V1 GROUP LIMITED
第 一 視 頻 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 82)

2018 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of V1 Group Limited (the "**Company**" or "**V1**") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**3,381,809**	510,626
Cost of revenue		**(3,414,425)**	(626,972)
Gross loss		**(32,616)**	(116,346)
Other gains and losses	*5*	**8,697**	(17,881)
Selling and marketing expenses		**(38,339)**	(32,469)
Administrative expenses		**(172,496)**	(108,941)
Impairment of goodwill		**(83,196)**	(8,932)
Impairment of intangible assets		**(179,288)**	(63,691)
Impairment of interest in an associate		**(110,329)**	–
Share of losses of associates		**(47,147)**	(23,440)
Loss before income tax	*6*	**(654,714)**	(371,700)
Income tax expense	*7(a)*	**(274)**	–
LOSS FOR THE YEAR		**(654,988)**	(371,700)

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Other comprehensive income			
Items that maybe reclassified subsequently to profit or loss:			
Change in value of available-for-sale financial assets		**–**	2,316
Fair value loss of financial assets at fair value through other comprehensive income		**(3,256)**	–
Exchange differences arising on translation of foreign operations		**(24,666)**	29,676
Other comprehensive (loss)/income for the year		**(27,922)**	31,992
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(682,910)**	(339,708)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(647,558)**	(366,304)
Non-controlling interests		**(7,430)**	(5,396)
		(654,988)	(371,700)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(675,865)**	(336,844)
Non-controlling interests		**(7,045)**	(2,864)
		(682,910)	(339,708)
LOSS PER SHARE			
– Basic *(HK cents)*	*8*	**(19.02) cents**	(11.11) cents
– Diluted *(HK cents)*	*8*	**(19.02) cents**	(11.11) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**15,096**	16,429
Interests in associates		**120,118**	273,617
Goodwill		**425,610**	102,702
Intangible assets		**257,073**	386,325
Deferred tax assets		**172**	–
Other financial assets		**–**	364,450
Financial asset at amortised cost		**1,139**	–
Financial assets at fair value through other comprehensive income		**399,279**	–
		1,218,487	1,143,523
CURRENT ASSETS			
Trade receivables	*9*	**45,277**	–
Other receivables, deposits and prepayments		**99,861**	63,560
Inventories		**61,525**	–
Other financial assets		**–**	2,312
Financial assets at fair value through profit or loss		**58,822**	–
Amount due from an associate		**17,850**	60,645
Amounts due from related companies		**951**	4,099
Cash and cash equivalents		**131,918**	451,771
		416,204	582,387

	Notes	2018 HK$'000	2017 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*10*	**242,864**	37,599
Contract liabilities	*11*	**23,902**	–
Amount due to an associate		**–**	379
Amounts due to related companies		**18,084**	58,304
Tax payable		**114,020**	112,094
		398,870	208,376
NET CURRENT ASSETS		**17,334**	374,011
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,235,821**	1,517,534
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**11,752**	–
Contingent consideration payable		**87,892**	–
		99,644	–
NET ASSETS		**1,136,177**	1,517,534
EQUITY			
Share capital		**42,134**	32,979
Reserves		**1,078,673**	1,463,279
Equity attributable to owners of the Company		**1,120,807**	1,496,258
Non-controlling interests		**15,370**	21,276
TOTAL EQUITY		**1,136,177**	1,517,534

1. GENERAL

V1 Group Limited (the "Company") is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Its principal place of business in Hong Kong is located at Room 3506, 35th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road, Central, Hong Kong.

The Company and its subsidiaries (thereafter referred to as the "Group") were principally engaged in tele-media business, including internet audio-visual new media, online games, online trading platform and other internet plus businesses in the People's Republic of China ("PRC") during the year ended 31 December 2018.

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

VODone (Beijing) Network Technology Limited（第一視頻（北京）網絡技術有限公司）, a company established in the PRC and a wholly owned subsidiary of VODone Telemedia, owns the domain name (www.v1.cn) and is licensed in the PRC to provide an audio/video transmission platform delivering a range of cross media telecommunications contents and valued added services to its customers. Dr. Zhang Lijun is a director of both VODone Telemedia and the Company and he has beneficial interests in both VODone Telemedia and the Company as at the end of reporting period.

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

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2018

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of these amendments has no material impact on the Group's financial statements.

A. HKFRS 9 – Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2(a)(A)(i) and (ii) below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated with the exception of certain aspects of hedge accounting.

The total impact on the Group's reserves as at 1 January 2018 is as follows:

	HK$'000
Investment revaluation reserve as at 31 December 2017	(5,518)
Transferred to retained earnings relating to financial assets now measured at fair value through profit or loss ("FVTPL") *(note a)*	5,518
Transferred to investment revaluation reserve relating to unlisted fund investment now measured at fair value through other comprehensive income ("FVOCI") *(note b)*	56,170
Restated investment revaluation reserve as at 1 January 2018	56,170
Accumulated losses as at 31 December 2017	(1,120,714)
Transferred from investment revaluation reserves relating to financial assets now measured at FVTPL *(note a)*	(5,518)
Accumulated losses as at 1 January 2018	(1,126,232)

(i) Classification and measurement of financial instruments

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL (as defined in above), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at FVOCI (as defined in above); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to achieved by both collecting contractual cash flow and selling financial assets; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate 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.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.
Amortised costs	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.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

	HKAS 39 carrying amount at 31 December 2017	**Reclassification**	**Remeasurement**	**HKFRS 9 carrying amount at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets classified as available-for-sale financial assests at FVOCI under HKAS 39				
– Compensation arising from profit guarantee arrangement of 3GUU Group *(note a)*	2,312	(2,312)	–	–
– Unlisted investment funds *(note b(i))*	69,607	(69,607)	–	–
	71,919	(71,919)	–	–
Financial assets classified as available-for-sale financial assests at cost under HKAS 39				
– Unlisted investment funds *(note b(ii))*	287,157	(287,157)	–	–
– Unlisted equity investments *(note c)*	7,686	(7,686)	–	–
	294,843	(294,843)	–	–
Financial assets at FVTPL under HKFRS9				
– Compensation arising from profit guarantee arrangement of 3GUU Group *(note a)*	–	2,312	–	2,312
– Unlisted investment funds *(note b(i))*	–	69,607	–	69,607
	–	71,919	–	71,919
Financial assets at FVOCI under HKFRS9				
– Unlisted investment funds *(note b(ii))*	–	287,157	56,170	343,327
– Unlisted equity investments *(note c)*	–	7,686	–	7,686
	–	294,843	56,170	351,013
Financial assets at amortised cost				
– Other receivables and deposits	34,802	–	–	34,802
– Amount due from an associate	4,099	–	–	4,099
– Amounts due from related companies	60,645	–	–	60,645
– Cash and cash equivalents	451,771	–	–	451,771
	551,317	–	–	551,317

Note (a):

Pursuant to the profit guarantee arrangement in relation to the acquisition of 3GUU Group, the Company is entitled to recover the related consideration shares at no cost as the actual result of 3GUU Group for the year ended 31 December 2013 was less than the relevant profit target. The Company has decided not to recall the consideration shares and asked the vendors to dispose of the related shares to settle the compensation in cash. Compensation is determined on the agreed number of shares to be disposed of at their fair value at the end of reporting period. Under HKAS 39, the compensation is classified as available-for-sale financial asset at FVOCI in the consolidated statement of financial position.

At the date of initial application of HKFRS 9, the compensation was reclassified from available-for-sale financial assets at fair value to financial assets at FVTPL, as the Group's business model is to hold this investment for cash settlement from disposal of shares.

Note (b):

(i) The Group invested in the CICC Global Jinpu Selective Fund (Class B) issued by the China International Capital Corporation Hong Kong Securities Limited, in the total amount of US$8,500,000 (equivalent to HK$65,875,000). Under HKAS39, the investment is classified as available-for-sale financial asset in the consolidated statement of financial position. It is carried at fair value with changes in fair value recognised in the other comprehensive income. At the date of initial application of HKFRS 9, the investment fund was reclassified from available-for-sale financial assets at fair value to financial assets at FVTPL, as the Group's business model is to hold the investment for resale.

(ii) These investment represents investment in unlisted management funds. The Group intends to hold these equity investments for long term strategic purpose. Under HKAS 39, the investments are classified as available-for-sale financial asset at cost in the consolidated statement of financial position.

Under HKFRS 9, the Group has designated these unlisted fund investments as measured at financial assets at FVOCI as it is held for strategic purpose and not for trading purpose. As at 1 January 2018, the difference between the previous carrying amount and the fair value of HK$56,170,000 has been credited to investment revaluation reserve.

Note (c):

The balance represents the Group's investment of 10% equity interest in 杭州翼心信息科技有限公司 (Hangzhou Yixin Information Technology Limited*), a company incorporated in the PRC, at a consideration of RMB6,400,000 (equivalent to HK$7,686,000). The investment was classified as available-for-sale financial asset at cost under HKAS 39. At the date of initial application of HKFRS 9, the Group has designated this unlisted equity investment as measured at financial assets at FVOCI as it is held for strategic purpose and not for trading purpose.

The measurement categories for all financial liabilities remain the same for the Group, the carrying amounts for all liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or re-designate any financial asset or financial liability at FVTPL at 1 January 2018.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rate where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof.

  The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

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

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECLs model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial assets at amortised cost, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices.

Impairment of amount due from an associate

The balance represents amount due from TMD1. As disclosed in Note 1, the Group provides internet information services through a series of service agreements entered into among the Company, TMD1 and VODone Telemedia Co. Ltd. ("VODone Telemedia") or its related company. The amount due from TMD1 is trade related as it represents receivables derived from revenue from TMD1. The balances are considered to have low credit risk as the balance is considered to have strong financial support from VoDone Telemedia or its related company.

The Group's amounts due from related companies are trade related. The balances are considered to have low credit risk, and therefore the impairment provision is determined as 12 months expected credit losses. After applying the expected credit loss model, the management considered that the loss allowance for these financial instruments was immaterial.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017 but are recognised in the consolidated statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

– The determination of the business model within which a financial asset is held;

– The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

– The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B. HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the consolidated financial information presented for 2017 has not been restated.

The Group has applied the following accounting policy for revenue recognition in the preparation of these consolidated financial statements:

The Group recognises revenue from contracts with customers based on a five-step model as set out in HKFRS 15:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

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.

The Group has reviewed the impact of HKFRS 15 and considered that HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised for contracts with customers.

Details of the new significant accounting and the nature of the changes to previous accounting policy in relation to the Group's various goods are set out below:

Revenue for advertising and service income

As described in Note 1, the Group provides advertising and internet information services through a series of service agreements with TMD1. The performance obligation is satisfied when the TMD1 used the advertising and internet information services in their daily operations. 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.

Under HKAS 18, revenue for advertising and service income are advertising income are recognised when services are performed in accordance with the terms of the contract. Under HKFRS 15, as those services provides all of the benefits received and consumed simultaneously by the customer, revenue is recognised when the services are rendered over time. The initial adoption of HKFRS 15 did not result in significant impact on the Group's accounting policies on revenue for advertising and service income.

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.

Under HKAS 18, revenue from internet games is recognised when the goods are delivered based on download of games or consumption of in-game premium features by game players, or over the subscription period. Under HKFRS 15, revenue is recognised over time as the game players are consuming the in-game virtual items simultaneously when the Group provides. The initial adoption of HKFRS 15 did not result in significant impact on the Group's accounting policies on revenue for sales of internet games products.

Revenue for e-commerce trading income

Under HKAS 18, revenue from sale of digital products through the e-commerce trading platform is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually at the date when a Group entity has delivered products to the customer and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Under HKFRS15, revenue is recognised when the customer takes possession of and accepts the products. Therefore, the initial adoption of HKFRS15 did not result in significant impact on the Group's accounting policies on revenue for e-commerce trading income.

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

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

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] *Effective for annual periods beginning on or after 1 January 2019*

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

[3] *The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.*

HKFRS 16 – Leases

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for a number of properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$36,192,000 for properties under operating leases, the majority of which is payable either within 1 year or between 2 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HK(IFRIC)–Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Except as described above, the directors of the Company (the "Director")anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements in the future.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(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. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

In 2017, the Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Tele-media business – Provision of internet information services, including mini-video news portal and self-produced original news commentary programs, mini-video news platform for the mobile clients, online games and online shows, other internet plus business; and online trading platform which applies the blockchain technology.

- Lottery-related business – Provision of lottery information services.

Due to the suspension of lottery related business by the PRC Government since 1 March 2015, the Group recorded a continuous contraction of the lottery segment. Since the lottery segment became insignificant to the operation of the Group, the Chief Operating Decision Maker ("CODM") will not make strategic decisions based on segment results of the lottery segment.

(a) Business segments

Upon the completion of the business combination on 27 November 2018 as described in the circular of the Company dated 28 September 2018, the management of the Group has been exploring for opportunities to participate in mobile games and live streaming platform in the PRC. To strengthen the investment strategy and portfolio management, management of the Group changed the internal reporting structure and added mobile games, application and live streaming platform as a new reporting segment. Therefore, the Group has presented two reportable segments in 2018 as below:

- Tele-media business – Provision of internet information services, including mini-video news portal and self-produced original news commentary programs, mini-video news platform for the mobile clients, online games and online shows, other internet plus business; and online trading platform.

- Mobile games, application and live streaming platform – Development and operation of online mobile game application, live streaming platforms and interactive game application, online information platforms and related products of sports nature in the PRC.

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.

	Tele-media business		Mobile games, application and live-streaming platform		Lottery-related business			
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**3,364,974**	510,626	**16,835**	–	**–**	–	**3,381,809**	510,626
Reportable segment (loss)/profit	**(523,199)**	(297,315)	**4,291**	–	**–**	(18,251)	**(518,908)**	(315,566)
Interest income	**104**	108	**–**	–	**–**	–	**104**	108
Impairment of property, plant and equipment	**–**	29,318	**–**	–	**–**	–	**–**	29,318
Impairment of intangible assets	**179,288**	63,691	**–**	–	**–**	–	**179,288**	63,691
Impairment of interest in an associate	**110,329**	–	–	–	–	–	**110,329**	–
Impairment of goodwill	**83,196**	8,932	**–**	–	**–**	–	**83,196**	8,932
Depreciation and amortisation	**33,433**	45,810	**546**	–	**–**	–	**33,979**	45,810
Share-based payment	**–**	(63)	**–**	–	**–**	–	**–**	(63)
Reportable segment assets	**380,211**	637,506	**604,137**	–	**–**	2,237	**984,348**	639,743
Additions to non-current assets	**1,401**	38,681	**4**	–	**–**	–	**1,405**	38,681
Reportable segment liabilities	**61,996**	81,013	**115,031**	–	**–**	223	**177,027**	81,236

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

	2018	2017
	HK$'000	*HK$'000*
Loss before income tax		
Reportable segment loss	**(518,908)**	(315,566)
Other gains and losses	**8,121**	11,750
Share of profits of associates	**(47,147)**	(23,440)
Unallocated expenses:		
– Legal and professional fee	**(22,663)**	–
– Share-based payment expenses	**(23,828)**	–
– Staff costs	**(25,239)**	(23,890)
– Others	**(25,050)**	(20,554)
Consolidated loss before income tax	**(654,714)**	(371,700)

	2018	2017
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**984,348**	639,743
Other financial assets	**458,102**	366,762
Interests in associates	**120,118**	273,617
Cash at banks	**68,331**	441,673
Unallocated corporate assets	**3,792**	4,115
Consolidated total assets	**1,634,691**	1,725,910

	2018	2017
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**177,027**	81,236
Deposits received, other payables and accruals	**24,416**	11,443
Tax provision for gain on disposal of subsidiaries	**112,094**	112,094
Contingent consideration payable	**184,849**	–
Unallocated corporate liabilities	**128**	3,603
Consolidated total liabilities	**498,514**	208,376

(c) Geographical information

During 2018 and 2017, over 90% of the Group's revenue is attributable to customers in the PRC and over 90% of the Group's total non-current assets are located in the PRC and the remaining non-current assets are located in Hong Kong and Dubai.

(d) Disaggregation of revenue

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

	Tele-media		Mobile games, application and live streaming platform		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
E-Commerce trading platform	**3,313,418**	392,897	**–**	–	**3,313,418**	392,897
Gaming	**2,977**	37,685	**–**	–	**2,977**	37,685
Advertising Income	**48,579**	80,044	**–**	–	**48,579**	80,044
Game application	**–**	–	**8,091**	–	**8,091**	–
Live stream online platform	**–**	–	**2,758**	–	**2,758**	–
Online information platform	**–**	–	**4,116**	–	**4,116**	–
Exchange of gifts	**–**	–	**1,870**	–	**1,870**	–
	3,364,974	510,626	**16,835**	–	**3,381,809**	510,626
Timing of revenue recognition						
At a point in time	**3,313,418**	392,897	**1,870**	–	**3,315,288**	392,897
Transferred over time	**51,556**	117,729	**14,965**	–	**66,521**	117,729
	3,364,974	510,626	**16,835**	–	**3,381,809**	510,626

(e) Major customers

Revenue from two customers (2017: two customer) of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**756,248**	108,881
Customer B	**326,442**	–
TMD1 *(note)*	**43,753**	156,004

Note:

In 2017, the Group's associate is a major customer with whom transactions have exceeded 10% of the Group's revenues. For the year ended 31 December 2018, revenue from the Group's associate amounted to approximately HK$43,753,000 in the tele-media segment. For the year ended 31 December 2017, revenue from the Group's associate amounted to approximately HK$156,004,000 in the tele-media segment.

5. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Realised fair value gain on other financial assets	**–**	6,291
Fair value gain on financial assets at fair value through profit or loss	**2,356**	–
Interest income	**4,116**	6,062
Loss on disposal of intangible assets	**(1,746)**	–
Loss on disposal of property, plant and equipment	**(115)**	(13)
Net foreign exchange gains/(losses)	**278**	(280)
Others	**3,808**	(623)
Impairment of property, plant and equipment	**–**	(29,318)
	8,697	(17,881)

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Staff costs (excluding directors' remuneration)		
Salaries and wages	**71,182**	44,523
Pension fund contributions	**9,334**	6,378
Share-based payments	**23,828**	(63)
	104,344	50,838
Carrying amount of inventories sold	**3,300,698**	347,094
Depreciation of property, plant and equipment	**2,598**	8,358
Impairment of goodwill	**83,196**	8,932
Impairment of intangible assets	**179,288**	63,691
Impairment of interest in an associate	**110,329**	–
Amortisation of intangible assets included in		
– Cost of revenue	**29,040**	31,914
– Administrative expenses	**5,538**	5,538
Auditor's remuneration		
– Audit service	**3,130**	1,240
– Non-audit service	**97**	88

7. INCOME TAX EXPENSE

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

	2018	2017
	HK$'000	*HK$'000*
Current tax		
– Hong Kong profits tax for the year	**–**	–
– PRC income tax for the year	**270**	–
	270	–
Deferred taxation		
– attributable to the reversal of temporary differences	**4**	–
Income tax expense	**274**	–

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

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

Beijing Crazy Sports Management Company Limited (北京瘋狂體育產業管理有限公司) which is recognised as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 15% for the period ended 31 December 2017 and 2018.

Khorgos Crazy New Game Network Technology Company Limited (霍爾果斯瘋狂新遊網絡有限公司), 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 from tax form 1 January 2017 to 31 December 2020.

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

	2018 *HK$'000*	2017 *HK$'000*
Loss before income tax	**(654,714)**	(371,700)
Taxation calculated at PRC income tax of 25% (2017: 25%)	**(163,679)**	(92,925)
Tax effect of non-taxable income	**(39,584)**	(1,455)
Tax effect of expenses not deductible for taxation purposes	**91,406**	18,480
Tax effect of tax losses not recognised	**77,165**	52,725
Effect of lower tax rate applicable to subsidiaries as a result of preferential tax policy as described in (a)	**6,491**	9,385
Effect of tax exemption granted	**(4,171)**	4,099
Effect of tax rate in foreign jurisdictions	**29,455**	11,686
Tax effect of temporary difference not recognised	**3,191**	(1,995)
Income tax expense for the year	**274**	–

8. LOSS PER SHARE

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

	2018 *HK$'000*	2017 *HK$'000*
Loss for the purposes of basic and diluted loss per share	**(647,558)**	(366,304)

Number of shares

	2018 *'000*	2017 *'000*
Weighted average number of ordinary shares for the purposes of basic loss per share	**3,405,227**	3,297,925
Effect of dilutive potential ordinary shares: – share options	**–**	–
Weighted average number of ordinary shares for the purposes of diluted loss per share	**3,405,227**	3,297,925

Loss per share

	2018	2017
	HK Cents	*HK Cents*
– Basic	**(19.02)**	(11.11)
– Diluted	**(19.02)**	(11.11)

The computation of diluted loss per share for the year ended 31 December 2018 and 2017 does not assume the exercise of the outstanding share options as they had an anti-dilutive effect on the loss per share calculation.

9. 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:

	2018	2017
	HK$'000	*HK$'000*
Within 6 months	**45,189**	–
Over 6 months but within 1 year	**26**	–
Over 1 year but within 2 years	**62**	–
	45,277	–

The Group and the Company assessed impairment loss based on the accounting policy stated in Note 2(a)(A)(ii). 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.

10. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**29,056**	–
Deposits received	**6,629**	17,185
Accruals	**23,097**	11,613
Dividend payable	**4,419**	4,586
Contingent consideration payable	**96,957**	–
Amounts due to shareholders of subsidiary	**40,160**	–
Other payables	**42,546**	4,215
	242,864	37,599

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:

	2018	2017
	HK$'000	*HK$'000*
Within 6 months	**24,199**	–
Over 6 months but within 1 year	**1,511**	–
Over 1 year but within 2 years	**1,766**	–
Over 2 years but within 3 years	**1,058**	–
Over 3 years	**522**	–
Total trade payables	**29,056**	–
Accrued liabilities and other liabilities	**213,808**	37,599
	242,864	37,599

11. CONTRACT LIABILITIES

	2018	2017
	HK$'000	*HK$'000*
Contract liabilities arising from:		
Games and applications	**10,151**	–
Advance payments received from e-commerce trading platform	**13,751**	–
	23,902	–

Movements in contract liabilities:

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

12. BUSINESS ACQUISITION

(a) Acquisition of Easy Prime Developments Limited ("Easy Prime")

On 27 November 2018 (the "Completion Date"), the Group completed the acquisition of entire equity interest of Easy Prime Developments Limited from Rising Green Limited (the "Acquisition"). Rising Green Limited is a related party of the Company as at the Completion Date, Dr. Zhang, being an executive Director and the Chairman of the Company, and Ms. Wang Chun, being an executive Director and the spouse of Dr. Zhang, were interested/deemed to be interested in approximately 46.23% of the Vendor. Therefore, the transaction is a related party transactions involving acquisition of subsidiaries.

Easy Prime is an investment holding company which holds the entire issued share capital of Fengkuang Tiyu (HK) Limited, which in turn holds the entire equity interest in the Crazy New Game (Beijing) Technology Company Limited which through the VIE Contracts, will have effective control over the financing and operations of the Beijing Crazy Sports Management Company Limited ("Crazy Sport"), and enjoy the economic interest and benefits of the Crazy Sport. Crazy Sport is principally engaged in development and operation of online and/or mobile game application, live streaming platforms and online mobile interactive game application, online information platforms and related products of sports nature in the PRC. Therefore, Easy Prime was acquired so as to achieve better shareholder returns and development in mobile games and application business.

Acquisition-related costs amounting to HK$4,602,000 has been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

The fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	705
Intangible assets	85,220
Deferred tax assets	172
Bank balances and cash	39,494
Accounts receivables	43,113
Deposits and other receivables	21,073
Accounts payables	(6,661)
Deposits received, other payables and accruals	(49,055)
Tax payables	(2,101)
Amount due to shareholders	(39,711)
Contract liabilities	(3,855)
Deferred tax liabilities	(11,752)
Total identifiable net assets acquired	76,642

The directors of the Company have determined the fair value of the identifiable assets and liabilities of Easy Prime on Completion Date with reference to the valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professional valuer who has professional qualifications and relevant experience. The valuation of the fair value of intangible assets used income approach, i.e. multi-period excess earnings method. In the multi-period excess earnings method, value is estimated as the present value of the incremental after-tax cash flow (excess earnings) attributable solely to the intangible assets over its remaining useful life. The discount rate used is 22%. Estimated future economic benefits attributed to the intangible assets were discounted at a rate which reflected the business risks in relation to the business operated. Fair value of net assets to be acquired represents:

	HK$'000
Audited net assets of Easy Prime on Completion Date	10,046
Fair value adjustments on:	
Intangible assets	78,348
Deferred tax liabilities arising from fair value adjustment on intangible assets	(11,752)
Total identifiable net assets acquired	76,642
Goodwill	407,960
Fair value of purchase considerations	484,602
Fair value of purchase considerations represented by:	
Consideration Payables	282,657
Consideration Shares	201,945
	484,602

Pursuant to the Acquisition Agreement, the initial consideration for the Acquisition is HK$630,000,000 (subject to compensation ("Consideration Adjustments")) which is satisfied by the Group in the following manner:

(i) Consideration Payables

HK$282,657,000 will be paid by three instalments in cash ("Consideration Payables") in three batches as follows, subject to the compensation ("Consideration Adjustments"):

	Face value	**Fair value at Completion Date**
	HK$'000	*HK$'000*
Upon Completion of Acquisition	97,808	97,808
Within five Business Days after the financial year ending 31 December 2018	97,808	96,957
Within five Business Days after the financial year ending 31 December 2019	97,809	87,892
Total cash consideration	293,425	282,657

Upon recognition of the contingent consideration in the Statement of Financial Position on the Completion Date, the fair value of Consideration Payable for different tranches are determined based on the assessment of the probability of the contingent consideration under various scenarios on the Completion Date. A discount rate ranging from 9.83% to 10.27% is used to determine the fair value of the Consideration Payable.

(ii) Consideration Shares

HK$336,574,700 will be satisfied by way of allotment of a total of 874,220,000 Consideration Shares of the Company at the issue price of HK$0.385 per Consideration Share. The Consideration Shares shall be held in custody of the Company and released in three batches within five Business Days after the date of issuance of the Audited Report in the following manner, subject to the compensation ("Consideration Adjustments"):

	Number of shares *'000*	**Face value** *HK$'000*	**Fair value at Completion date** *HK$'000*
Within five Business Days after the financial year ending 31 December 2018	291,406	112,191	67,315
Within five Business Days after the financial year ending 31 December 2019	291,407	112,192	67,315
Within five Business Days after the financial year ending 31 December 2020	291,407	112,192	67,315
Total cash consideration	874,220	336,575	201,945

Upon recognition of the contingent consideration in the Statement of Financial Position on the Completion Date, the fair value of Consideration Shares for different tranches represented the market price of the Company's share of HK$0.231 on the Completion Date multiplied by the number of Consideration Shares (874,220,000 shares) to be issued based on the assessment of the probability of the contingent consideration under various scenarios on the Completion Date.

(iii) Consideration Adjustments

Pursuant to the Agreement, the Vendor has irrevocably and unconditionally warranted and guaranteed that the audited consolidated net profit after taxation (the "Actual Net Profit") of the Easy Prime and its subsidiaries based on the audited report, shall not be less than the following amounts for each of the financial years ending 31 December 2018, 2019 and 2020 (the "Guaranteed Profit(s)"):

	RMB'000
For the financial year ending 31 December 2018	40,000
For the financial year ending 31 December 2019	50,000
For the financial year ending 31 December 2020	63,000
Total identifiable net assets acquired	153,000

Consideration Adjustment provided that in the event that the Actual Net Profit is less than the Guaranteed Profit for each of the financial years ending 31 December 2018, 2019 and 2020, the consideration shall be adjusted as manner disclosed in the Company Circular dated 28 September 2018.

Goodwill arose in the acquisition included amounts in relation to the benefit of expected revenue growth, future market development and the assembled workforce of Crazy Sport. The Group could leverage its resources to facilitate the Crazy Sport to expand the business in China and capture the opportunities of the mobile games and live-streaming application market. The Acquisition is in line with the business strategy of the Group.

Cash (inflow)/outflow arising from acquisition of subsidiaries:

	HK$'000
Cash consideration	97,808
Bank balances and cash acquired	(39,494)
Purchase consideration settled by cash	58,314

Since the acquisition date, Easy Prime and its subsidiaries has contributed a revenue of HK$16,835,000 and a profit after tax of HK$674,000 to the Group. If the acquisition had occurred on 1 January 2018, the Group's revenue and loss after tax would have been HK$3,700,005,000 and HK$571,501,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of further performance.

(b) 深圳互動時空科技有限公司 (Shenzhen Interactive Space-time Technology Co., Ltd.*)

On 31 October 2018, the Company entered into share purchase agreement with an independent third party for the purchase of 51% interest in Shenzhen Interactive Space-time Technology Co., Ltd.* ("Interactive Space-time") at a total consideration of RMB1,000,000 (equivalent to HK$1,185,000).

The fair value of identifiable assets and liabilities of the acquirees as at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	1,362
Accounts receivables	88
Deposits and other receivables	3,440
Inventories	732
Amount due from shareholders	1,139
Bank balances and cash	20
Accounts payables	(3,476)
Deposits received, other payables and accruals	(8,547)
Total identified net liabilities	(5,242)
Goodwill	7,566
Non-controlling interest	(1,139)
Purchase consideration settled by cash	1,185

Cash (inflow)/outflow arising from acquisition of a subsidiary:

	HK$'000
Cash consideration	1,185
Bank balances and cash acquired	(20)
Purchase consideration settled by cash	1,165

Since the acquisition date, Interactive Space-time has contributed a revenue of HK$Nil and a loss after tax of HK$4,907,000 to the Group. If the acquisition had occurred on 1 January 2018, the Group's revenue would have no change and loss after tax would have been HK$628,040,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of further performance.

11. EVENTS AFTER THE REPORTING DATE

There was no matter occurred that bears significant effect to the Group between the year end date and the date of this announcement.

* *for identification purposes only*

REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2018 have been reviewed by the audit committee of the Company.

CHAIRMAN'S STATEMENT

Subsequent to V1 Group's disposal of the mobile game business and the suspension of our internet lottery business in accordance with the national policy, the Group's management team and I have endeavored to combine V1 Group's advantages with emerging technologies so as to build up a core business that create another glory for V1 Group. After years of endeavor and commitment, I am delighted to inform you that V1 Group is set to embrace its renaissance! By exploring and adhering to our strategic direction of "digital + new culture and sports", we will embrace a brand new V1 Group in 2019.

Upon our comprehensive and thorough review over time, we have realized that the advantages of V1 Group primarily comprise of 3 aspects; (i) V1 Portal's cooperation with CATV to develop a standardized media business of domestic and overseas news; (ii) the gaming resources and operational experience gained from the mobile game business; and (iii) the information service business, big data regarding sports fans and relevant channels derived from the operation of our lottery business.

Since 2018, we have been focusing on our strategic direction of "digital + new culture and sports". After repetitive attempts, we have yielded initial results. In the previous year, we divested the businesses with less synergy to the Group and concentrated our resources on new culture and sports. Besides, we enhanced our news media business to align with the prevailing demand from content providers and users. We have particularly identified our direction to actively engage in the convergence media development in county level. In addition, with the acquisition of Fengkuang Tiyu (瘋狂體育), there will be a new anchor for our sports users and lottery information service business, which revitalized our resources to bring vitality into the Group. At the same time, the acquisition of Shenzhen Interactive Space-time Technology Co., Ltd. (深圳互動時空科技有限公司) ("Interactive Space-time") will enable the Group to establish its presence in the intellectual property (IP) derivative products of consumer electronics.

In the coming year, we will enhance the Group's management team so as to cope with the rapid development in high technology and growing competition in the international and professional market. Subsequently, we will capitalize on the strengths of our businesses to further increase our revenue, whilst creating synergy among our business segments to build a fully-integrated strategic system. The news media business of V1 Portal will tap into local town news and attract new users through mission games and other channels. We will also assist in the promotion of national "The Belt and Road Initiative" by creating "Silk Road New Retail" with CATV. Fengkuang Tiyu will develop a vibrant community for competitive sports enthusiasts to improve user loyalty and activity via games and lottery information which in turn will boost turnover. Meanwhile, Interactive Space-time will strive to expand the design and development of IP derivative products of consumer electronics and combine with the business of Liangzi Gang to establish an e-commerce channel of physical products. V1 Group will strive to build an industry chain for the competitive sports enthusiasts through the following channels: live broadcast of e-sports or sports matches on V1 Portal, provide customers an interactive community via Fengkuang Tiyu, lottery information and e-sports entertainment services via Crazy Recommendation（瘋狂紅單）and Shandian Huyu（閃電互娛）, as well as to provide derivative products collection for corresponding IPs and IP enthusiasts via Interactive Space-time.

To all shareholders: V1 Group now focuses on "digital + new culture and sports". By leveraging on Fengkuang Tiyu and Interactive Space-time, we aim to target this three trillion-dollar market of sports, games and consumer electronics. Our games, lottery related information and derivative products will be the engines of the Group, coupled with media and financial investment to forge a new operation system which facilitates a healthy development of our businesses.

To all shareholders: last year was the year for V1 Group to sow the seed and grow its businesses, and this year is the year of maturity and harvest. On behalf of the management of V1 Group, I sincerely thank you for your trust and support! We will exert every effort and resource to develop our businesses. Let us work hand in hand and deliver the great renaissance of V1 Group!

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Turnover of the Group for the year ended 31 December 2018 amounted to HK$3,381,809,000, representing an increase of around 562.3% as compared with last year's loss for the year increased to HK$654,714,000 (2017: HK$371,700,000) which was mainly due to the increase in impairment of intangible assets and goodwill as a result of the occurrence of new technology, impairment of interest in an associate, and the new operation expenses.

Business Review and Development

In 2018, the Group continued to focus on the development of the tele-media business, including internet audio-visual new media, TV station, online sports and games, online trading platform, IP derivatives business and other businesses.

- Tele-media business

V1 Portal

After years of overcoming all kinds of challenges to forge ahead, V1 Portal has not only spared no efforts to develop video contents, but also keep abreast of the pulse of industry at all times to constantly launch innovative products and implement strategic transformation with an aim to embrace the era of 5G.

"No live-broadcast, No transmission" (無直播不傳播) has become a consensus of the industry under prevailing online marketing environment in China. Under the combined effects of capital and user needs, the market space for domestic live-broadcast industry is increasingly growing with webcasting users in China expected already amounting to 460 million(1) and is expected to reach RMB60 billion(2) market scale by 2020. Benefiting from the forthcoming 5G era and the continually improvement of the network infrastructure, live-broadcast is gaining weight in the future transmitting fields and influence of users and network anchors in the industry will further expand in the future.

Source:

(1) 2018Q1 China Online Live Industry Research Report (《2018Q1中國在線直播行業研究報告》) issued by imedia.

(2) 2018Q1 Fast Growing of China Live Show Industry and its Future Development (《2018Q1中國秀場直播行業的快速發展及秀場直播何去何從》) issued by China Industry Research.

Based on the above background, V1 Portal has taken "V1 Group is on live" （第一視頻，正在直播）as its slogan and implemented a new "live-broadcast +" development strategy, which is focused on business live-broadcast market (B live-broadcast) with greater market space and potentials to be explored, rather than entertainment live-broadcast market (C live-broadcast), and has started to prepare to connect the channel of B and C live-broadcast so as to provide various enterprises one-stop live-broadcast marketing service.

Highlights of V1 Portal in 2018

In December 2018, a new version of V1 APP was launched. It contains function of "one click to live", news reporting by robot and nation-wide news reporting by regions. Based on such convergent platform of local news and hot topics, V1 APP developed its e-commerce business by introducing e-commerce product displays into V1 APP in forms of live broadcast or short video, thereby building its own platform to convert customer into buyers. In the meantime, V1 Portal will provide customizable video pre-planning and post-editing services to corporate and individual client to strengthen the effectiveness of marketing and sales. In 2019, given that China will vigorously promote the application of 5G wireless communication technology, V1 Group will seize the opportunity to develop new system platforms and continuously expand its business in live broadcast, customized program production and comprehensive media marketing, so as to cater to new market demands.

In 2018, V1 Portal identified the opportunity of the rapid development of B live-broadcast to carry out the "live-broadcast +" strategy and actively explore the business of live-broadcast service in vertical sectors. During the year, we completed more than 600 live-broadcast services covering various sectors such as news, sports, finance and satisfied the diversified need of users for live-broadcast in all directions through cooperation with certain well-known enterprises.

Awards

	Sponsors	Awards
1)	"My Story with the Reform and Opening Up"(「我與改革開放」故事徵集) by the Publicity Department of the CPC Beijing Committee to commemorate China' reform and opening up	"Excellent Organization Award"(優秀組織獎);
2)	World New Media Congress	"Brand Value Award"(品牌價值獎);
3)	CNBC (中國誠信網商大會)	"Top 10 Influential Brands Award in 2018" (二零一八十佳品牌影響力獎);
4)	World Mobile Internet Conference	"Most Innovative Enterprise"(最具創新企業);
5)	7th China Finance Summit	"Most Innovative Enterprise"(最具創新力企業獎);
6)	Global Internet Economy Conference	"Most Popular Video Information Website" (最受歡迎視頻資訊網站).

V1 Portal's Development Direction in 2019

In 2019, by actively participating in the construction of convergence media at county level encouraged by the Chinese government, V1 Portal will be dedicated to build a platform for nation-wide news reporting by regions and a national e-commerce integration platform, and launch regional information media such as regional e-commerce platforms and regional TV stations across the country. Through in-depth integration of information from towns and cities, we will establish online communities for different districts all around the country. We will also introduce new marketing modes of e-commerce in the concept of "local brand selection", in order to attract special local products and boutiques to the platform and achieve commercialisation. V1 Portal aims to build a huge news and social platform for public convergence media in PRC to show its influence as the "first brand of fully building up and releasing sparingly".

Liangzi Gang（量子港）

Liangzi Gang is a digital trading platform of V1 Group for products of consumer electronics which was officially launched in September 2017. Its management team has extensive experience in the e-commerce industry, consumer electronics industry and supply chain management industry as well as rich channel resources of consumer electronics and sales capacity. Currently, V1 Group has established partnership with numerous well-known companies at home and abroad, such as China Mobile, China Telecom, China Unicom, Xiaomi and Lenovo, through which the Company recorded annual sales of more than RMB 3 billion. The management team of Liangzi Gang wins trust with its professional expertise and endeavors to achieve future success with stable operation while constantly providing customers from both upstream and downstream of the supply chain with quality service and caring.

It is the aim of Liangzi Gang to establish long-term cooperation with outstanding enterprises across over 150 countries and regions under "The Belt and Road Initiative", APEC and other cooperation initiatives and arrangements, and to focus on providing competitive supply chain solutions, products and services to its partners including various enterprises, value-added service providers and retailers as well as their consumers, for the purpose of building a borderless commercial world in pursuit of mutual benefits and win-win results, so that all participants in such ecosystem can develop in the greatest environment.

By leveraging on the resource and integration capacity of V1 Group in the industry, Liangzi Gang strives to be the leading domestic 3C products e-commerce platform of "professional, honest, innovative and efficient" and the leading enterprise in promoting the healthy development of the industry. It links with other businesses of the Group, becoming an important marketing channel of Interactive Space-time for IP derivatives of consumer electronics and underpinning the "local e-commerce" strategy of the V1 Portal and the "Silk Road New Retail" strategy adopted by the CATV.

In accordance with the application and adoption of 5G communication technology, the Company has to upgrade and replace the present technology. At the same time, the price of mobile communication products was reduced due to the market pressure in the end of this year. In addition, there will be lots of challenges to the economy from 2019 onwards. It is expected that the credit risk will be increased. The credit sales in the sales forecast are removed causing the sales revenue to decrease below the original target. Therefore, there is an increment in the impairment of intangible assets of HK$179,288,000 and impairment of goodwill relating to the tele-media business of HK$83,196,000.

CATV

Year 2018 is the year of reform for China Arab TV ("CATV"). CATV has made repositioning and tailored adjustment on its development direction, language, audience and team building. As to the development direction, CATV is positioned as a direct information exchange platform between China and the Arab countries, focusing on cultural, economic and trading information and drawing the attention of audience by capturing the current social hot spots. As to the language, CATV has changed the bilingual from "Chinese-English" to "Chinese-Arabic", and shifted its targeted audience from overseas Chinese to Arabic users. As to the team building, we strive to seek more high caliber staff and partners for diversification and internationalisation.

In 2018, CATV has made efforts to develop the "media +" mode through actively participating in various media-related activities in Dubai and Beijing, and carrying out the projects that would generate profits directly, such as shooting promotional videos for Chinese government departments and enterprises.

Highlights of CATV in 2018

To extend our effective length of TV programs, CATV made full use of the cooperation agreements in relation to resources share and exchange. For example, CATV cooperated with the China Media Group to broadcast Chinese TV programs "Ode to Joy"（歡樂頌）, "Beijing Youth"（北京青年）and "Jin Tailang's Happy Life"（金太狼的幸福生活）in Arabic versions translated by the China Media Group on the CATV. Besides, CATV entered into contracts with Mango TV and developed a channel namely "Mango Exclusive Broadcast（芒果獨播）" to commence cooperation in respect of co-production.

In 2018, the cooperation value of "media + activities" was becoming increasingly prominent. CATV co-promoted activities through partnership with numerous exhibitions and forums of great importance, currently including International Communication Exhibition in Beijing（北京國際通信展）, MWS Worldwide Mobile Conference（MWS世界移動大會）, the 20th The China Retail Trade Fair（第20屆中國零售業博覽會）and VOD Dubai International Jewellery Show（VOD杜拜國際珠寶展）.

Development Direction of CATV

"Orient New Windows"(東方新視窗), as a leading program of CATV, will keep improving its quality and influence and introduce modern China and its surroundings to the Arab Countries from a variety of perspectives covering politics, economy, current affairs, people's livelihood, etc.. The series of "Interview with Ambassadors" produced by our featured program "New Vision"(馨視野) will extend its interviewees from ambassadors to celebrities in politics, business, academia and art in China and the Arab countries and cooperate with known media such as China Daily to enhance its brand recognition and value. The food show "Halal Chopsticks"(哈拉筷子) has been introduced into the AVOD system of Air China inflight media, which made it available to nearly a hundred million of passengers annually, and on the other hand, we will continue the production of Chinese documentary "Discovery" (尋) and aim to expand its influence around the world leveraging the advantages of its cooperation platforms in up and down streams like SinoMedia and China Daily.

In addition to TV programs, CATV is also developing short video programs for internet platforms such as Facebook, YouTube, Wechat and Weibo based on TV programs, and intends to produce a new short video program "Watching Chinese Films with Mona"(莫娜看中國電影), to expand the influence of CATV faster and wider with the characteristics of various internet platforms.

Conducting Various Cooperation by Leveraging the Advantages of CATV Platform

The future work in 2019 will focus on the continued implementation of the "media+" business covering from "media + communication" to "media + activities" and further to "media + training". By capitalising mechanisms of markets, funds and policies to pool a variety of innovative resources, CATV will be able to put ideas into practice for realizing business innovation and achievement transformation.

CATV together with all cooperative parties will continue to carry out on-site activities, exhibitions and shows and cooperation forum in Dubai. CATV will endeavor to facilitate the establishment of "people-to-people bond" between China and the Arab world and become an important communication window for people of China and the Arab to have a better understanding of each other.

• Mobile Games, application and live-streaming platform business

Fengkuang Tiyu

For further information about the acquisition of Fengkuang Tiyu by the Company completed on 27 November 2018, please refer to the circular of the Company dated 28 September 2018.

Fengkuang Tiyu is a mobile internet product that provides sports information, event news, live interactive games and other services for sports users, including updated sports news, accurate event information, interactive entertainment live broadcast and event quiz games, etc.. It also contains other features, covering not only world-wide leagues, as well as all the players' information, event live broadcast information, event watching navigation and other functions. In line with the concept of "Let sports create happiness", Fengkuang Tiyu has satisfied the needs of a large number of sports users by innovating mobile Internet products and services, and has achieved leap-forward development in games, paid lottery recommendation and live interaction.

Sports Game Business

On August 21, 2017, Fengkuang Tiyu reached a strategic partnership with Chinese Football Association Super League Co., Ltd. (hereinafter referred to as "CSL")（中超聯賽有限責任公司）, and whereby Fengkuang Tiyu was authorized to launch and operate the CSL game IPs worldwide from 2017 to 2022, including the right to use the relevant IP licenses of the CSL, clubs, players and head coaches. Fengkuang Tiyu is able to customize related computer and mobile games based on the CSL IPs cooperation.

Soccer Manager Arena CSL（實況中超）*

Soccer Manager Arena CSL* is the first official Player vs Player (PVP) 5-player real-time competitive sports mobile game of CSL. By introducing the famous game Soccer Manager Arena in the UK and adding the elements of CSL, Soccer Manager Arena CSL* enables game players to manipulate soccer players in using skills, such as acceleration, shooting, passing, and slide tackling. The game can be localized with languages. The game owns distinctive advantages as compared with those alike by virtue of its simple rules and easy-learning. With the launch of the 5-player real-time competitive sports mobile game, Fengkuang Tiyu will introduce a new 11-player real-time battle game product, which will be officially launched in June 2019.

Soccer Field（球場風雲）*

Soccer Field* is the Chinese version of the real-time competitive football game "Sociable Soccer". It is a mobile game co-released by Fengkuang Tiyu, "MIGU Play"（咪咕互娛）under China Mobile and the famous British game manufacturer Tower Studios. Fengkuang Tiyu possesses the official authorization while MIGU Play has the new media live broadcast rights of many top global events. By applying those to games, Fengkuang Tiyu and CSL create an online-offline electronic sports competition, becoming an important achievement of Sino-British trade cooperation at the first China International Import Expo in 2018. The game is currently in reservation phase and will be released officially in June 2019.

CSL Game Community（中超遊戲社區）*

CSL Game Community* under Fengkuang Tiyu is the official game community of the CSL. In 2018, Fengkuang Tiyu successfully introduced Arena of Valor（王者榮耀）, Tianlong Babu（天龍八部）, QQ Feiche*（QQ飛車）, Qiji Juexing*（奇蹟覺醒）, The Strongest NBA*（最強NBA）, The World of Legend（傳奇世界）, I am MT4*（我叫MT4）, Naruto*（火影忍者）, Chu Liuxiang*（楚留香）, Dahuaxiyou*（大話西遊） and Onmyoji（陰陽師）and other boutique games by signing a strategic cooperation agreement with Tencent and Netease.

Shandian Huyu（閃電互娛）*

In October 2018, Fengkuang Tiyu launched the "Shandian Huyu*", a brand for game distribution business focusing on the issuance and promotion of non-sports mobile games. Shandian Huyu* signed a cooperation agreement with Sohu Changyou（搜狐暢遊）and Jinshi Entertainment（金石互娛）respectively, pursuant to which, Shandian Huyu* has obtained the IP and game distribution rights of the two games, Knight*（俠客行）and Katana Maidens-Toji No Miko*（刀使巫女）.

*Jin Yong martial arts IP – Knight**

Knight* is a mobile game authorized by Jin Yong, co-launched by Shandian Huyu* and Sohu Changyou. The plot of the game is closely adapting to the original work, deeply interpreting the chivalrous spirit in Jin Yong's works, and leading the new Chinese-style martial arts trend with beautiful Chinese-style image quality. It is the first mobile game to commemorate Jin Yong's works, and was officially released on 17 January 2019.

*Japanese anime IP – Katana Maidens-Toji No Miko**

The IP of Katana Maidens-Toji No Miko* is authorized by MMT（漫漫淘）. Katana Maidens-Toji No Miko* is a MMORPG action ACGN mobile game developed by Kuyoo（酷遊）, and co-launched by Shandian Huyu* and Jinshi Entertainment. Up to now, Katana Maidens-Toji No Miko* has already had the appointments of about 50,000 fans at TapTap, which has been highly recognized by the ACGN users. The game has entered the beta stage and is expected to be officially released in the second quarter of 2019 after obtaining the game version number.

Crazy Recommendation*（瘋狂紅單）

Crazy Recommendation* is a professional paid lottery recommendation platform launched by Fengkuang Tiyu with the paid content posted in a similar model of stock evaluation in stock market. It has brought together many famous commentators and reporters to provide professional paid football and basketball recommendation analysis information for sports users. By integrating the users of Lottery 365（彩票365）, Zhongguozucaiwang（中國足彩網）and Diyicai（第一彩）as well as cooperating with sports platforms with high popularity such as All Football APP*（懂球帝）and Zhibo8.cc*（直播吧）, Tencent Sports*（騰訊體育）, cp.360.cn*（360彩票）, hupu.com*（虎撲體育）, JD.COM（京東）, Unicom Wo Wallet（聯通沃錢包）, Crazy Recommendation* became available to the vast majority of Chinese sports users. By catching up the wave of World Cup, Crazy Recommendation* recorded rapid growth in revenue and became one of the must-select services for those buyers.

Awards

	Sponsors	**Award**
1)	China Internet Weekly of the Chinese Academy of Sciences（中科院「互聯網週刊」）	Most Popular Sports APP in First Half of 2018（二零一八年上半年最受歡迎體育類APP）;
2)	China Internet Weekly of the Chinese Academy of Sciences	Best Sports Game Platform（最佳體育遊戲平台）
3)	Tencent Yingyongbao（騰訊應用寶）	Listed in Top Ten Fashion Apps of Star APP（星APP十大潮流應用）;
4)	Analysys International（易觀國際）	Star APP with Several-digits Growth in 2018（二零一八年度數位化成長之星）
5)	The 3rd Golden Gyro Awards Ceremony（第三屆金陀螺獎頒獎盛典）	Knight* awarded the Most Expected New Game Award of the Year（年度最具期待新遊獎）
6)	The Jinming Award under 4th Mobile Internet Marketing Summit and Jinming Award Presentation Ceremony（第四屆移動互聯網行銷峰會暨金鳴獎）	2018 Most Innovative and Ground-Breaking APP Award（二零一八年度最具突破創新APP大獎）

Interactive Space-time

The Group successfully acquired Interactive Space-time as it non-wholly owned subsidiary, the derivative business of which is part of the Group's main business structure of "digital + new culture and sports". Interactive Space-time has been focusing on developing the design, production and marketing of IP-licensed derivative products. At the same time, it also pays attention to the interaction between users and brands, products and trends. Based on the original features of each IP, Interactive Space-time redefines products, design solutions, organize production, and expand the markets. It tailor-makes systematic solutions for existing IP to meet its market needs and enables it to lead the way in the future.

IP Business

In 2018, there were some newcomers into the IP market and the established enterprises consolidated their market positions. The core resources centered on pan-entertainment are concentrated in film and video and game popular IPs. The IPs, which are recognized by the market, have strong capabilities and market organizing power.

Interactive Space-time's derivatives platform is based on IP resources. It takes R&D patents as its intellectual property barriers and incorporates various product solutions with more design ideas. Unlike traditional IP derivatives, Interactive Space-time does not simply take the short-term popularity of IP as its value. The IP derivatives do not only bring users trendy experience, but also have a cultural connotation that can carry the users' emotions. The core of IP resources is to use the core technologies to display the IP culture and its well-recognized forms, so that the IP consumer products will become the driver to promote the development of the market and that the IP functional product consumption power are combined with the popularity of IP forms.

Interactive Space-time leverages world-class IPs to release the brand's own market expansion power. At the same time, Interactive Space-time consolidates its core channels, builds a core product database with the carrying capacity of B-end channels, and stimulates customer demand with C-end product features.

Through copyright cooperation and mergers and acquisitions, Interactive Space-time forms a synergistic IP portfolio. Interactive Space-time leverages IP advantages and patent barriers to integrate industry resources, uses B-end customized service to drive the growth of the C-end customization, and integrates capacity through demand and leads consumption based on capacity.

In 2019, Interactive Space-time plans to establish a North American branch that will begin to cooperate with the world's top IPs, and continue to integrate high-quality IP resources with the fast response mechanism and the most efficient full-supply chain support. The overseas market online channel will be extended by the well-known e-commerce platform in North. As for the offline channel, Interactive Space-time is negotiating with a multinational supermaket chain to cooperate to provide integrated services in logistics, warehousing and sales. Interactive Space-time will bring products under its own brand Dreamroom to participate in the Las Vegas Global Authorized Exhibition, and simultaneously exhibit its high-end licensed products together with the brands Transformers and My Little Pony.

The IP-licensed brands are mainly engaged in the design and production preparation of authorised IP brands. Currently, Interactive Space-time completed 39 design projects of Transformers, 15 design projects of My Little Pony and 4 main projects of Zombies Cats. It has 21 independent patents and are applying for 11 patents.

In 2019, the 5G market and IoT upgrade will update more life experiences and accelerate the application and function enhancement of network products. Interactive Space-time has already laid out the IoT 5G product market in advance. The company and the operators and equipment vendors have reached a unified demand for new equipment and new 5G application products (network equipment, smart wear and vehicle equipment, etc.) for the 5G market. At the same time, Interactive Space-time's upgraded IoT products coexist with the multiple fields of mobile Internet, with IP as the core, promoting the development of cross-field and cross-platform derivative fan economy. The company will strive to occupy more IoT market share and wider channel access in this network innovation.

In 2019, Interactive Space-time will strive to reduce development costs and maximize the economic value of IP. In terms of product marketing, the company will expand the mainstream online and offline marketing channels. The company will increase corporate customization services and steadily develop customer customization.

Interactive Space-time strives to create a customized platform for consumer products that integrates the "Internet +" and the industrial intelligent manufacturing, and opens a chain-based customized center integrating IP, design, technology, and patents. The company provides more specific services to meet upgrading customer demand, making product halo effect become a driver for potential demand. It integrates the services from top to bottom, including intelligent design, matching, supply chain, release and trading.

Bank of Asia（亞洲銀行）

The Group completed an equity investment of about 37.53% in shareholdings in Bank of Asia (BVI) Limited ("Bank of Asia") in April 2017. Bank of Asia was issued a restricted Class 1 banking licence to to carry on banking and related business in accordance with the Banks and Trust Companies Act of British Virgin Islands (BVI). The Directors believe the Company will be able to tap into the unmet demands of BVI and other offshore companies originated by the high net worth China-based and other Asia-based customers

Bank of Asia operates as a digital bank with its platform bolstered by the latest technology. Bank of Asia has partnered with credible and reputable system service providers for its robust account opening Know Your Customer (KYC) design. Since its inception, Bank of Asia has invested millions of US dollars in building its core banking foundation and anti-money laundering (AML) systems, which leverage on the industry recognized solutions and tools such as Avaloq, Oracle, SAS, Refinitiv World-check and Due Diligence Solutions, ICBC e-security, SafetyNet, WeGeneral and Dentons that enable customer onboarding and ongoing due-diligence, name-screening, transaction-monitoring, sanctions compliance, etc. to be performed in the most prudent and effective manner.

Bank of Asia and its affiliates have approximately 70 staff in Asia and the BVI, with a customer call centre in Manila providing 24/7 unfailing customer services.

Bank of Asia has been establishing the set up of correspondent banking relationship in USA and Europe. In the first quarter of 2019, the Bank of Asia is in negotiation stage to establish correspondent banking relationship with an investment bank in Munich and to open a nostro account with a bank in Frankfurt, Germany.

Furthermore, Bank of Asia is negotiating with some prestige Swiss private banks and major banks in China and the ASEAN countries in order to establish closer bank-to-bank relationships with them to tap into Asian markets.

Since the incorporation of Bank of Asia, its business had not attained the targets up to the end of this financial year. Under the circumstance of accumulative losses, it is necessary to make an appropriate impairment amounting to about HK$110,329,000.

- Lottery-related business

At present, the two websites, i.e. Zhongguozucaiwang（中國足彩網）(www.zgzcw.com) and Diyicai（第一彩）(www.diyicai.com), in our lottery-related business only carry out lottery-related information publishing function.

Business Prospect

In 2018, the China-US trade war has not come to an end. Moreover, there were uncertainties in the Brexit, and oil price fluctuation disturbed the economy of oil-producing countries. However, in view of the improving economic structure in China, it is expected that the national economy will continue to grow steadily. The emerging benefits of the Belt and Road Initiative are expected to bring more new opportunities.

V1 Group has adopted the "digital + new culture and sports" strategy since 2018, developing comprehensively with focus on news, culture, game market, sports and IP derivatives.

Business including the V1 Portal, CATV and Liangzi Gang are embracing the opportunities arising from the Belt and Road Initiative thanks to business arrangements in 2018. V1 Group will actively explore and place emphasis in developing markets in China and Middle East as the market of Middle East has great potential. By acquiring Fengkuang Tiyu and Interactive Space-time, V1 Group diversified its business and aims to maximize the return for shareholders with the synergies created. Management of V1 Group is prudent and optimistic about the prospects of the Group and is striving for further success of the Group.

FINANCIAL REVIEW

Business segments

	Tele-media business		Mobile games, application and live-streaming platform business		Lottery-related business		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**3,364,974**	510,626	**16,835**	–	**–**	–	**3,381,809**	510,626
Reportable segment loss	**(523,199)**	(297,315)	**4,291**	–	**–**	(18,251)	**(518,908)**	(315,566)

Tele-Media Business

The tele-media business segment contributed a turnover of about HK$3,364,974,000 to the Group for the year ended 31 December 2018, representing an increase of around 559.0% as compared with the corresponding period in 2017, which was primarily due to the full year operation of new online trading platform, Liangzi Gang, which was launched in September 2017. The new platform has received overwhelming demand from customers since the launch of the platform.

Segment loss was about HK$523,199,000 for the year (2017: HK$297,315,000). The significant increase in segment loss was mainly attributable to the non-cash impairment of goodwill and intangible assets for the reasons as described in the management discussion section which amounted to about HK$262,484,000, and the cost incurred for the development of new internet + businesses.

Mobile Games, Application and Live-Streaming Platform

The Group had acquired the mobile games, application and live-streaming business through the acquisition of Easy Prime Developments Limited ("Acquisition") with its subsidiary having a variable interest equity contractual arrangement with a group of companies incorporated in PRC providing a platform for mobile games, application and live-streaming platform on 27 November 2018. The details of the Acquisition can be referred to the circular of the Company dated 28 September 2018.

One month's operating results attributable to the group had been recorded with segment turnover and profit of about HK$16,835,000 and HK$4,291,000, respectively. As a whole, the full year results of the acquired business of FengKuang Tiyu out performed the guaranteed profit for the year ended 31 December 2018 of the acquired business as stated in the circular of the Company dated 28 September 2018.

Lottery-Related Business

For the year ended 31 December 2018, the Group carries out lottery-related information publish function. Such lottery related business does not contribute material income to the Group.

Liquidity and Financial Resources

As at 31 December 2018, the Group's cash and cash equivalents was about HK$131,918,000 (31 December 2017: HK$451,771,000). Working capital was about HK$17,334,000 as compared with the working capital of HK$374,011,000 at the end of last year. Since the Group generates most of the revenue and incurs most of the costs in Renminbi, there is no material foreign exchange risk. As at 31 December 2018, the Group's current ratio was 1.0 (31 December 2017: 2.8). The decrease in current ratio was mainly due to and investing in other long term financial assets. Taking into account the financial resources available, the Directors are of the view that the Group will have sufficient working capital for its present requirement.

Contingent Liabilities

As at 31 December 2018, the Group had no significant contingent liabilities.

Capital Structure

As at 31 December 2018, the total assets of the Group was about HK$1,634,691,000 (2017: HK$1,725,910,000) which were mainly financed by shareholders' fund of HK$1,120,807,000 (2017: HK$1,496,258,000). There was an issue of 41,250,000 and 874,220,000 new share of ordinary shares of HK$0.01 each in the share capital of the Company because of the exercise of the share options of the Company by the grantees and the Acquisition, respectively during the year. The number of the issued shares of the Company is 4,213,395,262 (31 December 2017: 3,297,925,262). The Group's capital structure, as well as cash inflow, are therefore sufficient.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Except for the acquisitions of the equity interest in subsidiaries as disclosed in this announcement, there was no material acquisition and disposal of subsidiaries during the year ended 31 December 2018.

EMPLOYEES REMUNERATION AND BENEFITS

As at 31 December 2018, the Group had a total of 304 employees. They include the management team and the employees in administration, production and sales departments. The Group regularly reviews its professional team members and will expand its management team whenever necessary.

The Group remunerates the Directors and its staff primarily based on their contribution, responsibilities, qualification and experience. The Group has implemented staff stock option plans. The Group has granted options to the Directors and other employees to encourage them towards enhancing the value of the Group and to promote the long-term growth of the Group.

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

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 May 2019.

CORPORATE GOVERNANCE

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

The Company had applied and complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2018 except for the deviations with explanations as set out hereunder.

1. According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Up to the date of this announcement, the Board has not appointed an individual to the post of chief executive. The role of the chief executive has been performed collectively by all the executive Directors, particularly by the chairman of the Company. The Board considers that this arrangement is appropriate and cost effective in fostering the development of the Group, allowing contributions from all executive Directors with different expertise and more coherence and consistency in the planning and implementation of the policies and long term business strategies of the Company. The Board will periodically review the effectiveness of this arrangement and consider appointing an individual as chief executive when it is appropriate.

2. According to the code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings. One of the independent non-executive Directors was unable to attend the annual general meeting and special general meeting of the Company held on 21 May 2018 due to various work commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2018.

AUDIT COMMITTEE

The audit committee of the Company consists of the independent non-executive directors, namely Dr. LOKE Yu (alias LOKE Hoi Lam), Prof. GONG Zhankui and Mr. WANG Linan. The audit committee has reviewed with management the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the annual results for the year ended 31 December 2018.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements, and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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 2018.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website (http://ir.v1group.com.hk) and the Hong Kong Exchanges and Clearing Limited's website (http://www.hkexnews.hk). The 2018 annual report will be dispatched to the shareholders of the Company and will be made available on the aforesaid websites in due course.

APPRECIATION

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

By order of the Board
V1 Group Limited
ZHANG Lijun
Chairman

Hong Kong, 27 March 2019

As at the date of this announcement, the directors of the Company are:

Executive directors:
Dr. ZHANG Lijun *(Chairman)*
Ms. WANG Chun
Mr. JI Qiang

Independent non-executive directors:
Dr. LOKE Yu (alias LOKE Hoi Lam)
Prof. GONG Zhankui
Mr. WANG Linan

* *for identification purposes only*