuel consumption vehicles and required employees to use public transportation as much as possible to reduce greenhouse gas emissions.

Paper

The Group's use of paper was mainly attributable to daily office operations. Reducing paper consumption was always our focus. We emphasized the effective use of paper. In addition to choosing environmentally friendly paper as much as possible, we also took the following measures to reduce paper consumption:

- ✓ Encouraging double-sided printing and making good use of both sides of the paper
- ✓ Attempting to use e-mails, internal networks and scanners etc. to send or store documents electronically
- ✓ Purchasing printing paper from environmentally friendly suppliers
- ✓ Using the electronic interface to promote the various businesses of the Group to users and reduce the consumption of paper materials

A.3 Environment and Natural Resources

Except for the resource consumption and emission issues discussed above, the Group's operations had no direct and significant impact on the environment and natural resources. Looking ahead, the Group will continue to pay close attention to global and Chinese environmental protection policies and regulatory trends, keep pace with the times, invest in corresponding environmental protection constructions as needed, and enhance the Group's performance in sustainability.

A.4 Climate Changes

Responding to climate changes and its related problems is one of the most severe challenges facing the world. Rising temperatures and extreme weather have been threatening human life. Therefore, the Group regularly reviews the impact of its daily operations on the environment, and is committed to adopting environmentally friendly energy exploration and production methods. With the use of the latest technology, we continuously improve the efficiency of energy extraction and make better use of fuels, so as to reduce our amount of greenhouse gas emissions and alleviate the pressure on global climate change.

B. SOCIAL SUSTAINABILITY

This section primarily discloses the Group's policies and key performance indicators with respect to employment, health and safety, development and training, labor standards, supply chain management, product responsibility, anti-corruption and community investment of the Continuing Business of the Group in 2020.

COVID-19 pandemic

During 2020, the COVID-19 outbreak posed a huge challenge to the business and operations of the Group. The Group has been paying close attention to the impacts of pandemic developments on our business and has formulated a series of emergency measures, including:

- the immediate establishment of an "anti-pandemic" leading group with the Chairman of the Board as the team leader and all the senior management of the Group as members to comprehensively direct the Group's pandemic prevention and control work;
- disclosure of information on various "Stay-at-home" requirements and arrangements on WeChat and Weibo in a timely manner;
- work from home arrangements for employees in Beijing and elsewhere after the Spring Festival holiday;
- arrangements for employees in non-emergency positions to return to Beijing by 20 February 2020 after the government promulgated a permission to return to work; after employees being quarantined at home for 14 days, selective work from office arrangements based on specific work needs;

- arranging employees to work from home in accordance with national pandemic prevention and control requirements to lower their chance of contracting the virus during working hours;
- purchased and distributed alcohol, masks and disinfectants to every employee and regularly took disinfection measures in the office premises.

The Group required offices located in other countries to do a good job in pandemic prevention and control in accordance with the arrangements of the local governments. The Group will continuously review our emergency measures in pace with latest developments.

B.1 Employment

Talent is regarded as the most vital assets of the Group, as well as the driver for our sustainability. Hence, the Group is committed to providing a fair, open, safe and healthy career platform for employees.

The Group's human resources department strictly implements recruitment, dismissal and welfare policies in accordance with the requirements as set out in the labor laws of the PRC and Hong Kong. Our employees are treated non-discriminatively with respect to recruitment, employment, training, promotion, dismissal and retirement, irrespective of their gender, race, age, disability, family status, marital status, sexual orientation, religious beliefs, nationality or any other factors unrelated to work. We also attach great importance to the rights and interests of female employees, so that women have fair opportunities for promotion.

The Group is committed to attracting outstanding talents to join, and all employees are recruited in accordance with the principles of openness and fairness. We prepare our annual recruitment plan according to the needs of business development. During the process of signing a labor contract with a new employee, it shall be carried out on the basis of equality, voluntariness and negotiation of both parties. We provide all employees with the Staff Handbook to protect the rights and interests of employees. The Group strictly abides by the minimum wage requirements of its places of operation, and pays social insurance and retirement pensions for all employees. We set the working hours of employees in accordance with relevant laws. In addition to paid statutory holidays, employees also enjoy sick leave, maternity leave, paternity leave, marriage leave, funeral leave, etc.

In order to retain outstanding talents, the Group conducts employee performance appraisals every year, evaluates the work performance of employees, promotes high-performance and high-potential employees, and adjusts employee remuneration based on the results of the appraisal. Meanwhile, the Group established a clear dismissal system. According to the law and the Staff Handbook, employees are dismissed reasonably and legally, and any unfair or unreasonable dismissal is strictly prohibited.

As of 31 December 2020, the aggregate number of the Group's employees of the Continuing Business was 90. The following table illustrates their gender, place of work, age, position and other information. During 2020, 27 employees resigned, representing an annual turnover rate of 30.0%. Such relatively high turnover rate was due to the Restructuring conducted during 2020, which led to increasing employee mobility.

During 2020, the Group was in full compliance with relevant laws and regulations regarding remuneration, dismissal, recruitment, promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, benefits and other employment-related issues that are material to the Group. We did not receive any complaints or involve in disputes concerning employment.

Table 5: Employees by Category as of 31 December 2020

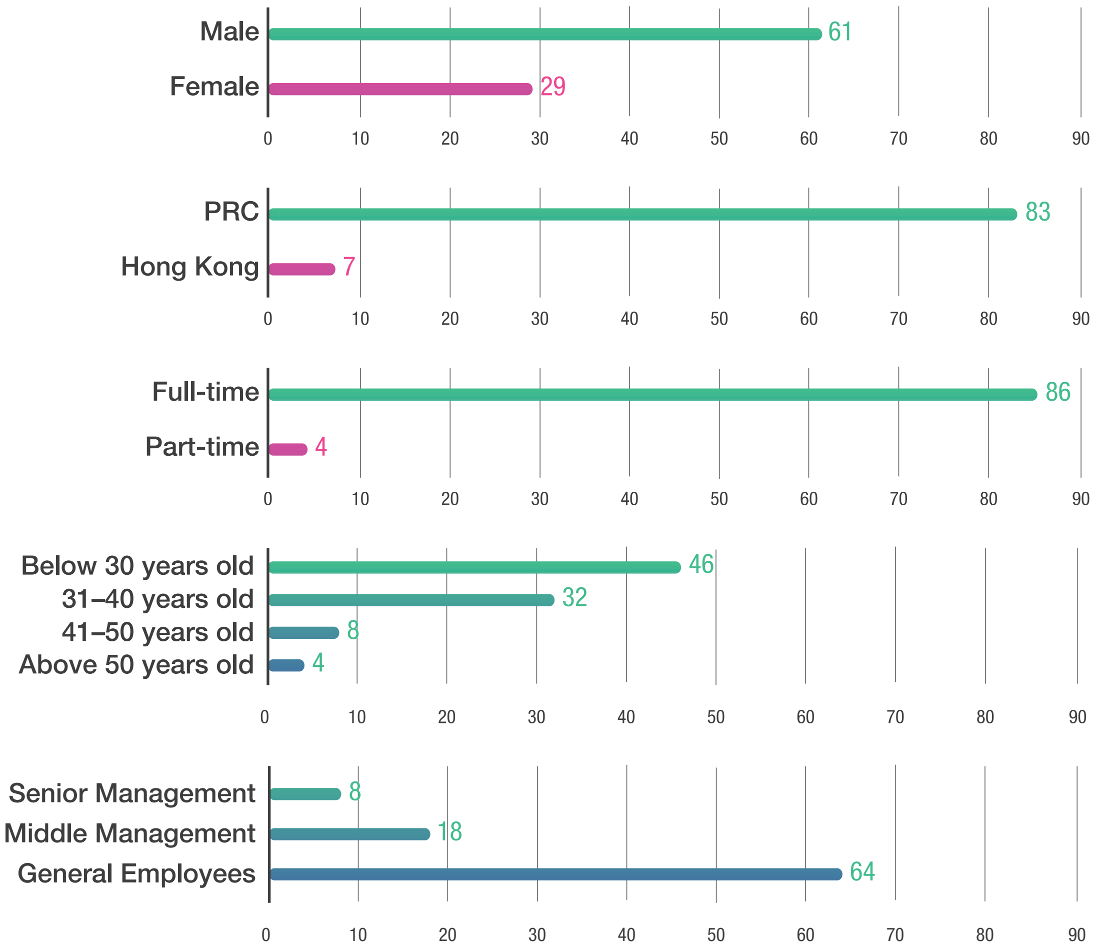


Table 6: Resigned Employees by Category in 2020

B.2 Health and Safety

The Group pledges to provide a safe and healthy workplace for all employees. We implement Chinese and Hong Kong laws and regulations related to occupational health and safety. We provide employees with induction and vocational trainings to improve their health and safety awareness. During 2020, we participated in the fire drills arranged by the property management offices of our office premises, regularly cleaned the air-conditioning system and other office equipment, and provided complete sanitation management for the workplace. All of our offices are equipped with first aid kits to deal with any emergency, and we are committed to creating a clean, tidy, smoke-free, non-toxic, harmless, healthy and safe working environment for our employees.

During 2020, the Group has not recorded any deaths and major accidents in relation to injuries resulted from industrial accidents.

B.3 Development and Training

The Group believes that the growth of employees' capabilities will help improve our competitiveness. Therefore, we have the responsibility to provide employees with various development and training opportunities. All new employees must participate in induction training to understand the culture, organizational structure, strategy, and business processes of the Group. We arrange dedicated instructors to assess the performance of employees during the probation period, and continue to assist new employees to familiarize themselves with the work process of the Group during the 3-6 months after the probation period, so that they can quickly integrate into the work environment. Our business department will develop internal or external professional skills training according to the job needs of different positions.

During 2020, the Group has provided an aggregate of 1,983 hours of training sessions to all of its staff. All 90 staff members participated, and the average training time for each employee was 22.0 hours. The training topics consisted of prevention and control of COVID-19, corporate management, staff communication, marketing strategies, financial management, occupational safety, etc.

Table 7: Training Hours Completed by Employees in 2020 (by Category)

	Senior Management	Middle Management	General Employees	Total
Training time (by hours)	140	384	1,459	1,983
Number of employees	8	18	64	90
Average training time per employee (by hours)	17.5	21.3	22.8	22.0

B.4 Labor Standards

The Group is fully aware that child and forced labor violate basic human rights. The Group strictly abided by the relevant laws and regulations of the PRC and Hong Kong, and prohibited any child labor and forced labor. When recruiting, we will require applicants to produce identification documents including ID cards, graduation certificates, employment history etc. to ensure that the age and other personal information provided by them are correct and the employees are hired legally. In addition, we require all suppliers to strictly prohibit the use of any child labor or forced labor. If any violation of the laws and regulations on the employment of child labor or forced labor is found, the Group will issue a warning or even terminate the cooperation agreement. As a caring employer, the Group provides food allowances, birthday benefits, medical insurance and retirement plans, and arranges flexible working hours or work at home for employees who need to take care of their families.

During 2020, the Group have not violated any laws and regulations in relation to the prevention of child and forced labour.

B.5 Supply Chain Management

While strongly supporting sustainability, the Group also expects its suppliers to fulfill the same social responsibilities. We give priority to the most environmentally friendly and socially responsible suppliers, and strictly monitor the environmental, social and governance performance of the overall supply chain.

The suppliers of the Group mainly provide product promotion and game R&D technical support and other services. We have formulated stringent supplier assessment procedures, and only make selections based on the price, services, quality and reputation of potential suppliers to prevent a conflict of interest and bribery. The Group takes every measure to prevent relevant employees from receiving personal interests from suppliers, and requires suppliers and relevant employees to declare their interests to avoid transfer of benefits. In addition, we have incorporated sustainability considerations into our procurement and outsourcing process and required suppliers to comply with key environmental, social and governance principles.

During 2020, the Group cooperated with 60 suppliers, which are from the PRC, United Kingdom, the United Sates, Spain, Brazil, Russia, and the Philippines.

B.6 Product Responsibility

The Group fully understands the social responsibility of operating the sports and lottery related business; we therefore specially formulated the “Responsible Lottery” to regulate our product responsibilities in the sports lottery business. For details, please refer to the section headed “Responsible Lottery” in this report.

The age at which Chinese minors get access to the internet for the first time continues to decrease. Research reports show that the internet penetration rate of Chinese minors has reached 99.2%, which is significantly higher than the overall internet penetration rate of 64.5% in China. It means that "internet access for all (全民上網)" has become a significant label for minors. In response to this situation, the Group proactively strengthened content review and set up real-name authentication and payment interception to continuously enhance protection for minors. Our paying users need to pass real-name authentication, while users who apply for expert content need to upload relevant ID card information for authentication. Meanwhile, we have added a "minor model" to avoid consumption by minors by mistake.

All online gamers must use valid identity information to register their accounts. In addition, real-name authentication is also required for visitors who hope to try a game. Users enter their name, ID number, username and password to register, and the game will verify their name and ID number through a third-party verification system. Real-name registration will be deemed successful once the results are verified to be consistent.

Minors are not allowed to create their own accounts without the consent of their parents or guardians. If the consent has been obtained, we would recommend the minor's parents or guardians to carefully read the privacy policy to ensure that they are aware of the information required for account registration and its purposes.

For games that are allowed to be played by minors, we strictly control the time slot and duration for playing online games by minors. Game services will not be provided to minors between 22:00 pm each day and 8:00 am on the following day. The duration of game services provided to minors shall not exceed 3 hours per day during statutory holidays, and shall not exceed 1.5 hours per day during weekdays.

We regulate the provision of paid services to minors. We do not provide paid game services to users under 8 years old. For users between 8 and 16 years old, the top-up amount for paid services shall not exceed RMB50 per time and the accumulative amount shall not exceed RMB200 per month; for those over 16 years old but under 18 years old, the top-up amount shall not exceed RMB100 per time and the accumulative amount shall not exceed RMB400 per month.

Meanwhile, plenty of users' personal data is collected in the course of the Group's operations. Therefore, we pay special attention to network security and the protection of users' privacy and data. The Group is committed to reducing related risks by establishing professional network security systems and a privacy protection department. We have adopted a variety of measures and technologies that are in line with industry standards as stated below to store user data, and significantly limit the number of employees who can access to the servers to prevent data leakage, misuse, tampering or damages:

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

In order to further reduce the risk of data leakage, 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 data from users to avoid collecting irrelevant private data, and guarantee that unless the retention period needs to be extended or otherwise permitted by law, user data will only be retained for the period necessary to achieve the relevant purpose. We also actively enhance the security awareness of users, including reminding them to be cautious about sharing their private data and to set strong personal password, in a bid to reduce the risk of data leakage through their own actions. 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 Group is engaged in the creative industry. Hence, we attach great importance to the protection of intellectual property. The Staff Handbook stipulates that any invention, creation, compilation, software, technology, trade secret or other forms of intellectual property created by any employee during his employment period by using the Group's resources (including information) shall belong to the Group, and all employees must commit to make their best efforts to cooperate with the Group for obtaining complete property rights by 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. The Group also respects the IP 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. In its daily operations, the Group refuses to provide or use any products or services that violate copyright or intellectual property rights. We only procure genuine products and all of the software and information we use are provided with legal licenses.

The Group hopes that every user can enjoy the Group's products. Thus, we are responsible for resolving user complaints and any disputes among them, and maintain the fair use of online platforms. 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. If any malicious use of accounts, false accusations, fraud or other misconducts are 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 sales of accounts, equipment and game currency, we would not handle any losses incurred by any user arising therefrom.

During 2020, the Group did not violate any laws and regulations regarding the product responsibility, intellectual property right and data privacy.

B.7 Anti-corruption

The Group believes that a business operation based on integrity forms the basis of corporate social responsibility, which is also the cornerstone for maintaining corporate competitive edge and sustainable operation. The Group strictly complies with all laws and regulations in relation to anti-corruption and anti-bribery in the PRC and Hong Kong. We have zero tolerance to any form of corruption. The rules and regulations set out in the "professional ethics and code of conducts", "provision on the prevention of conflict of interest" and "codes for senior management" sections of the Staff Handbook are based on the relevant laws and regulations, and contain standards of business ethics more stringent than the requirements of laws and regulations. The Group will stop and handle any violations immediately once discovered. Employees who violate the law will never be tolerated and be handed over to the judicial authorities.

The Group encourages reporting of misconducts. Whistleblowers may report any suspected misconducts directly to the members of the Board via email, either anonymously or in real name. The email addresses for internal reporting is info@v1group.com.

During 2020, the Group did not receive any corruption lawsuits against the Group or its employees. Meanwhile, the Group and its employees were not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering.

B.8 Community Investment

The Group attaches great importance to participating in community building. We leverage our resources to contribute to society, aiming to assist in building a cohesive and caring society in all areas where we conduct business. We pay special attention to fostering employees' awareness of social responsibility and encourage them to voluntarily participate in charity activities to actively help people in need in society.

In early 2020, novel coronavirus infection broke out in Wuhan City, Hubei Province and other places. Soon after noticing the severe pandemic outbreak in Wuhan, the Group initiated an emergency action in the early morning of the first day of the Lunar New Year. Through continuous coordination and communication, the Group successfully contacted the person in charge of Wuhan Red Cross Foundation and made anti-pandemic donation of RMB1 million to this institution , making the Group being among the first batch of sports companies to donate and show love and dedication. In addition, the large cultural talk show "Story of Us", of which the Group assisted in the production, held online charity sale called "Anti-pandemic Charity Sale (抗炎義賣)" on V1 APP. Dr. Zhang of the Board, and Mr. Wu Huan, the artistic director of "Story of Us", joined hands with cultural celebrities and artists to participate in the online charity sale. All funds raised were used to support Huoshenshan Hospital* (火神山醫院) in Wuhan for fighting against the pandemic as well as its prevention and treatment.

During 2020, the Group received the following awards in recognition of its contributions to society.

- 2020 Charity Communication Award (China Charity Festival)
- 2020 Industry Leading Brand Award (syobserve.com)
- Best Sports Game of 2020 (xiouwang.cn)
- Top 10 Sports Information Apps (Analysys Consulting)

We will continue to work hard for the sustainability of society and a caring community.

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

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 Listing Rules throughout the year ended 31 December 2020 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 31 December 2020, the Board had not appointed an individual to the post of chief executive. The role of the chief executive had been performed collectively by all the executive Directors, particularly by the chairman of the Company. The Board considered 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. However, the Board had appointed the executive Director, Mr. Peng Xitao, to be the chief executive with effect from 1 January 2021.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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.

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 Annual Report. The roles and functions of the Directors are published on the respective websites of the Stock Exchange and the Company.

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 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 the 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	General Meeting
Executive Directors						
Dr. Zhang Lijun	9/9	n/a	4/4	3/3	1/1	1/1
Ms. Wang Chun	8/9	n/a	4/4	3/3	1/1	1/1
Mr. Ji Qiang	9/9	n/a	n/a	n/a	n/a	1/1
Ms. Cheng Po Chuen#	5/9	n/a	n/a	n/a	n/a	1/1
Independent non-executive Directors						
Dr. Loke Yu (alias Loke Hoi Lam)	9/9	2/2	4/4	3/3	1/1	1/1
Prof. Gong Zhankui	9/9	2/2	4/4	3/3	1/1	1/1
Mr. Wang Linan	9/9	2/2	4/4	3/3	1/1	1/1

Ms. Cheng Po Chuen was appointed as executive Director on 18 April 2020.

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 one meeting 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 the 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 2020, 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, Corporate Governance Committee and Corporate Social Responsibility Committee. Written terms of reference, which are in line with the Corporate Governance Code, of all the board committees are available on the respective 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), Mr. Zang Dongli and Mr. Zhou Jingping.

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 2019 and the unaudited interim financial statements for the six months ended 30 June 2020 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 two independent non-executive Directors, namely, Dr. Loke Yu (alias Loke Hoi Lam) (the chairman) and Mr. Zang Dongli, and one executive Director, namely, Ms. Cheng Po Chuen.

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, the grants of Share Options, 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 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. Cheng Po Chuen and three independent non-executive Directors, namely, Dr. Loke Yu (alias Loke Hoi Lam), Mr. Zang Dongli and Mr. Zhou Jingping.

The Nomination Committee is responsible for formulating and reviewing the nomination and Board's diversity policy, 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's 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 nominations of Directors, the composition of the Board, the Board's diversity policy, the independence of the independent non-executive Directors and the re-election of all the retiring Directors at 2020 annual general meeting.

Corporate Governance Committee

The Corporate Governance Committee was set up in 2012 and currently comprises two executive Directors, namely, Ms. Cheng Po Chuen (the chairman) and Mr. Peng Xitao, and an independent non-executive Director, namely, Mr. Zhou Jingping.

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 compliance of policies and practices of the corporate governance of the Company.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was set up on 1 January 2021 and currently comprises two executive Directors, namely, Mr. Peng Xitao (the chairman) and Ms. Cheng Po Chuen, and two independent non-executive Directors, namely, Mr. Zang Dongli and Mr. Zhou Jingping.

The primary functions of the Corporate Social Responsibility Committee are:

- to give recommendations about the Group's ESG strategies and identify significant ESG risks and opportunities;
- to monitor the effectiveness of ESG risk management; and
- to review the ESG Report.

One meeting had been held subsequent to the set up of this committee on 18 March 2021 to review and approve the ESG Report.

Board Diversity

The Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage.

The Nomination Committee is mandated to formulate the Board's diversity policy for the Board's approval and review and assess its policy regularly.

The general terms of the Board's diversity policy are:

- to achieve diversity of the Board through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience;

- 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 has primary responsibility for identifying suitably qualified candidates to become member(s) of the Board and, in carrying out this responsibility, will give adequate consideration to the Policy; and

- the Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

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. During 2020, 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 Annual 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 2020, 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 SFO 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, the fees paid or payable to the Group's external auditor BDO Limited were as follows:

Audit service	HK$1,500,000
Non-audit services	HK$280,000

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 the 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 during the last annual general meeting held on 21 May 2020.

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 respective 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 2020.

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, (1) the sports and lottery related business and (2) the telemedia and e-commerce business which was discontinued in December 2020. The sports and lottery related business covered the development and operation of paid sports lottery information platform, sports social interactive platform, online mobile game applications 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 2020 is set out in note 6 to the consolidated 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 31 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 2020 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 109 to 229 of this Annual Report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

The Board adopted a dividend policy on 22 March 2019 that can enhance the transparency of the Company regarding the 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.

RESULTS AND DIVIDENDS (Continued)

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 230 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 2020 are set out in note 15 to the consolidated 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 26 to 29 respectively to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's 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 2020.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the consolidated financial statements and page 113 of this Annual Report respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company did not have any distributable reserves (2019: Nil). The Company's share premium account in the amount of HK$1,762,398,000 (2019: HK$1,702,600,000) may be distributed in the form of fully paid bonus shares.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, 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	8.7%
• the five largest suppliers	38.7%

(b) Percentage of sales attributable to:

• the largest customer	9.7%
• the five largest customers	27.7%

During the year, the largest customer of the Group was Shenzhen Youyou Communication Equipment Co., Ltd.* (深圳市優友通訊器材有限公司) which contributed the sales of about HK$238,755,000 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$203,313,000. 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 Annual Report have been:

Executive Directors:

Dr. Zhang Lijun *(Chairman)*
Ms. Wang Chun (resigned on 1 January 2021)
Mr. Ji Qiang (resigned on 1 January 2021)
Mr. Peng Xitao (appointed on 1 January 2021)
Ms. Cheng Po Chuen (appointed on 18 April 2020)

Independent Non-Executive Directors:

Dr. Loke Yu (alias Loke Hoi Lam)
Prof. Gong Zhankui (resigned on 1 January 2021)
Mr. Wang Linan (resigned on 1 January 2021)
Mr. Zang Dongli (appointed on 1 January 2021)
Mr. Zhou Jingping (appointed on 1 January 2021)

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. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company or until the next following Annual General Meeting and shall then be eligible for re-election at that meeting. Mr. Peng Xitao, who was appointed as an executive Director, and Mr. Zang Dongli and Mr. Zhou Jingping, who were appointed as independent non-executive Directors, with effective date from 1 January 2021, will hold office until the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

DIRECTORS (Continued)

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 CIMC-Tianda Holdings Company Limited, a company listed on the Stock Exchange, on 26 January 2021.

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

V1 Group Scheme

On 30 April 2012, the Company terminated the Old V1 Group Scheme which is substituted by 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 2020, 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 Share Options to subscribe for Shares. 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 Share Options (excluding Share 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 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 Share 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 at the Annual General Meeting had approved the Refreshment so that the Company is able to grant Share 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 Share 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 Share 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, any Holding Company or any 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 255,339,526 Shares, after the Refreshment and the subsequent grants of Share Options, representing approximately 5.65% of the issued share capital as at the date of this Annual 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 Share Options (including both exercised or outstanding Share 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 Share 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 Share 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 Share Options:*
The period within which the Share 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 Share 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 Share Options granted by the Company during the year ended 31 December 2020. Details of the Share Options as at the year ended 31 December 2020 are set out below and in note 29 to the consolidated financial statements.

2020

	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 25 January 2018	2,000,000	–	–	–	2,000,000	0.229	25/01/2018 to 24/01/2021
	2,000,000	–	–	–	2,000,000		
Wang Chun							
— on 25 January 2018	3,000,000	–	–	–	3,000,000	0.229	25/01/2018 to 24/01/2021
	3,000,000	–	–	–	3,000,000		
Ji Qiang							
— on 5 July 2019	3,000,000	–	–	–	3,000,000	0.385	05/07/2019 to 04/07/2022
— on 5 October 2020	–	3,000,000	–	–	3,000,000	0.385	05/10/2020 to 04/10/2025
	3,000,000	3,000,000	–	–	6,000,000		
Cheng Po Chuen							
— on 30 March 2020	–	15,000,000	–	–	15,000,000	0.385	30/03/2020 to 29/03/2023
— on 5 October 2020	–	10,000,000	–	–	10,000,000	0.385	05/10/2020 to 04/10/2025
	–	25,000,000	–	–	25,000,000		
Sub-total	8,000,000	28,000,000	–	–	36,000,000		
Independent non-executive Directors							
Loke Yu (alias Loke Hoi Lam)							
— 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
— on 5 October 2020	–	500,000	–	–	500,000	0.385	05/10/2020 to 04/10/2025
	1,750,000	500,000	–	–	2,250,000		

SHARE OPTION SCHEMES (Continued)

2020

	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 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
— on 5 October 2020	–	500,000	–	–	500,000	0.385	05/10/2020 to 04/10/2025
	1,750,000	500,000	–	–	2,250,000		
Wang Linan							
— 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
— on 5 October 2020	–	500,000	–	–	500,000	0.385	05/10/2020 to 04/10/2025
	1,750,000	500,000	–	–	2,250,000		
Sub-total	5,250,000	1,500,000	–	–	6,750,000		
Employees							
— on 5 July 2019	42,000,000	–	–	–	42,000,000	0.385	05/07/2019 to 04/07/2022
— on 30 March 2020	–	2,000,000	–	–	2,000,000	0.385	30/03/2020 to 29/03/2023
— on 5 October 2020	–	29,500,000	–	–	29,500,000	0.385	05/10/2020 to 04/10/2025
Sub-total	42,000,000	31,500,000	–	–	73,500,000		
Others							
— on 5 July 2019	20,000,000	–	–	–	20,000,000	0.385	05/07/2019 to 04/07/2022
— on 30 March 2020	–	6,000,000	–	–	6,000,000	0.385	30/03/2020 to 29/03/2023
— on 5 October 2020	–	3,000,000	–	–	3,000,000	0.385	05/10/2020 to 04/10/2025
Sub-total	20,000,000	9,000,000	–	–	29,000,000		
Total	75,250,000	70,000,000	–	–	145,250,0000		

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
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)

Subsidiaries Share Option Schemes

On 21 May 2020, the Shareholders at the Annual General Meeting approved the Subsidiaries Share Option Schemes for Easy Prime and Golden Target, to grant Easy Prime Options or Golden Target Options (as the case may be) to the eligible participants as incentives or rewards to encourage the grantees of such options to work towards enhancing the value of Easy Prime and Golden Target and their shares, respectively and for the benefit of the Group as a whole.

The Easy Prime Board or Golden Target Board (as the case may be) will have the right to grant to the participants options to subscribe for Easy Prime Shares or Golden Target Shares (as the case may be), which when aggregated with any securities to be granted by Easy Prime or Golden Target (as the case may be) subject to any other share option schemes shall not in aggregate exceed the Scheme Mandate Limit unless the approval from the Shareholders in general meeting has been obtained to renew the Scheme Mandate Limit such that the total number of Easy Prime Shares or Golden Target Shares (as the case may be) in respect of which options may be granted by the Easy Prime Board or Golden Target Board (as the case may be) under the Easy Prime Share Option Scheme or Golden Target Share Option Scheme (as the case may be) and any other share option schemes of Easy Prime or Golden Target (as the case may be) in issue shall not exceed Renewal Limit. Separate approval from the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit and Renewal Limit may be sought. Neither Easy Prime nor Golden Target has a present intention to obtain such approval.

The maximum number of Easy Prime Shares or Golden Target Shares (as the case may be) which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Easy Prime Share Option Scheme or Golden Target Share Option Scheme (as the case may be) and any other share option schemes of Easy Prime or Golden Target (as the case may be) shall not exceed 30% of the total number of Easy Prime Shares or Golden Target Shares (as the case may be) in issue from time to time.

SHARE OPTION SCHEMES (Continued)

Subsidiaries Share Option Schemes (Continued)

In addition, for so long as Easy Prime or Golden Target (as the case may be) remains a subsidiary of the Company:

1. Any grant of options under the relevant scheme to any Director, chief executive or substantial Shareholder or any of their respective associates shall also be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed grantee of the option).

2. Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the shares which may be issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under such scheme in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of Easy Prime or Golden Target (as the case may be) and having an aggregate net asset value, assuming such options were exercised and based on the latest audited accounts of Easy Prime or Golden Target (as the case may be), in excess of HK$5 million, such grant of options shall be subject to prior approval by the Shareholders (voting by way of poll). All connected persons of the Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

3. The renewal of the Scheme Mandate Limit and the granting of options exceeding any stipulated limits under the Subsidiaries Share Option Schemes shall be subject to the approval by the Shareholders in general meeting for so long as Easy Prime or Golden Target (as the case may be) remains a subsidiary of the Company.

4. Any alteration of the rules of the scheme to the advantage of the grantees shall comply with the requirements under the Listing Rules and also be subject to the approval by the Shareholders.

SHARE OPTION SCHEMES (Continued)

Share option schemes of subsidiaries (Continued)

A summary of the principal terms of the Subsidiaries Share Option Schemes is given below:

(I) *Purpose of the Subsidiaries Share Option Schemes:*
The purpose is to enable Easy Prime or Golden Target (as the case may be) to grant its share options to the eligible participants as incentives or rewards for their contribution to Easy Prime or Golden Target (as the case may be) as well as the Group.

(II) *Participants of the Subsidiaries Share Option Schemes:*
The board of directors of Easy Prime or Golden Target (as the case may be) may, in accordance with the provisions of the Subsidiaries Share Option Schemes, at their absolute discretion invite any person belonging to any of the following classes of participants to take up Easy Prime Options or Golden Target Options (as the case may be) to subscribe for Easy Prime Shares or Golden Target Shares (as the case may be):

a. any employee, executive (including any executive director but excluding any non-executive director), manager, consultant or proposed employee, manager, consultant of Easy Prime or Golden Target (as the case may be) and its subsidiaries and the Group;

b. any non-executive director (including independent non-executive director) of Easy Prime Group, Golden Target Group and the Group;

c. any supplier of goods or services to any member of the Easy Prime Group or Golden Target Group (as the case may be);

d. any person or entity that provides research, development or other technological support to the Easy Prime Group or Golden Target Group (as the case may be); and

e. any company wholly owned by one or more persons belonging to any of the above classes.

(III) *Total number of shares available for issue under the Subsidiaries Share Option Schemes as at the date of this Annual Report:*
The total number of shares available for issue under each of the Easy Prime Share Option Scheme and the Golden Target Share Option Scheme is 5,000 shares.

SHARE OPTION SCHEMES (Continued)

(IV) *Maximum entitlement of each participant under the Subsidiaries Share Option Schemes:*
The total number of shares issued and which may fall to be issued upon exercise of the Easy Prime Options or Golden Target Options (as the case may be) (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 Easy Prime or Golden Target (as the case may be) 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 representing in aggregate over 0.1% of the issued share capital of Easy Prime or Golden Target (as the case may be) and having an aggregate net asset value, assuming such options were exercised and based on the latest audited accounts of Easy Prime or Golden Target (as the case may be), in excess of HK$5 million, such grant of options shall be subject to prior approval by the Shareholders (voting by way of poll). All connected persons of the Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(V) *Period of the Subsidiaries Share Option Schemes:*
The Subsidiaries Share Option Schemes will remain valid for a period of 10 years commencing on the date of adoption.

(VI) *The period within which the shares must be taken up under Subsidiaries Share Option Schemes:*
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.

(VII) *The minimum period for which an option must be held before it can be exercised:*
Subsidiaries Share Option Schemes do not stipulate either a minimum period for which an Option must be held or any performance targets a grantee is required to achieve before an Option can be exercised.

(VIII) *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 Easy Prime Option or Golden Target Option (as the case may be) within 28 days from the date of the grant.

(IX) *The basis of determining the subscription price per Easy Prime Share or Golden Target Share (as the case may be):*
The Subscription Price shall be determined by the Easy Prime Board or Golden Target Board (as the case may be), taking into consideration the prevailing market condition, performance of Easy Prime or Golden Target (as the case may be) and after having assessed the efforts, performance and/or future potential contribution of the Participant to the success of the business and operations of Easy Prime or Golden Target (as the case may be), which shall not be less than the par value of the Easy Prime Shares or Golden Target Shares (as the case may be).

According to the term of the Golden Target Option Scheme, it will be terminated upon ceasing to be a subsidiary of the Company. On 7 December 2020, Golden Target ceased to be a subsidiary of the Company. The Golden Target Option Scheme was terminated.

No Easy Prime Options or Golden Target Options have been granted under the Subsidiaries Share Option Schemes since the adoption date.

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

As at 31 December 2020, 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)*	22.93%	5,000,000 *(Note 2)*	0.11%
Wang Chun *(Note 5)*	Beneficial owner/ Interest of spouse/Founder of discretionary trust	1,032,563,113 *(Note 3)*	22.93%	5,000,000 *(Note 4)*	0.11%
Ji Qiang *(Note 5)*	Beneficial owner	750,000	0.02%	6,000,000	0.13%
Cheng Po Chuen *(Note 6)*	Beneficial owner	–	–	25,000,000	0.56%
Loke Yu (alias Loke Hoi Lam)	Beneficial owner	–	–	2,250,000	0.05%
Gong Zhankui *(Note 5)*	Beneficial owner	–	–	2,250,000	0.05%
Wang Linan *(Note 5)*	Beneficial owner	1,400,000	0.03%	2,250,000	0.05%

Note 1: As at 31 December 2020, Dr. Zhang Lijun held and was deemed to hold under the SFO in aggregate 1,032,563,113 Shares, representing approximately 22.93% 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, 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 are 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 2020, Ms. Wang held and was deemed to hold under the SFO in aggregate 1,032,563,113 Shares, representing approximately 22.93% 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.

Note 5: Resigned on 1 January 2021.

Note 6: Appointed on 18 April 2020.

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 *(Note 1)*	Interest of controlled corporation	98	49%
	VODone Holdings *(Note 2)*	Interest of controlled corporation	2	100%
	TMD1 *(Note 3)*	Interest of controlled corporation	49,000,000	49%
	Bank of Asia *(Note 5)*	Interest of controlled corporation of spouse	8,800,000	5.21%
Wang Chun	Clear Concept *(Note 4)*	Interest of controlled corporation of spouse	98	49%
	VODone Holdings *(Note 4)*	Interest of controlled corporation of spouse	2	100%
	TMD 1 *(Note 4)*	Interest of controlled corporation of spouse	49,000,000	49%
	Bank of Asia *(Note 6)*	Interest of controlled corporation	8,800,000	5.21%

Note 1: 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 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: 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 is owned as to 45.95% by the Company and 5.21% 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 5.21% 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 2020, 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 34 to the consolidated 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 2020, 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 34 and 36(d) to the consolidated 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 34(a), (c), (d), (e), (f) and 36(d) to the consolidated 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 36(d) to the consolidated 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 telemeida business in 2006 through acquisition of 51% interest in Clear Concept by the Company. Clear Concept is an investment holding company holding 100% interest in VODone Holdings which in turn holds 49% interest in TMD1. TMD1 had entered into the Master Agreement with 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 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 TMD2, TMD3 and TMD4 to procure various technical or functionally specialized services. 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 telemedia business, the Group had no right to acquire the equity interest of VODONE which held various licenses to operate tele-communication and Internet services in the PRC, but could derive the economic benefits of the telemedia business through acquisition of interest in Clear Concept.

The Group's telemedia business was 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 telemedia 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 telemedia business had 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.

Pursuant to the restructuring of telemedia business as disclosed in the announcement of the Company dated 7 December 2020, the Group will not carry on such business in 2021. The Master Agreement and the related contractual arrangements were mutually terminated by all relevant parties on 7 December 2020.

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 2018 Circular.

The OPCO agreed to engage the WFOE as the exclusive service provider to provide the OPCO with the Services.

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

Principal terms of each of the VIE Contracts are set out as follows:

(1) Exclusive Business Cooperation Agreement

Parties:	(i) The WFOE; and (ii) The OPCO.
Subject matter:	The OPCO agrees to engage the WFOE as the exclusive service provider to provide the OPCO with 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 cooperate 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.

1.B Particulars of Structured Contracts and Description of New Business (Continued)

(1) Exclusive Business Cooperation Agreement (Continued)

Term: The Exclusive Business Cooperation Agreement shall take effect from the date of its execution, until any of the following circumstances occur:

(i) the WFOE proposes in writing to terminate the Exclusive Business Cooperation Agreement;

(ii) under applicable PRC laws and regulations, the WFOE exercises its call option under the exclusive Call Option Agreement, pursuant to which it acquired all the equity interests of the OPCO; or

(iii) under applicable PRC laws and regulations, the WFOE is allowed to register itself as the shareholder of the OPCO and operate the businesses of the OPCO.

(2) Exclusive Call Option Agreement

Parties:

(i) The WFOE;

(ii) The OPCO; and

(iii) The PRC Equity Owner.

Subject matter: The OPCO and the PRC Equity Owner irrevocably and unconditionally agree to an grant exclusive call option to the WFOE, pursuant to which the WFOE may, to the extent permitted under applicable PRC laws and regulations, require:

(i) the PRC Equity Owner to transfer entirely or partially their or their nominees' equity interests in the OPCO to the WFOE or its nominee insofar at the consideration of RMB10, or, unless another price is required by the relevant PRC authority. In such event, the PRC Equity Owner shall reimburse the WFOE or its nominees any consideration paid by the WFOE or its nominees to the PRC Equity Owner in surplus of the said consideration of RMB10; and

(ii) the OPCO to transfer entirely or partially their or their nominees' assets in the OPCO to the WFOE or its nominee insofar at the consideration of RMB10, or, unless another price is required by the relevant PRC authority. In such event, the PRC Equity Owner shall reimburse the WFOE or its nominees any consideration paid by the WFOE or its nominees to the PRC Equity Owner in surplus of the said consideration of RMB10.

1.B Particulars of Structured Contracts and Description of New Business (Continued)

(2) Exclusive Call Option Agreement (Continued)

In addition, without the prior written consent of the WFOE, the OPCO and the PRC Equity Owner, among other things:

(i) shall not alter the registered capital of the OPCO;

(ii) shall not sell, transfer or mortgage any assets, businesses or incomes of the OPCO;

(iii) shall not enter into any merger, acquisition or investment by the OPCO;

(iv) shall not procure the declaration or actual distribution of any profits, bonus or dividend by the OPCO; and

(v) shall not enter into any agreement which will be in conflict with the Exclusive Call Option Agreement or the interests of the WFOE under the Exclusive Call Option Agreement.

Term: The Exclusive Call Option Agreement has an initial term of 10 years from the date of its execution and will be extended automatically, unless otherwise determined by the WFOE or any of the following circumstances occur.

(i) under applicable PRC laws and regulations, the WFOE exercised its call option under the Exclusive Call Option Agreement, pursuant to which it acquired all the equity interests of the OPCO; or

(ii) under applicable PRC laws and regulations, the WFOE is allowed to register itself as the shareholder of the OPCO and operate the business of the OPCO.

(3) Shareholders' Voting Right Entrustment Agreement

Parties: (i) The WFOE;

(ii) The OPCO; and

(iii) The PRC Equity Owner.

1.B Particulars of Structured Contracts and Description of New Business (Continued)

(3) Shareholders' Voting Right Entrustment Agreement (Continued)

Subject matter: The PRC Equity Owner irrevocably agrees to entrust the WFOE all its voting rights in the OPCO, including but not limited to the followings:

(i) as the agent of the PRC Equity Owner, to convene and attend the shareholders' meetings of the OPCO in accordance with the articles of association of the OPCO;

(ii) to represent the PRC Equity Owner and discuss, approve and exercise the voting rights at the shareholders' meetings of the OPCO; and

(iii) any other voting rights as authorized under the articles of association of the OPCO.

The PRC Equity Owner agreed and confirmed that no prior consent from them is required for exercising the aforesaid voting rights.

In addition, the PRC Equity Owner irrevocably undertakes, among other things, that it will neither, directly or indirectly (either on their own or through any other individual or legal entity), participate or engage in any main business which is or may be in competition with the business of the OPCO or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any material conflict of interest between itself and the WFOE.

Term: The Shareholders' Voting Right Entrustment Agreement shall take effect from the date of its execution, until any of the following circumstances occur:

(i) the parties under the Shareholders' Voting Right Entrustment Agreement agree in writing to terminate the Shareholders' Voting Right Entrustment Agreement;

(ii) under applicable PRC laws and regulations, the WFOE exercises its call option under the Exclusive Call Option Agreement, pursuant to which it acquired all the equity interests of the OPCO; or

(iii) under applicable PRC laws and regulations, the WFOE is allowed to register itself as the shareholder of the OPCO and operate the businesses of the OPCO.

1.B Particulars of Structured Contracts and Description of New Business (Continued)

(4) Equity Pledge Agreement

Parties:
(i) The WFOE;
(ii) The OPCO; and
(iii) The PRC Equity Owner

Subject matter: The PRC Equity Owner agrees to pledge all of their equity interests in the OPCO to the WFOE to secure the performance of all their obligations and also the obligations of the OPCO under the VIE Contracts.

If the PRC Equity Owner and/or the OPCO breach any obligation under the VIE Contracts, the WFOE shall have the rights to, among others, dispose the pledged equity interests.

In addition, pursuant to the Equity Pledge Agreement, the PRC Equity Owner undertakes to the WFOE, among others, not to transfer their interests in the OPCO and not to create any pledge thereon without prior written consent of the WFOE.

The PRC Equity Owner shall register the equity pledge with the relevant authorities and provide the documentary proof of successful registration to the WFOE within 30 business days from the date of the Equity Pledge Agreement.

Term: The Equity Pledge Agreement shall become effective upon registration of the equity pledge and shall remain binding until the PRC Equity Owner discharge all their obligations under the VIE Contracts, or until any of the following circumstances occur:

(i) under applicable PRC laws and regulations, the WFOE exercised its call option under the Exclusive Call Option Agreement, pursuant to which it acquired all the equity interests of the OPCO; or

(ii) under applicable PRC laws and regulations, the WFOE is allowed to register itself as the shareholder of the OPCO and operate the businesses of the OPCO.

(5) WFOE's undertaking

Parties: The WFOE

Subject matters: The WFOE undertakes that the authorizations under the Shareholders' Voting Right Entrustment Agreement will be granted to officers of the Company who are unrelated to the PRC Equity Owner.

1.B Particulars of Structured Contracts and Description of New Business (Continued)

Pursuant to the VIE Contracts, the WFOE was 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 had 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 New VIE Contracts

Pursuant to the change of ownership of OPCO, the VIE Contracts are replaced by a new set of VIE contracts entered into between WFOE and Hainan Jinyi and Mr. Peng Xitao on 31 December 2020, 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, replacing the VIE Contracts mentioned in paragraph 1B above in the course of restructuring of the Group as disclosed in the announcement of the Company dated 7 December 2020.

Mr. Peng Xitao is a partner of Hainan Jinyi and he was appointed as an executive Director of the Company on 1 January 2021, this contractual relationship constitutes continuous connected transactions. The Company had applied and had been granted a waiver to such continuous connected transactions from the Stock Exchange on 5 February 2021 as disclosed in the announcement of the Company dated 9 February 2021.

Principal terms of each of the New VIE Contracts are the same as those of VIE Contracts except for Hainan Jinyi and Mr. Peng Xitao will be the PRC Equity Owners.

In order to avoid any practical difficulties in enforcing the New VIE Contracts and to protect the assets and the operations of OPCO, the Limited Partners and their spouses have made an undertaking with principal terms as follows:

A. Each of the Limited Partners and their spouses acknowledges and confirms that:

   1. the shareholders of OPCO are the Limited Partners (99%) and Mr. Peng Xitao (1%) who are nominated by the WFOE; and

   2. the equity interests held by such Limited Partner in OPCO do not form part of his personal assets and his matrimonial assets jointly owned by him and his spouse.

1.C New VIE Contracts (Continued)

B. Each of the spouses of the Limited Partners unconditionally and irrevocably undertakes:

1. not to take any action with the intent to interfere with the contractual arrangements, including making any claim that will give rise to hindrance over the performance of the Limited Partner's obligations under the New VIE Contracts;

2. that no consent or authorisation is needed from his spouse in case the Limited Partner executes any legal document to perform, amend, or supplement the New VIE Contracts;

3. to be bound by the New VIE Contracts and to waive any rights or entitlements to the equity interests of OPCO in the event that the spouse of the Limited Partner obtains any equity interests held by the Limited Partner in OPCO directly and/or through the Limited Partnership for any reason; and

4. that the Limited Partner, his successor, guardian, creditor, spouse or any other person that may be entitled to assume rights in the equity interests in OPCO directly or through the Limited Partnership held by him upon his death, incapacity, divorce, bankruptcy or any circumstances that may affect his ability to exercise his shareholder's rights in OPCO and/or his rights as a limited partner in the Limited Partnership (where applicable), he will not, in any manner and in any circumstances, carry out any act that may affect or hinder the fulfilment of the spouse's obligations under the New VIE Contracts.

C. Each of the Limited Partners irrevocably undertakes that:

1. he will not exercise shareholder's rights or entitlements to the equity interest in OPCO directly and/or through the Limited Partnership without the consent of the WFOE;

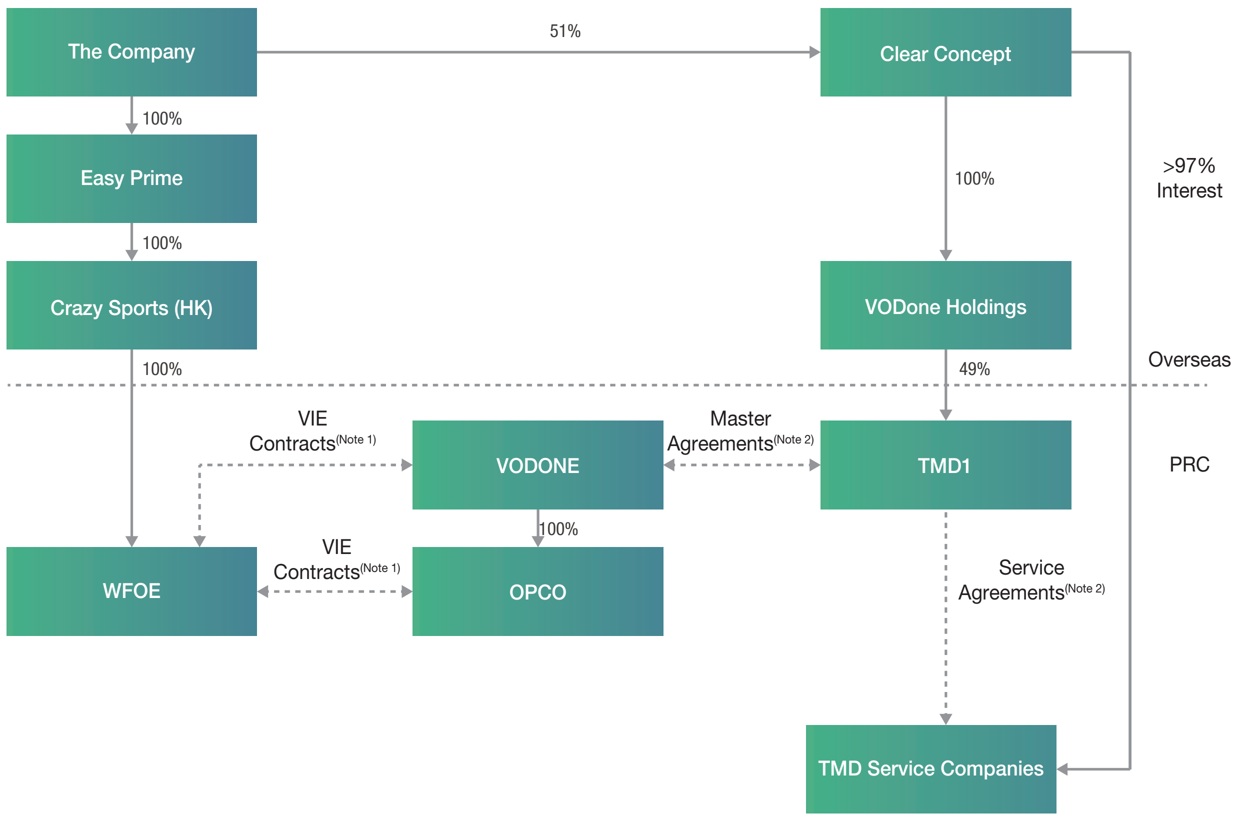
2. should any change occur in the marriage between the Limited Partner and his spouse, the Limited Partner shall inform the WFOE of such change and provide the relevant documentary proof, so as to allow the WFOE to act accordingly;

3. without the consent of the WFOE, the Limited Partner shall not agree to pledge, entrust, transfer or invest or transfer the equity interest in OPCO directly or through the Limited Partnership to any party other than the WFOE; and

4. if any Limited Partner becomes Resigning Partner, the WFOE shall be entitled to retrieve the Resigning Partner's interest in the Limited Partnership and/or OPCO, the WFOE shall then be entitled to nominate a new partner to replace the Resigning Partner and the death or incapacity or bankruptcy of the Resigning Partner shall not affect the operation and management of OPCO and the WFOE's control over OPCO.

1.D Structured Contract Flowchart

Set out below is a chart outlining simplified shareholding structure under the structured contractual arrangements of the Group as outlined in paragraphs 1.A and 1.B above.



Notes:

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

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

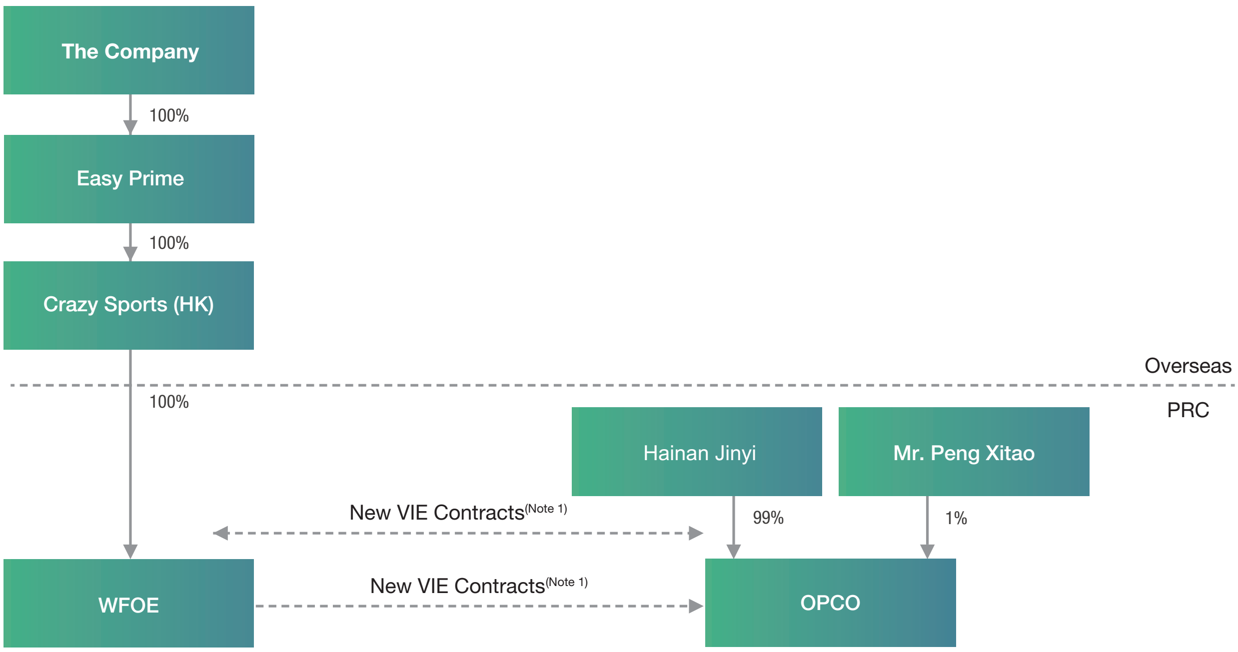
"–" denotes shareholding relationship

"..." denotes contractual relationship

* *for identification purposes only*

1.D Structured Contract Flowchart (Continued)

Set out below is a chart outlining simplified shareholding structure of the New VIE Contracts as mentioned in paragraph 1.C above.



Note:

(1) *The New VIE Contracts arrangements through which the business of Easy Prime Group is operated as described in paragraph 1.C above.*

"–" *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 2020 the revenue recorded by the Group arising from the Structured Contracts relating to the telemedia business amounted to HK$2,173,000. 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 telemedia business of the Group in note 6 to the consolidated financial statements for the year ended 31 December 2020 of the Group represented the assets of the members of the Group including the TMD Service Companies.

For the year ended 31 December 2020 the revenue recorded by the Group arising from the VIE Contracts and New VIE Contracts relating to the mobile games, application and live-streaming platform business amounted to HK$300,805,000. The assets of OPCO and its subsidiaries have been consolidated into the financial statements of the Group under the VIE Contracts and New 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 consolidated financial statements for the year ended 31 December 2020.

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 AND NEW 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 New VIE Contracts; and (ii) there is no prohibitive or restrictive requirement with respect to the VIE Contracts and New 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 did not involve direct investment by the Company in VODONE. The Company's PRC legal adviser is of the opinion that:

A. The Structured Contracts were subject to the following risks during the year:

(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 telemedia business would 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 was enacted into law in its current form;

(ii) The Group depended upon the Structured Contracts with VODONE in conducting its telemedia business's operations and receiving payments through VODONE, which might 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 might materially and adversely affect the telemedia business of the Group; and

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

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

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

(i) There can be no assurance that the VIE Contracts and New 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 and New VIE Contracts with the OPCO to operate the mobile game and applications 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 and New VIE Contracts. Therefore, conflict of interests of the PRC Equity Owner will adversely affect the interests of the Company;

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

(v) The VIE Contracts and New 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 New 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 would be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(ii) the Group had 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 should declare the nature of his or her interest at the beginning of each and every meeting of the Board, and if he or she was 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, would 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 would comply with all applicable laws and regulations;

(iv) relevant business units and operation divisions of the Group's telemedia business would report regularly, which would 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 would monitor and review the effective implementation of the procedures, controls and compliance in relation to the Structured Contracts, and their confirmation would be disclosed in the Annual Report of the Company on an annual basis; and

(vi) the Company would 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 and New VIE Contracts:

(i) the Group has appointed a board representative to the board of the OPCO 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 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 2020, except for the above mentioned, 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 VIE Contracts has been unwound as none of the restrictions that led to the adoption of VIE Contracts has been removed.

CONTINUING CONNECTED TRANSACTIONS

The independent non-executive Directors had reviewed the continuing connected transactions and confirmed that the transactions had been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) on terms that are fair and reasonable and in the interests of the Company's Shareholders as a whole according to the agreement governing them. The transactions carried out during the year have been entered into in accordance with the relevant provisions of the VIE Contracts and have been operated so that the consolidated profit generated by OPCO and its subsidiaries has been substantially retained by the Group, and no dividends or other distributions have been made by OPCO to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

The Company's auditors, BDO Limited, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. BDO Limited have issued a letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. Nothing has come to their attention that causes them to believe that such transactions: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant VIE Contracts governing such transactions; and (iii) that dividends or other distributions made by OPCO to the holders of its equity interests were not otherwise subsequently assigned or transferred to the Group. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

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 consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

Throughout the year ended 31 December 2020, 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 53 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 31 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 Annual Report.

AUDIT COMMITTEE

The audited financial statements of the Group for the year ended 31 December 2020 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

No matter has occurred that bears significant effect to the Group between the year end date and the date of this Annual Report.

On behalf of the Board

Dr. Zhang Lijun
Chairman

Hong Kong
18 March 2021

FINANCIAL STATEMENT

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 109 to 229, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 16 and 17 in the consolidated financial statements.

The Group has goodwill with carrying amount of HK$426,941,000 and intangible assets of HK$53,095,000 respectively relating to the cash generating unit ("CGU") of mobile application and live streaming business.

We focused on these area due to the size of goodwill and intangible assets. Furthermore, the directors' assessment of the value-in-use calculation of the Group's CGU involves judgement and estimates about future results of the business, key assumptions including budgeted gross margins, discount rate and growth rate applied to future cash flow forecast.

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 Companies Act 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, actions taken to eliminate threats or safeguards applied.

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, 18 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000 (Re-presented)
CONTINUING OPERATIONS			
Revenue	6(c)	300,805	185,975
Cost of revenue		(170,104)	(61,879)
Gross profit		130,701	124,096
Other gains and losses	7	83,405	12,598
Selling and marketing expenses		(52,903)	(48,888)
Administrative expenses		(61,354)	(76,253)
Provision for expected credit losses on other receivables		–	(2,043)
Impairment of interest in an associate	18	(870)	(69,771)
Share of losses of associates	18	(31,734)	(40,188)
Finance costs	8	(856)	(371)
Profit/(loss) before income tax	9	66,389	(100,820)
Income tax credit	12(a)	2,136	3,562
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		68,525	(97,258)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	13	(199,861)	(93,278)
LOSS FOR THE YEAR		(131,336)	(190,536)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of foreign operations		15,601	7,152
— Reclassification upon disposal of subsidiaries		8,541	–
		24,142	7,152
Item that will not be reclassified to profit or loss:			
— Fair value change on financial assets at fair value through other comprehensive income		9,010	(32,373)
Other comprehensive income for the year		33,152	(25,221)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(98,184)	(215,757)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000 (Re-presented)
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the Company			
Profit/(loss) for the year from continuing operations		**68,584**	(97,190)
Loss for the year from discontinued operations		**(200,500)**	(88,000)
Loss for the year attributable to owners of the Company		**(131,916)**	(185,190)
Non-controlling interests			
Loss for the year from continuing operations		**(59)**	(68)
Profit/(loss) for the year from discontinued operations		**639**	(5,278)
Profit/(loss) for the year attributable to non-controlling interests		**580**	(5,346)
		(131,336)	(190,536)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		**(98,415)**	(209,096)
Non-controlling interests		**231**	(6,661)
		(98,184)	(215,757)
LOSS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS			
— Basic (HK cents)	14	**(3.07) cents**	(4.40) cents
— Diluted (HK cents)	14	**(3.07) cents**	(4.40) cents
EARNINGS/(LOSS) PER SHARE FROM CONTINUING OPERATIONS			
— Basic (HK cents)	14	**1.59 cents**	(2.31) cents
— Diluted (HK cents)	14	**1.59 cents**	(2.31) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	15	7,806	12,150
Goodwill	16	426,941	404,672
Intangible assets	17	53,095	209,996
Interests in associates	18	11,181	7,952
Financial asset at amortised cost	19	–	1,115
Financial assets at fair value through other comprehensive income	19	361,651	355,383
Right-of-use assets	28	22,557	27,335
Deferred tax assets	25	318	891
		883,549	1,019,494
CURRENT ASSETS			
Trade receivables	20	35,805	19,918
Other receivables, deposits and prepayments	21	73,372	69,943
Inventories		372	36,311
Financial assets at fair value through profit or loss	19	50,612	56,953
Amount due from an associate	34(c)	33,382	9,785
Amounts due from related companies	34(e)	163	783
Tax receivables		169	160
Cash and cash equivalents		109,764	58,920
		303,639	252,773
TOTAL ASSETS		1,187,188	1,272,267
CURRENT LIABILITIES			
Trade and other payables	22	94,909	154,091
Contract liabilities	23	14,673	44,359
Lease liabilities	24	12,251	14,050
Amounts due to related companies	34(f)	46,952	6,248
Bank borrowings	24	8,838	5,572
Tax payable		112,094	112,094
		289,717	336,414
NET CURRENT ASSETS/(LIABILITIES)		13,922	(83,641)
TOTAL ASSETS LESS CURRENT LIABILITIES		897,471	935,853

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	6,269	8,978
Lease liabilities	24	10,304	13,441
		16,573	22,419
NET ASSETS		880,898	913,434
EQUITY			
Share capital	26	45,036	42,134
Reserves		819,297	854,871
Equity attributable to owners of the Company		864,333	897,005
Non-controlling interests		16,565	16,429
TOTAL EQUITY		880,898	913,434

Zhang Lijun
Director

Cheng Po Chuen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company								
	Share capital (note 26) HK$'000	Share premium (note 27(a)) HK$'000	Investment revaluation reserve (note 27(b)) HK$'000	Other reserves (note 27(c)) HK$'000	Share-based compensation reserve (note 27(d)) HK$'000	Exchange fluctuation reserve (note 27(e)) HK$'000	Retained profits/ (accumulated losses) HK$'000	Non-controlling interests HK$'000	Total HK$'000
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
Loss for the year	–	–	–	–	–	–	(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 36(e))	–	–	–	–	–	–	–	2,170	2,170
Capital injection in a subsidiary (note 33)	–	–	–	–	–	–	(17,749)	5,550	(12,199)
Recognition of share-based payment expense (note 29)	–	–	–	–	3,043	–	–	–	3,043
Lapse of share options (note 29)	–	–	–	–	(23,033)	–	23,033	–	–
At 31 December 2019 and 1 January 2020	42,134	1,702,600	20,541	1,059,408	3,559	19,930	(1,951,167)	16,429	913,434
Loss for the year	–	–	–	–	–	–	(131,916)	580	(131,336)
Other comprehensive income	–	–	9,010	–	–	24,491	–	(349)	33,152
Total comprehensive income for the year	–	–	9,010	–	–	24,491	(131,916)	231	(98,184)
Issuance of shares (note 26)	2,902	59,798	–	–	–	–	–	–	62,700
Transfer upon disposal of subsidiaries	–	–	(8,057)	–	–	–	8,057	–	–
Disposal of subsidiaries (note 36(a))	–	–	–	–	–	–	–	(95)	(95)
Capital injection in a subsidiary	–	–	–	–	–	–	625	–	625
Recognition of share-based payment expense (note 29)	–	–	–	–	2,418	–	–	–	2,418
At 31 December 2020	45,036	1,762,398	21,494	1,059,408	5,977	44,421	(2,074,401)	16,565	880,898

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000 (Re-presented)
OPERATING ACTIVITIES		
Profit/(loss) before income tax from continuing operations	66,389	(100,820)
Loss before income tax from discontinued operations	(199,861)	(93,278)
	(133,472)	(194,098)
Depreciation of property, plant and equipment	3,659	4,147
Depreciation of right-of-use assets	11,839	13,003
Gain on the modification of leases	172	(181)
Dividend income from financial assets at fair value through other comprehensive income	(26,459)	(10,872)
Dividend income from financial assets at fair value through profit or loss	(19,569)	–
Amortisation of intangible assets	36,623	40,694
Loss on written off intangible assets	102,522	–
Loss on written off goodwill	933	–
(Gain)/loss on disposal of property, plant and equipment	(202)	106
Loss on disposal of an associate	–	660
Net loss on disposal of subsidiaries	22,355	3,004
Gain on deemed disposal of an associate	(35,664)	–
Gain on deregistration of subsidiaries	–	(4,385)
Gain on disposal of intangible assets	–	(173)
Impairment of goodwill	–	4,472
Impairment of intangible assets	–	10,000
Impairment of interest in an associate	870	69,771
Provision for expected credit losses on other receivables	–	2,043
Share of losses of associates	31,734	40,188
Share-based payment expenses	2,418	3,043
Interest income	(194)	(332)
Interest expense	1,295	1,561
Gain on realisation of financial assets at fair value through profit or loss	(8,442)	–
Loss on settlement of financial assets at fair value through profit or loss	3,085	–
Loss on derecognition of financial assets at fair value through profit or loss	27,978	–
Fair value (gain)/loss on financial assets at fair value through profit or loss	(7,531)	1,869
Waiver of fund management fee of financial assets at fair value through other comprehensive income	(14,531)	–
Operating cash flows before working capital changes	(581)	(15,480)
(Increase)/decrease in trade receivables	(15,158)	25,272
(Increase)/decrease in other receivables, deposits and prepayments	(24,723)	8,962
Decrease in inventories	14,327	20,265
(Increase)/decrease in amount due from an associate	(18,760)	21,235
Decrease/(increase) in amounts due from related companies	372	(242)
Increase/(decrease) in trade payables	16,920	(23,236)
Decrease in deposits received, other payables and accruals	(4,722)	(22,067)
Increase/(decrease) in amounts due to related companies	40,766	(10,118)
(Decrease)/increase in contract liabilities	(29,686)	20,457
Effect of foreign exchange rate changes	(7,937)	26,102
Taxation paid	–	(2,017)
Net cash (used in)/generated from operating activities	(29,182)	49,133

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000 (Re-presented)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(1,672)	(2,970)
Proceeds from disposal of property, plant and equipment		1,839	261
Purchases of intangible assets		(1,268)	(3,792)
Purchase of financial assets at fair value through other comprehensive income		–	(16,715)
Proceeds from disposal of financial assets at fair value through profit or loss		10,820	–
Proceeds from disposal of an associate		–	1,709
Proceeds from disposal of financial assets at fair value through other comprehensive income		16,715	26,708
Acquisition of subsidiaries, net of cash acquired		(507)	–
Proceeds from disposal of intangible assets		–	173
Capital contribution to a subsidiary		–	(12,199)
Disposal of subsidiaries, net of cash disposed		2,392	(141)
Proceeds from redemption of financial asset at amortised cost		1,115	–
Settlement for consideration payable for acquisition of subsidiaries		(28,883)	(115,533)
Dividend received		26,459	10,872
Interest received		194	332
Net cash generated from/(used in) investing activities		27,204	(111,295)
FINANCING ACTIVITIES			
Interest paid		(434)	(227)
Issuance of new shares		62,700	–
Proceeds from bank borrowings		11,784	5,572
Repayment of bank borrowings		(8,358)	–
Repayment of lease liabilities		(13,014)	(14,170)
Net cash generated from/(used in) financing activities	30	52,678	(8,825)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		50,700	(70,987)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		58,920	131,918
Effect of foreign exchange rate changes		144	(2,011)
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	109,764	58,920

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 paid sports lottery information platform, sports social interactive platform, online mobile game applications and provision of sales services of lottery tickets through retail channels in the People's Republic of China (the "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, the United Arab Emirates (the "UAE") (discontinued during the year (notes 13 and 36)).

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), 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.

On 7 December 2020, the Company, TMD1, VODone Telemedia and its related company entered into several termination agreements to terminate the abovementioned internet information services agreements.

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

(a) Adoption of new or amended HKFRSs

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKAS 1 and HKAS 8	Definition of Material

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarised below.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020. As described in note 35, the Group has applied the concentration test to the acquisition of Hainan Ri Chang Xin Tong Information Technology Company Limited ("Hainan Ri Chang"). The fair value of the gross assets acquired was substantially concentrated in a permission license for operating an online sports event platform and reward points system (the "Permission License"). Therefore, this subsidiary was determined not to be a business and accordingly, the Group did not apply the acquisition method to the acquisition of this subsidiary.

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

(a) Adoption of new or amended HKFRSs (Continued)

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

The amendments address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria.

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

(a) Adoption of new or amended HKFRSs (Continued)

Amendments to HKAS 1 and HKAS 8, Definition of Material

The amendments provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended 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. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 17	Insurance Contracts[4, 6]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

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

2 *Effective for annual periods beginning on or after 1 January 2022.*

3 *Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.*

4 *Effective for annual periods beginning on or after 1 January 2023.*

5 *The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.*

6 *As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.*

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company (the "Directors") do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard 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 Directors do not anticipate that the application of this standard in the future will have an impact on the financial statements.

Amendments to HKFRS 17, Insurance Contracts

The amendments include changes to simplify certain requirements in the standard and make financial performance easier to explain. The amendments also provide additional reliefs to reduce the effort required for the transition to HKFRS 17. In addition, the amendments defer the effective date of HKFRS 17 to annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. As a result of the deferral, the HKICPA issued the amendments to HKFRS 4 to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023. The amendments are not expected to have any impact on the Group.

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transaction arise.

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. 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 and going concern assumption

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

(c) Functional and presentation currency

The functional currency of the Company is Renminbi ("RMB"), while the 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 profit or loss and other comprehensive income from the dates of acquisition or up to the 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.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

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. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, the gain 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 interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

(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: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 is 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 are 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. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss. 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, all amounts previously recognised in other comprehensive income in relation to that associate are recognised on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates (Continued)

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest it that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

(d) Joint arrangements

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

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

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

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

- the structure of the joint arrangement;

- the legal form of joint arrangements structured through a separate vehicle;

- the contractual terms of the joint arrangement agreement; and

- any other facts and circumstances (including any other contractual arrangements).

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)).

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 represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, 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 combination. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(q)), 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 first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

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

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

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

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

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases

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.

(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 (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.

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 (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(i)). 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".

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately and in a business combination

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

The amortisation expense is recognised in profit or loss and included in cost of revenue. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible assets (other than goodwill) (Continued)

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

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

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

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(v) Impairment of intangible assets

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(q)).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 FVOCI 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.

(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. ECLs are measured on either of the following bases:

- 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and

- 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group measured 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, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months 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.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL 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, lease liabilities, amounts due to related companies and bank borrowings 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(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.

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

(j) Inventories

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

(k) Revenue recognition

Revenue 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Revenue recognition (Continued)

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Revenue recognition (Continued)

Revenue for e-commerce trading income

Revenue is recognised when the customer takes possession of and accepts the products. Invoices are issued when the customer takes possession of and accepts the products. No significant financial component existed.

Revenue under sports and lottery related business segment

Revenues are derived principally from the provision of games, sports social interactive platform, paid sports lottery information platform and provision of 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, sports social interactive platform and paid sports lottery 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)

(k) 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(l)). 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.

(l) 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(k)). 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

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 not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures 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, deferred tax liabilities are recognised for all taxable 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, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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 or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Foreign currencies

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 exchange fluctuation 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)

(o) Employee benefits

Defined contribution retirement plans

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.

(p) 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 share-based compensation 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Share-based payments (Continued)

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.

(q) Impairment of assets (other than financial 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;
- goodwill and other intangible assets;
- investments in subsidiaries and associates.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal 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 in profit or loss immediately.

(r) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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.

(t) 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 it is probably will result in an outflow of economic benefits that can be reliably 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.

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits which are subject to an insignificant risk of changes in value.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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).

(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 Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

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.

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

(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.

(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.

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

(b) Key sources of estimation uncertainty (Continued)

(iv) Fair value measurement

Certain assets included in the Group's financial statements require measurement at, and disclosure of, fair value. Further details of fair value measurement are disclosed in note 40.

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 2020 and 2019 as below:

- The sports and lottery related business is specialised in the development and operation of paid sports lottery information platform, sports social interactive platform, online mobile game applications 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 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 (discontinued during the year (notes 13 and 36) and the relevant information for the year ended 31 December 2019 is re-presented accordingly).

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)

	Continuing operations		Discontinued operations			
	Sports and lottery related business		Telemedia and e-commerce business		Total	
	2020 HK$'000	2019 HK$'000 (Re-presented)	2020 HK$'000	2019 HK$'000 (Re-presented)	2020 HK$'000	2019 HK$'000 (Re-presented)
Revenue from external customers	300,805	185,975	2,159,622	2,258,850	2,460,427	2,444,825
Reportable segment gross profit/(loss)	130,701	124,096	(17,313)	3,206	113,388	127,302
Reportable segment profit/(loss)	65,848	52,971	(199,861)	(93,278)	(134,013)	(40,307)
Interest income	98	107	61	103	159	210
Interest expense	(511)	(371)	(439)	(1,190)	(950)	(1,561)
Impairment of intangible assets	–	–	–	10,000	–	10,000
Impairment of goodwill	–	–	–	4,472	–	4,472
Depreciation and amortisation	26,428	26,520	21,850	18,651	48,278	45,171
Reportable segment assets	581,758	533,195	–	288,304	581,758	821,499
Additions to non-current assets	13,854	5,945	19,992	2,959	33,846	8,904
Reportable segment liabilities	106,893	40,673	–	79,665	106,893	120,338

6. SEGMENT REPORTING (Continued)

(a) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities, and other material items

	2020 HK$'000	2019 HK$'000 (Re-presented)
Revenue		
Reportable segment revenue	2,460,427	2,444,825
Elimination of discontinued operations	(2,159,622)	(2,258,850)
Consolidated revenue	300,805	185,975
Profit/(loss) before income tax credit and discontinued operations		
Reportable segment loss	(134,013)	(40,307)
Segment loss from discontinued operations	199,861	93,278
Other gains and losses	80,478	10,743
Impairment loss on interest in an associate	(870)	(69,771)
Share of losses of associates	(31,734)	(40,188)
Finance costs	(345)	–
Unallocated expenses:		
— Legal and professional fee	(6,870)	(4,202)
— Share-based payment expenses	(2,418)	(3,043)
— Staff costs	(24,493)	(25,612)
— Others	(13,207)	(21,718)
Consolidated profit/(loss) before income tax credit from continuing operations	66,389	(100,820)

6. SEGMENT REPORTING (Continued)

(a) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities, and other material items (Continued)

	2020 HK$'000	2019 HK$'000 (Re-presented)
Assets		
Reportable segment assets	581,758	821,499
Other financial assets	412,263	412,336
Interests in associates	11,181	7,952
Right-of-use assets	20,354	–
Amount due from an associate	33,382	–
Other receivables, deposits and prepayments	34,810	7,169
Cash and cash equivalents	85,880	21,830
Unallocated corporate assets	7,560	1,481
Consolidated total assets	1,187,188	1,272,267
Liabilities		
Reportable segment liabilities	106,893	120,338
Deposits received, other payables and accruals	19,928	37,892
Lease liabilities	20,423	–
Tax provision for gain on disposal of subsidiaries	112,094	112,094
Contingent consideration payable	–	87,892
Unallocated corporate liabilities	46,952	617
Consolidated total liabilities	306,290	358,833
Other material items		
Reportable depreciation and amortisation	48,278	45,171
Unallocated	3,843	12,673
Consolidated depreciation and amortisation	52,121	57,844

6. SEGMENT REPORTING (Continued)

(b) Geographical information

During 2020 and 2019, 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 other than financial assets and deferred tax assets are located in the PRC and the remaining non-current assets are located in Hong Kong (2019: 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.

	Continuing operations		Discontinued operations			
	Sports and lottery related business		Telemedia and e-commerce business		Total	
	2020 HK$'000	2019 HK$'000 (Re-presented)	2020 HK$'000	2019 HK$'000 (Re-presented)	2020 HK$'000	2019 HK$'000
E-commerce trading platform	–	–	2,138,169	2,255,031	2,138,169	2,255,031
Internet gaming	–	–	–	140	–	140
Advertising and services income	–	–	21,453	3,679	21,453	3,679
Paid sports lottery information platform	53,716	51,465	–	–	53,716	51,465
Sports social interactive platform	44,978	42,620	–	–	44,978	42,620
Self developed games	186,953	61,857	–	–	186,953	61,857
Cooperation games	12,587	25,446	–	–	12,587	25,446
Interactive game applications	106	3,182	–	–	106	3,182
Exchange of gifts	10	10	–	–	10	10
Lottery related commission income	2,455	1,395	–	–	2,455	1,395
	300,805	185,975	2,159,622	2,258,850	2,460,427	2,444,825
Timing of revenue recognition						
At a point in time	10	10	2,138,169	2,255,031	2,138,179	2,255,041
Transferred over time	300,795	185,965	21,453	3,819	322,248	189,784
	300,805	185,975	2,159,622	2,258,850	2,460,427	2,444,825

6. SEGMENT REPORTING (Continued)

(d) Major customers

There was no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the year ended 31 December 2020 (2019: two customers).

	2020 HK$'000	2019 HK$'000
Customer A	N/A[1]	485,388
Customer B	N/A[1]	299,098

[1] *The corresponding revenue did not contribute over 10% of the total revenue of the Group.*

7. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000 (Re-presented)
Continuing operations		
Dividend income from financial assets at FVOCI *(note 19(b)(i))*	26,459	10,872
Gain on deemed disposal of an associate *(note 18)*	35,664	–
Dividend income from financial assets at FVTPL *(note 19(b)(i))*	19,569	–
Waiver of fund management fee of financial assets at FVOCI *(note 19(b)(i))*	14,531	–
Gain on realisation of financial assets at FVTPL	8,442	–
Fair value gain/(loss) on financial assets at FVTPL *(note 19)*	7,531	(1,869)
Government grants	2,092	–
Interest income	133	229
Gain on deregistration of a subsidiary	–	1,189
Gain on disposal of intangible assets	–	173
Net gain on disposal of subsidiaries *(note 36(c))*	–	164
Loss on disposal of property, plant and equipment	–	(96)
Loss on disposal of an associate *(note 18)*	–	(660)
Loss on settlement of financial assets at FVTPL *(note 19(d)(ii))*	(3,085)	–
Net foreign exchange gains	(3,302)	317
Loss on derecognition of financial assets at FVTPL *(note 19(d)(ii))*	(27,978)	–
Others, net	3,349	2,279
	83,405	12,598

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000 (Re-presented)
Continuing operations		
Interest on lease liabilities	422	144
Interest on bank borrowings	434	227
	856	371

9. PROFIT/(LOSS) BEFORE INCOME TAX

Continuing operations

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

	2020 HK$'000	2019 HK$'000 (Re-presented)
Staff costs (excluding directors' remuneration *(note 10)*)		
— Salaries and wages	12,208	19,735
— Pension fund contributions	1,201	3,503
— Share-based payments	1,576	2,775
	14,985	26,013
Depreciation of property, plant and equipment	2,807	912
Depreciation of right-of-use assets	4,867	12,091
Provision for expected credit losses on other receivables	–	2,043
Impairment of interest in an associate	870	69,771
Amortisation of intangible assets included in		
— Cost of revenue	19,077	19,550
— Administrative expenses	3,520	6,640
Auditor's remuneration		
— Audit service	1,500	1,480
— Non-audit service	280	199

10. DIRECTORS' REMUNERATION

	2020 HK$'000	2019 HK$'000
Directors' fees		
— Executive directors	8,325	17,182
— Independent non-executive directors	871	1,039
Basic remuneration, allowances and benefits in kind	9,597	2,975
Pension fund contributions	119	36
Share-based payments	842	268
	19,754	21,500

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
2020					
Executive directors					
Dr. Zhang Lijun	8,095	1,157	–	18	9,270
Ms. Wang Chun	230	5,992	–	11	6,233
Mr. Ji Qiang	–	448	174	78	700
Ms. Cheng Po Chuen[1]	–	2,000	581	12	2,593
Independent non-executive directors					
Dr. Loke Yu (alias Loke Hoi Lam)	301	–	29	–	330
Mr. Wang Linan	285	–	29	–	314
Prof. Gong Zhankui	285	–	29	–	314
	9,196	9,597	842	119	19,754

10. DIRECTORS' REMUNERATION (Continued)

Directors' remuneration is disclosed as follows: (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
2019					
Executive directors					
Dr. Zhang Lijun	12,468	1,138	–	18	13,624
Ms. Wang Chun	4,714	1,138	–	18	5,870
Mr. Ji Qiang	–	699	136	–	835
Independent non-executive directors					
Dr. Loke Yu (alias Loke Hoi Lam)	387	–	44	–	431
Mr. Wang Linan	326	–	44	–	370
Prof. Gong Zhankui	326	–	44	–	370
	18,221	2,975	268	36	21,500

There were no arrangements under which a director waived or agreed to waive any remuneration for the year (2019: 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 (2019: Nil).

[1] *Ms. Cheng Po Chuen was appointed as executive director on 18 April 2020.*

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, three (2019: two) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining two (2019: three) individuals are as follows:

	2020 HK$'000	2019 HK$'000
Basic remuneration, allowances and benefits in kind	2,043	2,698
Pension fund contributions	37	172
Share-based payments	449	–
	2,529	2,870

Their emoluments are within the following bands:

	2020 Number of employees	2019 Number of employees
HK$1,000,001 to HK$1,500,000	2	1
Below HK$1,000,000	–	2

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

	2020 Number of employees	2019 Number of employees
HK$1,000,001 to HK$1,500,000	1	1
Below HK$1,000,000	3	5

12. INCOME TAX CREDIT

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

	2020 HK$'000	2019 HK$'000
Current tax		
— Hong Kong profits tax for the year	–	–
— PRC income tax for the year	48	–
	48	–
Deferred taxation *(note 25)*		
— Attributable to the reversal of temporary differences	(2,184)	(3,562)
Income tax credit	(2,136)	(3,562)
Represented by:		
— Continuing operations	(2,136)	(3,562)
— Discontinued operations	–	–
	(2,136)	(3,562)

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. Following the disposal of Golden Target (notes 13 and 36), it was disposed of accordingly.

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 years ended 31 December 2019 and 2020.

Khorgos Crazy New Game Network Technology Company Limited ("Khorgos Crazy") (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 (Continued)

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

	2020 HK$'000	2019 HK$'000
Profit/(loss) before income tax		
— Continuing operations	66,389	(100,820)
— Discontinued operations	(199,861)	(93,278)
	(133,472)	(194,098)
Taxation calculated at PRC income tax of 25% (2019: 25%)	(33,368)	(48,525)
Tax effect of non-taxable income	(11,666)	(6,878)
Tax effect of expenses not deductible for taxation purposes	29,448	26,143
Effect of lower tax rate applicable to subsidiaries as a result of preferential tax policy as described in (a)	1,359	1,834
Effect of tax exemption granted	–	3,570
Effect of tax rate in foreign jurisdictions	4,905	8,261
Tax effect of temporary difference not recognised	7,186	12,033
Income tax credit for the year	(2,136)	(3,562)

13. DISCONTINUED OPERATIONS

On 7 December 2020, the Company and the CATV Cayman LP ("CATV Fund"), an exempted limited partnership registered in the Cayman Islands, entered into a sales and purchase agreement (the "Sales and Purchase Agreement"), pursuant to which the Company agreed to dispose the entire issued share capital of Golden Target Global Limited ("Golden Target") and 99.9% equity interest in V1 (China) Investment Co., Ltd. ("China Investment") at a consideration of US$11,080,000. The consideration is satisfied by way of admission of subscription of limited partnership interest in the CATV Fund at a subscription price of US$11,080,000 (equivalent to approximately HK$85,870,000) by the Company's wholly owned subsidiary, Goal Dynasty Limited. The disposal of Golden Target and China Investment was completed on 7 December 2020.

Following the disposal of China Investment, property, plant and equipment of the telemedia business were disposed of accordingly. Following the disposal of Golden Target, the Group ceased to have control over CATV Group Limited and its subsidiaries ("CATV Group") which operated the broadcasting TV CGU (CATV). Also, as discussed in note 1, the Group has terminated its internet information services agreement with TMD1 and VODone Telemedia, which is the source of revenue for the telemedia business, on 7 December 2020.

On 20 November 2020, the Group entered into a sales and purchase agreement with an independent third party to dispose its entire equity interest in Beijing Liangzi Port Technology Company Limited ("Beijing Liangzi Port") at a consideration of RMB10,000,000. The disposal of Beijing Liangzi Port was completed on 27 November 2020.

Following the disposal of Beijing Liangzi Port, China Investment and Golden Target (together referred to as the "Disposal Companies"), the Group ceased to operate its telemedia and e-commerce business.

The abovementioned disposals constitute a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as the Disposal Group, which mainly consisted of the telemedia and e-commerce businesses, represented one of the major lines of business of the Group. The operation of the telemedia and e-commerce businesses for the year ended 31 December 2020 was presented as discontinued operations in the consolidated financial statements. For the purpose of presenting discontinued operations, the comparative consolidated statement of profit or loss and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period. The carrying amounts of the assets and liabilities of the Disposal Companies at the date of disposal are disclosed in note 36.

After the abovementioned disposals, the Group retains mainly sports and lottery related business as the continuing operations.

13. DISCONTINUED OPERATIONS (Continued)

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

	1 January 2020 to the dates of completion of the disposals (note (b)) HK$'000	Year ended 31 December 2019 HK$'000 (Re-presented)
Revenue *(note (a))*	2,159,622	2,258,850
Cost of revenue	(2,176,935)	(2,255,644)
Gross (loss)/profit	(17,313)	3,206
Other gains and losses	(1,178)	572
Selling and marketing expenses	(23,025)	(21,353)
Administrative expenses	(32,096)	(60,041)
Written off intangible assets	(102,522)	–
Written off goodwill	(933)	–
Impairment of intangible assets	–	(10,000)
Impairment of goodwill	–	(4,472)
Finance costs	(439)	(1,190)
Loss before income tax	(177,506)	(93,278)
Loss on disposal of the Disposal Companies *(note 36)*	(22,355)	–
Loss for the year from discontinued operations	(199,861)	(93,278)
Operating cash outflows	(85,469)	(69,884)
Investing cash inflows/(outflows)	17,000	(2,226)
Financing cash inflows	75,104	67,160
Net cash inflows/(outflows)	6,635	(4,950)

13. DISCONTINUED OPERATIONS (Continued)

Loss before taxation has been arrived at after charging:

	1 January 2020 to the dates of completion of the disposals (note (b)) HK$'000	Year ended 31 December 2019 HK$'000 (Re-presented)
Depreciation of property, plant and equipment	852	3,235
Depreciation of right-of-use assets	6,972	912
Amortisation of intangible assets	14,026	14,504
Interest on lease liabilities	439	1,190

Note (a):

	1 January 2020 to the dates of completion of the disposals (note (b)) HK$'000	Year ended 31 December 2019 HK$'000 (Re-presented)
Timing of revenue recognition		
At a point in time	2,138,169	2,255,031
Transferred over time	21,453	3,819
	2,159,622	2,258,850

Note (b):

The disposal of Beijing Liangzi Port was completed on 27 November 2020. The disposal of Golden Target and China Investment was completed on 7 December 2020.

14. EARNINGS/(LOSS) PER SHARE

Continuing and discontinued operations

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

Earnings/(loss)

	2020 HK$'000	2019 HK$'000 (Re-presented)
Loss attributable to owners of the parent	**(131,916)**	(185,190)
Add:		
Loss for the year from discontinued operations	**200,500**	88,000
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share from continuing operations	**68,584**	(97,190)

Number of shares

	2020 '000	2019 '000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	**4,301,910**	4,213,395

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

Continuing and discontinued operations (Continued)

Loss per share

	2020 HK Cents	2019 HK Cents
— Basic	**(3.07)**	(4.40)
— Diluted	**(3.07)**	(4.40)

Discontinued operations

Basic loss per share for the discontinued operations is HK4.66 cents per share (2019: HK2.09 cents per share) and diluted loss per share for the discontinued operations is HK4.66 cents per share (2019: HK2.09 cents per share), based on the loss for the year from the discontinued operations of HK$200,500,000 (2019: HK$88,000,000) and the denominators detailed above for both basic and diluted loss per share.

The computation of diluted loss per share for the years ended 31 December 2020 and 2019 does not assume the exercise of the outstanding share options as they had an anti-dilutive effect on the loss per share calculation.

15. 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 2019	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 *(note 36)*	(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
Acquisition of a subsidiary	–	–	–	473	–	473
Additions	46	–	756	854	16	1,672
Disposals	–	(3,256)	(10,506)	(3,391)	(103)	(17,256)
Disposal of subsidiaries *(note 36)*	–	–	(3,116)	(2,176)	(34)	(5,326)
Exchange adjustments	879	496	1,818	816	119	4,128
At 31 December 2020	**18,528**	**8,889**	**29,364**	**17,908**	**1,865**	**76,554**
Accumulated depreciation and impairment:						
At 1 January 2019	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 *(note 36)*	(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
Charge for the year	501	491	1,271	1,282	114	3,659
Disposals	–	(2,781)	(9,670)	(3,090)	(78)	(15,619)
Disposal of subsidiaries *(note 36)*	–	–	(2,046)	(1,489)	(27)	(3,562)
Exchange adjustments	916	368	1,386	808	79	3,557
At 31 December 2020	**17,602**	**6,599**	**26,034**	**16,893**	**1,620**	**68,748**
Carrying amount:						
At 31 December 2020	**926**	**2,290**	**3,330**	**1,015**	**245**	**7,806**
At 31 December 2019	1,418	3,128	5,319	1,950	335	12,150

16. GOODWILL

	HK$'000
Cost:	
At 1 January 2019	868,606
Disposal of subsidiaries *(note 36)*	(183,161)
Written off	(9,118)
Exchange adjustments	(14,589)
At 31 December 2019	661,738
Derecognised on disposal of subsidiaries	(4,472)
Written off	(254,789)
Exchange adjustments	24,464
At 31 December 2020	**426,941**
Accumulated impairment losses:	
At 1 January 2019	442,996
Additions	4,472
Disposal of subsidiaries *(note 36)*	(175,595)
Written off	(9,118)
Exchange adjustments	(5,689)
At 31 December 2019	257,066
Derecognised on disposal of subsidiaries	(4,472)
Written off	(253,856)
Exchange adjustments	1,262
At 31 December 2020	**–**
Carrying amount:	
At 31 December 2020	**426,941**
At 31 December 2019	404,672

16. GOODWILL (Continued)

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

	2020 HK$'000	2019 HK$'000
Telemedia CGU (TMD) — PRC	–	933
Broadcasting TV CGU (CATV) — Dubai	–	–
Mobile application and live streaming business CGU (Crazysport)— PRC	426,941	403,739
	426,941	404,672

Following the termination of internet information services agreements as discussed in note 1 and the discontinued operations (notes 13 and 36), the goodwill for telemedia CGU (TMD) was written off as the Group will no longer carrying out telemedia and e-commerce related businesses. Following the disposal of Golden Target, the goodwill for broadcasting TV CGU (CATV) was derecognised.

Telemedia CGU (TMD)

For the purpose of impairment testing for assets allocated to the telemedia CGU in 2019, the recoverable amounts of telemedia CGU (TMD) have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. It was determined with reference to the valuation prepared by Graval Consulting Limited ("Graval"), an independent firm of professionally qualified valuer. Cash flow beyond the five-year period was extrapolated using an estimated average growth rate of 3%, which did not exceed the long-term growth rate for telemedia industry in the PRC. Cash flows for the first five financial periods were based on expected sales orders estimated by management. Budgeted gross margin was determined based on the unit's past performance and management's expectations for the market development.

	2019
Operating margin	0.4% – 1%
Discount rate	23.53%
Growth rate within the five-year period	16% – 31%

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

16. GOODWILL (Continued)

Telemedia CGU (TMD) (Continued)

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 Port'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 Telemedia CGU (TMD) is remote due to the occurrence of new technology. Therefore, a significant impairment was made to goodwill and intangible assets attributable to the Telemedia 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 telemedia 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 36(c). Following the discontinued operations of telemedia and e-commerce segment as detailed in note 13, the amount of goodwill has been written off during the year.

Broadcasting TV CGU (CATV)

As at 31 December 2019, 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. It was determined with reference to the valuation prepared by Graval, an independent firm of professionally qualified valuer. Cash flow beyond the five-year period was extrapolated using an estimated average growth rate of 3%, which did not exceed the long-term growth rate for broadcasting TV industry in the PRC. Cash flows for the first five financial periods were based on expected sales orders estimated by management. Budgeted gross margin was determined based on the unit's past performance and management's expectations for the market development.

	2019
Operating margin	–36% – 22%
Discount rate	20.77%
Growth rate within the five-year period	10% – 34%

The discount rate used was pre-tax and reflected 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 during the year ended 31 December 2019. The goodwill of broadcasting TV CGU (CATV) was derecognised during the year following the disposal of Golden Target as detailed in notes 13 and 36(a).

16. GOODWILL (Continued)

Mobile application and live streaming business CGU (Crazysport)

The respective recoverable amount and the carrying value of the mobile application and live streaming business CGU (Crazysport) as at 31 December 2020 and 2019 are as follows:

	2020 HK$'000	2019 HK$'000
Recoverable amount	929,818	515,915
Carrying value of assets allocated (including goodwill)	480,036	466,412

For the purpose of impairment testing for assets allocated to the mobile application and live streaming business CGU (Crazysport) in 2020 and 2019, the recoverable amounts of the CGU 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, an independent firm of professionally qualified valuer. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2019: 3%), which does not exceed the long-term growth rate for sports related applications industry in the PRC. Cash flows for the first five financial periods are based on expected paying users and paying rates estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2020	2019
Operating margin	11% – 30%	22% – 26%
Discount rate	20.58% – 21.08%	26.94%
Growth rate within the five-year period	7% – 51%	2% – 17%

16. GOODWILL (Continued)

Mobile application and live streaming business CGU (Crazysport) (Continued)

Assumptions were used in the value-in-use calculation of the mobile application and live streaming business CGU for 31 December 2020 and 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Revenue growth rate

The revenue growth rate is based on the average growth achieved in the past years and the expected revenue from newly launched games and applications.

(b) Operating profit margin

The basis used to determine the value assigned to the budgeted operating profit margins is the operating profit margins achieved in the past years and the expectation for market development.

(c) Discount rate

The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

The values assigned to the key assumptions on market development and the discount rate are consistent with external information sources. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. As at 31 December 2020 and 2019, management determines that there are no impairment on goodwill.

17. 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$'000	Service contracts HK$'000	Copy rights and patents HK$'000	Games and applications HK$'000 (note (e))	Total HK$'000
Cost:									
At 1 January 2019	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 36)*	–	(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 adjustments	–	(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
Acquisition of a subsidiary *(note 35)*	–	–	–	9,112	–	–	–	–	9,112
Additions	–	–	–	–	–	–	1,268	–	1,268
Disposal of subsidiaries *(note 36)*	–	(29,841)	–	(18,401)	–	–	–	–	(48,242)
Written off	(59,500)	–	(210,143)	–	–	–	–	–	(269,643)
Exchange adjustments	–	(119)	–	402	–	–	792	4,833	5,908
At 31 December 2020	**–**	**–**	**–**	**9,585**	**–**	**–**	**14,675**	**88,934**	**113,194**
Amortisation and impairment:									
At 1 January 2019	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 36)*	–	(67,493)	–	–	(14,103)	(180,316)	–	–	(261,912)
Disposal of intangible asset	–	(222,062)	(368,293)	(23,384)	–	–	–	–	(613,739)
Exchange adjustments	–	(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
Amortisation for the year	–	–	12,646	1,380	–	–	2,025	20,572	36,623
Disposal of subsidiaries *(note 36)*	–	(10,000)	–	(7,947)	–	–	–	–	(17,947)
Written off	(10,000)	–	(157,121)	–	–	–	–	–	(167,121)
Exchange adjustments	–	–	–	409	–	–	690	2,650	3,749
At 31 December 2020	**–**	**–**	**–**	**–**	**–**	**–**	**12,877**	**47,222**	**60,099**
Carrying amount:									
At 31 December 2020	**–**	**–**	**–**	**9,585**	**–**	**–**	**1,798**	**41,712**	**53,095**
At 31 December 2019	49,500	19,960	65,668	12,314	–	–	2,453	60,101	209,996

17. 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. The Domouse software mainly consist of a search engine which consolidated to the V1 portal for generating income of the telemedia and e-commerce business segment. Since the evolution of internet will not change the importance of a search engine in a website, the Directors considered that it has an indefinite useful life. The Directors also considered factors such as the economic or competitive factors that could truncate the lives of Domouse.*

In 2019, as the economic benefits arising from the Domouse Assets are totally integrated with the telemedia and e-commerce business segment of the Group, its carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to telemedia CGU (TMD). The carrying amount was impaired by HK$10,000,000 in 2019 as management was of the opinion that the possibility for the Group to resume generating a sufficient profit for all assets allocated to Telemedia CGU is remote. During the year, its carrying amount has been fully written off following the termination of internet information services agreements as discussed in note 1 and the discontinued operations as discussed in note 13.

(b) *As at 31 December 2019, platform and domain names included the miniV.tv Assets, which is a software application of a website, with an indefinite useful life. The miniV.tv Assets allows the Group's portal to broadcast live video and forms an essential part of the Group's broadcasting TV CGU's operation. Since it has been integrated to the portals and expects to generate cash flow indefinitely, the Directors considered that it has an indefinite useful life. The Directors also considered factors such as the economic or competitive factors that could truncate the lives of MiniV.tv Assets. The asset was disposed of following the disposal of Golden Target as discussed in notes 13 and 36(a).*

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

(i) *E-commerce platform system with carrying amounts of HK$53,890,000 as at 31 December 2019. Assets are totally integrated with the telemedia and e-commerce business segment of the Group. In 2019, as the economic benefits arising from the E-commerce platform 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 Telemedia CGU (TMD). During the year, its carrying amount has been fully written off following the termination of internet information services agreements as discussed in note 1 and the discontinued operations as discussed in note 13.*

17. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

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

(ii) An information website computer system with estimated useful lives of ten years and carrying amount of HK$11,768,000 as at 31 December 2019. Assets are totally integrated with the telemedia and e-commerce business segment of the Group. In 2019, as the economic benefits arising from the information website computer system 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 Telemedia CGU (TMD). During the year, its carrying amount has been fully written off following the termination of internet information services agreements as discussed in note 1 and the discontinued operations as discussed in note 13.

(d) 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 16). The broadcasting TV license was disposed of following the disposal of Golden Target as discussed in notes 13 and 36(a).

As described in note 35, the Group has acquired the Permission License by the acquisition of Hainan Ri Chang during the year. The Permission License has an estimated useful lives of five years and carrying amount of HK$9,585,000 as at 31 December 2020.

(e) Mobile games and applications represent the sports related mobile games and lottery related online information and live streaming application developed by Crazysport and are capitalised and amortised on a straight-line basis over the estimated economic lives, which range from two to six years.

As the mobile games and applications can generate cash inflows of mobile application and live streaming business CGU, the carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to the mobile application and live streaming business CGU. For testing the impairment of mobile application and live streaming business CGU , the recoverable amount was determined based on value in use estimated by Graval, an independent firm of professionally qualified valuer. For details of the assessment, please refer to note 16.

The Directors concluded that the value in use estimated is sufficient to justify the carrying value of the assets allocated to mobile application and live streaming business CGU and hence no impairment is necessary as at 31 December 2020 and 2019.

18. INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Share of net liabilities	**(10,504)**	(14,603)
Goodwill	**238,181**	238,181
	227,677	223,578
Less: impairment	**(216,496)**	(215,626)
	11,181	7,952

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")	Limited company	PRC	49% (2019: 49%)	Provision of telemedia business support and content services *(note 1)*
Rocs and Partners	Limited company	BVI	Nil (2019: Nil)	Inactive *(note 2)*
Bank of Asia (BVI) Limited ("BOA")	Limited company	BVI	45.95% (2019: 47.53%)	Provision of BVI banking services *(note 3)*
Shenzhen Interactive Space-time Technology Co., Ltd. ("Interactive Space-time")	Limited company	PRC	Nil (2019: 28%)	Provision of development and operation IP derivatives *(note 4)*

Note 1: The acquisition of the associates was related to the Group's telemedia business in the PRC.

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 consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2019.

18. INTERESTS IN ASSOCIATES (Continued)

Particulars of the Group's associates are as follows: (Continued)

Note 3: 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 BOA (the "Compensation Shares") in issue immediately after completion of the Second Subscription Agreement. On 17 August 2019, BOA 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 was included in the Group's share of losses of associates in the consolidated statement of profit and loss and other comprehensive income during 2019.

During 2020, the equity interest held by the Group in BOA was diluted from 47.53% to 45.95% due to issuance of share capital by BOA. The dilution of interest resulted in a deemed disposal of interest in an associate and a gain of HK$35,664,000 is recognised. The amount is included in the Group's other gains and losses in the consolidated statement of profit or loss and other comprehensive income.

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.

Pursuant to a sales and purchase agreement signed on 1 July 2020 with an independent third party, the Group has disposed of its entire interest in Interactive Space-time.

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$180,970,000 (2019: HK$180,100,000) 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:

	2020	2019
Adjusted price-to-book ratio ("P/B Ratio")	0.76	0.83
Discount for lack of marketability	15.80%	15.80%
Control premium	13.43%	28.46%

18. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information (material associates)

BOA

	2020 HK$'000	2019 HK$'000
As at 31 December		
Current assets	31,973	15,891
Non-current assets	10,386	8,567
Current liabilities	(21,225)	(14,113)
Non-current liabilities	(1,512)	–
Net assets	19,622	10,345
Included in the above amounts are:		
Cash and cash equivalents	12,214	8,834
Current financial liabilities (excluding trade and other payables)	(20,189)	(6,455)
Non-current financial liabilities (excluding other payables and provisions)	(1,512)	–
Year ended 31 December		
Revenue	850	260
Loss for the year	(68,107)	(102,975)
Total comprehensive income	(68,107)	(102,975)
Dividend received from associate	–	–
Included in the above amounts are:		
Depreciation and amortisation	5,535	7,655

18. 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:

	2020 HK$'000	2019 HK$'000
Net assets of the associate	19,622	10,345
Proportion of the Group's ownership interest in the associate	45.95%	47.53%
Goodwill	183,135	183,135
	192,151	188,052
Less: impairment	(180,970)	(180,100)
Carrying amount of the Group's interest in the associate	11,181	7,952

Summarised financial information (immaterial associates)

	2020 HK$'000	2019 HK$'000
Year ended 31 December		
Loss for the year	(246)	(251)
Total comprehensive income	(246)	(251)

19. OTHER FINANCIAL ASSETS

	2020 HK$'000	2019 HK$'000
Current assets		
Financial assets at FVTPL		
Compensation arising from profit guarantee *(note (a))*	3,193	1,244
Listed equity investment *(note (d))*	47,419	7,560
Derivatives instrument *(note (d))*	–	48,149
	50,612	56,953
Non-current assets		
Financial asset at amortised cost		
Managed fund (PRC) *(note (e))*	–	1,115
Financial assets at FVOCI		
Investment funds *(note (b))*	361,651	311,493
Unlisted equity investments *(note (c))*	–	43,890
	361,651	355,383

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.*

19. OTHER FINANCIAL ASSETS (Continued)

Notes: (Continued)

(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. During 2018, the Group have wholly settled the committed investment of US$31,250,000 to the Mobile Internet Fund.

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. During the year, the Mobile Internet Fund declared dividend and waived its fund management fee of prior years. As at 31 December 2020, a fair value gain of HK$7,660,000 (2019: fair value loss of HK$17,019,000) was recognised as other comprehensive income and increased the investment revaluation reserve (2019: decreased the investment revaluation reserve). Also, dividend income of HK$26,459,000 and waiver of fund management fee of HK$14,531,000 were recognised as "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income (2019: dividend income of HK$10,872,000).

As at 31 December 2020, fair value of investment in the Mobile Internet Fund is amounted to HK$256,442,000 (2019: HK$248,782,000).

(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 2019, the Group disposed part of its investment 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) was disposed of during 2019 and the Group received the consideration amounted to US$3,138,000 (equivalent to US$24,438,000). As at 31 December 2020, a fair value gain of HK$1,350,000 (2019: 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 credited to the investment revaluation reserve (2019: debited to the investment revaluation reserve).

As at 31 December 2020, fair value of investment in the Golden Rock is amounted to HK$19,339,000 (2019: HK$17,989,000).

19. OTHER FINANCIAL ASSETS (Continued)

Notes: (Continued)

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

(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 Fund 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 Fund and does not have control nor significant influence in the China Capital Qianhai Weiyi Fund 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 2019, the Group requested a reduction of investment and it was approved by the general partner of the China Capital Qianhai Weiyi Fund. 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.

Following the disposal of China Investment (notes 13 and 36), China Capital Qianhai Weiyi Fund was disposed of accordingly.

During the year ended 31 December 2020, no fair value change was recognised as other comprehensive income (2019: fair value loss of HK$1,853,000).

(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.

Shenzhen Zhongjin was liquidated during 2020. The investment cost of RMB15,000,000 was refunded to the Group following to the liquidation.

Shenzhen Zhongjin had not yet made any investment as at the date of the liquidation and 31 December 2019. The investment's fair value is approximate to cost as at the date of the liquidation and 31 December 2019.

19. OTHER FINANCIAL ASSETS (Continued)

Notes: (Continued)

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

(v) *As described in note 13, the consideration of disposal of Golden Target and China Investment is satisfied by way of admission of subscription of limited partnership interest in the CATV Fund. The CATV Fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in telemedia related sectors. The Group is a limited partner in the CATV Fund 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 fair value of CATV Fund is determined based on the transaction price of a recent arm's length transaction as described in note 13.

(c) *The unlisted equity investments are as follows:*

(i) *The Group invested in 10% equity interest in Hangzhou Yixin Technology Limited ("Hangzhou Yixin"), 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.*

Following the disposal of China Investment (notes 13 and 36), Hangzhou Yixin was disposed of accordingly.

During the year ended 31 December 2020, no fair value change was recognised as other comprehensive income (2019: fair value loss of HK$859,000).

(ii) *During 2019, the Group invested in 8% equity interest in Shenzhen Qianhai Shouhui Technology Culture Co., Ltd. ("Shenzhen Qianhai Shouhui"), a company incorporated in the PRC, at a consideration of RMB28,000,000 (equivalent to HK$31,202,000).*

Following the disposal of China Investment (notes 13 and 36), Shenzhen Qianhai Shouhui was disposed of accordingly.

During the year ended 31 December 2020, no fair value change was recognised as other comprehensive income (2019: fair value gain of HK$5,412,000).

19. OTHER FINANCIAL ASSETS (Continued)

Notes: (Continued)

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

(i) It represents certain equity investments of listed securities in NASDAQ. One of the listed securities declared dividend during the year. As at 31 December 2020, fair value gain of HK$18,502,000 and dividend income of HK$19,569,000 were recognised as "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income (2019: fair value loss of HK$25,813,000).

(ii) During 2018, the Group purchased certain put options linked with the listed securities in NASDAQ abovementioned in note 19(d)(i). During 2020, the Group entered into settlement agreements with the grantor of the put options to settle a put option by certain listed securities and to waive the remaining put options.

During the year ended 31 December 2020, fair value loss of HK$12,920,000, loss on settlement of HK$3,085,000 and loss on derecognition of HK$27,978,000 were recognised as "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income (2019: fair value gain of HK$25,948,000).

As at 31 December 2020, the Group has two listed securities (2019: one listed security and certain put options) with fair value of HK$47,419,000 (2019: HK$55,709,000).

(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. The PRC wealth management product was redeemed during 2020.

20. 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:

	2020 HK$'000	2019 HK$'000
Within 6 months	28,365	18,055
Over 6 months but within 1 year	7,311	1,854
Over 1 year but within 2 years	129	9
	35,805	19,918

The Group and the Company assessed impairment loss based on the accounting policy stated in note 4(i)(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.

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Other tax receivables	18,505	22,106
Purchase deposits	11,800	15,513
Other receivables	13,959	12,078
Prepayments	25,262	15,798
Deposits	3,846	4,448
	73,372	69,943

22. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	18,456	899
Deposits received	13,745	96
Accruals	12,388	21,607
Dividends payable	1,331	4,301
Contingent consideration payable	–	87,892
Other payables	48,989	39,296
	94,909	154,091

22. TRADE AND OTHER PAYABLES (Continued)

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:

	2020 HK$'000	2019 HK$'000
Within 6 months	**17,753**	704
Over 6 months but within 1 year	**227**	195
Over 1 year but within 2 years	**476**	–
Total trade payables	**18,456**	899
Accrued liabilities and other liabilities	**76,453**	153,192
	94,909	154,091

23. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Contract liabilities arising from:		
Games and applications	**14,673**	15,932
Advance payments received from e-commerce trading platform	**–**	28,427
	14,673	44,359

23. CONTRACT LIABILITIES (Continued)

Movements in contract liabilities:

	Games and applications HK$'000	E-commerce trading platform HK$'000	Total HK$'000
Balance as at 1 January 2019	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 2019 and 1 January 2020	15,932	28,427	44,359
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	(16,009)	(28,565)	(44,574)
Increase in contract liabilities as a result of sales of virtual currency from users of games and applications	13,943	–	13,943
Exchange realignment	807	138	945
Balance as at 31 December 2020	14,673	–	14,673

24. LOANS AND BORROWINGS

	2020 HK$'000	2019 HK$'000
Current liabilities		
Bank loan due for repayment within one year	8,838	5,572
Lease liabilities — current portion	12,251	14,050
Loan and borrowings — repayable within one year	21,089	19,622
Non-current liabilities		
Lease liabilities — non-current portion	10,304	13,441

The bank borrowings included the loans below:

(a) As at 31 December 2020, certain bank loans granted by the Bank of China are secured by certain cooperate guarantees and bear interest ranging from 3.85% to 3.9% per annum. The loans are carried at amortised cost. The loans are repayable within one year on 19 January 2021, 21 January 2021, 24 June 2021 and 9 December 2021.

(b) As at 31 December 2019, a bank loan granted by the Bank of China is secured by a cooperate guarantee as detailed in note 34(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.

(c) As at 31 December 2019 and 2020, the fair value of bank borrowings approximates to their carrying amount largely due to the short-term maturities.

24. LOANS AND BORROWINGS (Continued)

Lease liabilities

	Properties HK$'000
As at 1 January 2019	29,906
Additions	22,071
Interest expense *(note 28)*	1,334
Lease payments *(note 28)*	(14,170)
Modification of lease	(7,894)
Disposal of subsidiaries *(note 36(e))*	(3,242)
Exchange realignment	(514)
As at 31 December 2019 and 1 January 2020	27,491
Additions	21,507
Interest expense *(note 28)*	861
Lease payments *(note 28)*	(13,014)
Modification of lease	(15,261)
Exchange realignment	971
As at 31 December 2020	22,555

24. LOANS AND BORROWINGS (Continued)

Future lease liabilities are payable as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
At 31 December 2020			
Not later than one year	13,069	(818)	12,251
Later than one year and not later than five years	10,606	(302)	10,304
	23,675	(1,120)	22,555

	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

The present value of future lease payments are analysed as:

	2020 HK$'000	2019 HK$'000
Current liabilities	12,251	14,050
Non-current liabilities	10,304	13,441
	22,555	27,491

25. 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 2019	(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)
Credit to profit or loss for the year	2,777	(593)	–	2,184
Exchange realignment	(68)	2	18	(48)
At 31 December 2020	**(6,269)**	**–**	**318**	**(5,951)**

The deferred income tax balance is as follows:

	2020 HK$'000	2019 HK$'000
Deferred tax assets	318	891
Deferred tax liabilities	(6,269)	(8,978)
	(5,951)	8,087

25. DEFERRED TAXATION (Continued)

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

	2020 HK$'000	2019 HK$'000
Deductible temporary differences	4,332	2,939
Unused tax losses	181,011	215,043
	185,343	217,982

Out of the tax losses of the Group as at 31 December 2020, approximately HK$135,793,000 (2019: HK$123,329,000) has an expiry period of five years since 2015. 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 2020, the Group has not recognised deferred tax liabilities of HK$64,749,000 (2019: HK$9,423,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to HK$647,492,000 (2019: HK$94,232,000), 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.

26. SHARE CAPITAL

	2020 HK$'000	2019 HK$'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 (2019: 4,213,395,262) ordinary shares of HK$0.01 each at beginning of year	**42,134**	42,134
Issuance of new shares (notes (i) and (ii))	**2,902**	–
4,503,575,442 (2019: 4,213,395,262) ordinary shares of HK$0.01 each at end of year	**45,036**	42,134

Notes:

(i) On 20 January 2020, the Company and an independent third party (the "January 2020 Placee") entered into a conditional placing agreement (the "January 2020 Placing") pursuant to which the Company has conditionally agreed to allot and issue 75,000,000 ordinary shares (the "January 2020 Placing Shares") to the January 2020 Placee at a price of HK$0.200 per January 2020 Placing Share. The January 2020 Placing was completed on 4 February 2020. The proceeds from the January 2020 Placing of HK$15,000,000 was received during the year.

(ii) On 7 December 2020, the Company entered into the conditional placing agreements (the "December 2020 Placing") with each of the independent third parties (the "December 2020 Placees") pursuant to which the Company has conditionally agreed to allot and issue 215,180,180 ordinary shares (the "December 2020 Placing Shares") to the December 2020 Placees at a price of HK$0.222 per December 2020 Placing Share. The December 2020 Placing was completed on 21 December 2020. The proceeds from the December 2020 Placing of HK$47,700,000 was received during the year.

27. 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 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 29)*	–	–	–	3,043	–	3,043
Lapse of share options *(note 29)*	–	–	–	(23,033)	23,033	–
Balance at and 31 December 2019 and 1 January 2020	1,702,600	12,484	523,125	3,559	(1,245,227)	996,541
Loss and total comprehensive income for the year	–	9,010	–	–	(1,267,541)	(1,258,531)
Recognition of share-based payment expense *(note 29)*	–	–	–	2,418	–	2,418
Issuance of shares *(note 26)*	59,798	–	–	–	–	59,798
Balance at 31 December 2020	**1,762,398**	**21,494**	**523,125**	**5,977**	**(2,512,768)**	**(199,774)**

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(p).*

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

28. LEASE

Leases as lessee

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

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
As at 1 January 2019	29,906
Modification of lease	(7,713)
Additions	22,071
Depreciation charge for the year	(13,003)
Disposal of a subsidiary (note 36(e))	(3,405)
Exchange realignment	(521)
As at 31 December 2019 and 1 January 2020	27,335
Modification of lease	(15,433)
Additions	21,507
Depreciation charge for the year	(11,839)
Exchange realignment	987
As at 31 December 2020	22,557

28. LEASE (Continued)

Leases as lessee (Continued)

(ii) Amounts recognised in profit or loss

	2020 HK$'000	2019 HK$'000
Continuing and discontinued operations:		
Interest on lease liabilities *(note 24)*	861	1,334
Expenses relating to short-term leases	2,206	6,353
Loss/(gain) on the modification of lease	172	(181)
	3,239	7,506
Continuing operations:		
Aggregate undiscounted commitments for short-term leases	64	758

(iii) Amounts recognised in statement of cash flows

	2020 HK$'000	2019 HK$'000
Total cash outflow for leases	(13,014)	(14,170)

29. SHARE-BASED PAYMENT

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:

2020

	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							
Dr. Zhang Lijun							
— on 25 January 2018	2,000,000	–	–	–	2,000,000	0.229	25/01/2018 to 24/01/2021
	2,000,000	–	–	–	2,000,000		
Ms. Wang Chun							
— on 25 January 2018	3,000,000	–	–	–	3,000,000	0.229	25/01/2018 to 24/01/2021
	3,000,000	–	–	–	3,000,000		
Mr. Ji Qiang							
— on 5 July 2019	3,000,000	–	–	–	3,000,000	0.385	05/07/2019 to 04/07/2022
— on 5 October 2020	–	3,000,000	–	–	3,000,000	0.385	05/10/2020 to 04/10/2025
	3,000,000	3,000,000	–	–	6,000,000		
Ms. Cheng Po Chuen							
— on 30 March 2020	–	15,000,000	–	–	15,000,000	0.385	30/03/2020 to 29/03/2023
— on 5 October 2020	–	10,000,000	–	–	10,000,000	0.385	05/10/2020 to 04/10/2025
	–	25,000,000	–	–	25,000,000		
Sub-total	8,000,000	28,000,000	–	–	36,000,000		

29. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme of the Company (Continued)

2020

	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							
Dr. Loke Yu (alias Loke Hoi Lam)							
— 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
— on 5 October 2020	–	500,000	–	–	500,000	0.385	05/10/2020 to 04/10/2025
	1,750,000	500,000	–	–	2,250,000		
Prof. Gong Zhankui							
— 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
— on 5 October 2020	–	500,000	–	–	500,000	0.385	05/10/2020 to 04/10/2025
	1,750,000	500,000	–	–	2,250,000		
Mr. Wang Linan							
— 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
— on 5 October 2020	–	500,000	–	–	500,000	0.385	05/10/2020 to 04/10/2025
	1,750,000	500,000	–	–	2,250,000		
Sub-total	5,250,000	1,500,000	–	–	6,750,000		
Employees/others							
— on 5 July 2019	62,000,000	–	–	–	62,000,000	0.385	05/07/2019 to 04/07/2022
— on 30 March 2020	–	8,000,000	–	–	8,000,000	0.385	30/03/2020 to 29/03/2023
— on 5 October 2020	–	32,500,000	–	–	32,500,000	0.385	05/10/2020 to 04/10/2025
Sub-total	62,000,000	40,500,000	–	–	102,500,000		
Total	75,250,000	70,000,000	–	–	145,250,000		

29. SHARE-BASED PAYMENT (Continued)

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
Executive directors							
Dr. 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		
Ms. 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		
Mr. 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		

29. SHARE-BASED PAYMENT (Continued)

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							
Dr. 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		
Prof. 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		
Mr. 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		

29. SHARE-BASED PAYMENT (Continued)

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%

On 30 March 2020, a total of 23,000,000 share options were granted to 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 30 March 2020 to 29 March 2023.

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

Fair value at grant date	HK$0.0146
Weighted average share price at grant date	HK$0.135
Weighted average contractual life	3 years
Expected volatility	74.86%
Expected dividend rate	0%
Risk-free interest rate	0.62%

On 5 October 2020, a total of 47,000,000 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 October 2020 to 4 October 2025.

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

Fair value at grant date	HK$0.0382 – HK$0.0581
Weighted average share price at grant date	HK$0.222
Weighted average contractual life	5 years
Expected volatility	72.26%
Expected dividend rate	0%
Risk-free interest rate	0.18%

29. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme of the Company (Continued)

Details and movements of share options are as follows:

	Weighted average exercise price	Number
		'000
At 1 January 2019	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
Granted during the year	HK$0.385	70,000
At 31 December 2020	**HK$0.377**	**145,250**

The weighted average exercise price of options outstanding at the end of the year is HK$0.377 (2019: HK$0.370) and their weighted average remaining contractual life was 2.14 years (2019: 2.37 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 years ended 31 December 2020 and 2019.

In 2019, 160,000,000 share options lapsed. Accordingly, the related share-based compensation reserve of HK$23,033,000 was released to retained profits.

30. NOTES SUPPORTING CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	2020 HK$'000	2019 HK$'000
Cash available on demand	109,764	58,920

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:

	2020 HK$'000	2019 HK$'000
Denominated in RMB	50,750	36,917
Denominated in USD	27,487	15,334
Denominated in AED	–	107

(b) Reconciliation of liabilities arising from financing activities:

	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2020	5,572	27,491	33,063
Changes from financing cash flows			
Proceeds from bank borrowings	11,784	–	11,784
Repayment of bank borrowings	(8,358)	–	(8,358)
Payment of lease liabilities	–	(13,014)	(13,014)
Interest paid	(434)	–	(434)
Total changes from financing cash flows	2,992	(13,014)	(10,022)
Other changes			
Interest expense	434	861	1,295
Addition of new lease	–	21,507	21,507
Modification of lease	–	(15,261)	(15,261)
Exchange differences	(160)	971	811
Total liability-related other changes	274	8,078	8,352
At 31 December 2020	8,838	22,555	31,393

30. NOTES SUPPORTING CASH FLOW STATEMENT (Continued)

(b) Reconciliation of liabilities arising from financing activities: (Continued)

	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 31 December 2018	–	–	–
Initial application of HKFRS 16	–	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	227	11,755	11,982
At 31 December 2019	5,572	27,491	33,063

(c) Significant non-cash transactions

Save as disclosed in notes 13, 19 and 36, the Group had no significant non-cash transactions during the year.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the statement of financial position of the Company as at 31 December 2020 and 31 December 2019:

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		930	1,470
Interests in subsidiaries		939,946	1,902,185
Intangible assets		–	115,169
Financial assets at fair value through other comprehensive income		275,781	314,921
		1,216,657	2,333,745
CURRENT ASSETS			
Other receivables, deposits and prepayments		1,175	950
Financial assets at fair value through profit or loss		50,612	8,804
Amounts due from subsidiaries		606,592	780,497
Amounts due from a related company		33	33
Cash and cash equivalents		64,857	18,878
		723,269	809,162
CURRENT LIABILITIES			
Deposits received, other payables and accruals		195,121	204,462
Amounts due to subsidiaries		1,888,861	1,887,406
Amount due to a related company		3,603	3,603
Dividend payable		1,331	3,013
Tax payable		5,748	5,748
		2,094,664	2,104,232
NET CURRENT LIABILITIES		(1,371,395)	(1,295,070)
NET (LIABILITIES)/ASSETS		(154,738)	1,038,675
EQUITY			
Share capital	26	45,036	42,134
Reserves	27	(199,774)	996,541
TOTAL EQUITY		(154,738)	1,038,675

Zhang Lijun
Director

Cheng Po Chuen
Director

32. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2020 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	Attributable equity interest held by the Company Indirectly	Principal activities
第一視頻信息工程集團有限公司 (VODone Information Engineering Group Co., Ltd.) ("TMD2") *(notes i and ii)*	PRC	PRC	RMB450,000,000	–	100%	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") *(notes i and iii)*	PRC	PRC	RMB301,975,900	–	100%	Provision of advertisement production services
北京雲時代數字技術有限公司 (Beijing Cloud Times Digital Technology Co., Ltd.) ("TMD4") *(notes i and iv)*	PRC	PRC	RMB160,333,800	–	100%	Provision of entertainment production services
Crazy Sport (HK) Limited *(note v)*	Hong Kong	Hong Kong	HK$300,000	–	100%	Investment holding
瘋狂新遊(北京)技術有限公司 Crazy New Game (Beijing) Technology Company Limited *(note i)*	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 ("Crazysport")	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	PRC	PRC	RMB1,000,000	–	100%	Provision of telecommunication services
Easy Prime Developments Limited	BVI	Hong Kong	USD10,000	100%	–	Investment holding
海南日昌新通信息科技有限公司 Hainan Ri Chang *(note 35)*	PRC	PRC	RMB10,000,000	–	100%	Software development

Notes:

(i) *The companies are foreign investment enterprises established in the PRC.*

(ii) *Formerly known as VODone Information Engineering Co., Ltd. (第一視頻信息工程有限公司)*

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

(iv) *Formerly known as Beijing Union Times Entertainment Culture Development Co., Ltd. (北京互聯時代娛樂文化發展有限公司)*

(v) *Formerly known as Fengkuang Tiyu (HK) Limited.*

33. NON-CONTROLLING INTERESTS

As at 31 December 2019, CATV Group Limited ("CATV"), being a 95.92% owned subsidiary of the Company, became the material non-controlling interests ("NCI") of the Company. Following the disposal of Golden Target (notes 13 and 36), CATV was disposed of accordingly. 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:

	2019 HK$'000
Revenue	3,044
Loss for the year	13,139
Total comprehensive income	13,247
Loss allocated to NCI	108
Dividend paid to NCI	–
Cash flows used in operating activities	(536)
Cash flows used in investing activities	215
Cash flows from financing activities	(480)
Net cash outflows	(801)
Current assets	1,554
Non-current assets	16,807
Current liabilities	(25,779)
Non-current liabilities	(1,417)
Net liabilities	(8,835)
Accumulated non-controlling interests	(360)

33. NON-CONTROLLING INTERESTS (Continued)

Note:

During 2019, the Group acquired an additional 17.46% and 10% ownership interest in its subsidiaries 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)

34. 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	2020 HK$'000	2019 HK$'000
Service fee income earned from a related company, VODone Telemedia	(i)	3,603	–
Service fee income earned from an associate, TMD1	(i), (ii)	2,173	3,689
Management fee charged by TMD1	(i), (iii)	13,395	8,253

Notes:

(i) The transactions were made at prices mutually agreed by both parties.

(ii) 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.

(iii) 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.

34. RELATED PARTY TRANSACTIONS (Continued)

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

	2020 HK$'000	2019 HK$'000
Short term benefits	**21,394**	21,232
Share-based payments	**974**	268
	22,368	21,500

(c) The amount due from an associate mainly arising from the trading transaction detailed in note (a)(ii) 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.

34. RELATED PARTY TRANSACTIONS (Continued)

(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:

	2020 HK$'000	2019 HK$'000
Balance at 1 January	783	951
Balance at 31 December	163	783
Maximum amount outstanding during the year	783	951

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 2020 and 2019.

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

35. ACQUISITION

Acquisition of Hainan Ri Chang

On 18 December 2020, the Group entered into a sale and purchase agreement with an independent third party for purchase of 100% equity interest in Hainan Ri Chang at a total consideration of RMB8,000,000.

The Group has applied the concentration test to the acquisition of Hainan Ri Chang. The fair value of the gross assets of Hainan Ri Chang was substantially concentrated in the Permission License. The acquisition of Hainan Ri Chang is determined by the Directors to be acquisition of assets and liabilities, being the intangible assets.

The allocation to respective assets and liabilities are as follows:

	HK$'000
Intangible assets	9,112

36. DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries during the year ended 31 December 2020

(a) Disposal of Golden Target and China Investment

On 7 December 2020, pursuant to the Sales and Purchase Agreement dated 7 December 2020 entered into between the Company and CATV Fund, the Group disposed of its entire issued share capital of Golden Target and 99.9% equity interest in China Investment at a consideration of US$11,080,000. The consideration is satisfied by way of admission of subscription of limited partnership interest in the CATV Fund at a subscription price of US$11,080,000 (equivalent to approximately HK$85,870,000) by the Company's wholly owned subsidiary, Goal Dynasty Limited.

Further details are set out in the Company's announcement dated 7 December 2020.

The net assets of Golden Target and China Investment at the date of disposal on 7 December 2020 were as follows:

	Golden Target HK$'000	China Investment HK$'000	Total HK$'000
Property, plant and equipment	493	831	1,324
Financial assets at fair value through other comprehensive income	–	76,028	76,028
Intangible assets	30,295	–	30,295
Other receivables, deposits and prepayments	1,599	57	1,656
Cash and cash equivalents	1,184	752	1,936
Trade and other payables	(921)	–	(921)
Net assets disposed of	32,650	77,668	110,318

36. DISPOSAL OF SUBSIDIARIES (Continued)

Disposal of subsidiaries during the year ended 31 December 2020 (Continued)

(a) Disposal of Golden Target and China Investment (Continued)

The loss arising from the disposal shown in the consolidated statement of profit or loss and other comprehensive income is calculated as follows:

	HK$'000
Fair value of subscribed financial assets at fair value through other comprehensive income *(note 19(b)(v))*	85,870
Less: Net assets disposed of	(110,318)
Add: Non-controlling interests	95
Add: Realisation of exchange fluctuation reserve	9,307
Loss on disposal of subsidiaries included in discontinued operations	(15,046)

Net cash outflow arising on disposal:

	HK$'000
Cash and cash equivalents disposed of	(1,936)

36. DISPOSAL OF SUBSIDIARIES (Continued)

Disposal of subsidiaries during the year ended 31 December 2020 (Continued)

(b) Disposal of Beijing Liangzi Port

On 20 November 2020, the Group entered into a sales and purchase agreement with an independent third party to dispose its entire equity interest in Beijing Liangzi Port at a consideration of HK$11,144,000 (equivalent to RMB10,000,000). The disposal was completed on 27 November 2020.

The net assets of Beijing Liangzi Port at the date of disposal on 27 November 2020 were as follows:

	HK$'000
Property, plant and equipment	440
Other receivables, deposits and prepayments	24,029
Inventories	21,810
Cash and cash equivalents	6,816
Trade and other payables	(35,408)
Net assets disposed of	17,687

The loss arising from the disposal shown in the consolidated statement of profit or loss and other comprehensive income is calculated as follows:

	HK$'000
Total consideration	11,144
Less: Net assets disposed of	(17,687)
Less: Realisation of exchange fluctuation reserve	(766)
Loss on disposal of subsidiaries included in discontinued operations	(7,309)

Net cash inflow arising on the disposal:

	HK$'000
Cash consideration	11,144
Cash and cash equivalents disposed of	(6,816)
	4,328

36. DISPOSAL OF SUBSIDIARIES (Continued)

Disposal of subsidiaries during the year ended 31 December 2019

(c) 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)*	–
Cash and cash equivalents	58
Other payables	(164)
Net liabilities disposed of	(106)

The gain arising from the disposal shown in the consolidated statement of profit or loss and other comprehensive income is calculated as follows:

	HK$'000
Total consideration	58
Add: net liabilities disposed of	106
Gain on disposal of subsidiaries included in continuing operations	164

Net cash flow arising from disposal:

	HK$'000
Total cash consideration	58
Cash and cash equivalents disposed of	(58)
	–

Note:

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

36. DISPOSAL OF SUBSIDIARIES (Continued)

Disposal of subsidiaries during the year ended 31 December 2019 (Continued)

(d) 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 Dr. 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
Cash and cash equivalents	244
Other payables	(6,870)
Net liabilities disposed of	(597)

The gain arising from the disposal shown in the consolidated statement of profit or loss and other comprehensive income is calculated as follows:

	HK$'000
Total consideration	111
Add: net liabilities disposed of	597
Gain on disposal of subsidiaries included in discontinued operations	708

Net cash outflow arising from disposal:

	HK$'000
Total cash consideration	111
Cash and cash equivalents disposed of	(244)
	(133)

36. DISPOSAL OF SUBSIDIARIES (Continued)

Disposal of subsidiaries during the year ended 31 December 2019 (Continued)

(e) 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 interests in associates. 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

36. DISPOSAL OF SUBSIDIARIES (Continued)

Disposal of subsidiaries during the year ended 31 December 2019 (Continued)

(e) 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 disposed 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.

37. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Contracted, but not provided for:		
— Intangible assets	4,714	–
— Investment of investment fund *(note 19(b)(iii))*	–	83,644
	4,714	83,644

38. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate, currency and equity price 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 trade receivables, other receivables and amounts due from an associate and related companies 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 companies

The Directors consider that the credit risk arising from trading transactions with an associate and related companies are minimal. After applying the expected credit loss rate to gross amount of amounts due from an associate and related companies, 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.

38. 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 is exposed to equity price changes arising from equity instruments measured at FVTPL.

The Group's listed investments are listed on NASDAQ. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to other industry indicators, as well as the Group's liquidity needs.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

38. FINANCIAL RISK MANAGEMENT (Continued)

Equity price risk (Continued)

Sensitivity analysis

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. If the prices of the respective listed equity instruments had been 5% higher/lower, loss (2019: loss) for the year would decrease/increase (2019: decrease/increase) by HK$2,371,000 (2019: HK$378,000).

39. CAPITAL RISK MANAGEMENT

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

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

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

The gearing ratio as at 31 December 2020 and 2019 were as follows:

	2020 HK$'000	2019 HK$'000
Bank borrowings	8,838	5,572
Total equity	880,898	913,434
Gearing ratio	1.00%	0.61%

40. 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 2020 and 2019 may be categorised as follows:

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost	215,424	129,153
Financial assets at FVTPL	50,612	56,953
Financial assets at FVOCI	361,651	355,383
	627,687	541,489
Financial liabilities		
Financial liabilities measured at amortised cost	159,509	151,848

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).

40. 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: (Continued)

	2020			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVOCI	–	–	361,651	361,651
Financial assets at FVTPL	50,612	–	–	50,612
	50,612	–	361,651	412,263

	2019			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVOCI	–	–	355,383	355,383
Financial assets at FVTPL	49,393	7,560	–	56,953
	49,393	7,560	355,383	412,336

For the financial assets at fair value through other comprehensive income, it mainly consisted of unlisted investment fund as detailed in note 19.

Significant unobservable inputs

Mobile Internet Fund

The fair value of the Mobile Internet Fund as at 31 December 2020 and 2019 are arrived at based on a valuation carried out by Graval, an independent firm of professionally qualified valuer. The fair value was determined based on adjusted net asset method, where fair value estimated with references to the fair value of the underlying investments of the Mobile Internet Fund, which are appraised by market approach referencing to comparable companies' benchmark multiples.

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

Significant unobservable inputs (Continued)

Mobile Internet Fund (Continued)

Market multiples of comparable companies adopted	At 31 December 2020	At 31 December 2019
— Price-to-earnings ratio ("P/E Ratio")	50.88	37.68
— Market rate of return	-0.70 – 1.85	1.29 – 1.42
Discount for lack of marketability	15.80%	15.80%

Had the P/E Ratio of comparable companies adopted increased by 1%, it would increase the fair value of the unlisted investment by HK$345,000 (2019: increase 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$345,000 (2019: decrease by HK$425,000).

Had the market rate of return of comparable companies adopted increased by 1%, it would increase the fair value of unlisted investment by HK$213,000 (2019: increase by HK$335,000). Had the market rate of the comparable companies adopted decreased by 100 basis points, it would decrease the fair value of the unlisted investment by HK$213,000 (2019: decrease by HK$335,000).

Golden Rock

The fair value of the Golden Rock as at 31 December 2020 and 2019 are arrived at based on a valuation carried out by Beijing Lixin Donghua Assets Appraisal Co., Ltd., an independent firm of professionally qualified valuer. The fair value was determined based on adjusted net asset method, where fair value estimated with references to the fair value of the underlying investments of the Golden Rock, which are appraised by market approach referencing to comparable companies' benchmark multiples.

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

Significant unobservable inputs (Continued)

Golden Rock (Continued)

Market multiples of comparable companies adopted	At 31 December 2020	At 31 December 2019
— Price-to-sales ratio ("P/S Ratio")	5.04	6.29
— P/B Ratio	6.27	N/A
Discount for lack of marketability	24.90%	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$794,000 (2019: increase 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$794,000 (2019: decrease by HK$180,000).

Had the P/B Ratio of comparable companies adopted increased by 1%, it would increase the fair value of the unlisted investment by HK$1,169,000. Had the P/B Ratio of comparable companies adopted decreased by 100 basis points, it would decrease the fair value of the unlisted investment by HK$1,169,000.

China Capital Qianhai Weiyi Fund

As at 31 December 2019, the fair value is arrived at based on a valuation carried out by China Alliance Appraisal Co., Ltd., an independent firm of professionally qualified valuer. The fair value was determined based on adjusted net asset method, where fair value estimated with references to the fair value of the underlying investments of the China Capital Qianhai Weiyi Fund, which are appraised by market approach referencing to comparable companies' benchmark multiples.

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%

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

Significant unobservable inputs (Continued)

China Capital Qianhai Weiyi Fund (Continued)

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.

Following the disposal of China Investment (notes 13 and 36), China Capital Qianhai Weiyi Fund was disposed of accordingly. The fair value of China Capital Qianhai Weiyi Fund as at disposal date was determined based on the transaction price of a recent arm's length transaction as described in note 13.

Hangzhou Yixin

As at 31 December 2019, the fair value is arrived at based on a valuation carried out by Beijing Lixin Donghua Assets Appraisal Co., Ltd., an independent firm of professionally qualified valuer. The fair value was determined based on market approach, where fair value estimated with references to comparable companies' benchmark multiples.

Market multiples of comparable companies adopted	At 31 December 2019
Enterprise value/research and development expenses ratio	56.85
Discount for lack of marketability	19.06%

Following the disposal of China Investment (notes 13 and 36), Hangzhou Yixin was disposed of accordingly. The fair value of Hangzhou Yixin as at disposal date was determined based on the transaction price of a recent arm's length transaction as described in note 13.

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

Significant unobservable inputs (Continued)

Shenzhen Qianhai Shouhui

As at 31 December 2019, the fair value is arrived at based on a valuation carried out by Beijing Lixin Donghua Assets Appraisal Co., Ltd., an independent firm of professionally qualified valuer. The fair value was determined based on market approach, where fair value estimated with references to comparable companies' benchmark multiples.

Market multiples of comparable companies adopted	At 31 December 2019
P/B Ratio	4.03
Discount for lack of marketability	20.92%

Following the disposal of China Investment (notes 13 and 36), Shenzhen Qianhai Shouhui was disposed of accordingly. The fair value of Shenzhen Qianhai Shouhui as at disposal date was determined based on the transaction price of a recent arm's length transaction as described in note 13.

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

	2020 HK$'000	2019 HK$'000
Balance as at 1 January	**355,383**	399,279
Disposal *(note 19(b)(iv))*	**(16,715)**	(26,708)
Purchase *(note 19(b)(v))*	**85,870**	16,715
Change in fair value (included in other comprehensive income)	**9,010**	(32,373)
Disposal of subsidiaries *(note 36(a))*	**(76,028)**	–
Exchange difference	**4,131**	(1,530)
Balance as at 31 December	**361,651**	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.

41. 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.

42. DIVIDEND

The directors of the Company have decided not to declare any dividend for the years ended 31 December 2020 and 2019.

43. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting date.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were reviewed by the Audit Committee and approved and authorised for issue by the Board of Directors on 18 March 2021.

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**2,460,427**	2,444,825	3,381,809	510,626	154,121
Gross profit/(loss)	**113,388**	127,302	(32,616)	(116,346)	(145,820)
Loss before income tax	**(133,472)**	(194,098)	(654,714)	(371,700)	(1,015,337)
Loss for the year	**(131,336)**	(190,536)	(654,988)	(371,700)	(981,639)
Loss for the year attributable to owners of the Company	**(131,916)**	(185,190)	(647,558)	(366,304)	(980,071)
Total comprehensive income for the year	**(98,184)**	(215,757)	(682,910)	(339,708)	(1,034,897)
Total comprehensive income for the year attributable to owners of the Company	**(98,415)**	(209,096)	(675,865)	(336,844)	(1,032,041)

Note: The result of the year ended 31 December 2020 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				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Assets					
Non-current assets	**883,549**	1,019,494	1,218,487	1,143,523	800,428
Current assets	**303,639**	252,773	416,204	582,387	1,191,544
Total assets	**1,187,188**	1,272,267	1,634,691	1,725,910	1,991,972
Equity					
Equity attributable to owners of the Company	**864,333**	897,005	1,120,807	1,496,258	1,833,220
Non-controlling interests	**16,565**	16,429	15,370	21,276	24,085
Total equity	**880,898**	913,434	1,136,177	1,517,534	1,857,305
Liabilities					
Non-current liabilities	**16,573**	22,419	99,644	–	–
Current liabilities	**289,717**	336,414	398,870	208,376	134,667
Total liabilities	**306,290**	358,833	498,514	208,376	134,667
Total equity and liabilities	**1,187,188**	1,272,267	1,634,691	1,725,910	1,991,972

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

In this Annual Report, unless the context otherwise requires, the following expressions shall have the following meaning:

"Annual General Meeting"	the annual general meeting of the Company held or to be held on such date, as the context may require;
"Annual Report"	the annual report of the Company for 2020;
"associates"	has the meaning ascribed to it under the Listing Rules;
"Bank of Asia" or "BOA"	Bank of Asia (BVI) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability which possesses a general banking license with the Financial Services Commission of the BVI;
"Board"	the board of Directors;
"BVI"	British Virgin Islands;
"Bye-laws"	the Bye-laws of the Company as amended, supplemented or otherwise modified from time to time;
"CATV"	China Arab TV, a Chinese-Arabic bilingual satellite TV channel incorporated and headquartered in Dubai, the UAE;
"CATV Fund"	CATV Cayman LP, an exempted limited partnership registered in Cayman Islands;
"CATV Group"	collectively, Golden Target, CATV Group Limited, and Arab Business TV FZ-LLC, miniV.tv Holdings Limited, miniV.tv (Hong Kong) Limited and 北京迷你微視信息技術有限公司;
"China Insights Consultancy"	China Insights Consultancy Limited, an independent market research and consulting company
"China Insights Consultancy Report"	"Report on Sports Lottery and Entertainment Services Industry in China", an independent industry research prepared by China Insights Consultancy in November 2020;
"China Investment"	第一視頻(中國)投資有限公司 (V1 (China) Investment Co., Ltd*), a limited liability company established in the PRC;
"Clear Concept"	Clear Concept International Limited, an investment holding company incorporated in the BVI with limited liability and is owned as to 51% by the Company and 49% by Dr. Zhang;
"Company"	V1 Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 82);

"Crazy Sports" or "OPCO"	北京瘋狂體育產業管理有限公司 (Beijing Crazy Sports Management Company Limited*), a company established in the PRC with limited liability;
"Crazy Sports (HK)"	Crazy Sports (HK) Limited (formerly known as Fengkuang Tiyu (HK) Limited), a wholly owned subsidiary of the Company;
"Director(s)"	director(s) of the Company;
"Dr. Zhang"	Dr. Zhang Lijun, the executive director and Chairman of the Company;
"Easy Prime"	Easy Prime Developments Limited, a company incorporated in the BVI with limited liability and is a wholly owned subsidiary of the Company;
"Easy Prime Board"	the board of directors of Easy Prime;
"Easy Prime Group"	Easy Prime and its subsidiaries;
"Easy Prime Option(s)"	share option(s) granted under Easy Prime Share Option Scheme;
"Easy Prime Share Option Scheme"	the share option scheme of Easy Prime approved by Shareholders at the Annual General Meeting held on 21 May 2020;
"Easy Prime Share(s)"	share(s) of US$1.00 each in the capital of Easy Prime, or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of Easy Prime from time to time;
"ESG"	environmental, social and governance ;
"FIFPro"	Fédération Internationale des Associations de Footballeurs Professionnels;
"General Scheme Limit"	the limit imposed under the rules of the V1 Group Scheme on the total number of Shares which may be issued upon the exercise of all options to be granted under the V1 Group Scheme, being 10% of the issued shares of the Company as at the date of adoption of the V1 Group Scheme which may be "refreshed" pursuant to the rules of the V1 Group Scheme;
"Golden Rock Fund"	Golden Rock Cayman LP, an exempted limited partnership registered in the Cayman Islands;
"Golden Target"	Golden Target Global Limited, a company incorporated in the BVI with limited liability and was a wholly owned subsidiary of the Company until the Restructuring;
"Golden Target Board"	the board of directors of Golden Target;
"Golden Target Group"	Golden Target and its subsidiaries;

"Golden Target Options"	share option(s) granted under the Golden Target Share Option Scheme;
"Golden Target Share(s)"	share(s) of US$1.00 each in the capital of Golden Target, or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of Golden Target from time to time;
"Golden Target Share Option Scheme"	the share option scheme of Golden Target approved by Shareholders at the Annual General Meeting held on 21 May 2020;
"Group", "our Group", "we", "us", or "our"	the Company and its subsidiaries form time to time;
"Hainan Jinyi" or "Limited Partnership"	海南金易紅單資訊科技合夥企業 (Hainan Jinyi Hongdan Information Technology*), a limited partnership established in the PRC and the equity interest of which is held as to 30%, 30% and 40% by Mr. Sun Yongjun, Mr. Wei Guilei and Mr. Peng Xitao respectively;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Holding Company"	the controlling shareholder (as defined in the Listing Rules) of the Company;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Huobi Technology"	Huobi Technology Holdings Limited, a company incorporated in the BVI with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 1611)
"Huochain Technology"	海南火鏈科技有限公司 (Hainan Huochain Technology Co., Ltd.*), a subsidiary of Huobi Technology;
"Invested Entity"	the entity in which any member of the Group holds any equity interest;
"IP"	intellectual property;
"Limited Partners"	the limited partners of Hainan Jinyi;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Master Agreement"	the exclusive business support and content services agreement entered by VODONE and TMD1 in 2006 in relation to the Group's telemedia business prior to the Restructuring;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;

"Mobile Internet Fund"	China Prosperity Capital Mobile Internet Fund, L.P., an exempted limited partnership registered in the Cayman Islands;
"Ms. Wang"	Ms. Wang Chun;
"New VIE Contracts"	the VIE contracts signed between OPCO, PRC Equity Owners and WFOE on 31 December 2020;
"O+O"	online and offline
"Old V1 Group Scheme"	the share option scheme of the Company adopted on 7 June 2002;
"PRC"	the People's Republic of China ;
"PRC Equity Owner(s)"	the shareholder(s) of OPCO;
"Refreshment"	the refreshment of the 10% General Scheme Limit by the Shareholders at the annual general meeting that the Company may grant new Share Options to subscribe for new Shares representing in aggregate up to 10% of its issued share capital as at 21 May 2019;
"Renewal Limit"	the limit that the Shareholders in general meeting has approved the renew of the Scheme Mandate Limit such that the total number of Easy Prime Shares or Golden Target Shares (as the case may be) in respect of which options may be granted by the Easy Prime Board or Golden Target Board (as the case may be) under the Easy Prime Share Option Scheme or Golden Target Share Option Scheme (as the case may be) and any other share option schemes of Easy Prime or Golden Target (as the case may be) in issue shall not exceed 10% of the total number of Easy Prime Shares or Golden Target Shares (as the case may be) in issue as at the date of approval to renew such limit;
"Resigning Partner(s)"	the Limited Partner(s) who is in the event of death or incapacity or bankruptcy;
"Restructuring"	the restructuring of the telemedia business of the Group as per announcement(s) of the Company made on 7 December 2020, 11 December 2020 and 24 December 2020;
"RMB"	Renminbi;
"Scheme Mandate Limit"	10% of the total number of Easy Prime Shares or Golden Target Shares (as the case may be) in issue;
"Services"	the 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 provided by WFOE to OPCO;

"Service Agreements"	the service agreements entered into between TMD1 and each of the TMD Service Companies in 2006 with regard to the provision of designated scope of service in relation to the Group's telemedia business prior to the Restructuring;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company ;
"Share Option(s)"	share option(s) granted under the V1 Group Scheme;
"Share Option Scheme" or "V1 Group Scheme"	the existing share option scheme of the Company adopted on 30 April 2012;
"Shareholder(s)"	holder(s) of Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsidiaries Share Option Schemes"	collectively, the Easy Prime Share Option Scheme and the Golden Target Share Option Scheme;
"TMD Service Companies"	TMD2, TMD3 and TMD4;
"TMD1"	第一視頻數碼媒體技術有限公司(Vodone Datamedia Technology Co., Ltd.*), a company established in the PRC with limited liability with a registered capital of RMB100 million, which is: (i) currently owned as to 49% by VODone Holdings, 51% by 北京力鋭網絡技術有限公司 (Beijing Lirui Network Technology Co., Ltd.*) being an Independent Third Party; and (ii) is the holder of an exclusive advisory service contract with VODONE to procure various technical, contents, advertising and marketing and other support services from the TMD Service Companies in return for a contracting fee from VODONE's revenue;
"TMD2"	第一視頻信息工程集團有限公司 (VODone Information Engineering Group Co., Ltd.*), a subsidiary owned as to 99.86% by the Company, established in the PRC with limited liability and principally engaged in provision of technical and promotional and advertising services;
"TMD3"	北京日升影響文化交流有限公司 (Beijing Adpeople International Culture Exchange Co., Ltd.*) (formerly known as 北京日升影響廣告有限公司 (Beijing Adpeople International Advertising Co., Ltd.*)), a wholly-owned subsidiary of the Company, established in the PRC with limited liability and principally engaged in provision of advertisement production services ;

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"TMD4"	北京雲時代數字技術有限公司 (Beijing Cloud Times Digital Technology Co., Ltd.*) (formerly known as 北京互聯時代娛樂文化發展有限公司 (Beijing Union Times Entertainment Culture Development Co., Ltd.*)), a non wholly-owned subsidiary owned as to 99.57% by the Company, established in the PRC with limited liability and principally engaged in provision of entertainment production services;
"UAE"	the United Arab Emirates;
"VIE"	variable interest entity;
"VIE Contracts"	collectively, (i) the Exclusive Business Cooperation Agreement; (ii) the Exclusive Call Option Agreement; (iii) the Shareholders' Voting Right Entrustment Agreement; (iv) the Equity Pledge Agreement; and (v) the WFOE's Undertaking entered into among the WFOE, the OPCO and the PRC Equity Owner;
"VODONE"	第一視頻通信傳媒有限公司 (Vodone Telemedia Co., Ltd.*), a company established under the laws of the PRC with limited liability and is owned as to 99.5% by Dr. Zhang;
"VODone Holdings"	VODone Holdings Limited (formerly known as Bentex (Hong Kong) Limited), an investment holding company incorporated in Hong Kong with limited liability and is wholly-owned by Clear Concept;
"WFOE"	瘋狂新遊(北京)技術有限公司 (Crazy New Game (Beijing) Technology Company Limited*), a wholly owned subsidiary of the Easy Prime, and a special purpose company established in the PRC with limited liability;
"2006 Circular"	the major and connected transaction circular of the Company dated 18 August 2006;
"2018 Circular"	the major and connected transaction circular of the Company dated 28 September 2018;
"2019"	the financial year ended 31 December 2019;
"2020"	the financial year ended 31 December 2020;
"%"	per cent.;

* *for identification purposes only*