ANNUAL REPORT 2018

Strategic portfolio of "DIGITAL + NEW CULTURE AND SPORTS"

V1.CN
第一视频
V1 GROUP LIMITED

V1 GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock code: 82

CONTENTS

CORPORATE PROFILE

V1 Group Limited, the "Company" or "V1 Group", together with its subsidiaries ("the Group") is one of the largest new media enterprises in China

which is principally engaged in the development of the tele-media, including Internet audio-visual new media, TV station, online sports and games, online trading platform, IP derivatives and other Internet + businesses.

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE AND REMUNERATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

COMPANY SECRETARY

Mr. Leung Wai Tong *(resigned on 16 February 2019)*
Mr. Lam Yau Yiu *(appointed on 16 February 2019)*

AUDITOR

BDO Limited

PRINCIPAL BANKERS

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

Room 3506, 35th Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

WEBSITES AND E-MAIL ADDRESSES

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

STOCK CODE

00082

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear shareholders,

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 will 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 New Media'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 New Media 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 New Media, 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!

Zhang Lijun
Chairman

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors of the Company (the "Directors") herein present their report together with the corporate governance report, environmental, social and governance report, share option schemes, management discussion and analysis, and the audited financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding.

During the year, the Group is principally engaged in the development of the tele-media including Internet audio-visual new media, online sports and games, online trading platform, IP derivatives business and other Internet + businesses in the People's Republic of China ("PRC") and TV Station in Dubai. The principal activities and other particulars of certain operational subsidiaries are set out in note 16 to the financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 58 to 71 of this Annual Report. This discussion forms part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 78.

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2018.

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

RESULTS AND DIVIDENDS *(Continued)*

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

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

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

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

(4) the Company's liquidity position;

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

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

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

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

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

SEGMENT INFORMATION

The segment information of the Group for the year ended 31 December 2018 is set out in note 6 to the financial statements.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 180. This summary is for information only and does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with explanations thereof, are set out in notes 24 and 30 respectively to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 and page 81 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2018, the Company did not have any distributable reserves (2017: Nil). The Company's share premium account in the amount of HK$1,702,600,000 (2017: HK$1,488,282,000) may be distributed in the form of fully paid bonus shares.

MAJOR SUPPLIERS AND CUSTOMERS

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

(a)	Percentage of purchases attributable to:	
	• the largest supplier	18.00%
	• the five largest suppliers	64.02%
(b)	Percentage of sales attributable to:	
	• the largest customer	22.36%
	• the five largest customers	50.70%

MAJOR SUPPLIERS AND CUSTOMERS *(Continued)*

During the year under review, the largest customer of the Group was Shenzhen Qianhai Bilian Supply Chain Co., Ltd. (深圳前海碧聯供應鏈有限公司) which contributed the sales of about HK$756,248,000 and the largest supplier was Tianyi Telecommunication Terminal Co., Ltd. (天翼電信終端有限公司) which contributed the cost of sales of about HK$614,636,000. TMD1 was not the largest customer and supplier of the Group in 2018. Save as disclosed in this annual report and as far as the Directors are aware, none of the Directors, their close associates, or substantial shareholders (which to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or customers.

CHAIRMAN AND DIRECTORS

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

EXECUTIVE DIRECTORS:

Zhang Lijun *(Chairman)*
Wang Chun
Ji Qiang

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

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

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

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

EXECUTIVE DIRECTORS

Chairman

Dr. ZHANG Lijun, aged 55, holds a Doctoral degree in Economics and currently being a Research Fellow at Stanford University. He is an executive Director, the Chairman of the Board and the chairman of the nomination committee of the Company (the "Nomination Committee"). He joined the Group in 2006. Dr. Zhang is the chairman of the board of China Arab TV. He holds the position as director for other members of the Group. Dr. Zhang is also chairman of China Asia-Pacific Economic Cooperation ("APEC") Development Council, vice chairman of the China Internet Association, council member of the Association for Relations Across the Taiwan Straits (ARATS), honorary president of the Council of Beijing Association of Online Media, standing member of China Copyright Council, professor of Nankai University, honorary professor of the University of Sydney, Australia, and an experienced expert in China's Internet media.

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

Ms. Wang Chun, aged 54, holds a Master degree in World Economics and is an executive Director and the chief operating officer of the Company. Ms. Wang has been the chief operating officer of the Company since 2005. Ms. Wang is also the vice president of the Council of Beijing Association of Online Media, member of the Central Women's Work Committee of the Central Committee of China Zhi Gong Party, member of the Chinese People's Political Consultative Conference of Chaoyang District, Beijing and an experienced expert in Internet trade.

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

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

Mr. Ji Qiang, aged 41, was appointed as an executive Director in March 2017. He has over 14 years of experience in financial management. He is currently the general manager of finance of the Group. Mr. Ji joined the Group as finance manager in 2010 and promoted to deputy general manager of finance of the Group in 2013. Prior to joining the Group, he was the financial controller of Beijing office of China Strategic Holdings Limited (stock code: 235). Mr. Ji holds a Master degree in Management (major in Accounting) of Renmin University of China and a Bachelor of Science degree in Electronics Engineering and Computer Science of Peking University. Mr. Ji is a certified public accountant (non-practising) in the People's Republic of China and also holds the Securities Qualification Certificate (level 2) of Securities Association of China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LOKE Yu (alias Loke Hoi Lam), aged 69, was appointed as an independent non-executive Director in May 2005. He is also the chairman of the audit committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee") of the Company. He has over 40 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia. Dr. Loke is a fellow member of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Directors and The Hong Kong Institute of Chartered Secretaries. Currently, he serves as an independent non-executive director of Chiho Environmental Group Limited (formerly known as Chiho-Tiande Group Limited), CIMC-TianDa Holdings Company Limited (formerly known as China Fire Safety Enterprise Group Limited), Forebase International Holdings Limited, Hang Sang (Siu Po) International Holding Company Limited, Hong Kong Resources Holdings Company Limited, Lamtex Holdings Limited, Matrix Holdings Limited, TC Orient Lighting Holdings Limited, Tianhe Chemicals Group Limited, Tianjin Development Holdings Limited, TradeGo FinTech Limited, Zhenro Properties Group Limited and Zhong An Real Estate Limited, companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Prof. Gong Zhankui, aged 70, was appointed as an independent non-executive Director in November 2014. He is also the chairman of the corporate governance committee (the "Corporate Governance Committee") of the Company. Prof. Gong holds a Master degree of Economics from Wuhan University and a Doctoral degree of Economics from Nankai University. He is now a professor of Nankai University. Prof. Gong served as the executive vice-president of the Research Institute of China APEC, director of APEC Study Center of Nankai University, adjunct professor of Jilin University, vice-president of Institute of Asia-Pacific Studies, council member of China Society of World Economics and China National Committee for Pacific Economic Cooperation, World Economy Expert conferred by Tianjin Municipality, correspondence expert reviewer of National Social Science Projects, expert reviewer of China Scholarship Council and China International Trade Achievements, editorial board member of Asia-Pacific Economic Review, Journal of Contemporary Asia-Pacific Studies and Nankai Journal.

Mr. Wang Linan, aged 70, was appointed as an independent non-executive Director in August 2007. Mr. Wang graduated from the Faculty of Economic Management of the Party School of the Central Committee of the Communist Party of China. Prior to retirement, he was also the general secretary of the China Scientific Films and Videos Association, which was a civil service employment. Mr. Wang has more than 20 years of experiences in promotion of science in China. He had worked as deputy division secretary in the China Association for Science and Technology General Office, deputy director of the Department of Science Popularisation City Division of China Association for Science and Technology, and the vice general secretary of the China Scientific Popularisation Writers Association.

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

SENIOR MANAGEMENT

Mr. Liu Huaiyu, aged 46, was appointed as Chief Financial Officer of the Company on 13 November 2018. He has over 22 years of experience in finance and management with various large organizations and listed companies. Mr. Liu joined the Group in July 2017 as a general manager in V1 (China) Investment Company Limited, a subsidiary of the Company. Prior to joining the Group, Mr. Liu was an executive director, chief financial officer and company secretary of Chiho Environmental Group Limited, a company listed on the Stock Exchange and he was also served as an executive director and chief financial officer of Xinyuan Real Estate Co., Ltd., a company listed on New York Stock Exchange. Mr. Liu was the Asia Pacific chief financial officer of Savills Plc from 2011 to early 2015. Mr. Liu holds a master of business administration from Cornell University and a bachelor of economics from Shenzhen University. Mr. Liu is a member of The Hong Kong Institute of Certified Public Accountants and he is also a member of The Institute of Chartered Accountants in England and Wales.

Mr. Leung Wai Tong, aged 37, was the company secretary of the Company (the "Company Secretary") during the year under reviewed and he resigned on 16 February 2019. He joined the Company in December 2016. He holds a Bachelor degree of Arts in Accountancy from the Hong Kong Polytechnic University and a Master degree of Laws in International Economic Law from The Chinese University of Hong Kong. He is a Certified Public Accountant (Practising) in Hong Kong and a fellow member of the Association of Chartered Certified Accountants. He is also an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 14 years of experience in accounting, auditing and financial management. Before he joined the Company, he was the financial controller of China Mobile Games and Entertainment Group Limited, a former subsidiary of the Company, from 2011 to 2013.

Mr. Lam Yau Yiu, aged 55, was appointed as Company Secretary on 16 February 2019. He has about 30 years of experience in accounting, auditing and financial management. Before he joined the Company, he was the financial controller and the company secretary of Zhong An Real Estate Limited, a company listed on the Stock Exchange, from October 2008 to December 2016. Mr. Lam is also an independent non-executive director of SCUD Group Limited, a company listed on the Stock Exchange. He holds a Master degree of Business Administration and a Master degree of Science in Information Systems Management from The Hong Kong University of Science and Technology and a Bachelor degree of Accounting from City University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

CHANGES IN INFORMATION WITH REGARDS TO DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the biographical details of the Directors during the course of the Director's term of office since the publication of Company's 2018 Interim Report are set out as follows:

Dr. Loke resigned as independent non-executive director of the following companies listed on the Stock Exchange: Shenzhou Space Park Group Limited (formerly known as China Household Holdings Limited), SCUD Group Limited and China Beidahuang Industry Group Holdings Limited on 6 August 2018, 27 September 2018 and 1 November 2018, respectively.

Dr Loke has been appointed as independent non-executive director of the following companies listed on the Stock Exchange: TC Orient Lighting Holdings Limited and TradeGo FinTech Limited on 6 June 2018 and 29 August 2018, respectively.

DIRECTORS' SERVICE CONTRACTS

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

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

As at 31 December 2018, the Directors and their associates had the following interests in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

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

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

Name of director	Capacity	Number of ordinary shares held	% of total issued share capital	Number of underlying shares in respect of share options granted	% of total issued share capital
Zhang Lijun	Beneficial owner/ Interest of spouse/ Founder of discretionary trust	1,032,563,113 (Note 1)	24.51%	9,000,000 (Note 2)	0.21%
Wang Chun	Beneficial owner/ Interest of spouse/ Founder of discretionary trust	1,032,563,113 (Note 3)	24.51%	9,000,000 (Note 4)	0.21%
Ji Qiang	Beneficial owner	750,000	0.02%	–	–%
Loke Yu (alias Loke Hoi Lam)	Beneficial owner	–	–	1,450,000	0.03%
Gong Zhankui	Beneficial owner	–	–	1,450,000	0.03%
Wang Linan	Beneficial owner	1,400,000	0.03%	1,450,000	0.03%

Note 1: As at 31 December 2018, Dr. Zhang Lijun ("Dr. Zhang") held and was deemed to hold under the SFO in aggregate 1,032,563,113 Shares, representing approximately 24.51% of the Company's issued share capital. These 1,032,563,113 Shares comprised: (i) 70,514,113 Shares directly held by Dr. Zhang; (ii) deemed interest of 9,350,000 Shares directly held by Ms. Wang Chun ("Ms. Wang"), the spouse of Dr. Zhang; and (iii) deemed interest of 330,199,000 Shares held by Big Step Group Limited and 622,500,000 Shares held by Blazing Ace Limited, both of which wholly owned by Avis Trend Limited which is acting in the capacity as the trustee of a discretionary family trust established by Dr. Zhang and Ms. Wang as settlors, and the discretionary beneficiaries of the trust include Dr. Zhang, Ms. Wang and their family members.

Note 2: Of these 9,000,000 share options, 4,000,000 share options are directly held by Dr. Zhang. Dr. Zhang is also deemed to be interested in the remaining 5,000,000 share options through the interest of his spouse, Ms. Wang.

Note 3: As at 31 December 2018, Ms. Wang held and was deemed to hold under the SFO in aggregate 1,032,563,113 Shares, representing approximately 24.51% of the Company's issued share capital. These 1,032,563,113 Shares comprised: (i) 9,350,000 Shares directly held by Ms. Wang; (ii) deemed interest of 70,514,113 Shares directly held by Dr. Zhang, the spouse of Ms. Wang; and (iii) deemed interest of 330,199,000 Shares held by Big Step Group Limited and 622,500,000 Shares held by Blazing Ace Limited, both of which wholly owned by Avis Trend Limited which is acting in the capacity as the trustee of a discretionary family trust established by Ms. Wang and Dr. Zhang as settlors, and the discretionary beneficiaries of the trust include Ms. Wang, Dr. Zhang and their family members.

Note 4: Of these 9,000,000 share options, 5,000,000 share options are directly held by Ms. Wang. Ms. Wang is also deemed to be interested in the remaining 4,000,000 share options through the interest of her spouse, Dr. Zhang.

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

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

Name of director	Name of associated corporation	Capacity	Number of ordinary shares held	% of total issued share capital
Zhang Lijun	Clear Concept International Limited (Note 1)	Interest of controlled corporation	98	49%
	VODone Holdings Limited (Note 2)	Interest of controlled corporation	2	100%
	VODone Datamedia Technology Co. Ltd. (Note 3)	Interest of controlled corporation	49,000,000	49%
	Bank of Asia (BVI) Limited (Note 6)	Interest of controlled corporation of spouse	8,800,000	5.39%
Wang Chun	Clear Concept International Limited (Note 4)	Interest of controlled corporation of spouse	98	49%
	VODone Holdings Limited (Note 4)	Interest of controlled corporation of spouse	2	100%
	VODone Datamedia Technology Co. Ltd. (Note 4)	Interest of controlled corporation of spouse	49,000,000	49%
	Bank of Asia (BVI) Limited (Note 5)	Interest of controlled corporation	8,800,000	5.39%

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

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

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

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

Note 5: Bank of Asia (BVI) Limited ("BOA") is owned as to 37.53% by the Company and 5.39% by Oasis Sun Investment Limited ("Oasis Sun"), a company wholly-owned by Ms. Wang. Ms. Wang is deemed to be interested in Oasis Sun's 5.39% in BOA under the SFO.

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

Save as disclosed herein, as at 31 December 2018, none of the Directors or the chief executive of the Company and their associates had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO; or notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS

Except for those transactions set out in note 32 to the financial statements, no Director had a beneficial interest in any material contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, other than the Directors whose interests are disclosed above, the Company was not aware of any person who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO.

CONNECTED TRANSACTION

The Company entered into the following transactions, which constitute connected transactions for the Company under the Listing Rules, during the year ended 31 December 2018:

1. As disclosed in the announcement of the Company dated 4 January 2018, the Company as purchaser and Rising Green Limited (the "Vendor") as Vendor entered into a sale and purchase agreement dated 4 January 2018 (the "Previous Agreement") for the sale and purchase of 100% equity interest in Easy Prime Development Limited ("Easy Prime", together with its subsidiaries, the "Easy Prime Group") at the consideration of HK$630,000,000, which will be satisfied by cash amounting to HK$238,048,635 and the issue of the 880,039,500 ordinary shares of HK$0.01 each in the share capital of the Company (the "Shares") issued by the Company in 3 batches and the convertible bonds to be created and issued by the Company to settle part of the Consideration, and convertible into 449,551,500 new Shares pursuant to the terms and conditions of the Convertible Bonds and the Agreement.

CONNECTED TRANSACTION *(Continued)*

1. *(Continued)*

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 (瘋狂新遊（北京）技術有限公司) ("WFOE") which, through the variable interest entity contracts ("VIE Contracts"), will have effective control over the financing and operations of Beijing Crazy Sports Management Company Limited (北京瘋狂體育產業管理有限公司) (the "OPCO"), and enjoy the economic interest and benefits of the OPCO and its subsidiaries.

As disclosed in the announcement of the Company dated 17 May 2018, in March 2018, VODONE had not yet renewed the license for Spreading Audio-Visual Programs via Information Network (the "License") with State Administration of Radio and Television upon expiry of the License on 30 April 2018.

Considering, amongst other thing, the uncertainties in renewing the License and for the sake of the interests and benefits of the independent shareholders of the Company and that of the Company as a whole, the Company re-negotiated with the Vendor and resolved to enter into a deed to terminate the Previous Agreement with effect from 17 May 2018.

2. Subsequently, after considering (i) the concerns from the State Administration of Radio and Television ("SART") over the VIE structure and/or ownership of the Company and VODONE which SART would take into account for considering the renewal/grant of the License, the Company decided to re-proceed with the acquisition of Easy Prime. On 30 July 2018, the Company and the Vendor entered into a new sale and purchase agreement (as amended and restated by the parties on 27 September 2018 as detailed below, the "Agreement"), pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued shares of Easy Prime (the "Acquisition"), at the consideration of HK$630,000,000. Details of the Agreement are disclosed in the Company's announcement dated 30 July 2018. On 27 September 2018, the Company and the Vendor have agreed to amend certain terms of the Acquisition and entered into an amended and restated agreement that the Consideration (HK$630,000,000) shall be payable by the Company to Vendor in a cash consideration of HK$293,425,300 in three batches and consideration shares of HK$336,574,700 by way of the issue of 874,220,000 consideration Shares (the "Consideration Shares") at the issue price of HK$0.385 per Consideration Share by the Company to the Vendor (or its nominee(s)) upon Completion. Details of the amended and restated Agreement can be referred to the circular of the Company dated 28 September 2018.

   Pursuant to the Agreement, the Vendor has irrevocably and unconditionally warranted and guaranteed that the audited consolidated net profit after taxation (excluding any profit or loss generated from activities outside the ordinary and usual course of business) of Easy Prime Group, based on the audited report prepared by an independent auditor, shall not be less than RMB40,000,000, RMB50,000,000 and RMB63,000,000 of the financial year ending 31 December 2018, 2019 and 2020, respectively.

   The Board is pleased to advise that the audited consolidated net profit of Easy Prime Group for the year ended 31 December 2018 was more than RMB40,000,000. The Vendor has fulfilled its obligation in relation to the profit guarantee and thus 291,406,000 Consideration Shares, representing approximately 33.33% of the total Consideration Shares, will be released to the Vendor (or its nominee(s)) pursuant to the Agreement.

CONNECTED TRANSACTION *(Continued)*

2. *(Continued)*

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, are interested/deemed to be interested in approximately 46.23% of the Vendor.

Accordingly, the transactions contemplated under the Agreement and the VIE Contracts constituted connected transaction and continuing connected transactions of the Company respectively for the purpose of Chapter 14A of the Listing Rules, and were subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

In recent years, the mobile online game industry has experienced rapid growth in the PRC with an unprecedented growth in users of smartphones and other mobile devices.

By utilising the Group's information technology-related experiences, the Directors are confident that synergy effect could be achieved with the existing principal businesses of the Group through the Acquisition.

In addition, after having considered the loss position of the Group for the three financial years ended 31 December 2017, there will be a positive impact on the Group's profitability should the Group further develop and capture the market potential in the mobile online game industry and the Profit Guarantee be realized.

The Board considered that the terms of the Acquisition are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

A special general meeting was held on 18 October 2018 and the Agreement and the transactions contemplated thereunder, including but not limited to, the allotment and issue of the Consideration Shares were approved by independent shareholders of the Company.

RELATED PARTY TRANSACTIONS

During the year, the Group had certain related party transactions, further details of which are included in note 26(A) and note 32 to the financial statements. The Directors believe the relevant disclosure requirements under the Listing Rules are met, where applicable.

The related party transactions referred to in note 32(a), (c), (d) and (e) to the financial statements do not fall under the definition of connected transaction or continuing connected transactions (as the case may be) under Chapter 14A of the Listing Rules.

The share purchase transaction with Rising Green Limited referred to in note 26(A) to the financial statements constituted a connected transaction for the Company and was not exempt under Rule 14A.76.

The related party transactions referred to in note 32(b) to the financial statements constituted connected transactions for the Company but are fully exempt under Rule 14A.95 of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

1.A PARTICULARS OF STRUCTURED CONTRACTS AND DESCRIPTION OF BUSINESS OF TMD1 AND TMD SERVICE COMPANIES

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

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

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

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

CONTRACTUAL ARRANGEMENTS *(Continued)*

1.B PARTICULARS OF STRUCTURED CONTRACTS AND DESCRIPTION OF NEW BUSINESS

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

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

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

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

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

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

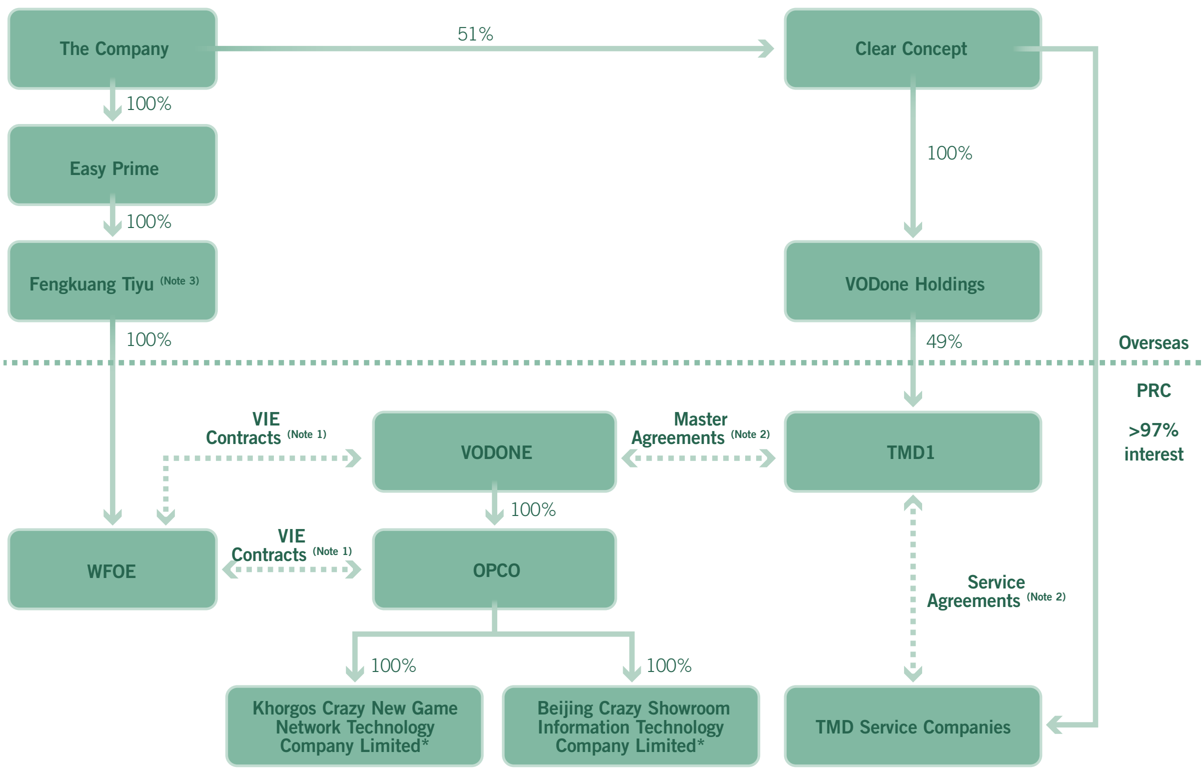
1.C STRUCTURED CONTRACT FLOWCHART

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

CONTRACTUAL ARRANGEMENTS *(Continued)*

1.C STRUCTURED CONTRACT FLOWCHART *(Continued)*

Shareholding structure chart and structured contract arrangements of the Group



Notes:

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

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

(3) Fengkuang Tiyu (HK) Limited.

"–" denotes shareholding relationship

"..." denotes contractual relationship

* for identification purposes only

CONTRACTUAL ARRANGEMENTS *(Continued)*

2. REVENUE AND ASSETS SUBJECT TO THE STRUCTURED CONTRACTS

For the year ended 31 December 2018 the revenue recorded by the Group arising from the Structured Contracts relating to the tele-media business amounted to HK$43,753,000. The assets of VODONE have never been consolidated into the financial statements of the Group under the Structured Contracts. The reportable segment assets of the tele-media business of the Group in note 6 to the financial statements for the year ended 31 December 2018 of the Group represented the assets of the members of the Group including the TMD Service Companies.

For the year ended 31 December 2018 the revenue recorded by the Group arising from the VIE Contracts relating to the mobile games, application and live streaming platform business amounted to HK$16,835,000. The assets of OPCO and its subsidiaries have been consolidated into the financial statements of the Group under the VIE Contracts. The reportable segment assets of the mobile games, application and live streaming platform business of the Group are disclosed in note 6 to the financial statements for the year ended 31 December 2018 of the Group.

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

STRUCTURED CONTRACTS

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

VIE CONTRACTS

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

CONTRACTUAL ARRANGEMENTS *(Continued)*

4. REASONS FOR THE CONTRACTUAL ARRANGEMENTS AND ASSOCIATED RISKS

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

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

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

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

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

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

CONTRACTUAL ARRANGEMENTS *(Continued)*

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

B. The VIE Contracts are subject to the following risks: *(Continued)*

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

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

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

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

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

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

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

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

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

CONTRACTUAL ARRANGEMENTS *(Continued)*

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

A. The Structured Contracts:

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

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

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

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

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

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

CONTRACTUAL ARRANGEMENTS *(Continued)*

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

B. The VIE Contracts

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2018, there was no material change in the Structured Contracts and VIE Contracts, and/or the circumstances under which they were adopted, and none of the Structured Contracts and VIE Contracts has been unwound as none of the restrictions that led to the adoption of Structured Contracts and VIE Contracts has been removed.

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

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

Details of the emoluments of the Directors, the senior management and the five highest paid individuals in the Group are set out in notes 9 and 10 to the financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

Throughout the year ended 31 December 2018, the Company has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. The Group also adheres to the principle of recycling and reducing. Double sided printing and copying, using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance are being implemented in the offices. For details on the Group's environmental policy, please refer to the Environmental, Social and Governance Report set out on pages 44 to 52 of this annual report.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For our relationship with employees, please refer to the paragraph headed "Employees Remuneration and Benefits" as set out in the Financial Review on page 71 of this annual report. The Group also understands that it is important to maintain good relationships with customers, suppliers and other business partners to achieve its long-term goals. Accordingly, our senior management has kept good communication, promptly exchanged ideas and shared business updates with them when appropriate. During the year, there was no material and significant dispute between the Group and its customers, suppliers and other business partners.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The audited financial statements of the Group for the year ended 31 December 2018 has been reviewed by the Audit Committee. Information on the composition and the work of the Audit Committee is set out in the "Corporate Governance Report" section of this report.

AUDITOR

The financial statements have been audited by BDO Limited.

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

On behalf of the Board

Zhang Lijun
Chairman

Hong Kong
27 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company had applied and complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 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 report, the Board has not appointed an individual to the post of chief executive. The role of the chief executive has been performed collectively by all the executive Directors, particularly by the chairman of the Company. The Board considers that this arrangement is appropriate and cost effective in fostering the development of the Group, allowing contributions from all executive Directors with different expertise and more coherence and consistency in the planning and implementation of the policies and long term business strategies of the Company. The Board will periodically review the effectiveness of this arrangement and consider appointing an individual as chief executive when it is appropriate.

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

3. According to the code provision E.1.2 of the CG Code, the chairman of the Board should attend general meetings. He was unable to attend the annual general meeting and the special general meeting of the Company held on 21 May 2018 due to various work commitments.

BOARD OF DIRECTORS

BOARD COMPOSITION

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

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

BOARD OF DIRECTORS *(Continued)*

BOARD COMPOSITION *(Continued)*

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

ROLE AND RESPONSIBILITY OF THE BOARD

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

BOARD MEETINGS AND ATTENDANCE OF DIRECTORS

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

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

BOARD OF DIRECTORS *(Continued)*

BOARD MEETINGS AND ATTENDANCE OF DIRECTORS *(Continued)*

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

	Number of Meetings Attended/Meetings Entitled to Attend						
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Corporate Governance Committee Meeting	Independent Board Committee Meeting	General Meeting
Executive Directors							
Zhang Lijun	14/14	n/a	2/2	1/1	1/1	n/a	1/3
Wang Chun	14/14	n/a	2/2	1/1	1/1	n/a	0/3
Ji Qiang	14/14	n/a	n/a	n/a	n/a	n/a	3/3
Independent Non-executive Directors							
Loke Yu (alias Loke Hoi Lam)	14/14	2/2	2/2	1/1	1/1	2/2	3/3
Gong Zhankui	14/14	2/2	2/2	1/1	1/1	2/2	1/3
Wang Linan	14/14	2/2	2/2	1/1	1/1	2/2	3/3

TRAINING AND SUPPORT FOR DIRECTORS

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

During the year, the Company arranged training sessions covering topics including Director's duties, update on the Listing Rules Amendments and corporate governance practices. In addition, Dr. Loke Yu (alias Loke Hoi Lam) attended relevant seminars organized by professional bodies.

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

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE

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

BOARD COMMITTEES

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

BOARD COMMITTEES *(Continued)*

AUDIT COMMITTEE

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

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

The Audit Committee's primary functions include:

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

During the year, the Audit Committee reviewed the audited financial statements for the year ended 31 December 2017 and the unaudited interim financial statements for the six months ended 30 June 2018 with recommendations to the Board for approval. It also reviewed the internal control system of the Group, and discussed with the management and the external auditors the accounting policies and practices which may affect the Group and financial reporting matters. The Audit Committee has also actively participated at the full Board or any independent board committees formed from time to time for the purpose of advising the independent shareholders of the Company of transaction(s) which require their input or contributing their independent views in the areas of business, financial, management and operating practices.

BOARD COMMITTEES *(Continued)*

REMUNERATION COMMITTEE

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

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

During the year, the Remuneration Committee reviewed the remuneration policy, structure and packages for Directors and senior management, and assessed the performance of the executive Directors. Recommendations regarding the increase of the remuneration of the Directors and senior management were made by the Remuneration Committee to the Board.

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

NOMINATION COMMITTEE

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

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

BOARD COMMITTEES *(Continued)*

NOMINATION COMMITTEE *(Continued)*

During the year, the Nomination Committee reviewed the policy for the nomination of Directors, the composition of the Board, the Board diversity policy, the independence of the independent non-executive Directors and the re-election of all the retiring Directors at 2018 annual general meeting.

CORPORATE GOVERNANCE COMMITTEE

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

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

During the year, the Corporate Governance Committee reviewed the policies and practices on corporate governance of the Company, the training and continuous professional development of the Directors and senior management, and the disclosure in the corporate governance report in the 2017 Annual Report of the Company.

AUDIT AND RELATED FEES

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

Audit service	HK$3,130,000
Non-audit services	HK$97,000

INTERNAL CONTROL

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

INTERNAL CONTROL *(Continued)*

The Group's internal audit department reviews our significant control measures on an on-going basis, aiming to monitor all our major businesses periodically. Overall, the internal audit aims to provide the Board with reasonable assurance that the Group's internal control system is effective. During the year, the Audit Committee had reviewed effectiveness of the risk management and internal control systems of the Group on behalf of the Board. The review covered all material control areas including financial, compliance and risk management functions. Based on the results of the review, the Board is satisfied that the Group has maintained sound and adequate internal controls in all major areas.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge that they are responsible for overseeing the preparation of accounts for each financial period, which give a true and fair view of the state of affairs of the Company and of the Group and of the Group's results and cash flow for that period. In preparing the accounts for the year ended 31 December 2018, the Directors have, among other things:

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

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

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on corporate governance matters. For the year under review, Mr. Leung Wei Tong, the Company Secretary had confirmed that he had taken no less than 15 hours of relevant professional training. He resigned as Company Secretary with effect from 16 February 2019. Mr. Lam Yau Yiu was appointed as the new Company Secretary on 16 February 2019. The biography of the Company Secretary is set out in the "Directors' Report" section of this report.

CONSTITUTIONAL DOCUMENTS

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

The Directors regard all meetings with its shareholders to be very important as they offer opportunities for direct communication with the shareholders. When appropriate, presentations would be made at general meetings for the purposes of keeping shareholders informed of corporate developments. The Chairman and the chairmen of the Audit Committee, Remuneration Committee, Nomination Committee, as well as the Company's auditor maintained an on-going dialogue with the shareholders and answered all questions raised by the shareholders during the last annual general meeting held on 21 May 2018.

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

SHAREHOLDERS' RIGHT

CONVENE A SPECIAL GENERAL MEETING

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

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

SHAREHOLDERS' RIGHT *(Continued)*

CONVENE A SPECIAL GENERAL MEETING *(Continued)*

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

PUT FORWARD PROPOSALS AT GENERAL MEETINGS

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

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

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

PUT ENQUIRIES TO THE BOARD

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

Investor Relations
V1 Group Limited
Room 3506, 35th Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central, Hong Kong

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the third time V1 Group Limited ("V1 Group" or the "Company", together with its subsidiaries, "We" or the "Group") issues an Environmental, Social and Governance report in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and in compliance with the "comply or explain" provisions in the ESG Guide. The Company has conducted an assessment on the applicability and materiality of the relevant key performance indicators ("KPIs") under the ESG Guide.

All information and data disclosed herein are from formal documents or internal statistics of the Group. This report has been reviewed and approved by the Board of V1 Group.

1. SCOPE OF THE REPORT

This report covers the financial year ended 31 December 2018 ("Reporting Period") and discloses information on the Group's overall performance, management approaches and strategies and objectives on four main aspects including quality of workplace environment, environmental protection, operating practice and community involvement. There is no significant change in the scope of this report from that of the 2017 ESG report in the annual report of the Company.

This report covers the situation of the above aspects in the operation of V1 Group's core business (i.e. tele-media business, including Internet audio-visual new media, TV station, online sports and games, online trading platform, IP derivatives business and other Internet + businesses). The principal place of operation of the core business is Mainland China and Hong Kong.

2. STAKEHOLDER'S INVOLVEMENT, ENQUIRY AND OPINION

The Group communicates with its stakeholders through financial reports, statutory announcements, shareholder meetings, face-to-face meetings and other channels, in order to reveal its financial and operating condition to the stakeholders. This report is also intended to allow stakeholders to understand our performance on environmental protection, community and corporate sustainable development.

We welcome stakeholders to share their enquiry or opinion on this report with us via:

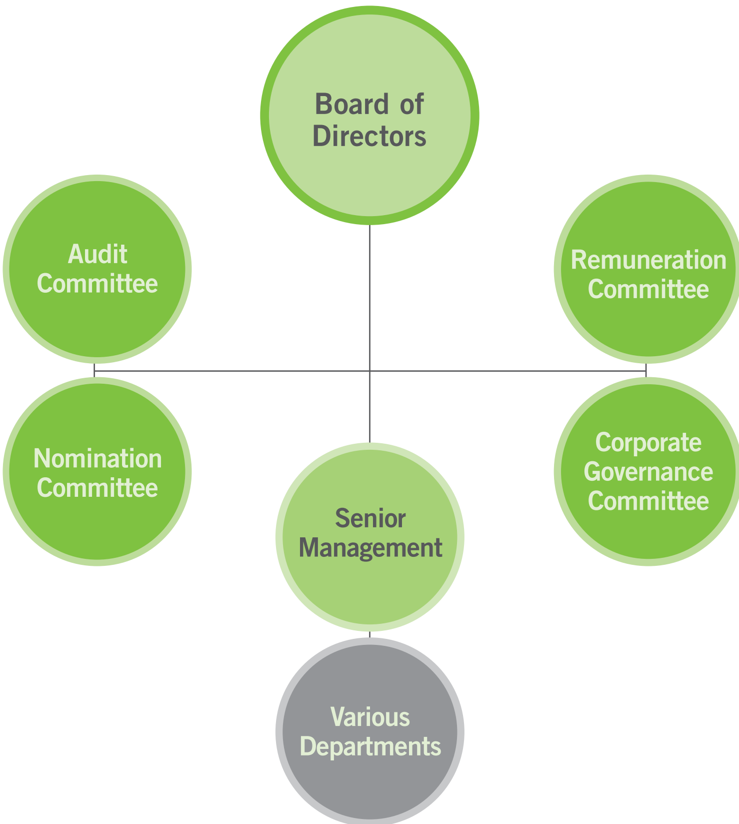
Address:	Room 3506, 35th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
Telephone:	(852) 2869 8966
Fax:	(852) 2869 8960
E-mail address:	info@vodone.com.hk

ABOUT V1 GROUP

1. MISSION AND VISION

V1 Group was established in 2005, and listed on the main board of the Hong Kong Stock Exchange in 2006, which made it the first listed video media enterprise in China. In more than ten years of development, V1 Group also witnessed the global and China's economic changes, the rapid reform of the domestic economy and finance, and the thriving of Internet and other emerging industries. V1 Group has obtained a number of achievements in the development process of the enterprise. Through continuous business innovation, it has laid a leading position in the new media industry. However, we still adhere to the goal of becoming "China's leading new media enterprise". Combining the enterprise mission of "strive to make lives better by utilizing future-proof Internet technologies", the Group will actively expand the "Internet +" business riding on the rapid growth of the Internet industry, so as to make great contribution to the development of the industry and national economy.

2. CORPORATE GOVERNANCE



For the written terms of reference of the board committees and other relevant information about corporate governance, please refer to pages 34 to 43 of this annual report.

3. COMMITMENTS TO STAKEHOLDERS

As a responsible corporate citizen, we consider the needs of the stakeholders while striving to promote the development of business innovation and improve business performance, in order to balance the interests of all parties. We incorporate the consideration of the stakeholders in our business strategies, minimizing the impact on the natural environment and community by our business operation. We take environmental measures to address the challenges of climate change, reduce or even eliminate the indirect damage to the environment; create a good working environment for employees and provide them with abundant resources to help them grow; make commitment to partners and customers, with integrity operation to provide quality products and services; comply with applicable regulations to strengthen corporate governance and improve internal control; encourage employees to participate in community activities to give back to the society, cultivating the value of helping people.

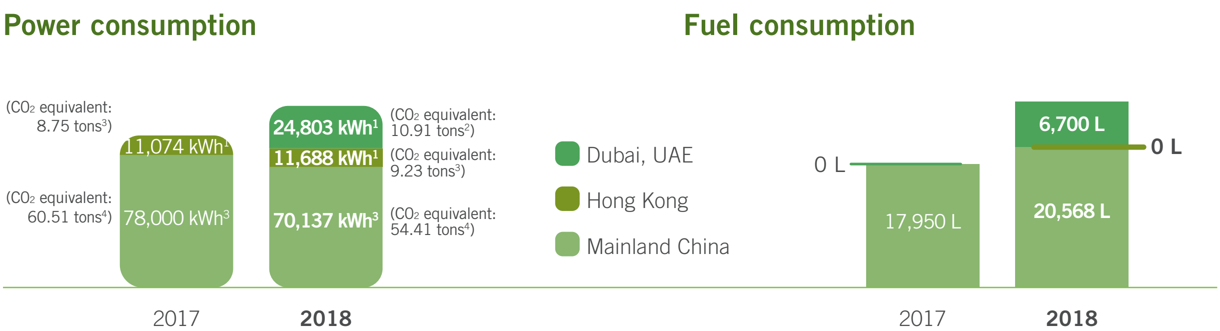
In the future, the Group will strengthen the communication with stakeholders, and perform corporate social responsibility in line with its business strategy and development planning.

A. ENVIRONMENTAL

The Group's core business is dependent on Internet technology and related equipment, and does not involve any manufacturing process. During the Reporting Period, the Group didn't directly produce any waste gas or greenhouse gas, waste water, sludge or any other harmful or harmless waste.

Accordingly, in terms of environmental aspect, this report is focused on that of the Group's office premises in Mainland China and Hong Kong during the ordinary course of business and relevant remedial measures.

The resource consumption of the Group is as follows:



1 This figure is based on the records on electricity bills

2 According to Dubai Electricity & Water Authority, with 1 kWh of power generated through combustion of fuel, 0.4408 kg of CO_2 is produced

3 According to Hong Kong Electric, with 1 kWh of power generated through combustion of fuel, 0.79 kg (2017: 0.79 kg) of CO_2 is produced

4 The average CO_2 emission factor for Beijing provincial power grids is 0.7757 kg CO_2/kWh, according to "Calculating Method and Data Form for CO_2 Emission"(《二氧化碳排放核算方法及數據核查表》) published by Department of Climate Change of National Development and Reform Commission (國家發改委應對氣候變化司) on 15 May 2016

There is no direct water supply to the office apart from water uses discharges at shared facilities of the office building for which no usage statistics are available.

1. OVERALL APPROACH

Global environment faces a major challenge as a result of exacerbating global warming. In this respect, we are dedicated to a sound environmental management through taking into account the impact to the environment when conducting our businesses, in order to contribute to the improvement of environment and the cause of addressing climate change. In addition to our compliance with the Environmental Protection Law of the PRC（中華人民共和國環境保護法）and laws and regulations issued by local regulatory bodies and industry guidance, we also have made various rules to minimise indirect emission and energy and resource consumption from our daily operation.

1.1 Energy saving and consumption reducing practice

For the purpose of energy saving within our office premises, we encourage our colleagues to reduce unnecessary use of lights during the day time, including keeping the lights off in a meeting room when it is not used, and to turn off computers, screenplays and other electronic devices before leaving the office. And our office premises are designed to maximise the access to natural lights and feature LED lighting systems, to minimise power consumption.

We maintain good ventilation and air conditioning systems through regular cleaning and maintenance, including keeping condensate water and indoor temperature at an appropriate level, to improve indoor air quality, which not only is beneficial to employees' health, but also help to reduce the producing of pollutants and the use of air conditioning.

We choose to use more environment friendly electrical equipment whenever possible, such as printer, light bulb, computer and fridge with higher energy efficiency.

1.2 Waste reducing and recycling programs

We have several waste recycling programs in place, to reduce the electronic and paper waste. We sell or recycle obsolete equipment, to minimise electronic solid waste. Even if a device has to be disposed of, we will arrange for the recycling of it by a professional organization so that the resulted electronic waste will be dealt with in an appropriate way.

We purchase more environment friendly supplies, including recycled paper, biodegradable garbage bag, ozone friendly correction fluid, ball pen with replaceable cartridge. As a new media enterprise, we leverage on our Internet technology to digitalise our paperwork, including internal or publicly released documents, as well as company and brand marketing materials, while requiring our employees to double-sided print a paper, to minimise paper waste.

Given the nature of the Group's business, the Company believes that its business operations have minimal direct impact on the environment and natural resources. The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the environment and natural resource relating to air and greenhouse gas emissions, discharges into water and sludge, and generation of harmful or harmless waste.

2. TARGET

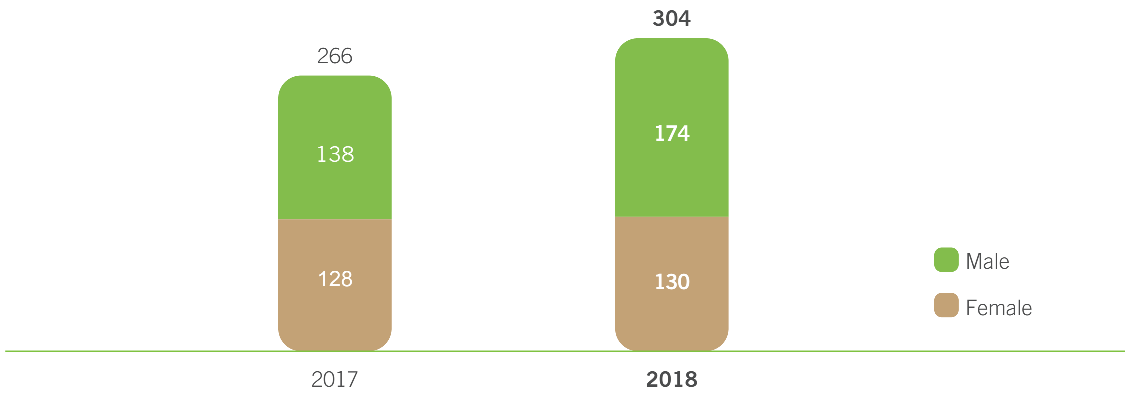
We have offered guidelines on environmental protection, including those mentioned above, to each of our employees, in an effort to minimise our negative impact on natural environment from our daily operation. Besides, we circulate updates on environmental protection across the Company, and intensified our internal control over environmental impact from the Company, to enhance the environment awareness of our employees. We will review the effectiveness of our environment related policies and activities, keep ourselves up to date on the latest in environmental protection and, depending on our managerial and operating results, set goals for the Group on environment protection, for the purpose of continuously improving our environmental performance.

B. SOCIAL

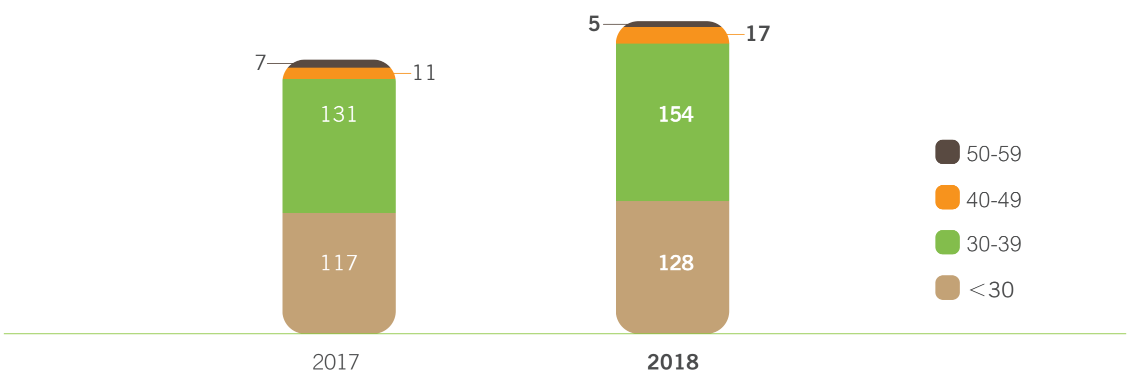
1. EMPLOYMENT AND LABOUR PRACTICES

Employee Profile

Total number of staff by gender



Total number of staff by age group



There is no specific requirement or general practice on gender in terms of our business nature, nor do we have any requirement on age of our employees.

Overall Approach

The Group had a total number of over 300 employees. We are committed to providing a respectful, honest and fair workplace for our employees. We ensure our human resources policies in compliance with all applicable domestic and local laws and with reference to the general practice and benchmark of the industry. We strictly implement the relevant human resources policies, and all employees are bound by the provisions of the work guidelines and employment contracts made thereunder. Our human resources policies detailed, inter alia, the Group's employment policies, employees' welfare, rights and responsibilities, code of professional ethics, workplace safety and health guidelines, in order to protect the interests of both the Company and the employees.

The Group has complied with the following laws:

- Employment Ordinance;
- Mandatory Provident Fund Schemes Ordinance;
- Employees' Compensation Ordinance;
- Minimum Wage Ordinance;
- Sex Discrimination Ordinance;
- Disability Discrimination Ordinance;
- Family Status Discrimination Ordinance;
- Race Discrimination Ordinance;
- Personal Data (Privacy) Ordinance;
- Labour Law of the People's Republic of China; and
- Regulation on Labor Security Supervision

1.1 Employment

The Group creates a fair, discrimination-free and respectful workplace and culture for our employees. We have established a comprehensive system of remuneration, incentive and performance management system to attract and retain talents for our long-term and stable growth. The system consists of basic salary, legal and extra benefits (i.e. mandatory provident fund, medical and other insurance, annual leave, sick leave and various subsidies), and monetary and non-monetary rewards (i.e. discretionary bonus, sales commission and share options) for the employees.

Generally, when an employee is dismissed (due to violation of the Group's regulations, or that his or her performance is consistently below an acceptable level or other reasons), our human resources department will follow a range of procedures pursuant to our human resources management policies to terminate his or her employment contract. When necessary, the human resources department will consult our management or seek legal advices to ensure that applicable labour laws are observed.

1.2 Health and Safety

The Group is committed to building a safe, healthy and hygienic workplace for our employees. We attach high importance to employees' health and wellbeing and have developed a series of workplace health and safety guidelines in accordance with relevant regulatory requirements and recommendations from professional bodies and governmental authorities. The guidelines include contingency measures in relation to emergencies such as fire, typhoon rainstorms, hazardous material leakage, as well as first aid skills, emergency use of equipment in response to accidents, so as to enhance the employees' ability to deal with the emergences.

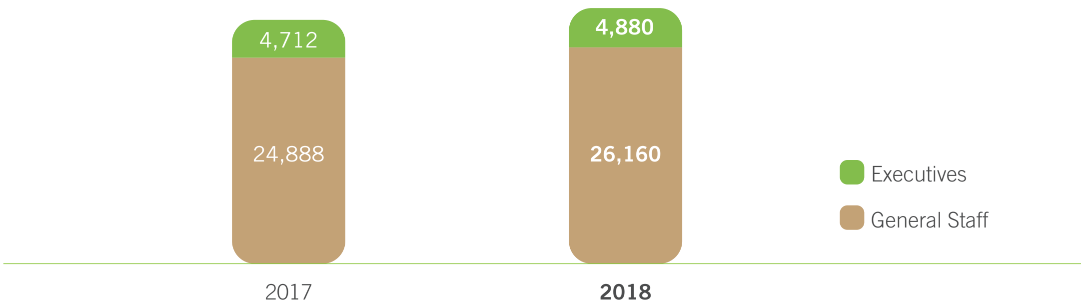
To ensure the employees' safety, we require all departments to strictly monitor and enforce such guidelines to achieve the goal of "zero accidents, zero injuries". Apart from internal guidelines, we also comply with the safety guidelines in relation to fire prevention and ventilation and regularly join the fire drills organised in the office building. We provide updated safety and health information to our employees to raise their awareness of work safety.

There were no non-compliance cases noted in relation to health and safety laws and regulations for the year ended 31 December 2018.

1.3 Development and Training

The Group recognizes the importance of employee growth to the sustainable development of the enterprise and therefore attaches great importance to employee training. We develop appropriate training programs based on the direction and needs of the business development and employees' position, which include seminars, workshops and conferences, on-the-job training relating to new media and other business, as well as personal training on business management, project management, communication skills, presentation skills, etc., with a view to enhance employee quality, qualifications and skills to help them grow in the long run. In addition to internal training, we also encourage employees to participate in external training programs in pursuit of their personal career development goals. All Directors, Company Secretary and senior management will also be trained or provided with up-to-date information on corporate governance and listing regulations.

Total training hours



In addition to employee training, we also provide sufficient internal promotion opportunities for employees to promote outstanding employees with enthusiasm and development potential to important positions within the Group. We allow employees to communicate their work and career development goals and make them feel respected and cared about and provide opportunities for them to develop their strengths, so they can obtain greater job satisfaction.

1.4 Labor Standards

The Group's human resources management system is strictly in compliance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Regulation on Labor Security Supervision (《勞動保障監察條例》) promulgated by the State Council of the People's Republic of China and is made with reference to international labor standards and industry practices. All employee recruitment and promotion activities of the Group are governed by the management system to ensure that there is no child labor and forced labor, or discrimination of race, religion, age, disability or other kinds.

We are convinced that the conduct of all employees and directors has been fully regulated through a detailed description of the matters in the employment contract and the code of conduct. We will also strictly monitor the behaviors of employees in the workplace and try to eliminate any harassment and bullying in any workplace. We strongly urge employees to report complaints to their supervisors and senior management when they find any misconduct. We will conduct a detailed investigation based on the complaints and submit the findings to the human resources department and senior management, and make necessary actions and improvement measures according to the actual situation, including punishing and dismissing employees, and even seeking legal advice and taking appropriate legal actions.

During the Reporting Period, the Group had no child labor or forced labor, and there were no cases of discrimination involving sex, race, religion, age, disability, and harassment and bullying.

2. OPERATING PRACTICE

2.1 Supply Chain Management

The Group attaches importance to integrity and has the same requirements for suppliers and partners. We will only choose reputable suppliers and partners with good business records, satisfactory products and services quality, and will not simply consider the cost. We strictly monitor the procurement process to ensure that there is no interests transfer or corruption of any kind.

In addition, we hope that suppliers and partners have similar practices in respect of environmental protection, employment, operating practice and other aspects with us. If we find any violation of the relevant environmental protection, employment and other laws, we will immediately suspend the cooperation with such suppliers and partners. The Group will also evaluate the products and services provided by the supplier, check whether the supplier has fulfilled the product liability, report the relevant information to the relevant departments and management, and replace the supplier if necessary.

The Group's suppliers are mainly from Mainland China and Dubai, accounting for 94.1% and 5.9% respectively.

2.2 Product Liability

The Group attaches great importance to the quality of its products and services. We believe that products and services of good quality are one of the key factors on which we rely to succeed. Detailed manuals are maintained to control the quality of our products and services. Due to the nature of our business, a majority of contents on our Internet channels are live videos broadcasting on the Internet or videos made by Internet users of various backgrounds. In this regard, according to relevant regulations and standards such as Beijing Network Show (Live Broadcast) Industry Self-regulation Convention (《北京市網絡表演(直播)行業自律公約》), we strictly regulate the contents of videos and the behaviors of anchors by requiring the anchors to care about their appearances and strictly prohibit the contents of violence, pornography, hatred, superstition and gambling, etc., failing of which they will be blocked to broadcast those contents and even be blacklisted and have their accounts deleted permanently.

We attach great importance to customer privacy, and have a set of strict management guidelines with respect to privacy protection. Take Liangzi Gang as an example, in order to improve the quality of our products and services, we will collect the users' data and have them analysed and integrated, however, we will also ensure the security and confidentiality of the users' data with data technology and strict management measures.

During the Reporting Period, there is no loss to our customers arising from leak of their personal data or other service aberrations, or any complaints or damage claims from customers for bad service quality.

2.3 Anti-corruption

The Group adheres to the philosophy of "integrity" in doing business and is devoted to creating a corruption-free work atmosphere. We oblige Directors and all employees to strictly comply with relevant laws and moral standards. The Group has set up an internal audit department and an audit committee whilst hiring external lawyers and auditors in compliance with corporate governance and disclosure requirements imposed on listed companies by the Stock Exchange. We regularly evaluate our internal control mechanism to enhance our governance level.

On daily operation, the Group has a zero-tolerance policy regarding corruption and fraud. Detailed terms about anti-corruption, anti-bribery and conflict of interests are set out in employee's code of conduct to ensure strict compliance of laws by all employees. The Group regularly provides anti-corruption information to employees to heighten their awareness and promote professional conduct. Whenever corruption or fraud cases are spotted, we will immediately carry out inspection and report to the management.

During the Reporting Period, there is no corruption, bribery, extortion, fraud or money laundering activities by our Group and its employees.

3. COMMUNITY INVESTMENT

The Group values corporate social responsibility and raises employees' awareness of caring for the community and mutual help.

During the Reporting Period, the Group proactively seeks to promote the spirit of corporate social responsibility within the company by organizing or participating in appropriate community activities. Through this kind of events, we encourage our employees to contribute to the community so as to raise their community awareness, and to care for and help the needy. Moreover, we encourage them to share their experience after the events to influence other employees and set positive values.

THE COMPANY

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

Upon termination of the Old V1 Group Scheme, no further share options will be offered under the Old V1 Group Scheme. However, the share options granted prior to such termination shall continue to be valid and exercisable in accordance with the Old V1 Group Scheme. As at 31 December 2018, there was no outstanding share options granted under the Old V1 Group Scheme.

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

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

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

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

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

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

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

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

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

THE COMPANY *(Continued)*

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

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

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

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

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

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

The total number of shares available for issue under the V1 Group Scheme was 2,778,478 shares representing approximately 0.07% of the issued share capital as at the date of this report.

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

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

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

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

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

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

THE COMPANY *(Continued)*

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

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

(VIII) *The basis of determining the exercise price:*

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

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

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

c. the nominal value of a share.

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

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

There were options granted by the Company during the year ended 31 December 2018. Details of the share options as at the year ended 31 December 2018 are set out in note 30 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

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 that of last year. Loss for the year increased to HK$654,988,000 (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 incurred in upgrading the tele-media platform of the Group and development of new applications in anticipation of the forthcoming widespread application of 5G technology.

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 Internet + businesses.

- ### TELE-MEDIA BUSINESS

V1 New Media

After years of overcoming all kinds of challenges to forge ahead, V1 New Media 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.

Based on the above background, V1 New Media 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.

Source:

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

(2) 2018 Q1 Fast Growing of China Live Show Industry and its Future Development （《2018 Q1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

Highlights of V1 New Media 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 videos, thereby building its own platform to convert customers into buyers. In the meantime, V1 New Media 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 for new market demands.

In 2018, V1 New Media 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 New Media'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 New Media 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 New Media 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 New Media and the "Silk Road New Retail" strategy adopted by the CATV.

In anticipation of the application and adoption of 5G communication technology, the Company has to upgrade and replace the present technology. Upgrade of the Group's tele-media platform and development of new applications will enhance the competitiveness of the Group's broadcasting business. The Company has switched its main focus on channel B live-broadcast which has greater market space and potentials to be explored from the channel C live-broadcast market. At the same time, the price of mobile communication products was reduced due to the market pressure in the end of 2018. In addition, it is expected that credit risk will increase in view of the challenges facing the PRC economy laying ahead. The credit sales in the sales forecast were therefore removed which resulted in the drop of the sales revenue below the originally targeted level.

The recoverable amounts of broadcasting TV cash generating units ("CGUs") have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flows for the first five financial periods are based on expected sales orders estimated by the management of the Company. The valuations of CGUs used the discount rate method, as were in previous years, incorporating the reduction in sales and gross profit margin, which were the main inputs, led to a reduced value derived from valuation made as at year end date. Therefore, there were impairment on goodwill and intangible assets and relating to the tele-media business in 2018. Details of the bases for the calculations are disclosed in notes 15 (Goodwill) and 17 (Intangible Assets) to the financial statements of the Group for the year ended 31 December 2018 on pages 142 and 146, respectively.

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. ("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（第三屆金陀螺獎）	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）	Most Innovative and Ground-Breaking APP Award（最具突破創新APP大獎）;

Interactive Space-time

In December 2018, 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 supermarket 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 Internet of Things ("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.

Valuation of the interest in Bank of Asia was previously at cost for the financial year ended 31 December 2017 since the acquisition of interests in Bank of Asia by the Company in 2017 was considered an arm's length transaction and a value created in 2017. During the year under review, in view of the progress of the set up and development by Bank of Asia of its banking business, it is considered more appropriate for a new valuation method to be adopted for the valuation of interest in Bank of Asia for the purpose of financial reporting by the Company. The recoverable amounts of the interest in Bank of Asia have been determined by fair value less cost of disposal based on the market approach. The fair value determined by market approach is determined based on prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business. Income approach was not adopted as Bank of Asia is still in the development stage and has been recording losses, and thus the use of historical financial and operational data is not sufficient to form a reliable basis of projections and could yield negative cash flows. The impairment of the interest in Bank of Asia was due to the revenue generated did not meet the target which was set for the acquisition of shares of Bank of Asia in 2017.

- **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 New Media, 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 profit/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 was 4,213,395,262 (31 December 2017: 3,297,925,262). The Group's capital structure, as well as cash inflow, were 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.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of V1 Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 78 to 179, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

IMPAIRMENT ASSESSMENT OF GOODWILL AND INTANGIBLE ASSETS

Refer to notes 15 and 17 in the consolidated financial statements.

The Group has goodwill with gross carrying amount of HK$13,042,000 and intangible assets of HK$172,709,000 respectively relating to the cash generating unit ("CGU") of tele-media business. The CGU incurred losses for the year ended 31 December 2018. This has increased the risk that the carrying values of goodwill and intangible assets may be impaired.

In the annual impairment review, management has concluded that the carrying amounts of HK$83,196,000 and HK$179,288,000 are required to be impaired in respect of the goodwill and intangible assets respectively. This conclusion was based on a value in use model that required significant management judgment with respect to the discount rate and underlying cash flows, in particular future revenue growth.

Our response:

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

– Assessing the valuation methodology;

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

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

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Choi Man On
Practising Certificate no. P02410

Hong Kong, 27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018 HK$'000**	2017 HK$'000
Revenue	6	**3,381,809**	510,626
Cost of revenue		**(3,414,425)**	(626,972)
Gross loss		**(32,616)**	(116,346)
Other gains and losses	7	**8,697**	(17,881)
Selling and marketing expenses		**(38,339)**	(32,469)
Administrative expenses		**(172,496)**	(108,941)
Impairment of goodwill	15	**(83,196)**	(8,932)
Impairment of intangible assets	17	**(179,288)**	(63,691)
Impairment of interest in an associate	14	**(110,329)**	–
Share of losses of associates	14	**(47,147)**	(23,440)
Loss before income tax	8	**(654,714)**	(371,700)
Income tax expense	11(a)	**(274)**	–
LOSS FOR THE YEAR		**(654,988)**	(371,700)
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)	12	**(19.02) cents**	(11.11) cents
– Diluted (HK cents)	12	**(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	13	**15,096**	16,429
Interests in associates	14	**120,118**	273,617
Goodwill	15	**425,610**	102,702
Intangible assets	17	**257,073**	386,325
Deferred tax assets	23	**172**	–
Other financial assets	20	**–**	364,450
Financial asset at amortised cost	20	**1,139**	–
Financial assets at fair value through other comprehensive income	20	**399,279**	–
		1,218,487	1,143,523
CURRENT ASSETS			
Trade receivables	18	**45,277**	–
Other receivables, deposits and prepayments	19	**99,861**	63,560
Inventories		**61,525**	–
Other financial assets	20	**–**	2,312
Financial assets at fair value through profit or loss	20	**58,822**	–
Amount due from an associate	32(c)	**17,850**	60,645
Amounts due from related companies	32(d)	**951**	4,099
Cash and cash equivalents		**131,918**	451,771
		416,204	582,387
CURRENT LIABILITIES			
Trade and other payables	21	**242,864**	37,599
Contract liabilities	22	**23,902**	–
Amount due to an associate	32(e)	**–**	379
Amounts due to related companies	32(e)	**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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	**11,752**	–
Contingent consideration payable		**87,892**	–
		99,644	–
NET ASSETS		**1,136,177**	1,517,534
EQUITY			
Share capital	24	**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

Zhang Lijun
Director

Wang Chun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital (note 24) HK$'000	Share premium (note 27(a)) HK$'000	Investment revaluation reserve (note 27(b)) HK$'000	Other reserves (note 27(c)) HK$'000	Share-based compensation reserve (note 27(d)) HK$'000	Exchange fluctuation reserve (note 27(e)) HK$'000	Retained profits/ (accumulated losses) HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	32,979	1,488,282	(7,834)	1,059,408	8,060	9,370	(757,045)	24,085	1,857,305
Profit or loss	–	–	–	–	–	–	(366,304)	(5,396)	(371,700)
Other comprehensive income	–	–	2,316	–	–	27,144	–	2,532	31,992
Total comprehensive income for the year	–	–	2,316	–	–	27,144	(366,304)	(2,864)	(339,708)
Lapse of share options	–	–	–	–	(2,690)	–	2,690	–	–
Capital injection in a subsidiary	–	–	–	–	–	–	(55)	55	–
Recognition of share-based payment expense	–	–	–	–	(63)	–	–	–	(63)
At 31 December 2017 as originally stated	32,979	1,488,282	(5,518)	1,059,408	5,307	36,514	(1,120,714)	21,276	1,517,534
Initial application of HKFRS 9	–	–	61,688	–	–	–	(5,518)	–	56,170
Restated balance as at 1 January 2018	32,979	1,488,282	56,170	1,059,408	5,307	36,514	(1,126,232)	21,276	1,573,704
Profit or loss	–	–	–	–	–	–	(647,558)	(7,430)	(654,988)
Other comprehensive income	–	–	(3,256)	–	–	(25,051)	–	385	(27,922)
Total comprehensive income for the year	–	–	(3,256)	–	–	(25,051)	(647,558)	(7,045)	(682,910)
Acquisition of subsidiary (note 26)	–	–	–	–	–	–	–	1,139	1,139
Capital injection in a subsidiary (note 25)	–	–	–	–	–	–	300	–	300
Recognition of share-based payment expense (note 30(A))	–	–	–	–	23,828	–	–	–	23,828
Lapse of share options (note 30(A))	–	–	–	–	(2,229)	–	2,229	–	–
Exercise of share option	413	21,115	–	–	(3,357)	–	–	–	18,171
Issuance of share capital	8,742	193,203	–	–	–	–	–	–	201,945
At 31 December 2018	**42,134**	**1,702,600**	**52,914**	**1,059,408**	**23,549**	**11,463**	**(1,771,261)**	**15,370**	**1,136,177**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Loss before income tax	**(654,714)**	(371,700)
Depreciation of property, plant and equipment	**2,598**	8,358
Amortisation of intangible assets	**34,578**	37,452
Loss on disposal of property, plant and equipment	**115**	13
Impairment of property, plant and equipment	**–**	29,318
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
Share-based payment expenses in respect of:–		
– granting of share options	**23,828**	–
– granting shares of subsidiary	**–**	(63)
Interest income	**(4,116)**	(6,062)
Fair value gain on financial assets at fair value through profit or loss	**(2,356)**	–
Realised fair value gain on other financial assets	**–**	(6,291)
Operating cash flows before working capital changes	**(180,107)**	(212,912)
Increase in inventories	**(63,966)**	–
Increase in trade receivables	**(2,167)**	–
Increase in other receivables, deposits and prepayments	**(19,120)**	(3,144)
Decrease/(increase) in amount due from an associate	**38,368**	(49,661)
Decrease in amounts due from related companies	**2,868**	1,396
Increase in trade payables	**22,651**	–
Increase/(decrease) in deposits received, other payables and accruals	**22,031**	(2,939)
Decrease in amount due to an associate	**(374)**	(12,049)
(Decrease)/increase in amounts due to related companies	**(38,811)**	36,970
Increase in contract liabilities	**20,047**	–
Effect of foreign exchange rate changes	**(3,839)**	9,264
Net cash used in operating activities	**(202,419)**	(233,075)

	Notes	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(1,405)**	(21,776)
Proceeds on disposal of property, plant and equipment		**61**	34
Purchases of intangible assets		**–**	(16,905)
Decrease in held-to-maturity investments		**–**	387,501
Purchase of available-for-sale financial assets		**–**	(177,987)
Purchase of financial asset at amortised cost		**(1,139)**	–
Purchase of financial asset at fair value through profit and loss		**(54,154)**	–
Purchase of financial asset at fair value through other comprehensive income		**(50,283)**	–
Proceed from disposal of financial asset through profit or loss		**68,368**	–
Investment in associates		**–**	(241,622)
Acquisition of subsidiaries, net of cash acquired	26	**(98,993)**	(453)
Interest received		**4,116**	6,062
Net cash used in investing activities		**(133,429)**	(65,146)
FINANCING ACTIVITY			
Proceeds from exercise of share options		**18,173**	–
Net cash generated from financing activity		**18,173**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(317,675)**	(298,221)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**451,771**	745,535
Effect of foreign exchange rate changes		**(2,178)**	4,457
CASH AND CASH EQUIVALENTS AT END OF YEAR		**131,918**	451,771
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**131,918**	219,271
Short term deposits		**–**	232,500
Bank balances and cash		**131,918**	451,771

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 sports and games, online trading platform, IP derivatives business and other Internet + businesses in the People's Republic of China ("PRC") and TV station in Dubai, UAE 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

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

(A) ADOPTION OF NEW/REVISED HKFRSs – EFFECTIVE 1 JANUARY 2018 *(Continued)*

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)

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

(A) ADOPTION OF NEW/REVISED HKFRSs – EFFECTIVE 1 JANUARY 2018 *(Continued)*

A. HKFRS 9 – Financial Instruments *(Continued)*

(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 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.

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

(A) ADOPTION OF NEW/REVISED HKFRSs – EFFECTIVE 1 JANUARY 2018 *(Continued)*

A. HKFRS 9 – Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments *(Continued)*

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.

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

(A) ADOPTION OF NEW/REVISED HKFRSs – EFFECTIVE 1 JANUARY 2018 *(Continued)*

A. HKFRS 9 – Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

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 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	**HKFRS 9 carrying amount at 1 January 2018 HK$'000**
Financial assets classified as available-for-sale financial assets 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 assets 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 HKFRS 9				
– 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 HKFRS 9				
– 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	60,645	–	–	**60,645**
– Amounts due from related companies	4,099	–	–	**4,099**
– Cash and cash equivalents	451,771	–	–	**451,771**
	551,317	–	–	**551,317**

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

(A) ADOPTION OF NEW/REVISED HKFRSs – EFFECTIVE 1 JANUARY 2018 *(Continued)*

A. HKFRS 9 – Financial Instruments *(Continued)*

(i) ***Classification and measurement of financial instruments*** *(Continued)*

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. The previous fair value loss recognised in investment revaluation reserve of HK$9,250,000 has been debited to accumulated loss as at 1 January 2018.

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 HKAS 39, 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. The previous fair value gain recognised in investment revaluation reserve of HK$3,732,000 has been credited to accumulated loss as at 1 January 2018.

(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.

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

(A) ADOPTION OF NEW/REVISED HKFRSs – EFFECTIVE 1 JANUARY 2018 *(Continued)*

A. HKFRS 9 – Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments *(Continued)*

Note (c): *(Continued)*

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.

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

(A) ADOPTION OF NEW/REVISED HKFRSs – EFFECTIVE 1 JANUARY 2018 *(Continued)*

A. HKFRS 9 – Financial Instruments *(Continued)*

(ii) Impairment of financial assets *(Continued)*

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.

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

(A) ADOPTION OF NEW/REVISED HKFRSs – EFFECTIVE 1 JANUARY 2018 *(Continued)*

A. HKFRS 9 – Financial Instruments *(Continued)*

(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.

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

(A) ADOPTION OF NEW/REVISED HKFRSs – EFFECTIVE 1 JANUARY 2018 *(Continued)*

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.

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

(A) ADOPTION OF NEW/REVISED HKFRSs – EFFECTIVE 1 JANUARY 2018 *(Continued)*

B. HKFRS 15: Revenue from Contracts with Customers *(Continued)*

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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.

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

(A) ADOPTION OF NEW/REVISED HKFRSs – EFFECTIVE 1 JANUARY 2018 *(Continued)*

B. HKFRS 15: Revenue from Contracts with Customers *(Continued)*

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 HKFRS 15, revenue is recognised when the customer takes possession of and accepts the products. Therefore, the initial adoption of HKFRS 15 did not result in significant impact on the Group's accounting policies on revenue for e-commerce trading income.

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

(B) NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

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

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.

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

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

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 "Directors") 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. SIGNIFICANT ACCOUNTING POLICIES

(A) BUSINESS COMBINATION AND BASIS OF CONSOLIDATION

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

(B) SUBSIDIARIES

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

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

(C) ASSOCIATES

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(C) ASSOCIATES *(Continued)*

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

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

(D) JOINT ARRANGEMENTS

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

The Group classifies its interests in joint arrangements as either:

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(D) JOINT ARRANGEMENTS *(Continued)*

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

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

(E) GOODWILL

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

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

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

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

(F) PROPERTY, PLANT AND EQUIPMENT

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(F) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

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

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

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

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

(G) LEASING

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

The Group as lessee

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(H) INTANGIBLE ASSETS

(i) Acquired intangible assets

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

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

Internet SNS assets	Indefinite
Platform and domain names	Indefinite
Purchased software and technology	10-15 years
License and platform	2-10 years
Websites	10 years
Service contracts	3-10 years
Copy rights and patents	2 years
Games and applications	3-5 years

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(H) INTANGIBLE ASSETS *(Continued)*

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

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

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

(iii) Impairment

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

An impairment loss is recognised as an expense immediately.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) FINANCIAL INSTRUMENTS (ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018)

(i) Financial assets

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

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

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

Debt instruments

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

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) FINANCIAL INSTRUMENTS (ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018) *(Continued)*

(ii) Impairment loss on financial assets

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) FINANCIAL INSTRUMENTS (ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018) *(Continued)*

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

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

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

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

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

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

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

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

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

Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) FINANCIAL INSTRUMENTS (ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018) *(Continued)*

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) FINANCIAL INSTRUMENTS (ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018) *(Continued)*

(vi) Derecognition *(Continued)*

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

(J) FINANCIAL INSTRUMENTS (ACCOUNTING POLICIES APPLIED UNTIL 31 DECEMBER 2017)

(i) Financial assets

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

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

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

Loans and receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(J) FINANCIAL INSTRUMENTS (ACCOUNTING POLICIES APPLIED UNTIL 31 DECEMBER 2017) *(Continued)*

(i) Financial assets *(Continued)*

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

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

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

(ii) Impairment loss on financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(J) FINANCIAL INSTRUMENTS (ACCOUNTING POLICIES APPLIED UNTIL 31 DECEMBER 2017) *(Continued)*

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

For loans and receivables or held-to-maturity investments

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

For available-for-sale financial assets

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

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

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

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

(iii) Financial liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(J) FINANCIAL INSTRUMENTS (ACCOUNTING POLICIES APPLIED UNTIL 31 DECEMBER 2017) *(Continued)*

(iii) Financial liabilities *(Continued)*

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortised cost

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(J) FINANCIAL INSTRUMENTS (ACCOUNTING POLICIES APPLIED UNTIL 31 DECEMBER 2017) *(Continued)*

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(K) INVENTORIES

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

(L) REVENUE RECOGNITION (ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018)

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(L) REVENUE RECOGNITION (ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018) *(Continued)*

Revenue for advertising and service income

Revenue is recognised when the services are rendered over time as those services provides all of the benefits received and consumed simultaneously by the customer. The performance obligation is satisfied when the 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. HKFRS 15 did not result in significant impact on the Group's accounting policies.

Revenue for sales of Internet games products

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

Revenue for e-commerce trading income

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

Revenue under mobile games and application segment (Acquired during the year)

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

The games published by the Group comprised of interactive games and mobile games.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(L) REVENUE RECOGNITION (ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018) *(Continued)*

Revenue under mobile games and application segment (Acquired during the year) *(Continued)*

For revenue from mobile games, as the Group is acting as a principal, the Group has determined that it is obligated to provide on-going services to the game players who purchased virtual items to gain an enhanced game-playing experience over an average playing period. The revenue is recognised ratably over the average playing period of the paying players.

Revenue from the online live streaming platform and online information platform is recognised upon users' confirmation of the purchase request through utilization of virtual currency and when the services are rendered over time as the users are consuming the in-online live streaming platform experience simultaneously when the Group provides.

Revenue is recognised when the customer takes possession of and accepts the products, which is at the time of delivery and the customer has accepted the gifts.

Interest income

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

(M) CONTRACT LIABILITIES

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(N) REVENUE RECOGNITION (ACCOUNTING POLICIES APPLIED UNTIL 31 DECEMBER 2017)

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

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

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

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

(iv) 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.

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

(O) INCOME TAXES

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(P) FOREIGN CURRENCY

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(Q) EMPLOYEE BENEFITS

Defined contribution retirement plan

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

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

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

(R) SHARE-BASED PAYMENTS

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(S) IMPAIRMENT OF OTHER ASSETS

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

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

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

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

(T) CAPITALISATION OF BORROWING COSTS

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

(U) GOVERNMENT GRANTS

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(V) PROVISIONS AND CONTINGENT LIABILITIES

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

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

(W) RELATED PARTIES

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(W) RELATED PARTIES *(Continued)*

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(A) CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Determination of functional currency

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

(B) KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(i) Valuation of intangible assets and useful lives

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

(ii) Impairment of goodwill and intangible assets

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

(iii) Impairment of amount due from an associate

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

6. SEGMENT REPORTING

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

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 + 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 note 26 to the consolidated financial statements, 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 + business; and online trading platform.

- Mobile games, applications and live streaming platform – Development and operation of online mobile game applications, 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.

6. SEGMENT REPORTING *(Continued)*

(A) BUSINESS SEGMENTS *(Continued)*

	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**	8,832
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

6. SEGMENT REPORTING *(Continued)*

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

	2018 HK$'000	2017 HK$'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 HK$'000	2017 HK$'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 HK$'000	2017 HK$'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

6. SEGMENT REPORTING *(Continued)*

(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 or 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 HK$	2017 HK$	**2018 HK$**	2017 HK$	**2018 HK$**	2017 HK$
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 applications	**–**	–	**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

6. SEGMENT REPORTING *(Continued)*

(E) MAJOR CUSTOMERS

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

	2018 HK$'000	2017 HK$'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.

7. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'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)

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2018 **HK$'000**	2017 HK$'000
Staff costs (excluding directors' remuneration (note 9))		
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

9. DIRECTORS' REMUNERATION

	2018 HK$'000	2017 HK$'000
Directors' fees		
Executive directors	15,739	14,407
Independent non-executive directors	1,044	873
Basic remuneration, allowances and benefits in kind	2,909	2,368
Pension fund contributions	36	36
Share-based payments	1,833	–
	21,561	17,684

Directors' remuneration is disclosed as follows:

	Directors' fees HK$'000	Basic remuneration, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Pension fund contributions HK$'000	Total HK$'000
2018					
Executive directors					
Zhang Lijun	11,430	1,138	458	18	13,044
Wang Chun	4,309	1,138	687	18	6,152
Ji Qiang*	–	633	172	–	805
Independent non-executive directors					
Loke Yu, Alias Loke Hoi Lam	440	–	172	–	612
Wang Linan	302	–	172	–	474
Gong Zhankui	302	–	172	–	474
	16,783	2,909	1,833	36	21,561

9. DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees HK$'000	Basic remuneration, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Pension fund contributions HK$'000	Total HK$'000
2017					
Executive directors					
Zhang Lijun	10,443	1,138	–	18	11,599
Wang Chun	3,964	1,138	–	18	5,120
Ji Qiang*	–	92	–	–	92
Independent non-executive directors					
Loke Yu, Alias Loke Hoi Lam	327	–	–	–	327
Wang Linan	273	–	–	–	273
Gong Zhankui	273	–	–	–	273
	15,280	2,368	–	36	17,684

* Mr. Ji Qiang was appointed on 24 March 2017.

There were no arrangements under which a director waived or agreed to waive any remuneration for the year (2017: Nil). In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the year (2017: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2017: two) were directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining three (2017: three) individuals are as follows:

	2018 **HK$'000**	2017 HK$'000
Basic remuneration, allowances and benefits in kind	**3,593**	3,641
Share-based payments	**–**	–
Pension fund contributions	**54**	36
	3,647	3,677

Their emoluments are within the following bands:

	2018 **No. of** **employees**	2017 No. of employees
HK$1,500,000 to HK$2,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	3
Below HK$1,000,000	**1**	–

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

	2018 **No. of** **employees**	2017 No. of employees
HK$1,000,001 to HK$1,500,000	**1**	2
Below HK$1,000,000	**1**	–

11. INCOME TAX EXPENSE

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

	2018 HK$'000	2017 HK$'000
Current tax		
– Hong Kong profits tax for the year	**–**	–
– PRC income tax for the year	**270**	–
	270	–
Deferred taxation (note 23)		
– 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.

11. INCOME TAX EXPENSE *(Continued)*

(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**	–

12. 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 HK Cents	2017 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.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant, Machinery and equipment HK$'000	Computer hardware and software HK$'000	Furniture, fixture, and office equipment HK$'000	Total HK$'000
Cost:						
At 1 January 2017	16,555	11,478	39,420	20,466	2,115	90,034
Acquisition of subsidiaries	190	–	17,563	22	–	17,775
Additions	126	278	21,343	–	29	21,776
Disposals	–	(88)	(559)	–	(41)	(688)
Exchange adjustments	1,175	850	2,829	1,724	110	6,688
At 31 December 2017	18,046	12,518	80,596	22,212	2,213	135,585
Acquisition of subsidiaries	396	3,105	–	498	599	4,598
Additions	176	–	1,225	4	–	1,405
Disposals	–	–	(579)	(456)	(146)	(1,181)
Exchange adjustments	(880)	(585)	(4,036)	(1,114)	(66)	(6,681)
At 31 December 2018	**17,738**	**15,038**	**77,206**	**21,144**	**2,600**	**133,726**
Accumulated depreciation and impairment:						
At 1 January 2017	15,558	5,928	33,934	17,178	1,131	73,729
Acquisition of subsidiaries	25	–	47	–	–	72
Charge for the year	454	827	6,988	(391)	480	8,358
Disposals	–	(54)	(551)	–	(36)	(641)
Impairment	–	–	29,318	–	–	29,318
Exchange adjustments	1,177	472	3,847	2,734	90	8,320
At 31 December 2017	17,214	7,173	73,583	19,521	1,665	119,156
Acquisition of subsidiaries	244	1,933	–	105	251	2,533
Charge for the year	470	1,155	1,324	(529)	178	2,598
Disposals	–	–	(554)	(313)	(138)	(1,005)
Exchange adjustments	(874)	(383)	(3,763)	437	(69)	(4,652)
At 31 December 2018	**17,054**	**9,878**	**70,590**	**19,221**	**1,887**	**118,630**
Carrying amount:						
At 31 December 2018	**684**	**5,160**	**6,616**	**1,923**	**713**	**15,096**
At 31 December 2017	832	5,345	7,013	2,691	548	16,429

14. INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Share of net assets	**24,147**	70,245
Goodwill	**241,826**	244,543
	265,973	314,788
Less: impairment	**(145,855)**	(41,171)
	120,118	273,617

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

Name of company	Form of business structure	Place of incorporation and operation	Percentage of ownership interests/ voting rights/ profit share	Principal activity
VODone Datamedia Technology Co., Ltd. ("TMD1")	Corporation	PRC	49%	Provision of tele-media business support and content services (Note 1)
北京迷你威網絡科技有限公司	Corporation	PRC	49%	Inactive (Note 1)
Rocs and Partners Limited	Limited company	BVI	30%	Inactive
Bank of Asia (BVI) Limited ("BOA")	Limited company	BVI	37.53%	Provision of BVI banking services (Note 2)

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

Note 2: Bank of Asia (BVI) Limited ("BOA") is established to provide online banking services mainly for BVI companies. During the year, the Group completed the subscription of new shares of BOA and afterward the Group holds 37.53% equity interest in BOA.

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

During the year, an impairment loss of HK$110,329,000 was recognised in respect of the Group's interest in BOA based on the recoverable amount, being the higher of value in use and fair value less cost of disposal, determined by the management. The fair value is measured by reference to a valuation report issued by an independent valuation expert with market approach, which is level 3 inputs in terms of HKFRS 13.

14. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information (material associates)

TMD1	2018 HK$'000	2017 HK$'000
As at 31 December		
Current assets	**90,728**	148,844
Non-current assets	**486**	653
Current liabilities	**(131,051)**	(183,956)
Non-current liabilities	**–**	–
	(39,837)	(34,459)
Included in the above amounts are:		
Bank balances and cash	**184**	99
Current financial liabilities (excluding trade and other payables)	**(131,051)**	(183,956)
Non-current financial liabilities (excluding other payables and provisions)	**–**	–
Year ended 31 December		
Revenue	**45,717**	156,459
Loss for the year	**(7,449)**	(81)
Total comprehensive income	**(7,449)**	(81)
Dividend received from associate	**–**	–
Included in the above amounts are:		
Depreciation and amortisation	**138**	135

14. INTERESTS IN ASSOCIATES *(Continued)*

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

	2018 HK$'000	2017 HK$'000
Net liabilities of the associate	**(39,837)**	(34,459)
Proportion of the Group's ownership interest in the associate	**49%**	49%
Goodwill	**55,046**	58,056
	35,526	41,171
Less: impairment	**(35,526)**	(41,171)
Carrying amount of the Group's interest in the associate	**–**	–

14. INTERESTS IN ASSOCIATES *(Continued)*

BOA	2018 HK$'000	2017 HK$'000
As at 31 December		
Current assets	**105,196**	221,692
Non-current assets	**11,212**	13,909
Current liabilities	**(3,190)**	(6,829)
Non-current liabilities	**–**	–
	113,218	228,772
Included in the above amounts are:		
Bank balances and cash	**64,172**	192,861
Current financial liabilities (excluding trade and other payables)	**(3,190)**	(6,829)
Non-current financial liabilities (excluding other payables and provisions)	**–**	–
Year ended 31 December		
Revenue	**1,133**	1,127
Loss for the year	**(113,299)**	(61,469)
Total comprehensive income	**(113,299)**	(61,469)
Dividend received from associate	**–**	–
Included in the above amounts are:		
Depreciation and amortisation	**5,264**	779

14. INTERESTS IN ASSOCIATES *(Continued)*

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

	2018 **HK$'000**	2017 HK$'000
Net assets of the associate	**113,218**	228,772
Proportion of the Group's ownership interest in the associate	**37.53%**	37.53%
Goodwill	**185,057**	184,670
	298,275	270,528
Less: impairment	**(110,329)**	–
Carrying amount of the Group's interest in the associate	**187,946**	270,528

Summarised financial information (immaterial associates)

	2018 **HK$'000**	2017 HK$'000
Year ended 31 December		
Loss for the year	**(845)**	(142)
Total comprehensive income	**(845)**	(142)

15. GOODWILL

	HK$'000
Cost:	
At 1 January 2017	421,658
Acquisition of subsidiaries	18,549
Exchange adjustments	31,482
At 31 December 2017	471,689
Acquisition of subsidiaries (note 26)	416,530
Exchange adjustments	(19,613)
At 31 December 2018	**868,606**
Accumulated impairment losses:	
At 1 January 2017	334,791
Additions	8,932
Exchange adjustments	25,264
At 31 December 2017	368,987
Additions	83,196
Exchange adjustments	(9,187)
At 31 December 2018	**442,996**
Carrying amount:	
At 31 December 2018	**425,610**
At 31 December 2017	102,702

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

	2018 HK$'000	2017 HK$'000
Tele-media CGU (TMD) – PRC	**8,570**	98,230
Broadcasting TV CGU (CATV) – Dubai	**4,472**	4,472
Mobile application and live streaming business CGU (Crazysport) – PRC	**412,568**	–
	425,610	102,702

15. GOODWILL *(Continued)*

TELE-MEDIA CGU (TMD)

The recoverable amounts of tele-media CGU (TMD) have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2017: 3%), which does not exceed the long-term growth rate for tele-media industry in the PRC. Cash flows for the first five financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2018	2017
Operating margin	**0.5% – 1%**	0% – 2%
Discount rate	**20.63%**	22.05%
Growth rate within the five-year period	**3% – 18%**	11% – 69%

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

During 2017, the Group has launched a new digital economic exchange platform under its tele-media business, namely Liangzi Gang. Liangzi Gang is a business-to-business online marketplace that provides supply-chain solutions for buyers and suppliers from the PRC and all over the world. Liangzi Gang sources from the suppliers for a variety of products and offer such products on Liangzi Gang for sale by the potential buyers, and handles and completes the electronic transactions with the buyers. In view of the exponential growth of e-commerce in the PRC in recent years, the management considered that the growth of Liangzi Gang is reasonable. Based on the forecast and VIU analysis, management considered no impairment was needed as 31 December 2017. However, during 2018, as the trading of electronic products is hindered by the adverse media coverage and tense international trading atmosphere, only a minimal profit is resulted from the Liangzi Gang's e-commerce business. Management is of the opinion that the possibility for the Group to resume generating a sufficient profit for assets allocated to Tele-media CGU is remote due to the occurrence of new technology.

There is no quoted market price in an active market and the fair values of the tele-media CGU (TMD) and it cannot be reliably measured without expected profit streams, their recoverable amounts have been determined by using value-in-use calculations. As a significant decline of revenue is expected to be generated from these CGUs, their fair values less costs to disposal or value in use based on the projected revenue to be generated are HK$83,196,000.

Accordingly, the whole carrying amounts of the goodwill of HK$83,196,000 and intangible assets amounted to HK$179,288,000 of the tele-media CGU (TMD) have been impaired.

15. GOODWILL *(Continued)*

BROADCASTING TV CGU (CATV)

The recoverable amounts of broadcasting TV CGU (CATV) have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2017: 3%), which does not exceed the long-term growth rate for broadcasting TV industry in the PRC. Cash flows for the first five financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2018	2017
Operating margin	**12% – 30%**	7% – 23%
Discount rate	**23.54%**	21.43%
Growth rate within the five-year period	**5% – 50%**	10% – 66%

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

16. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued ordinary/ registered and paid up capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
第一視頻信息工程有限公司 (VODone Information Engineering Co, Ltd.) ("TMD2") (Note)	PRC	PRC	RMB402,753,568	44.38%	55.48%	Provision of technical and promotional and advertising services
北京日升影響廣告有限公司 (Beijing Adpeople International Advertising Co, Ltd.) ("TMD3") (Note)	PRC	PRC	RMB301,975,000	–	100%	Provision of advertisement production services
北京互聯時代娛樂文化發展有限公司 (Beijing Union Times Entertainment Culture Development Co, Ltd.) ("TMD4") (note)	PRC	PRC	RMB160,333,800	71.78%	27.79%	Provision of entertainment production services
第一視頻(中國)投資有限公司 (Note)	PRC	PRC	USD59,871,000	100%	–	Investment holding
Arab Business TV FZ-LLC ("ABTV")	Dubai	Dubai	AED2,500,000	–	70.61%	Operation of television channel
Fengkuang Tiyu (HK) Limited	Hong Kong	Hong Kong	HK$10,000	100%	–	Investment holding
瘋狂新遊(北京)技術有限公司 Crazy New Game (Beijing) Technology Company Limited	PRC	PRC	RMB1,000,000	–	100%	Investment holding
北京瘋狂體育產業管理有限公司 Beijing Crazy Sports Management Company Limited ("Crazy Sport")	PRC	PRC	RMB10,230,000	–	100%	Development and operation of mobile applications
霍爾果斯瘋狂新遊網絡科技有限公司 Khorgos Crazy New Game Network Technology Company Limited ("Khorgos Crazy")	PRC	PRC	RMB1,000,000	–	100%	Provision of telecommunication services
Easy Prime Developments Limited	BVI	Hong Kong	USD10,000	100%	–	Investment holding

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

17. INTANGIBLE ASSETS

	Internet SNS assets HK$'000 (Note (a))	Platform and domain HK$'000 (Note (b))	Purchased software and technology HK$'000 (Note (c))	License and platform HK$'000 (Note (d))	Websites HK$'000 (Note (e))	Service contracts HK$'000 (Note (f))	Copy rights and patents HK$'000	Games and applications HK$'000	Total *HK$'000*
Cost:									
At 1 January 2017	59,500	319,602	578,436	41,786	14,132	180,697	–	–	1,194,153
Additions	–	–	–	16,905	–	–	–	–	16,905
Acquisition of subsidiaries (note 25)	–	–	–	166	–	–	–	–	166
Exchange difference	–	7,361	28	141	1,066	13,636	–	–	22,232
At 31 December 2017	59,500	326,963	578,464	58,998	15,198	194,333	–	–	1,233,456
Acquisition of subsidiaries (note 25)	–	126	–	–	–	–	8,935	83,599	92,660
Disposal of intangible asset	–	–	–	(16,905)	–	–	–	–	(16,905)
Exchange difference	–	(5,443)	(20)	29	(787)	(10,074)	(341)	685	(15,951)
At 31 December 2018	**59,500**	**321,646**	**578,444**	**42,122**	**14,411**	**184,259**	**8,594**	**84,284**	**1,293,260**
Amortisation and impairment:									
At 1 January 2017	–	289,698	232,875	8,743	14,132	180,697	–	–	726,145
Amortisation for the year	–	–	33,420	4,032	–	–	–	–	37,452
Impairment	–	–	33,713	29,978	–	–	–	–	63,691
Exchange difference	–	5,104	27	10	1,066	13,636	–	–	19,843
At 31 December 2017	–	294,802	300,035	42,763	15,198	194,333	–	–	847,131
Amortisation for the year	–	–	30,827	1,860	–	–	372	1,519	34,578
Impairment	10,000	–	169,288	–	–	–	–	–	179,288
Acquisition of subsidiaries	–	–	–	–	–	–	4,933	2,154	7,087
Disposal of intangible asset	–	–	–	(16,905)	–	–	–	–	(16,905)
Exchange difference	–	(3,771)	(20)	3	(787)	(10,074)	(203)	(140)	(14,992)
At 31 December 2018	**10,000**	**291,031**	**500,130**	**27,721**	**14,411**	**184,259**	**5,102**	**3,533**	**1,036,187**
Carrying amount:									
At 31 December 2018	**49,500**	**30,615**	**78,314**	**14,401**	**–**	**–**	**3,492**	**80,751**	**257,073**
At 31 December 2017	59,500	32,161	278,429	16,235	–	–	–	–	386,325

Notes:

(a) Internet social networking service assets ("Internet SNS Assets") included all the rights of Domouse in relation to the Domain Names, all the rights to the Domouse Software and Domouse Database, the Domouse Message Management Platform and any relevant intellectual property rights, with an indefinite useful life. As the economic benefits arising from the Domouse Assets are totally integrated with the existing operating segments of the Group, its carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 15). As defined in note 15, management is of the opinion that the possibility for the Group to resume generating a sufficient profit for all assets allocated to Tele-media CGU is remote due to the occurrence of new technology. Hence, its carrying amount is impaired by HK$10,000,000.00.

17. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

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

(i) MiniV.tv Assets, a software application of a website, with an indefinite useful life. As the economic benefits arising from the miniV.tv Assets are totally integrated with the existing operating segments of the Group, its carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to Broadcasting TV CGU (note 15).

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

(iii) A software application system for lottery platform used in smartphone and an intellectual property right of the lottery website, with an definite useful life. As detailed in note 15, the management is of the opinion that the possibility for the Group to resume its original lottery-related business is remote. Hence, its carrying amount has been fully impaired.

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

(i) Computer software and system applied on a number of paperless lottery platforms, with estimated useful lives of ten years. As detailed in note 15, the management is of the opinion that the possibility for the Group to resume its original lottery-related business is remote. Hence, its carrying amount has been fully impaired.

(ii) E-commerce platform system and software for live broadcasting on website, and video sharing used in smart phones, with estimated useful life of fifteen years with carrying amounts of HK$78,314,000 (2017:HK$193,285,000). As defined in note 15, trading of electronic products is hindered by the adverse media coverage and tense international trading atmosphere, only a minimal profit is resulted from the Liangzi Gang's e-commerce business. The management is of the opinion that the possibility for the Group to resume generating a sufficient profit for all assets allocated to Tele-media CGU is remote. Hence, its carrying amount has impaired by HK$112,653,000.

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

In addition, an information website computer system with estimated useful life of ten years and carrying amount of HK$17,307,000 was acquired to add more functions to the portal and improve user stickiness.

17. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

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

(iii) A web-based application which provides a web platform for end users to upload and watch videos through Internet browser using 4G technology with a carrying amount of HK$62,298,000. The carrying amount is fully impaired during the year.

As the economic benefits arising from this asset are totally integrated with the existing operating segments of the Group, its carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to Tele-media CGU (TMD) (note 15). As defined in note 15, management is of the opinion that the possibility for the Group to resume generating a sufficient profit for assets allocated to Tele-media CGU is remote due to the occurrence of new technology. Hence, its carrying amount has been fully impaired.

(d) The balances include a set of web games and game engines with carrying amount of HK$13,073,000. The carrying amount of web games and game engines is fully impaired in 2017 after the termination of the web games operation in July 2017.

On June 2017, the company purchased a medical related service license to enhance its provision of Internet medical services to customers. As at 31 December 2017, the management has the plan to terminate the operation of the medical related service platform. Hence, its carrying amount of HK$16,905,000 was fully impaired. The asset is disposed during the year.

The broadcasting TV license acquired through acquisition of CATV Group Limited and its subsidiaries during 2016, with estimated useful life of ten years are tested for impairment of Broadcasting TV CGU (CATV) (note 15) and there is no indication that it needs to be impaired.

(e) The websites acquired through acquisition of Pinzheng Group, with estimated useful life of ten years. During the year ended 31 December 2016, the management is of the opinion that the possibility for the Group to resume its lottery-related business is remote. Hence, its carrying amount has been fully impaired.

(f) Service contract represented an 8-year sport lottery sales contract dated 24 September 2011 entered with Qinghai Province Sports Lottery Administration Centre, where the Group has the right to perform sport lottery sales through mobile and Internet in Qinghai Province.

In 2013, the Group acquired another service contract though acquisition of Victor Choice Group. It represented a 10-year sports lottery sales contract dated 6 June 2013 entered with Hebei Province Sports Lottery Administration Centre, where the Group has the right to perform sport lottery sales through mobile and Internet in Hebei Province.

During the year ended 31 December 2016, the management is of the opinion that the possibility for the Group to resume its lottery-related business is remote. Hence, the carrying amounts of the abovementioned service contracts have been fully impaired.

18. 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 HK$'000	2017 HK$'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 4(I)(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.

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 HK$'000	2017 HK$'000
Other receivables	**56,212**	29,917
Prepayments	**38,839**	28,758
Deposits	**4,810**	4,885
	99,861	63,560

20. OTHER FINANCIAL ASSETS

	2018 HK$'000	2017 HK$'000
Current assets		
Available-for-sale financial assets		
Compensation arising from profit guarantee (Note (a))	–	2,312
Financial assets at FVTPL		
Compensation arising from profit guarantee (Note (a))	**3,248**	–
Listed equity investment (Note (d))	**33,373**	–
Derivatives instrument (Note (d))	**22,201**	–
	58,822	–
Non-current assets		
Available-for-sale financial assets		
Investment funds (Note (b))	–	356,764
Unlisted equity investments (Note (c))	–	7,686
	–	364,450
Financial assets at FVOCI		
Investment funds (Note (b))	**358,981**	–
Unlisted equity investments (Note (c))	**40,298**	–
	399,279	–
Financial asset at amortised cost		
Managed fund (PRC) (Note (e))	**1,139**	–

Notes:

(a) Pursuant to the profit guarantee arrangement in relation to the acquisition of 3GUU Group, the Company is entitled to recover the related consideration shares at no cost as the actual result of 3GUU Group for the year ended 31 December 2013 was less than the relevant profit target. The Company has decided not to recall the consideration shares and asked the vendors to dispose of the related shares to settle the compensation in cash. Compensation is determined on the agreed number of shares to be disposed of at their fair value at the end of reporting period. The Directors classified the investment as financial asset at fair value through profit or loss (2017: it is classified as available-for-sale financial asset at fair value through other comprehensive income).

20. OTHER FINANCIAL ASSETS *(Continued)*

Notes: *(Continued)*

(b) The investment funds are as follows:

(i) On 14 December 2015, the Company entered into a Limited Partnership Agreement (the "Agreement") to subscribe, as a limited partner, in the total amount of US$31,250,000 (equivalent to HK$242,266,000) of China Prosperity Capital Mobile Internet Fund, L.P. (the "Mobile Internet Fund"). The timing of capital contribution of the investment is generally on an "as needed" basis.

This Mobile Internet Fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in equity and/or equity-related securities of companies that operate in or otherwise derive significant business opportunities from the mobile Internet sector, its related technologies, products and services. The Directors classified the investment as financial asset as fair value through other comprehensive income as it is held for long term strategic gains and not for trading (2017: it is classified as available-for-sale financial asset at cost). As at 31 December 2018, a fair value loss of HK$28,318,000 was recognised as other comprehensive income and reduced the investment revaluation reserve.

At the end of the reporting period, the Group have wholly settled the committed investment of US$31,250,000 to the Mobile Internet Fund.

(ii) Included in the 2017 balance is the Group's investment 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). Upon initial adoption of HKFRS 9, the investment is reclassified from available-for-sale financial asset at fair value through other comprehensive income to financial assets at fair value through profit or loss. During the year, the fund was redeemed and a fair value loss of HK$1,269,000 was recognised as "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

(iii) In 2017, the Company entered into a limited partnership agreement to subscribe, as a limited partner, in the total amount of US$6,500,000 (equivalent to HK$50,375,000) of Golden Rock Cayman LP (the "Golden Rock"). The fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in securities and/or equity of companies that operate in Internet related sectors. The Group is a limited partner in Golden Rock and does not have control nor significant influence in its operational and financing decisions. The Directors classified the investment as financial asset as fair value through other comprehensive income as it is held for long term strategic gains and not for trading (2017: it is classified as available-for-sale financial asset at cost).

During the year, the Group requested a reduction of investment and it was approved by the general partner of the Golden Rock. The investment is therefore reduced by US$1,500,000 (equivalent to HK$9,600,000) and the Company received the reduced balance in cash. As at 31 December 2018, a fair value gain of HK$19,275,000 was recognized as other comprehensive income earned and credited to the investment revaluation reserve.

20. OTHER FINANCIAL ASSETS *(Continued)*

Notes: *(Continued)*

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

(iv) On 30 June 2017, the Company entered into a Limited Partnership Agreement (the "Agreement") to subscribe, as a limited partner, in the total amount of RMB100,000,000 (equivalent to HK$113,873,000) of Hangzhou China Capital Qianhai Weiyi Investment Partnership Limited (the "China Capital Qianhai Weiyi"). The timing of capital contribution of the investment is generally on an "as needed" basis.

China Capital Qianhai Weiyi is an established in the PRC and is principally engaged in asset management and investment management. It is established to achieve long-term capital appreciation primarily through privately-negotiated investments in Internet, artificial intelligence and medical and health care industries. The Group is a limited partner in this China Capital Qianhai Weiyi and does not have control nor significant influence in the China Capital Qianhai Weiyi operational and financing decisions. The Directors classified the investment as financial asset as fair value through other comprehensive income as it is held for long term strategic gains and not for trading (2017: it is classified as available-for-sale financial asset at cost).

At the end of the reporting period, the Group have invested RMB25,000,000 to the investment fund (equivalent to HK$28,468,000). As at 31 December 2018, a fair value gain of HK$4,660,000 was recognised as other comprehensive income and increased the investment revaluation reserve.

(c) The unlisted equity investments are as follows:

(i) In 2017, the Group invested in 10% equity interest in Hangzhou Yixin Technology Limited, a company incorporated in the PRC, at a consideration of RMB6,400,000 (equivalent to HK$7,686,000). The Directors classified the investment as financial asset at fair value through other comprehensive income as it is held for long term strategic gains and not for trading (2017: it is classified as available-for-sale financial asset at cost). As at 31 December 2018, a fair value gain of HK$1,126,000 was recognised as other comprehensive income and increased the investment revaluation reserve.

(ii) During the year, the Group invested in 8% equity interest in Shenzhen Qianhai Shouhui Technology Culture Co., Ltd., a company incorporated in the PRC, at a consideration of RMB28,000,000 (equivalent to HK$31,884,000). The Directors classified the investment as financial asset as fair value through other comprehensive income as it is held for long term strategic gains and not for trading.

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

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

(ii) During 2018, the Group purchased a put option linked with the listed securities in NASDAQ abovementioned in note 20(d)(i). As at 31 December 2018, a fair value gain of HK$21,985,000 was recognised as "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

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

21. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'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 HK$'000	2017 HK$'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

22. CONTRACT LIABILITIES

	2018 HK$'000	2017 HK$'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 applications HK$'000	E-commerce trading platform HK$'000	Total HK$'000
Balance as at 1 January	–	–	–
Acquisition of subsidiary	3,855	–	3,855
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(3,855)	–	(3,855)
Increase in contract liabilities as a result of advance payment received for e-commerce platform for goods not yet delivered	–	13,751	13,751
Increase in contract liabilities as a result of sales of virtual currency from users of games and applications	10,151	–	10,151
Balance as at 31 December	10,151	13,751	23,902

23. DEFERRED TAXATION

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

Deferred tax liabilities	Fair value adjustments HK$'000
At 1 January 2017 and 31 December 2017	–
Acquisition of subsidiaries (note 26)	(11,752)
At 31 December 2018	**(11,752)**

Deferred tax assets	Contract liabilities HK$'000
At 1 January 2017 and 31 December 2017	–
Acquisition of subsidiaries (note 26)	172
At 31 December 2018	**172**

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

	2018 HK$'000	2017 HK$'000
Taxable temporary differences	**(3,189)**	(2,457)
Unused tax losses	**272,894**	191,495
	269,705	189,038

Out of the tax losses of the Group as at 31 December 2018, approximately HK$183,807,000 (2017: HK$122,530,000) has an expiry period of five years since 2013. No deferred tax asset has been recognised in respect of the unused tax losses due to unpredictability of future profit streams. The deductible temporary differences can be carried forward indefinitely. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

23. DEFERRED TAXATION *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2018, the Group has not recognised deferred tax liabilities of HK$9,985,000 (2017: HK$Nil) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to HK$99,849,000 (2017: HK$Nil), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

24. SHARE CAPITAL

	2018 **HK$'000**	2017 HK$'000
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
3,297,925,262 (2017: 3,297,925,262) ordinary shares of HK$0.01 each at beginning of year	**32,979**	32,979
Issuance of share upon exercise of share options	**413**	–
Share allotment for the acquisition of Easy Prime (note 26)	**8,742**	–
4,213,395,262 (2017: 3,297,925,262) ordinary shares of HK$0.01 each at end of year	**42,134**	32,979

25. NON-CONTROLLING INTERESTS

After the acquisition of CATV Group Limited ("CATV") by the Group on 22 August 2016, CATV, being a 78.46% owned subsidiary of the Company, became the material non-controlling interests ("NCI") of the Company. The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

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

	1 January to 31 December 2018 HK$'000	1 January to 31 December 2017 HK$'000
For the period from		
Revenue	**996**	2,303
Loss for the year	**17,212**	16,551
Total comprehensive income	**17,194**	14,488
Loss allocated to NCI	**1,721**	3,565
Dividend paid to NCI	**–**	–
For the period from		
Cash flows used in operating activities	**(3,870)**	(17,647)
Cash flows used in investing activities	**(140)**	(439)
Cash flows from financing activities	**–**	15,000
Net cash outflows	**(4,010)**	(3,086)

As at 31 December	**2018 HK$'000**	2017 HK$'000
Current assets	**2,486**	6,140
Non-current assets	**16,283**	18,657
Current liabilities	**(13,396)**	(363)
Non-current liabilities	**–**	–
Net assets	**5,373**	24,434
Accumulated non-controlling interests	**2,418**	6,152

25. NON-CONTROLLING INTERESTS *(Continued)*

On 31 December 2018, the Group increased its ownership interests from 99.86% to 99.91% in TMD2 and increased its ownership interests from 99.57% to 99.63% in TMD4 by the subscription of addition registered share capital. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	HK$'000
Net assets attributable to non-controlling interests before share subscription	667
Net assets attributable to non-controlling interests after share subscription	367
Increase in equity attributable to owners of the Company (included in retained earnings)	300

26. 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 applications, live streaming platforms and online mobile interactive game applications, 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.

26. BUSINESS ACQUISITION *(Continued)*

(A) ACQUISITION OF EASY PRIME DEVELOPMENTS LIMITED ("EASY PRIME") *(Continued)*

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)
Amounts due to shareholders	(39,711)
Contract liabilities	(3,855)
Deferred tax liabilities	(11,752)
Total identifiable net assets acquired	76,642

26. BUSINESS ACQUISITION *(Continued)*

(A) ACQUISITION OF EASY PRIME DEVELOPMENTS LIMITED ("EASY PRIME") *(Continued)*

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

26. BUSINESS ACQUISITION *(Continued)*

(A) ACQUISITION OF EASY PRIME DEVELOPMENTS LIMITED ("EASY PRIME") *(Continued)*

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"):

26. BUSINESS ACQUISITION *(Continued)*

(A) ACQUISITION OF EASY PRIME DEVELOPMENTS LIMITED (“EASY PRIME”) *(Continued)*

(ii) Consideration Shares *(Continued)*

	Number of shares	Face value	Fair value at Completion date
	’000	HK$’000	HK$’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.

26. BUSINESS ACQUISITION *(Continued)*

(A) ACQUISITION OF EASY PRIME DEVELOPMENTS LIMITED ("EASY PRIME") *(Continued)*

(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$4,291,000 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$605,453,000 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.

26. BUSINESS ACQUISITION *(Continued)*

(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.

27. RESERVES

COMPANY

	Share premium HK$'000 (Note (a))	Investment revaluation reserve HK$'000 (Note (b))	Other reserves HK$'000 (Note (c))	Share-based compensation reserve HK$'000 (Note (d))	Retained profits/ (accumulated losses) HK$'000	Total reserves HK$'000
Balance at 1 January 2017	1,488,282	(7,834)	523,125	7,997	(797,936)	1,213,634
Loss and total comprehensive income for the year	–	2,316	–	–	(120,379)	(118,063)
Lapse of share options (note 30(A))	–	–	–	(2,690)	2,690	–
Balance at 31 December 2017 as originally stated	1,488,282	(5,518)	523,125	5,307	(915,625)	1,095,571
Initial adoption of HKFRS 9	–	61,688	–	–	(5,518)	56,170
Balance at 1 January 2018 as restated	1,488,282	56,170	523,125	5,307	(921,143)	1,151,741
Loss and total comprehensive income for the year	–	(9,043)	–	–	(299,294)	(308,337)
Recognition of share-based payment expense (note 30(A))	–	–	–	23,828	–	23,828
Lapse of share options (note 30(A))	–	–	–	(2,229)	2,229	–
Exercise of share option	21,115	–	–	(3,357)	–	17,758
Issuance of share capital	193,203	–	–	–	–	193,203
Balance at 31 December 2018	**1,702,600**	**47,127**	**523,125**	**23,549**	**(1,218,208)**	**1,078,193**

NATURE AND PURPOSE OF RESERVES

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

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

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

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

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

27. RESERVES *(Continued)*

NATURE AND PURPOSE OF RESERVES *(Continued)*

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

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

28. OPERATING LEASE ARRANGEMENTS

	2018 **HK$'000**	2017 HK$'000
Minimum lease payments paid under operating leases during the year	**18,996**	15,253

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases in respect of its premises falling due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**14,701**	19,159
In the second to fifth year, inclusive	**21,491**	38,165
	36,192	57,324

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

29. COMMITMENTS

	2018 **HK$'000**	2017 HK$'000
Contracted, but not provided for:		
– Investment of investment fund (note 20(b)(iv))	**85,405**	125,650

30. SHARE-BASED PAYMENT

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

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

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

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

2018

	Number of shares issuable under share options						
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of the year	Exercise price HK$	Exercise period
Executive directors							
Zhang Lijun							
– on 16 October 2015	3,000,000	–	–	(3,000,000)	–	0.570	16/10/2015 to 15/10/2018
– on 2 September 2016	2,000,000	–	–	–	2,000,000	0.371	02/09/2016 to 01/09/2019
– on 25 January 2018	–	2,000,000	–	–	2,000,000	0.229	25/01/2018 to 24/01/2021
– on 3 May 2018	–	–	–	–	–	0.550	03/05/2018 to 02/05/2021
	5,000,000	2,000,000	–	(3,000,000)	4,000,000		
Wang Chun							
– on 16 October 2015	5,700,000	–	–	(5,700,000)	–	0.570	16/10/2015 to 15/10/2018
– on 2 September 2016	2,000,000	–	–	–	2,000,000	0.371	02/09/2016 to 01/09/2019
– on 25 January 2018	–	3,000,000	–	–	3,000,000	0.229	25/01/2018 to 24/01/2021
– on 3 May 2018	–	–	–	–	–	0.550	03/05/2018 to 02/05/2021
	7,700,000	3,000,000	–	(5,700,000)	5,000,000		
Ji Qiang							
– on 16 October 2015	1,000,000	–	–	(1,000,000)	–	0.570	16/10/2015 to 15/10/2018
– on 25 January 2018	–	750,000	(750,000)	–	–	0.229	25/01/2018 to 24/01/2021
– on 3 May 2018	–	–	–	–	–	0.550	03/05/2018 to 02/05/2021
	1,000,000	750,000	(750,000)	(1,000,000)	–		
Sub-total	13,700,000	5,750,000	(750,000)	(9,700,000)	9,000,000		

30. SHARE-BASED PAYMENT *(Continued)*

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

2018

	Number of shares issuable under share options						
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of the year	Exercise price HK$	Exercise period
Independent non-executive directors							
Loke Yu (alias Loke Hoi Lam)							
– on 16 October 2015	2,000,000	–	–	(2,000,000)	–	0.570	16/10/2015 to 15/10/2018
– on 2 September 2016	700,000	–	–	–	700,000	0.371	02/09/2016 to 01/09/2019
– on 25 January 2018	–	750,000	–	–	750,000	0.229	25/01/2018 to 24/01/2021
– on 3 May 2018	–	–	–	–	–	0.550	03/05/2018 to 02/05/2021
	2,700,000	750,000	–	(2,000,000)	1,450,000		
Wang Linan							
– on 16 October 2015	2,000,000	–	–	(2,000,000)	–	0.570	16/10/2015 to 15/10/2018
– on 2 September 2016	700,000	–	–	–	700,000	0.371	02/09/2016 to 01/09/2019
– on 25 January 2018	–	750,000	–	–	750,000	0.229	25/01/2018 to 24/01/2021
– on 3 May 2018	–	–	–	–	–	0.550	03/05/2018 to 02/05/2021
	2,700,000	750,000	–	(2,000,000)	1,450,000		
Gong Zhankui							
– on 16 October 2015	2,000,000	–	–	(2,000,000)	–	0.570	16/10/2015 to 15/10/2018
– on 2 September 2016	700,000	–	–	–	700,000	0.371	02/09/2016 to 01/09/2019
– on 25 January 2018	–	750,000	–	–	750,000	0.229	25/01/2018 to 24/01/2021
– on 3 May 2018	–	–	–	–	–	0.550	03/05/2018 to 02/05/2021
	2,700,000	750,000	–	(2,000,000)	1,450,000		
Sub-total	8,100,000	2,250,000	–	(6,000,000)	4,350,000		
Employees/others							
– on 16 October 2015	32,300,000	–	(23,500,000)	(8,800,000)	–	0.570	16/10/2015 to 15/10/2018
– on 2 September 2016	8,900,000	–	(5,000,000)	–	3,900,000	0.371	02/09/2016 to 01/09/2019
– on 25 January 2018	–	12,000,000	(12,000,000)	–	–	0.229	25/01/2018 to 24/01/2021
– on 3 May 2018	–	150,000,000	–	–	150,000,000	0.550	03/05/2018 to 02/05/2021
Sub-total	41,200,000	162,000,000	(40,500,000)	(8,800,000)	153,900,000		
Total	63,000,000	170,000,000	(41,250,000)	(24,500,000)	167,250,000		

30. SHARE-BASED PAYMENT *(Continued)*

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

2017

	Number of shares issuable under share options						
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of the year	Exercise price HK$	Exercise period
Executive directors							
Zhang Lijun							
– on 17 April 2014	2,100,000	–	–	(2,100,000)	–	0.750	17/04/2014 to 16/04/2017
– on 16 October 2015	3,000,000	–	–	–	3,000,000	0.570	16/10/2015 to 15/10/2018
– on 2 September 2016	2,000,000	–	–	–	2,000,000	0.371	02/09/2016 to 01/09/2019
	7,100,000	–	–	(2,100,000)	5,000,000		
Wang Chun							
– on 17 April 2014	2,100,000	–	–	(2,100,000)	–	0.750	17/04/2014 to 16/04/2017
– on 16 October 2015	5,700,000	–	–	–	5,700,000	0.570	16/10/2015 to 15/10/2018
– on 2 September 2016	2,000,000	–	–	–	2,000,000	0.371	02/09/2016 to 01/09/2019
	9,800,000	–	–	(2,100,000)	7,700,000		
Ji Qiang							
– on 17 April 2014	200,000	–	–	(200,000)	–	0.750	17/04/2014 to 16/04/2017
– on 16 October 2015	1,000,000	–	–	–	1,000,000	0.570	16/10/2015 to 15/10/2018
	1,200,000	–	–	(200,000)	1,000,000		
Sub-total	18,100,000	–	–	(4,400,000)	13,700,000		

30. SHARE-BASED PAYMENT *(Continued)*

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

2017

	Number of shares issuable under share options						
	At beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	At the end of the year	Exercise price HK$	Exercise period
Independent non-executive directors							
Loke Yu (alias Loke Hoi Lam)							
– on 17 April 2014	400,000	–	–	(400,000)	–	0.750	17/04/2014 to 16/04/2017
– on 16 October 2015	2,000,000	–	–	–	2,000,000	0.570	16/10/2015 to 15/10/2018
– on 2 September 2016	700,000	–	–	–	700,000	0.371	02/09/2016 to 01/09/2019
	3,100,000	–	–	(400,000)	2,700,000		
Wang Linan							
– on 17 April 2014	300,000	–	–	(300,000)	–	0.750	17/04/2014 to 16/04/2017
– on 16 October 2015	2,000,000	–	–	–	2,000,000	0.570	16/10/2015 to 15/10/2018
– on 2 September 2016	700,000	–	–	–	700,000	0.371	02/09/2016 to 01/09/2019
	3,000,000	–	–	(300,000)	2,700,000		
Gong Zhankui							
– on 16 October 2015	2,000,000	–	–	–	2,000,000	0.570	16/10/2015 to 15/10/2018
– on 2 September 2016	700,000	–	–	–	700,000	0.371	02/09/2016 to 01/09/2019
	2,700,000	–	–	–	2,700,000		
Sub-total	8,800,000	–	–	(700,000)	8,100,000		
Employees/others							
– on 17 April 2014	14,900,000	–	–	(14,900,000)	–	0.750	17/04/2014 to 16/04/2017
– on 16 October 2015	32,300,000	–	–	–	32,300,000	0.570	16/10/2015 to 15/10/2018
– on 2 September 2016	8,900,000	–	–	–	8,900,000	0.371	02/09/2016 to 01/09/2019
Sub-total	56,100,000	–	–	(14,900,000)	41,200,000		
Total	83,000,000	–	–	(20,000,000)	63,000,000		

30. SHARE-BASED PAYMENT *(Continued)*

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

On 25 January 2018, a total of 20,000,000 share options were granted to directors and eligible participants under the V1 Group Scheme and entitled the grantees to subscribe for ordinary shares at an exercise price of HK$0.229 per share. The options may be exercisable during the period from 25 January 2018 to 24 January 2021.

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

Fair value at grant date	HK$0.0711
Weighted average share price at grant date	HK$0.225
Weighted average contractual life	3 years
Expected volatility	64.59%
Expected dividend rate	0%
Risk-free interest rate	1.36%

On 3 May 2018, a total of 150,000,000 share options were granted to directors and eligible participants under the V1 Group Scheme and entitled the grantees to subscribe for ordinary shares at an exercise price of HK$0.550 per share. The options may be exercisable during the period from 3 May 2018 to 2 May 2021.

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

Fair value at grant date	HK$0.1494
Weighted average share price at grant date	HK$0.550
Weighted average contractual life	3 years
Expected volatility	79.82%
Expected dividend rate	0%
Risk-free interest rate	1.53%

30. SHARE-BASED PAYMENT *(Continued)*

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

Details and movements of share options are as follows:

	Weighted average exercise price	Number '000
At 1 January 2017	HK$0.577	83,000
Lapsed during the year	HK$0.750	(20,000)
At 31 December 2017	HK$0.523	63,000
Granted during the year	HK$0.512	170,000
Exercised during the year	HK$0.440	(41,250)
Lapsed during the year	HK$0.570	(24,500)
At 31 December 2018	**HK$0.525**	**167,250**

The weighted average exercise price of options outstanding at the end of the year is HK$0.525 (2017: HK$0.523) and their weighted average remaining contractual life was 2.23 years (2017: 0.76 years).

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

No share options were exercised during the years ended 31 December 2017 and 2018.

In 2018, 24,500,000 (2017: 20,000,000) share options lapsed. Accordingly, the related share-based compensation reserve of HK$2,229,000 (2017: HK$2,690,000) was released to retained profits.

(B) SHARE-BASED PAYMENTS MADE BY A SUBSIDIARY

Pursuant to the share purchase and subscription agreement for the acquisition of CATV Group Limited ("CATV"), a profit guarantee is provided by the Mr. Liu Haijiang (the "Vendor"), who served as a key employee of the acquiree from the date of acquisition to 31 December 2018 ("the Employment Period"). If the profit target cannot be achieved, 6,923,290 shares of CATV held by the Vendor will be transferred to the Company at zero consideration. In accordance with HKFRS 3, it is treated as a separate transaction from the business combination. Once the profit target is achieved, 6,923,290 shares of the acquiree will be released to the Vendor by the Company.

In accordance with HKFRS 2, the fair value of the share-based compensation was determined based on the fair value of services to be provided by the Vendor during the Employment Period. The fair value of the share-based compensation was approximately HK$444,000 as at 31 December 2016. Balance of approximately HK$63,000 was recognised in profit or loss for the year ended 31 December 2016. During 2017, the abovementioned options were forfeited as the vendor ceased to be a key employee of CATV upon his resignation. Hence, the share share-based compensation of approximately HK$63,000 recognised in 2016 was reversed in 2017.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the condensed statement of financial position of the Company as at 31 December 2018 and 31 December 2017:

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**501**	913
Interests in subsidiaries		**1,902,185**	1,223,857
Intangible assets		**127,815**	337,929
Other financial assets		**–**	332,744
Financial assets at fair value through other comprehensive income		**348,053**	–
		2,378,554	1,895,443
CURRENT ASSETS			
Other receivables, deposits and prepayments		**3,152**	3,091
Other financial assets		**–**	2,312
Financial assets at fair value through profit or loss		**36,621**	–
Amounts due from subsidiaries		**742,763**	712,695
Amount due from a related company		**33**	33
Bank balances and cash		**64,978**	371,851
		847,547	1,089,982
CURRENT LIABILITIES			
Deposits received, other payables and accruals		**118,022**	8,323
Amounts due to subsidiaries		**1,887,406**	1,836,098
Amount due to a related company		**3,603**	3,603
Dividend payable		**3,103**	3,103
Tax payable		**5,748**	5,748
		2,017,882	1,856,875
NET CURRENT LIABILITIES		**(1,170,335)**	(766,893)
NON-CURRENT LIABILITIES			
Contingent consideration payable		**87,892**	–
NET ASSETS		**1,120,327**	1,128,550
EQUITY			
Share capital	24	**42,134**	32,979
Reserves	27	**1,078,193**	1,095,571
TOTAL EQUITY		**1,120,327**	1,128,550

32. RELATED PARTY TRANSACTIONS

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

	Note	2018 HK$'000	2017 HK$'000
Service fee income earned from an associate, TMD1	(i)	**43,753**	156,004
Management fee charged by TMD1	(ii)	**61,255**	231,825

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

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

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

	2018 HK$'000	2017 HK$'000
Short term benefits	**19,728**	20,111
Share-based payments	**1,833**	–
	21,561	20,111

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

32. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

	2018 **HK$'000**	2017 HK$'000
Balance at 1 January	**4,099**	5,164
Balance at 31 December	**951**	4,099
Maximum amount outstanding during the year	**4,099**	5,164

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

There was no amount due but unpaid, nor any allowance for doubtful debts made against the principal amounts at 31 December 2018 and 2017.

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

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

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

34. CAPITAL RISK MANAGEMENT

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

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

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

The gearing ratio as at 31 December 2018 and 2017 were as follows:

	2018 **HK$'000**	2017 HK$'000
Total equity	**1,136,177**	1,517,534
Gearing ratio	**N/A**	N/A

35. FINANCIAL RISK MANAGEMENT

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

CREDIT RISK

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

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

35. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Trade receivables

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

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

Amounts due from an associate and related parties

The directors consider that the credit risk arising from trading transactions with an associate and related parties are minimal. As at 31 December 2018, all receivables were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. After applying the expected credit loss rate to gross amount of amounts due from an associate and related parties, the management considered that no significant impairment loss of financial assets should be recognised in the consolidated financial statements.

LIQUIDITY RISK

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

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

INTEREST RATE RISK

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

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

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

35. FINANCIAL RISK MANAGEMENT *(Continued)*

CURRENCY RISK

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

EQUITY PRICE RISK

The Group has no significant equity price risk as at 31 December 2018.

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2018 and 2017 may be categorised as follows:

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**–**	551,317
Available-for-sale financial assets	**–**	366,762
Financial assets at amortised cost	**258,157**	–
Financial assets at fair value through profit or loss	**58,822**	–
Financial asset at fair value through other comprehensive income	**399,279**	–
Financial liabilities		
Financial liabilities measured at amortised cost	**214,159**	79,097

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

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

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

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

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

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

	2017		
	Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets	71,919	–	–

There were no transfers between levels during the period.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were reviewed by the Audit Committee and approved and authorised for issue by the Board of Directors on 27 March 2019.

* for identification only

FIVE YEAR FINANCIAL SUMMARY

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

	Year ended 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000 (Note)	2014 HK$'000
RESULTS					
Turnover	**3,381,809**	510,626	154,121	1,291,682	1,945,712
Loss/(profit) for the year	**(654,988)**	(371,700)	(981,639)	217,856	4,937
Attributable to:					
Owners of the Company	**(647,558)**	(366,304)	(980,071)	142,666	(131,590)
Non-controlling interests	**(7,430)**	(5,396)	(1,568)	75,190	136,527
	(654,988)	(371,700)	(981,639)	217,856	4,937

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

	As at 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**1,218,487**	1,143,523	800,428	1,373,835	2,555,141
Current assets	**416,204**	582,387	1,191,544	1,694,127	1,973,019
Current liabilities	**(398,870)**	(208,376)	(134,667)	(146,698)	(464,688)
Net current assets	**17,334**	374,011	1,056,877	1,547,429	1,508,331
Non-current liabilities	**(99,644)**	–	–	(35,849)	(45,999)
Net assets	**1,136,177**	1,517,534	1,857,305	2,885,415	4,017,473