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## **V1 GROUP LIMITED**

### **第一視頻集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 82)**

#### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

The board of directors (the “Board”) of V1 Group Limited (“the Company” or “V1 Group”) announces that the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019, together with the comparative figures of the corresponding period in 2018.

#### **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|                                |              | <b>Six months ended 30 June</b> |                    |
|--------------------------------|--------------|---------------------------------|--------------------|
|                                |              | <b>2019</b>                     | <b>2018</b>        |
|                                |              | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                                | <i>Notes</i> | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| Revenue                        | 6            | <b>1,218,477</b>                | 1,565,159          |
| Cost of revenue                |              | <b>(1,144,257)</b>              | (1,571,638)        |
| Gross profit/(loss)            |              | <b>74,220</b>                   | (6,479)            |
| Other gains and losses         | 7            | <b>11,031</b>                   | 3,632              |
| Selling and marketing expenses |              | <b>(37,479)</b>                 | (22,677)           |
| Administrative expenses        |              | <b>(62,784)</b>                 | (91,731)           |
| Finance cost                   |              | <b>(571)</b>                    | –                  |
| Share of losses of associates  |              | <b>(28,196)</b>                 | (15,549)           |
| Loss before income tax         | 8            | <b>(43,779)</b>                 | (132,804)          |
| Income tax                     | 9            | <b>978</b>                      | –                  |
| <b>LOSS FOR THE PERIOD</b>     |              | <b>(42,801)</b>                 | (132,804)          |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(CONTINUED)**

|                                                                                           |           | <b>Six months ended 30 June</b> |                    |
|-------------------------------------------------------------------------------------------|-----------|---------------------------------|--------------------|
|                                                                                           |           | <b>2019</b>                     | <b>2018</b>        |
|                                                                                           |           | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| <i>Notes</i>                                                                              |           | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| <b>Other comprehensive income</b>                                                         |           |                                 |                    |
| <b>Items that may be reclassified subsequently to profit or loss:</b>                     |           |                                 |                    |
| Change in fair value of financial assets at fair value through other comprehensive income |           | <b>(9,470)</b>                  | 21,544             |
| Exchange differences arising on translation of foreign operations                         |           | <b>(11,056)</b>                 | (11,641)           |
| Other comprehensive income for the period                                                 |           | <b>(20,526)</b>                 | 9,903              |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                                          |           | <b>(63,327)</b>                 | (122,901)          |
| <b>LOSS FOR THE PERIOD ATTRIBUTABLE TO:</b>                                               |           |                                 |                    |
| Owners of the Company                                                                     |           | <b>(41,208)</b>                 | (130,083)          |
| Non-controlling interests                                                                 |           | <b>(1,593)</b>                  | (2,721)            |
|                                                                                           |           | <b>(42,801)</b>                 | (132,804)          |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>                         |           |                                 |                    |
| Owners of the Company                                                                     |           | <b>(60,081)</b>                 | (120,361)          |
| Non-controlling interests                                                                 |           | <b>(3,246)</b>                  | (2,540)            |
|                                                                                           |           | <b>(63,327)</b>                 | (122,901)          |
| <b>LOSS PER SHARE</b>                                                                     |           |                                 |                    |
| – Basic (HK cents)                                                                        | <i>10</i> | <b>(0.98) cents</b>             | (3.94) cents       |
| – Diluted (HK cents)                                                                      | <i>10</i> | <b>(0.98) cents</b>             | (3.94) cents       |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                                                      |       | As at<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|----------------------------------------------------------------------|-------|-----------------------------------------------------|-------------------------------------------------------|
|                                                                      | Notes |                                                     |                                                       |
| <b>ASSETS AND LIABILITIES</b>                                        |       |                                                     |                                                       |
| <b>NON-CURRENT ASSETS</b>                                            |       |                                                     |                                                       |
| Property, plant and equipment                                        | 11    | 13,191                                              | 15,096                                                |
| Interests in associates                                              | 12    | 89,444                                              | 120,118                                               |
| Goodwill                                                             | 13    | 424,847                                             | 425,610                                               |
| Intangible assets                                                    |       | 242,090                                             | 257,073                                               |
| Deferred tax assets                                                  |       | 97                                                  | 172                                                   |
| Right-of-use assets                                                  | 14    | 40,464                                              | –                                                     |
| Financial assets at amortised cost                                   | 15    | 1,137                                               | 1,139                                                 |
| Financial assets at fair value through<br>other comprehensive income | 15    | 404,474                                             | 399,279                                               |
|                                                                      |       | <u>1,215,744</u>                                    | <u>1,218,487</u>                                      |
| <b>CURRENT ASSETS</b>                                                |       |                                                     |                                                       |
| Trade receivables                                                    | 16    | 32,012                                              | 45,277                                                |
| Other receivables, deposits and prepayments                          |       | 169,739                                             | 99,861                                                |
| Inventories                                                          |       | 64,709                                              | 61,525                                                |
| Financial assets at fair value through profit or loss                | 15    | 57,772                                              | 58,822                                                |
| Amount due from an associate                                         |       | 18,727                                              | 17,850                                                |
| Amounts due from related companies                                   |       | 735                                                 | 951                                                   |
| Bank balances and cash                                               |       | 83,544                                              | 131,918                                               |
|                                                                      |       | <u>427,238</u>                                      | <u>416,204</u>                                        |
| <b>CURRENT LIABILITIES</b>                                           |       |                                                     |                                                       |
| Trade payables and other payables                                    | 17    | 225,413                                             | 242,864                                               |
| Contract liabilities                                                 |       | 111,003                                             | 23,902                                                |
| Lease liabilities                                                    |       | 15,117                                              | –                                                     |
| Amounts due to related companies                                     |       | 79,360                                              | 18,084                                                |
| Bank borrowings                                                      |       | 4,547                                               | –                                                     |
| Tax payable                                                          |       | 111,522                                             | 114,020                                               |
|                                                                      |       | <u>546,962</u>                                      | <u>398,870</u>                                        |
| <b>NET CURRENT (LIABILITIES)/ASSETS</b>                              |       | <u>(119,724)</u>                                    | <u>17,334</u>                                         |
| <b>TOTAL ASSETS LESS<br/>CURRENT LIABILITIES</b>                     |       | <u>1,096,020</u>                                    | <u>1,235,821</u>                                      |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(CONTINUED)**

|                                              |              | As at<br>30 June<br>2019<br>(Unaudited)<br><i>HK\$'000</i> | As at<br>31 December<br>2018<br>(Audited)<br><i>HK\$'000</i> |
|----------------------------------------------|--------------|------------------------------------------------------------|--------------------------------------------------------------|
|                                              | <i>Notes</i> |                                                            |                                                              |
| <b>NON-CURRENT LIABILITIES</b>               |              |                                                            |                                                              |
| Deferred tax liabilities                     |              | 10,338                                                     | 11,752                                                       |
| Lease liabilities                            |              | 25,031                                                     | –                                                            |
| Contingent consideration payable             |              | –                                                          | 87,892                                                       |
|                                              |              | <u>35,369</u>                                              | <u>99,644</u>                                                |
| <b>NET ASSETS</b>                            |              | <u><b>1,060,651</b></u>                                    | <u><b>1,136,177</b></u>                                      |
| <b>EQUITY</b>                                |              |                                                            |                                                              |
| Share capital                                | 18           | 42,134                                                     | 42,134                                                       |
| Reserves                                     |              | <u>1,000,843</u>                                           | <u>1,078,673</u>                                             |
| Equity attributable to owners of the Company |              | 1,042,977                                                  | 1,120,807                                                    |
| Non-controlling interests                    |              | <u>17,674</u>                                              | <u>15,370</u>                                                |
| <b>TOTAL EQUITY</b>                          |              | <u><b>1,060,651</b></u>                                    | <u><b>1,136,177</b></u>                                      |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|                                                                            | Attributable to owners of the Company |                                     |                                                          |                                     |                                                           |                                                       |                                                                    |                                                     |                          |
|----------------------------------------------------------------------------|---------------------------------------|-------------------------------------|----------------------------------------------------------|-------------------------------------|-----------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------|-----------------------------------------------------|--------------------------|
|                                                                            | Share<br>capital<br><i>HK\$'000</i>   | Share<br>premium<br><i>HK\$'000</i> | Investment<br>revaluation<br>reserves<br><i>HK\$'000</i> | Other<br>reserve<br><i>HK\$'000</i> | Share-based<br>compensation<br>reserve<br><i>HK\$'000</i> | Exchange<br>fluctuation<br>reserve<br><i>HK\$'000</i> | Retained<br>profits/<br>(accumulated<br>losses)<br><i>HK\$'000</i> | Non-<br>controlling<br>interests<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Balance at 31 December 2017<br>as originally presented                     | 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<br>(note 3)                                 | -                                     | -                                   | 7,375                                                    | -                                   | -                                                         | -                                                     | -                                                                  | -                                                   | 7,375                    |
| Restated balances at 1 January 2018                                        | 32,979                                | 1,488,282                           | 1,857                                                    | 1,059,408                           | 5,307                                                     | 36,514                                                | (1,120,714)                                                        | 21,276                                              | 1,524,909                |
| Profit or loss                                                             | -                                     | -                                   | -                                                        | -                                   | -                                                         | -                                                     | (130,083)                                                          | (2,721)                                             | (132,804)                |
| Other comprehensive income                                                 | -                                     | -                                   | 21,544                                                   | -                                   | -                                                         | (11,822)                                              | -                                                                  | 181                                                 | 9,903                    |
| Total comprehensive income                                                 | -                                     | -                                   | 21,544                                                   | -                                   | -                                                         | (11,822)                                              | (130,083)                                                          | (2,540)                                             | (122,901)                |
| Capital injection in a subsidiary                                          | -                                     | -                                   | -                                                        | -                                   | -                                                         | -                                                     | 35                                                                 | (35)                                                | -                        |
| Exercise of share option (note 20)                                         | 413                                   | 21,115                              | -                                                        | -                                   | (3,357)                                                   | -                                                     | -                                                                  | -                                                   | 18,171                   |
| Recognition of share-based payment<br>expenses                             | -                                     | -                                   | -                                                        | -                                   | 23,828                                                    | -                                                     | -                                                                  | -                                                   | 23,828                   |
| At 30 June 2018 (unaudited)                                                | <u>33,392</u>                         | <u>1,509,397</u>                    | <u>23,401</u>                                            | <u>1,059,408</u>                    | <u>25,778</u>                                             | <u>24,692</u>                                         | <u>(1,250,762)</u>                                                 | <u>18,701</u>                                       | <u>1,444,007</u>         |
| Balance at 31 December 2018<br>as originally presented                     | 42,134                                | 1,702,600                           | 52,914                                                   | 1,059,408                           | 23,549                                                    | 11,463                                                | (1,771,261)                                                        | 15,370                                              | 1,136,177                |
| Profit or loss                                                             | -                                     | -                                   | -                                                        | -                                   | -                                                         | -                                                     | (41,208)                                                           | (1,593)                                             | (42,801)                 |
| Other comprehensive income                                                 | -                                     | -                                   | (9,470)                                                  | -                                   | -                                                         | (9,403)                                               | -                                                                  | (1,653)                                             | (20,526)                 |
| Total comprehensive income                                                 | -                                     | -                                   | (9,470)                                                  | -                                   | -                                                         | (9,403)                                               | (41,208)                                                           | (3,246)                                             | (63,327)                 |
| Change in ownership interests in<br>a subsidiary without change of control | -                                     | -                                   | -                                                        | -                                   | -                                                         | -                                                     | (17,749)                                                           | 5,550                                               | (12,199)                 |
| At 30 June 2019 (unaudited)                                                | <u>42,134</u>                         | <u>1,702,600</u>                    | <u>43,444</u>                                            | <u>1,059,408</u>                    | <u>23,549</u>                                             | <u>2,060</u>                                          | <u>(1,830,218)</u>                                                 | <u>17,674</u>                                       | <u>1,060,651</u>         |

### Note:

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

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|                                                 | Six months ended 30 June |                 |
|-------------------------------------------------|--------------------------|-----------------|
|                                                 | 2019                     | 2018            |
|                                                 | (Unaudited)              | (Unaudited)     |
|                                                 | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| NET CASH INFLOW/(OUTFLOW) FROM                  |                          |                 |
| OPERATING ACTIVITIES                            | <b>12,272</b>            | (173,662)       |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES      | <b>(51,588)</b>          | (22,426)        |
| NET CASH (OUTFLOW)/INFLOW FROM                  |                          |                 |
| FINANCING ACTIVITIES                            | <b>(1,301)</b>           | 18,171          |
| DECREASE IN CASH AND CASH EQUIVALENTS           | <b>(40,617)</b>          | (177,917)       |
| EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE      | <b>(7,757)</b>           | (6,883)         |
| CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD | <b>131,918</b>           | 451,771         |
| CASH AND CASH EQUIVALENT AT END OF PERIOD       | <b>83,544</b>            | 266,971         |

## **NOTES TO FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

V1 Group Limited is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. Its principal place of business in Hong Kong is located Room 3506, 35th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") were principally engaged in tele-media business, including internet audio-visual new media, online trading platform, IP derivatives business, other Internet plus businesses; and sports community business, including lottery information service, mobile games and live streaming platform in the People's Republic of China ("PRC") and TV station in Dubai, UAE during the six months period ended 30 June 2019 (the "Period").

### **2. BASIC OF PREPARATION**

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements were authorised for issue on 29 August 2019.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. This is the first set of the Group's financial statements in which HKFRS 16 has been adopted. Details of any changes in accounting policies are set out in note 3.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("HK\$"), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2018 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2018 consolidated financial statements.

These condensed consolidated interim financial statements are unaudited.

### 3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, as described therein.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

|                                                  |                                                      |
|--------------------------------------------------|------------------------------------------------------|
| HKFRS 16                                         | Leases                                               |
| HKFRIC – Int 23                                  | Uncertainty over Income Tax Treatments               |
| Amendments to HKFRS 9                            | Prepayment Features with Negative Compensation       |
| Amendments to HKAS 28                            | Long-term Interests in Associates and Joint Ventures |
| Annual Improvements to HKFRSs<br>2015-2017 Cycle | Amendments to HKFRS 3, Business Combinations         |
| Annual Improvements to HKFRSs<br>2015-2017 Cycle | Amendments to HKFRS 11, Joint Arrangements           |
| Annual Improvements to HKFRSs<br>2015-2017 Cycle | Amendments to HKAS 12, Income Taxes                  |
| Annual Improvements to HKFRSs<br>2015-2017 Cycle | Amendments to HKAS 23, Borrowing Costs               |
| Amendments to HKAS 19                            | Plan Amendment, Curtailment or Settlement            |

#### A. HKFRS 16 – Leases

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

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

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

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



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

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

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

|           | <b>1 January 2019</b><br><i>HK\$'000</i><br>(Unaudited) |
|-----------|---------------------------------------------------------|
| Buildings | <u><u>29,906</u></u>                                    |

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

|                                   | <b>1 January 2019</b><br><i>HK\$'000</i><br>(Unaudited) |
|-----------------------------------|---------------------------------------------------------|
| Right-of-use assets – increase by | 29,906                                                  |
| Lease liabilities – increase by   | <u>(29,906)</u>                                         |
|                                   | <u><u>–</u></u>                                         |

### ***Practical expedients applied***

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to HKFRSs.

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

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

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

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

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

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

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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

#### **4. USE OF JUDGEMENTS AND ESTIMATES**

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in Note 3.

#### **5. SEGMENT REPORTING**

##### **(a) Reportable segments**

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 2018, information reported to the chief operating decision makers (the "CODM"), for the purposes of resource allocation and assessment of segment performance, was the financial information of the Group as a whole as reported under HKFRSs. Such information did not contain profit or loss information of particular product or service line or geographical area. Therefore, the CODM had determined that the Group had only one single reportable segment which was the tele-media business. The CODM allocated resources and assess performance on an aggregated basis.

Upon the completion of the business combination on 27 November 2018, the management of the Group has been exploring for opportunities to participate in mobile games and live streaming platform in the PRC. To strengthen the investment strategy and portfolio management, management of the Group changed the internal reporting structure and added mobile games, application and live streaming platform as a new reporting segment. Therefore, the Group has presented two reportable segments during the period 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, other Internet plus 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.

|                                                             | <b>Tele-media<br/>business</b> | <b>Mobile games,<br/>applications<br/>and live<br/>streaming<br/>platform</b> | <b>Consolidated</b> |
|-------------------------------------------------------------|--------------------------------|-------------------------------------------------------------------------------|---------------------|
| <b>For the six months ended 30 June 2019</b><br>(Unaudited) | <b>HK\$'000</b>                | <b>HK\$'000</b>                                                               | <b>HK\$'000</b>     |
| Revenue from external customers                             | <u>1,033,261</u>               | <u>185,216</u>                                                                | <u>1,218,477</u>    |
| Reportable segment (loss)/profit                            | <u>(32,168)</u>                | <u>30,676</u>                                                                 | (1,492)             |
| Unallocated other income                                    |                                |                                                                               | 9,884               |
| Share of profits of associates                              |                                |                                                                               | (28,196)            |
| Salaries and allowances                                     |                                |                                                                               | (11,671)            |
| Unallocated expenses                                        |                                |                                                                               | <u>(12,304)</u>     |
| Loss for the period before taxation                         |                                |                                                                               | <u>(43,779)</u>     |

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

|                                                    |                   | <b>Mobile games,<br/>applications<br/>and live<br/>streaming<br/>platform</b> |                         |
|----------------------------------------------------|-------------------|-------------------------------------------------------------------------------|-------------------------|
| <b>Period ended 30 June 2019</b>                   | <b>Tele-media</b> |                                                                               | <b>Consolidated</b>     |
| (Unaudited)                                        | <b>business</b>   | <b>platform</b>                                                               |                         |
|                                                    | <i>HK\$'000</i>   | <i>HK\$'000</i>                                                               | <i>HK\$'000</i>         |
| Reportable segment assets                          | <u>467,205</u>    | <u>572,803</u>                                                                | 1,040,008               |
| Interests in associates                            |                   |                                                                               | 89,444                  |
| Other financial assets                             |                   |                                                                               | 462,246                 |
| Cash at banks                                      |                   |                                                                               | 47,720                  |
| Unallocated corporate assets                       |                   |                                                                               | <u>3,564</u>            |
| Total assets                                       |                   |                                                                               | <u><u>1,642,982</u></u> |
|                                                    |                   | <b>Mobile games,<br/>applications<br/>and live<br/>streaming<br/>platform</b> |                         |
|                                                    | <b>Tele-media</b> |                                                                               | <b>Consolidated</b>     |
|                                                    | <b>business</b>   | <b>platform</b>                                                               |                         |
|                                                    | <i>HK\$'000</i>   | <i>HK\$'000</i>                                                               | <i>HK\$'000</i>         |
| Reportable segment liabilities                     | <u>(222,176)</u>  | <u>(48,889)</u>                                                               | (271,065)               |
| Tax provision for gain on disposal of subsidiaries |                   |                                                                               | (112,094)               |
| Contingent consideration payable                   |                   |                                                                               | (87,892)                |
| Amount due to related company                      |                   |                                                                               | (72,349)                |
| Deposits received, other payables and accruals     |                   |                                                                               | <u>(38,931)</u>         |
| Total liabilities                                  |                   |                                                                               | <u><u>(582,331)</u></u> |

**(b) Geographical information**

During the six months ended 30 June 2018 and 2019, over 90% of the Group's revenue was attributable to customers in the PRC and over 90% of the Group's total non-current assets are located in the PRC and the remaining non-current assets are located in Hong Kong and Dubai.

**(c) Major customers**

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

|            | Six months ended 30 June        |                                 |
|------------|---------------------------------|---------------------------------|
|            | 2019<br>(Unaudited)<br>HK\$'000 | 2018<br>(Unaudited)<br>HK\$'000 |
| Customer A | 246,888                         | 471,428                         |
| Customer B | 184,675                         | 211,611                         |
| Customer C | 145,850                         | 204,768                         |

**6. REVENUE**

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for goods returned and trade discounts, and services fees earned. An analysis of turnover and revenue is as follows:

| Six months ended 30 June<br>(Unaudited) | Tele-media       |                  | Mobile games,<br>application and<br>live streaming platform |                  | Total            |                  |
|-----------------------------------------|------------------|------------------|-------------------------------------------------------------|------------------|------------------|------------------|
|                                         | 2019<br>HK\$'000 | 2018<br>HK\$'000 | 2019<br>HK\$'000                                            | 2018<br>HK\$'000 | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
| E-Commerce trading platform             | 1,030,184        | 1,536,296        | –                                                           | –                | 1,030,184        | 1,536,296        |
| Gaming                                  | –                | 1,757            | –                                                           | –                | –                | 1,757            |
| Advertising Income                      | 3,077            | 27,106           | –                                                           | –                | 3,077            | 27,106           |
| Game applications                       | –                | –                | 141,251                                                     | –                | 141,251          | –                |
| Live stream online platform             | –                | –                | 17,436                                                      | –                | 17,436           | –                |
| Online information platform             | –                | –                | 26,520                                                      | –                | 26,520           | –                |
| Exchange of gifts                       | –                | –                | 9                                                           | –                | 9                | –                |
|                                         | <u>1,033,261</u> | <u>1,565,159</u> | <u>185,216</u>                                              | <u>–</u>         | <u>1,218,477</u> | <u>1,565,159</u> |
| Timing of revenue recognition           |                  |                  |                                                             |                  |                  |                  |
| At a point in time                      | 1,030,184        | 1,536,296        | 9                                                           | –                | 1,030,193        | 1,536,296        |
| Transferred over time                   | 3,077            | 28,863           | 185,207                                                     | –                | 188,284          | 28,863           |
|                                         | <u>1,033,261</u> | <u>1,565,159</u> | <u>185,216</u>                                              | <u>–</u>         | <u>1,218,477</u> | <u>1,565,159</u> |

## 7. OTHER GAINS AND LOSSES

|                                                    | Six months ended 30 June |              |
|----------------------------------------------------|--------------------------|--------------|
|                                                    | 2019                     | 2018         |
|                                                    | (Unaudited)              | (Unaudited)  |
|                                                    | HK\$'000                 | HK\$'000     |
| Interest income                                    | 78                       | 3,895        |
| Government grants                                  | –                        | 1,228        |
| Net foreign exchange gains/(losses)                | 204                      | (810)        |
| Others                                             | 1,310                    | (681)        |
| Dividend income                                    | 10,872                   | –            |
| Loss on disposal of associate                      | (660)                    | –            |
| Realised fair value gain on other financial assets | 279                      | –            |
| Fair value change in investment fund               | (1,052)                  | –            |
|                                                    | <u>11,031</u>            | <u>3,632</u> |

## 8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

|                                                 | Six months ended 30 June |               |
|-------------------------------------------------|--------------------------|---------------|
|                                                 | 2019                     | 2018          |
|                                                 | (Unaudited)              | (Unaudited)   |
|                                                 | HK\$'000                 | HK\$'000      |
| Depreciation of property, plant and equipment   | 1,952                    | 1,411         |
| Amortisation of intangible assets               | 20,950                   | 15,798        |
| Carrying amount of inventories sold             | 978,044                  | 1,537,963     |
| Auditor's remuneration                          | 136                      | 513           |
| Staff costs (excluding directors' remuneration) |                          |               |
| Salaries and wages                              | 26,067                   | 25,671        |
| Pension fund contributions                      | 3,727                    | 1,918         |
| Share-based payments                            | –                        | 23,259        |
|                                                 | <u>29,794</u>            | <u>50,848</u> |

## 9. INCOME TAX

No provision was made for Hong Kong profits tax as the Group had no assessable profits in 2018 and during the Period.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Group is calculated based on the statutory tax rate of 25%, except for 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% in 2018 and during the Period. No provision was made for PRC income tax as the Group had no assessable income in 2018 and during the Period.

Khorgos Crazy New Game Network Technology Company Limited (the “Khorgos Crazy”) (霍爾果斯瘋狂新遊網絡有限公司) is 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 1 January 2017 to 31 December 2020.

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.

## 10. 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:

### Loss

|                                                                                     | <b>Six months ended 30 June</b> |                    |
|-------------------------------------------------------------------------------------|---------------------------------|--------------------|
|                                                                                     | <b>2019</b>                     | <b>2018</b>        |
|                                                                                     | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                                                                                     | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| Loss for the period for the purpose of basic and diluted loss per share calculation | <b>(41,208)</b>                 | <b>(130,083)</b>   |

### Number of shares

|                                                                                                 | <b>Six months ended 30 June</b> |                    |
|-------------------------------------------------------------------------------------------------|---------------------------------|--------------------|
|                                                                                                 | <b>2019</b>                     | <b>2018</b>        |
|                                                                                                 | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                                                                                                 | <b>'000</b>                     | <b>'000</b>        |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | <b>4,213,375</b>                | <b>3,301,429</b>   |

### Loss per share

|                        | <b>Six months ended 30 June</b> |                    |
|------------------------|---------------------------------|--------------------|
|                        | <b>2019</b>                     | <b>2018</b>        |
|                        | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                        | <b>HK cents</b>                 | <b>HK cents</b>    |
| Basic loss per share   | <b>(0.98)</b>                   | <b>(3.94)</b>      |
| Diluted loss per share | <b>(0.98)</b>                   | <b>(3.94)</b>      |

The computation of diluted loss per share for the six months ended 30 June 2019 and 2018 does not assume the exercise of the outstanding share options as they had an anti-dilutive effect on the loss per share calculation.



## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$523,000 (2018: HK\$906,000).

## 12. INTERESTS IN ASSOCIATES

|                                   | As at<br><b>30 June<br/>2019</b><br>(Unaudited)<br><i>HK\$'000</i> | As at<br>31 December<br>2018<br>(Audited)<br><i>HK\$'000</i> |
|-----------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------|
| Share of net (liabilities)/assets | (4,644)                                                            | 24,147                                                       |
| Goodwill                          | <u>239,696</u>                                                     | <u>241,826</u>                                               |
|                                   | <b>235,052</b>                                                     | 265,973                                                      |
| Less: impairment                  | <u>(145,608)</u>                                                   | <u>(145,855)</u>                                             |
|                                   | <u><b>89,444</b></u>                                               | <u><b>120,118</b></u>                                        |

Particulars of the Group's associates are as follows:

| Name of company                                | Form of<br>business structure | Place of<br>incorporation<br>and operation | Percentage<br>of ownership<br>interests/voting<br>rights/profit<br>share | Principal activity                                                  |
|------------------------------------------------|-------------------------------|--------------------------------------------|--------------------------------------------------------------------------|---------------------------------------------------------------------|
| VODone Datamedia Technology Co., Ltd. ("TMD1") | Corporation                   | PRC                                        | 49%<br>(31 December<br>2018: 49%)                                        | Provision of tele-media<br>business support and<br>content services |
| Rocs and Partners                              | Limited company               | BVI                                        | Nil<br>(31 December<br>2018: 30%)                                        | Inactive ( <i>Note</i> )                                            |
| Bank of Asia (BVI) Limited ("BOA")             | Limited company               | BVI                                        | 37.53%<br>(31 December<br>2018: 37.53%)                                  | Provision of BVI<br>banking services                                |

*Note:*

During the period, the Group has disposed of the 30% interest in Rocs and Partners to an independent third party for a consideration of HK\$1,709,000. A loss of HK\$660,000 is recognised as "Other gains and losses" in the condensed consolidated statement of comprehensive income during the period.

|                                                                     |                                                                                  |                                                              |
|---------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------|
| TMD1                                                                | As at<br><b>30 June</b><br><b>2019</b><br>(Unaudited)<br><i>HK\$'000</i>         | As at<br>31 December<br>2018<br>(Audited)<br><i>HK\$'000</i> |
| Total assets                                                        | <b>135,535</b>                                                                   | 91,214                                                       |
| Total liabilities                                                   | <b>(175,047)</b>                                                                 | (131,051)                                                    |
| Net liabilities of the associate                                    | <b>(39,512)</b>                                                                  | (39,837)                                                     |
| Carrying amount of the Group's interest in the associate            | –                                                                                | –                                                            |
|                                                                     | <b>Six months ended 30 June</b><br><b>2019</b><br>(Unaudited)<br><i>HK\$'000</i> | 2018<br>(Unaudited)<br><i>HK\$'000</i>                       |
| Revenue                                                             | <b>2,005</b>                                                                     | 25,407                                                       |
| Profit/(loss) for the period                                        | <b>263</b>                                                                       | (86)                                                         |
| Included in the above amounts are:<br>Depreciation and amortisation | <b>(68)</b>                                                                      | (71)                                                         |
| BOA                                                                 | As at<br><b>30 June</b><br><b>2019</b><br>(Unaudited)<br><i>HK\$'000</i>         | As at<br>31 December<br>2018<br>(Audited)<br><i>HK\$'000</i> |
| Total assets                                                        | <b>44,711</b>                                                                    | 116,408                                                      |
| Total liabilities                                                   | <b>(5,981)</b>                                                                   | (3,190)                                                      |
| Net assets                                                          | <b>38,730</b>                                                                    | 113,218                                                      |
| Carrying amount of the Group's interest in the associate            | <b>38,730</b>                                                                    | 113,218                                                      |
|                                                                     | <b>Six months ended 30 June</b><br><b>2019</b><br>(Unaudited)<br><i>HK\$'000</i> | 2018<br>(Unaudited)<br><i>HK\$'000</i>                       |
| Revenue                                                             | –                                                                                | –                                                            |
| Loss for the period                                                 | <b>(74,485)</b>                                                                  | (40,721)                                                     |
| Included in the above amounts are:<br>Depreciation and amortisation | <b>(1,568)</b>                                                                   | –                                                            |

### 13. GOODWILL

|                                    | <i>HK\$'000</i>              |
|------------------------------------|------------------------------|
| Cost:                              |                              |
| At 1 January 2018                  | 471,689                      |
| Acquisition of subsidiaries        | 416,530                      |
| Exchange adjustments               | <u>(19,613)</u>              |
| At 31 December 2018                | 868,606                      |
| Acquisition of a subsidiary        | –                            |
| Exchange adjustments               | <u>(1,514)</u>               |
| <b>At 30 June 2019</b>             | <b><u>867,092</u></b>        |
| Accumulated impairment losses:     |                              |
| At 1 January 2018                  | 368,987                      |
| Additions                          | 83,196                       |
| Exchange adjustments               | <u>(9,187)</u>               |
| At 31 December 2018                | 442,996                      |
| Exchange adjustments               | <u>(751)</u>                 |
| <b>At 30 June 2019</b>             | <b><u>442,245</u></b>        |
| Carrying amount:                   |                              |
| <b>At 30 June 2019 (unaudited)</b> | <b><u><u>424,847</u></u></b> |
| At 31 December 2018 (audited)      | <u><u>425,610</u></u>        |

Goodwill is allocated to the Group's cash generating units ("CGUs") identified to country of operation and business segment. The carrying amounts as at 30 June 2019 were related to the Group's tele-media service business and mobile games, application and live streaming platform business in the PRC.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Group engaged a professional appraiser to conduct valuations of the intellectual properties, including patent, trademarks and related technologies, to test goodwill created from acquiring the CGUs.

#### 14. RIGHT-OF-USE ASSETS

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

|            | As at<br>30 June 2019<br>(Unaudited)<br>HK\$'000 |
|------------|--------------------------------------------------|
| Properties | 40,464                                           |

#### 15. OTHER FINANCIAL ASSETS

|                                                                    | As at<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|--------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Current portion:                                                   |                                                     |                                                       |
| Financial assets at fair value through profit or loss:             |                                                     |                                                       |
| – Compensation arising from profit guarantee (note (a))            | 2,290                                               | 3,248                                                 |
| – Listed equity investment (note (d))                              | 13,792                                              | 33,373                                                |
| – derivatives instrument (note (d))                                | 41,690                                              | 22,201                                                |
|                                                                    | <u>57,772</u>                                       | <u>58,822</u>                                         |
| Non-current portion:                                               |                                                     |                                                       |
| Financial assets at fair value through other comprehensive income: |                                                     |                                                       |
| – Investment funds (note (b))                                      | 364,244                                             | 358,981                                               |
| – Unlisted equity investments (note (c))                           | 40,230                                              | 40,298                                                |
|                                                                    | <u>404,474</u>                                      | <u>399,279</u>                                        |
| Financial assets at amortised cost                                 |                                                     |                                                       |
| – Managed fund (PRC) (note (e))                                    | <u>1,137</u>                                        | <u>1,139</u>                                          |

*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 compensation is classified as financial asset at fair value through profit or loss.
- (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. As at 30 June 2019, a fair value loss of HK\$11,096,000 was recognised as other comprehensive income and reduced the investment revaluation reserve. As at 30 June 2019, the fair value of Mobile Internet Fund was HK\$254,069,000.

- (ii) 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 of 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. In 2018, the Company reduced the investment and withdrew US\$1,500,000 (equivalent to HK\$11,625,000)

As at 30 June 2019, the management assessed that the fair value of the Golden Rock fund is HK\$60,051,000.

- (iii) 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. As at 30 June 2019, the Group has invested RMB23,000,000 to the investment fund.

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 the 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.

As at 30 June 2019, the management assessed that the fair value of the investment fund is RMB29,092,400 (equivalent to HKD33,072,000).

- (iv) On 13 February 2019, the Company entered into a Limited Partnership Agreement (the “Agreement”) to subscribe, as a limited partner, in the total amount of RMB30,000,000 (equivalent to HK\$34,104,000) of Shenzhen Zhongjin Qianhai Weiyi Angel Innovation Investment Partnership Limited (the “Shenzhen Qianhai Fund”). The timing of capital contribution of the investment is generally on an “as needed” basis.

Shenzhen Qianhai Fund is an established in the PRC and is principally engaged in asset management and investment management. It is established to achieve long-term capital appreciation primarily through privately-negotiated investments in innovation technologies industries. The Group is a limited partner in the Shenzhen Qianhai Fund and does not have control nor significant influence in the Shenzhen Qianhai Fund 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.

At the end of the reporting period, the Group have invested RMB15,000,000 to the investment fund (equivalent to HK\$17,052,000). As at 31 December 2018, the management assessed that there was no material change in fair value of the fund from acquisition date to period end date.

- (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. The management assessed that there was no material change in fair value of the investment during the period.

- (ii) In 2018, the Group invested in 8% equity interest in Shenzhen Qianhai Shou Hui Technology Culture Limited, 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. The management assessed that there was no material change in fair value of the investment during the period.
- (d) The financial assets at FVTPL are as follows:
- (i) It represents an equity investment of listed securities in NASDAQ. During the period, a fair value loss of HK\$19,581,000 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). A fair value gain of HK\$19,489,000 was recognised as “Other gains and losses” in the consolidated statement of profit or loss and other comprehensive income during the period.
- (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.

## 16. 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:

|                                 | As at<br><b>30 June</b><br><b>2019</b><br><b>(Unaudited)</b><br><b>HK\$'000</b> | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|---------------------------------|---------------------------------------------------------------------------------|-------------------------------------------------------|
| Within 6 months                 | <b>30,068</b>                                                                   | 45,189                                                |
| Over 6 months but within 1 year | <b>1,874</b>                                                                    | 26                                                    |
| Over 1 year but within 2 years  | <b>7</b>                                                                        | 62                                                    |
| Over 2 years but within 3 years | <b>63</b>                                                                       | –                                                     |
|                                 | <b>32,012</b>                                                                   | 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.

## 17. TRADE PAYABLES AND OTHER PAYABLES

|                                 | As at<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|---------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| <b>Trade payables</b>           |                                                     |                                                       |
| Within 6 months                 | 39,128                                              | 24,199                                                |
| Over 6 months but within 1 year | 2,790                                               | 1,511                                                 |
| Over 1 year but within 2 years  | 1,498                                               | 1,766                                                 |
| Over 2 years but within 3 years | 1,763                                               | 1,058                                                 |
| Over 3 years                    | 2,964                                               | 522                                                   |
|                                 | <hr/>                                               | <hr/>                                                 |
|                                 | 48,143                                              | 29,056                                                |
| <b>Other payables</b>           | 177,270                                             | 213,808                                               |
|                                 | <hr/>                                               | <hr/>                                                 |
|                                 | 225,413                                             | 242,864                                               |
|                                 | <hr/> <hr/>                                         | <hr/> <hr/>                                           |

## 18. SHARE CAPITAL

|                                                                                     | As at<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|-------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| <i>Authorised:</i>                                                                  |                                                     |                                                       |
| 50,000,000,000 ordinary shares of HK\$0.01 each                                     | 500,000                                             | 500,000                                               |
|                                                                                     | <hr/> <hr/>                                         | <hr/> <hr/>                                           |
| <i>Issued and fully paid:</i>                                                       |                                                     |                                                       |
| 4,213,395,262 (31 December 2018: 4,213,395,262)<br>ordinary shares of HK\$0.01 each | 42,134                                              | 42,134                                                |
|                                                                                     | <hr/> <hr/>                                         | <hr/> <hr/>                                           |

## 19. COMMITMENTS

|                                                            | As at<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Contracted, but not provided for:                          |                                                     |                                                       |
| – Investment of investment fund ( <i>note 15(b)(iii)</i> ) | 85,260                                              | 85,405                                                |
|                                                            | <hr/> <hr/>                                         | <hr/> <hr/>                                           |



## 20. SHARE OPTION SCHEMES

On 27 April 2012, the shareholders of the Company approved the adoption of a new share option scheme (the “V1 Group Scheme”) and the termination of the share option scheme adopted on 7 June 2002. The V1 Group Scheme was adopted by the Company on 30 April 2012.

Under the V1 Group Scheme, the directors of the Company may, at their discretion, invite any eligible participants to take up share option(s) (“Share Option(s)”) to subscribe for ordinary share(s) of HK\$0.01 each in the share capital of the Company (“Share(s)”). 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.

In the annual general meeting of the Company held on 28 May 2019 the 10% limit under the V1 Group Scheme was refreshed by an ordinary resolution passed by the shareholders of the Company.

No Share Option was granted under the V1 Group Scheme during the Period.

The terms and conditions of the grants and movements in the number of Share Options under the V1 Group Scheme during the Period were as follows:

### 2019

|                            | Number of shares issuable under share options |                                 |                                   |                                |                       |                           |                          |
|----------------------------|-----------------------------------------------|---------------------------------|-----------------------------------|--------------------------------|-----------------------|---------------------------|--------------------------|
|                            | At<br>1 January<br>2019                       | Granted<br>during<br>the Period | Exercised<br>during<br>the Period | Lapsed<br>during<br>the Period | At<br>30 June<br>2019 | Exercise<br>price<br>HK\$ | Exercise period          |
| <b>Executive directors</b> |                                               |                                 |                                   |                                |                       |                           |                          |
| Zhang Lijun                |                                               |                                 |                                   |                                |                       |                           |                          |
| – on 2 September 2016      | 2,000,000                                     | –                               | –                                 | –                              | 2,000,000             | 0.371                     | 02/09/2016 to 01/09/2019 |
| – on 25 January 2018       | 2,000,000                                     | –                               | –                                 | –                              | 2,000,000             | 0.229                     | 25/01/2018 to 24/01/2021 |
|                            | <u>4,000,000</u>                              | <u>–</u>                        | <u>–</u>                          | <u>–</u>                       | <u>4,000,000</u>      |                           |                          |
| Wang Chun                  |                                               |                                 |                                   |                                |                       |                           |                          |
| – on 2 September 2016      | 2,000,000                                     | –                               | –                                 | –                              | 2,000,000             | 0.371                     | 02/09/2016 to 01/09/2019 |
| – on 25 January 2018       | 3,000,000                                     | –                               | –                                 | –                              | 3,000,000             | 0.229                     | 25/01/2018 to 24/01/2021 |
|                            | <u>5,000,000</u>                              | <u>–</u>                        | <u>–</u>                          | <u>–</u>                       | <u>5,000,000</u>      |                           |                          |
| Ji Qiang                   | <u>–</u>                                      | <u>–</u>                        | <u>–</u>                          | <u>–</u>                       | <u>–</u>              |                           |                          |
| Sub-total                  | 9,000,000                                     | –                               | –                                 | –                              | 9,000,000             |                           |                          |

|                                            | Number of shares issuable under share options |                                 |                                   |                                |                          |                           |                          |
|--------------------------------------------|-----------------------------------------------|---------------------------------|-----------------------------------|--------------------------------|--------------------------|---------------------------|--------------------------|
|                                            | At<br>1 January<br>2019                       | Granted<br>during<br>the Period | Exercised<br>during<br>the Period | Lapsed<br>during<br>the Period | At<br>30 June<br>2019    | Exercise<br>price<br>HK\$ | Exercise period          |
| <b>Independent non-executive directors</b> |                                               |                                 |                                   |                                |                          |                           |                          |
| Loke Yu (alias Loke Hoi Lam)               |                                               |                                 |                                   |                                |                          |                           |                          |
| – on 2 September 2016                      | 700,000                                       | –                               | –                                 | –                              | 700,000                  | 0.371                     | 02/09/2016 to 01/09/2019 |
| – on 25 January 2018                       | 750,000                                       | –                               | –                                 | –                              | 750,000                  | 0.229                     | 25/01/2018 to 24/01/2021 |
|                                            | <u>1,450,000</u>                              | <u>–</u>                        | <u>–</u>                          | <u>–</u>                       | <u>1,450,000</u>         |                           |                          |
| Wang Linan                                 |                                               |                                 |                                   |                                |                          |                           |                          |
| – on 2 September 2016                      | 700,000                                       | –                               | –                                 | –                              | 700,000                  | 0.371                     | 02/09/2016 to 01/09/2019 |
| – on 25 January 2018                       | 750,000                                       | –                               | –                                 | –                              | 750,000                  | 0.229                     | 25/01/2018 to 24/01/2021 |
|                                            | <u>1,450,000</u>                              | <u>–</u>                        | <u>–</u>                          | <u>–</u>                       | <u>1,450,000</u>         |                           |                          |
| Gong Zhankui                               |                                               |                                 |                                   |                                |                          |                           |                          |
| – on 2 September 2016                      | 700,000                                       | –                               | –                                 | –                              | 700,000                  | 0.371                     | 02/09/2016 to 01/09/2019 |
| – on 25 January 2018                       | 750,000                                       | –                               | –                                 | –                              | 750,000                  | 0.229                     | 25/01/2018 to 24/01/2021 |
|                                            | <u>1,450,000</u>                              | <u>–</u>                        | <u>–</u>                          | <u>–</u>                       | <u>1,450,000</u>         |                           |                          |
| Sub-total                                  | <u>4,350,000</u>                              | <u>–</u>                        | <u>–</u>                          | <u>–</u>                       | <u>4,350,000</u>         |                           |                          |
| <b>Employees</b>                           |                                               |                                 |                                   |                                |                          |                           |                          |
| – on 2 September 2016                      | 2,900,000                                     | –                               | –                                 | –                              | 2,900,000                | 0.371                     | 02/09/2016 to 01/09/2019 |
| – on 3 May 2018                            | 99,000,000                                    | –                               | –                                 | (99,000,000)                   | –                        | 0.550                     | 03/05/2018 to 02/05/2019 |
| Sub-total                                  | <u>101,900,000</u>                            | <u>–</u>                        | <u>–</u>                          | <u>(99,000,000)</u>            | <u>2,900,000</u>         |                           |                          |
| <b>Other</b>                               |                                               |                                 |                                   |                                |                          |                           |                          |
| – on 2 September 2016                      | 1,000,000                                     | –                               | –                                 | –                              | 1,000,000                | 0.371                     | 02/09/2016 to 01/09/2019 |
| – on 3 May 2018                            | 51,000,000                                    | –                               | –                                 | (51,000,000)                   | –                        | 0.550                     | 03/05/2018 to 02/05/2019 |
| Sub-total                                  | <u>52,000,000</u>                             | <u>–</u>                        | <u>–</u>                          | <u>(51,000,000)</u>            | <u>1,000,000</u>         |                           |                          |
| <b>Total</b>                               | <b><u>167,250,000</u></b>                     | <b><u>–</u></b>                 | <b><u>–</u></b>                   | <b><u>(150,000,000)</u></b>    | <b><u>17,250,000</u></b> |                           |                          |

## 21. 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 period:

|                                                   | Six months ended 30 June |               |
|---------------------------------------------------|--------------------------|---------------|
|                                                   | 2019                     | 2018          |
|                                                   | (Unaudited)              | (Unaudited)   |
|                                                   | HK\$'000                 | HK\$'000      |
| Service fee income earned from an associate, TMD1 | <u>1,748</u>             | <u>25,280</u> |
| Management fee charged by TMD1                    | <u>2,005</u>             | <u>30,465</u> |

- (b) The remuneration of directors and other member of key management during the period are as follows:

|                     | Six months ended 30 June |               |
|---------------------|--------------------------|---------------|
|                     | 2019                     | 2018          |
|                     | (Unaudited)              | (Unaudited)   |
|                     | HK\$'000                 | HK\$'000      |
| Short term benefits | <u>11,882</u>            | <u>12,422</u> |

- (c) The amounts due from related companies are interest-free, unsecured and repayable on trading terms.
- (d) The amount due from an associate mainly arising from the trading transactions detailed in note (a) above is unsecured, interest free and repayable on demand.

## 22. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were reviewed by the audit committee of the Company and approved and authorised for issue by the Board on 29 August 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATING RESULTS

The unaudited turnover of the Group for the six months ended 30 June 2019 (the “Period”) amounted to approximately HK\$1,218,477,000, representing a decrease of approximately 22.1% as compared with the corresponding period last year. Gross profit for the Period was approximately HK\$74,220,000, as compared with a gross loss recorded in the corresponding period last year. The decrease in turnover was due to a strategy of lesser goods sold but with high gross profit margin adopted by Liangzi Gang during the Period. Gross profit of Fengkuang Tiyu and goods sold under Liangzi Gang at a higher gross profit margin, contributed to the making of gross profit by the Group.

### BUSINESS DISCUSSION AND ANALYSIS

Since the beginning of 2019, downward pressure on the world economy has apparently increased due to many uncertainties and unstabilising factors. Despite a series of unfavourable factors, such as trade protectionism, the economy of China maintained a growth rate of 6.3% in the first half of the year. The Group also delivered encouraging results in its principal business.

During the Period, the Group achieved satisfactory development of its principal business and made remarkable achievements in tele-media business, “video +” sports community business (Fengkuang Tiyu) and investment. In particular, following the acquisition of Fengkuang Tiyu, the Group stepped up its efforts in building the “video +” sports community business model to explore new opportunities and vitality. With the support of 5G technology, the Group focused on “video +” to build an industrial ecosystem focusing on video news community, video sports community and video new retail e-commerce, striving to develop itself into a smart Internet enterprise by converging high-quality resources.

#### ***“Digital + New Culture and Sports” Development Framework Took Shape***

By capitalising on the major opportunities for the construction of convergence media and 5G and relying on the advanced technology of the Group’s research institute, V1 New Media converged with nearly 300 local information providers across the country and has developed the “Hometown News”(老鄉新聞) and a B-end short video content live-streaming platform. In the first half of 2019, Liangzi Gang recorded a substantial increase in gross profit margin. It has become an authorised distributor of Apple T2 and a national agent of Lenovo. During the Period, China Arab TV (“CATV”) reached strategic cooperation with Air China Limited (“Air China”) and the Silk Road School of Renmin University of China (“Silk Road School”).

## **V1 New Media**

### *V1 New Media Took the Lead to Deploy 5G and Focused on Developing Functions for Convergence Media Service*

During the Period, V1 New Media continuously explored the development path of media convergence and cyberculture by consistently implementing the strategy of coordinated development and seizing the major opportunities brought about by the 5G technology.

#### *Formulated the convergence media development strategy centre*

By overcoming the single-platform communication mode, we interacted with our users in a geographical location-based, multi-channel and multi-dimension manner through media convergence. Under the current mode, materials are extracted from local official media to produce the video contents, which are published on the Jiuzhou (九州) web pages in V1 New Media APP\* (第一視頻新媒體APP). We intend to first release news of the local government, and then gradually release contents relating to local people and local stories. As of 30 June 2019, V1 New media APP users had been converged with nearly 300 information providers across the country. We have reached strategic cooperation with various regional governments and local radio and television stations, in an effort to establish a coordinated linkage between networks and stations and capitalise on the opportunities for convergence media construction to promote the economic development of county areas.

#### *Emphasised the video-based live-streaming mode to enhance live-streaming functions*

As of 30 June 2019, V1 New Media had completed 670 B-end live-streaming services, covering sectors including news, sports and finance. We successfully cooperated with a number of well-known enterprises to provide live-streaming services for various major events including the annual summit of Google Cloud Next'19 (Next'19谷歌雲年度峰會), the 2019 Intelligent Audio-visual Conference (二零一九智能視聽大會) and the 30th anniversary of the Weichang Manchu and Mongol Autonomous County (慶祝圍場滿族蒙古族自治縣成立30周年大型演出). A good corporate service image has been established in the live-streaming industry.

#### *Applied artificial intelligence (AI) to accurately improve the content review mechanism*

The research institute of the Group ("Research Institute") has relied on its advanced technologies such as AI, cloud platform and big data to facilitate V1 New Media to materialise the content production by machine, broadcasting by virtual hosts and selected-frame examination on video contents.

*In line with the national development strategy for convergence media, operation license of “Key Laboratory for Convergence Media (融媒體重點實驗室)” has been applied to the government*

As the Group’s scientific research entity in technology output, technical support and technological innovation, the Research Institute has made outstanding contributions to the development of the Group’s various businesses. The Group strives to accelerate the implementation of scientific and technological innovations and the strategic deployment of the “high-grade, high-precision and advanced” industrial structure, so as to build the Key Laboratory for Convergence Media.

In the second half of the year, V1 New Media will be focusing on upgrading products, enhancing user engagement and commercialising video production and live-streaming services. The “First Stunned (第一次驚呆)” feature series has been giving more exposure to high-quality contents intending to enhance users’ enthusiasm to uploading, and to facilitate the establishment of the client content ecosystem. At the same time, we plan to launch the “24-hour Hot Chat (二十四小時熱聊)” function to enhance user engagement and willingness to spread news through diversified user experience design, thereby striving to make quality, interesting and useful product to the customer end.

## **Liangzi Gang**

### *Building a Borderless and win-win Business World*

During the Period, Liangzi Gang recorded a substantial increase in gross profit margin. As an Apple T2 authorised dealer, a national agent of Lenovo and a strategic partner of Xiaomi, China Mobile and China Telecom, Liangzi Gang has covered hundreds of B-end customers. The management team of Liangzi Gang has extensive experience in the Internet, financial and new retail industries, and high capability in product design, stringent risk control and outstanding business management. Liangzi Gang serves as a bridge between upstream product suppliers and downstream wholesale distributors, and has developed an integrated functional network chain structure comprising suppliers, manufacturers, distributors, retailers and end users.

Liangzi Gang aims at establishing long-term cooperative relationships with outstanding enterprises in more than 150 countries and regions, including those along the “Belt and Road” and APEC countries, focusing on providing competitive supply chain solutions, products and services to various enterprises, value-added service providers, retailers and other business partners as well as their consumers. It is also committed to building a borderless, shared and win-win business community for stakeholders to maximise its growth and revenue in the most cost-effective manner.

Looking into the second half of 2019, Liangzi Gang will strive to become a leading “professional, honest, innovative and efficient” e-commerce platform for 3C products in China by relying on the Group’s resource integration capability in the industry and drawing upon its own professional risk control and product design capabilities, thus promoting the healthy development of the industry.

## CATV

### *Promoting the Mutual Recognition of Chinese and Arabian Civilisations by Relying Upon the 22 West Asian and North African Countries Along the Belt and Road*

As the only Chinese-owned satellite TV along the traditional Silk Road, CATV’s bilingual TV programs cover nearly 500 million people in 22 Arab countries across the Middle East. In order to strengthen cultural exchanges between China and Arab countries, CATV has carried out various activities. In April 2019, the show of UAE’s “Fujian Image Season (福建影像季)” documentary series was unveiled in Dubai, UAE.

In the context of the digital economy and in view of the upcoming 5G era, CATV has capitalised on the opportunity to reach strategic cooperation with Air China and Silk Road School. “Hala Chopsticks”(哈拉筷子), an original Arabic food programme, has been officially launched on Air China flights covering up to 30 million viewers. In the same period, CATV entered into a contract with Spafax, an international air media operator, to develop a full international coverage of the programme. At present, the contents and anchor lineup of the programme can ensure a smooth business development.

In the second half of the year, CATV will further clarify the direction of business development and focus on developing its major line of business while adhering to the national strategy of going global. In addition, CATV will endeavour to build the China-Arab Film and Television Industry Alliance (中阿影視產業聯盟) by relying on the Beijing TV Program Market & Exhibition Fair (北京電視節目交易會), continue to promote the international cultural exchanges and business cooperation in the Belt and Road initiatives between the local provinces and CATV, and launch film and television programmes to increase its advertising income. With its rise in the media sector, CATV is believed to have a promising prospect.

## **Fengkuang Tiyu**

*In terms of the “video +” sports community business, Fengkuang Tiyu has further developed the sports industry, and strives to build a “video +” sports community business ecosystem by providing sports event information, lottery recommendation services, and sports game development and operation*

*Fengkuang Tiyu Strives to Build a “Video +” Sports Community Business Ecosystem*

Fengkuang Tiyu App has not only achieved full pre-match and post-match information coverage, but has also provided interesting contents such as multi-angle rankings and real-time transfer lists of players, striving to build an information-based, live-streaming and interactive community. Following the updating of the product, the business has grown rapidly, which can be evidenced in: (1) the increase by 3.5 times of monthly Average Revenue Per User (“ARPU”) value to RMB350; and (2) the three-fold increase in the number of daily active anchors and the five-fold increase in the total number (the number of daily active anchors is approximately 300).

*Paid lottery recommendation business: precisely positioned to spearhead the development of the sports community*

Crazy Recommendation\* (瘋狂紅單) mobile App provides information services for lottery players. It has achieved sufficient development by expanding the lottery analyst team, comprehensively upgrading sports lottery analysis tools and exploring traffic cooperation channels. The outstanding performance in the paid lottery knowledge sector has attracted the attention of the whole industry.

*Support by a strong team of experts*

Up until July 2019, the platform had more than 200 senior competition-oriented lottery recommendation experts, making it a domestic star-level lottery recommendation platform. Hundreds of senior lottery recommendation experts on the platform have completed a total of more than 230,000 analysis manuscripts and served tens of millions of lottery players and major cooperative markets in China by providing accurate analyses contents for lottery players.

*Research and development of AI technology and big data prediction in an in-depth manner*

Crazy Recommendation has been deeply developed in both commodity model and big data predication. Under the commodity model, Crazy Recommendation has added a variety of diversified packages for customers to choose from. Significant breakthroughs have been achieved in AI and big data prediction and successful multi-scientific algorithms have been applied. Relevant data shows that the rate of return could be up to nearly 400% based on the 30-day drill data for leagues.



### *Emphasis on cooperation with platforms and channels*

Crazy Recommendation has established partnerships with high traffic platforms and sports live-streaming platforms and has reached cooperation intention with many We-Media platforms. It covers user channels through “sports + lottery” mode and is promoted in an audio-video way by integrating diversified lottery recommendation model with live-streaming platforms, so as to reach more potential user groups. Looking into the second half of 2019, sports lottery sales will reach a new height, as the new seasons of both Basketball World Cup and European Big 5 Football Leagues will take place. Crazy Recommendation expects to deliver better results against the backdrop of the two concurrent competitive sports events which have most user coverage.

*Sports game business: posting a total revenue of over HK\$100 million by developing reputable products, with the number of downloads on record-breaking runs*

During the Period, Fengkuang Tiyu recorded a total revenue of more than HK\$100 million, securing a customer base of more than 1 million sports game users. Through domestic distribution, overseas distribution and joint operation of games and games promotion cooperation, Fengkuang Tiyu integrated high-quality IP resources, opened up the upstream and downstream industrial chain of the game industry, and successfully developed a number of reputable game products in the industry. With the number of product downloads and online users repeatedly reaching new highs, Fengkuang Tiyu has become one of the influential sports game communities in China and has long been recommended by many mainstream app stores.

Looking into the second half of 2019, Fengkuang Tiyu will strive to accumulate its user base by retaining active users and avoiding loss of users. It will also attract new users and maintain user engagement through offline activities. In addition, the community version of Fengkuang Tiyu which converges games, live-streaming, social and sports contents will be launched on a full function basis to encourage user spontaneous sharing, secure consumption drivers and improve user engagement. Meanwhile, high-quality contents will be pushed to relevant users in a smart manner through the user-defined function and associated vocabulary mechanism to enhance user engagement in the sports community. Among other things, the sports community will be characterised by topic tags, which will help to promptly present hot topics highly relevant to events/matches/teams/players to users in the most lively and interesting way.

## **Interactive Space-time**

Shenzhen Interactive Space-time Technology Co., Ltd. (深圳互動時空科技有限公司) (“Interactive Space-time”) specialises in the development and operation of IP derivatives, and has been authorised by Transformers, My Little Pony, Tencent QQ Family and other well-known IPs. Interactive Space-time is committed to promoting the younger and personalised cultural consumption. In the first half of 2019, Interactive Space-time endeavoured to carry out cooperation with the world’s top IPs and continued to integrate high-quality IP resources with the support of its quick response mechanism and the efficient full supply chain, so as to reduce development costs and maximise IP economic value. Drawing upon its advantages of supply chain integration in the Chinese market and regarding the product side as its breakthrough point, Interactive Space-time is committed to opening up a brand-new market for Chinese companies in the field of licensing. Interactive Space time is committed to turning artworks into necessities and crafting necessities into artworks.

## **Bank of Asia (BVI) Limited**

During the Period, our associate company, Bank of Asia (BVI) Limited (“BOA”) had made progress in business operation. BOA has opened a corporate account with a Hong Kong based bank so that its customers can have remittances in three currencies: US Dollars, Hong Kong Dollars and Chinese Renminbi.

On 26 July 2019, BOA’s subsidiary, BOA Investment Services Limited, has successfully obtained the investment license from British Virgin Islands Financial Services Commission to process securities dealing and to provide value added services to its customers in the coming months.

BOA has incurred losses since its incorporation. The management of BOA has been taking measures to curb costs and overheads so as to improve its financial condition. The negotiations for external financing have been ongoing.

On 17 August 2019, BOA had notified the Company that the British Virgin Islands Financial Services Commission (“FSC”) had approved the transfer of 16,329,032 shares of BOA from Sancus Financial Holdings Limited (the “Guarantor”) to Smart Token Holdings Limited (“Smart Token”), a wholly owned subsidiary of the Company, and accordingly 16,329,032 shares of BOA was transferred from the Guarantor to Smart Token. The transfer of the said shares was made pursuant to the subscription agreement dated 9 January 2017 entered into between Smart Token, BOA and the Guarantor (the “Agreement”). Pursuant to the Agreement, BOA undertook to Smart Token that it should commence commercial operation and offer banking business to customers, as granted by the FSC under the approval letter dated 1 March 2016, on or before 27 September 2017, failing which Smart Token might require the Guarantor to transfer to it for nil consideration such number of shares as would be equal to 10% of the total number of shares of BOA in issue immediately after completion of the subscription by Smart Token of 50,190,323 shares in BOA contemplated under the Agreement. Please refer to the announcement of the Company dated 19 August 2019 for details.

## **BUSINESS OUTLOOK**

The year 2019 is undoubtedly a year for the Group to forge ahead and progresses steadily. In the second half of the year, the Group will unswervingly adhere to its mission and strive for excellence with great diligence. The Group will focus on “video +” by vigorously developing the video news community, video sports community and video new retail e-commerce business, and striving to deliver more remarkable results to our shareholders at the end of the year.

## **FINANCIAL REVIEW**

For the six months ended 30 June 2019, total revenue was reduced to approximately HK\$1,218,477,000. This was mainly due to the change of strategy adopted by Liangzi Gang to sell less amount of goods but with a higher gross profit margin.

Together with the gross profit contributed by Fengkuang Tiyu, a gross profit was recorded as approximately HK\$74,220,000 for the six months ended 30 June 2019, as compared with a gross loss of approximately HK\$6,479,000 in the corresponding period in 2018.

Selling and marking expenses increased by approximately HK\$14,802,000 from HK\$22,677,000 for the six months ended 30 June 2018 to approximately HK\$37,479,000 for the six months ended 30 June 2019. The increase was mainly due to such expenses incurred for full six months’ operation of Fengkuang Tiyu after its acquisition by the Company in late November 2018.

Administrative expenses decreased by approximately HK\$28,947,000, from approximately HK\$91,731,000 for the six months ended 30 June 2018 to approximately HK\$62,784,000 for the six months ended 30 June 2019. The decrease was mainly attributable to the recognition of approximately HK\$23,800,000 share-based payment expenses in relation to the share options granted during the period in 2018 but no such expense recorded in the Period.

Loss attributable to the owners for the period was approximately HK\$41,208,000, representing a decrease of around 68.3% as compared to the corresponding period in 2018, primarily attributable to the net result of the increase in gross profit derived from new business, Fengkuang Tiyu and the improvement in gross profit of Liangzi Gang’s business setting off the increase in selling and marketing expenses and the decrease of the administrative expenses as described above.

## **Contingent Liabilities**

As at 30 June 2019, the Group had no material contingent liabilities.

## **Liquidity and Financial Resources**

As at 30 June 2019, the Group had HK\$83,544,000 cash and cash equivalents (31 December 2018: HK\$131,918,000). The Group had negative working capital of HK\$119,724,000 as compared with the working capital of HK\$17,334,000 at the end of last year. It was mainly due to the increase in: (1) deposits received from customers of Liangzi Gang of approximately HK\$71 million, in relation to the sale of goods which had mostly been sold up to mid-August 2019; and (2) the amount due to a related company of approximately HK\$61 million, being balance of Second Batch Cash Consideration in relation to acquisition of Fengkuang TiYu, as compared with those at 31 December 2018. Since the Group generates most of the revenue and incurs most of the costs in Renminbi, there was no material foreign exchange risk. Taking into account the financial resources available and there is no demand for immediate settlement of amount due to a related company which is controlled by a director of the Company. The directors of the Company are of the view that the Group will have sufficient working capital for its present requirement.

## **Capital Structure**

As at 30 June 2019, total assets of the Group amounted to HK\$1,642,982,000 (31 December 2018: HK\$1,634,691,000) which were substantially financed by shareholders' fund of HK\$1,042,977,000 (31 December 2018: HK\$1,120,807,000). The Group's capital structure, as well as cash inflow, was therefore moderately healthy.

## **EMPLOYEES REMUNERATION AND BENEFITS**

As at 30 June 2019, the Group had a total of 234 employees, which include the management 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 contributions, responsibilities, qualifications and experiences. 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 promote the long-term growth of the Group.

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

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019.

## **CORPORATE GOVERNANCE PRACTICES**

The Company had applied and complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019 except for the deviations with explanations as set out hereunder.

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, since it allows contributions from all executive Directors with different expertise and enhances coherence in 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.

According to the code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings. All Directors had attended the annual general meeting of the Company held on 28 May 2019.

The Board shall continue to monitor and review the Company’s corporate governance practices to ensure compliance.

## **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 period under review.

## **REVIEW BY AUDIT COMMITTEE**

The Group's unaudited interim financial results for the six months ended 30 June 2019 have been reviewed by the audit committee of the Company which comprises the three independent non-executive Directors.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the Company's website (<http://ir.v1group.com.hk>) and Hong Kong Exchanges and Clearing Limited's website (<http://www.hkexnews.hk>). The 2019 interim report will be dispatched to the shareholders of the Company and will be made available on the aforesaid websites in due course.

## **EVENTS AFTER THE REPORTING PERIOD**

The Company granted 68,000,000 Share Options to eligible Grantees under V1 Group Scheme on 5 July 2019 with an exercise price of HK\$0.385 each. The validity period of the Share Options granted spans from 5 July 2019 to 4 July 2022. 6,000,000 Share Options were granted to four Directors, namely Mr Ji Qiang, Dr. Loke Yu, Prof. Gong Zhankui and Mr. Wang Linan. 62,000,000 Share Options were granted to eligible Grantees, none of whom is a Director, chief executive or a substantial shareholder (as defined in the Listing Rules) of the Company, or an associate (as defined in the Listing Rules) of any of them. Please refer to the announcement of the Company dated 5 July 2019 for details.

By Order of the Board  
**V1 Group Limited**  
**ZHANG Lijun**  
*Chairman*

Hong Kong, 29 August 2019

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

### *Executive Directors:*

Dr. ZHANG Lijun (*Chairman*)

Ms. WANG Chun

Mr. JI Qiang

### *Independent non-executive Directors:*

Dr. LOKE Yu (alias LOKE Hoi Lam)

Prof. GONG Zhankui

Mr. WANG Linan