V1 GROUP LIMITED
第 一 視 頻 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 82)

2019 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of V1 Group Limited (the "**Company**" or "**V1**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019. These results have been audited by the Group's auditor, BDO Limited, based on the International Standards on Auditing and reviewed by the Audit Committee.

HIGHLIGHTS

Financial Performance Highlights

For the year ended 31 December 2019

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

— Revenue and gross profit from the sports and lottery related business were approximately HK$186.0 million and HK$124.1 million respectively, with a gross margin of 66.7%. The Group acquired 100% interest in Fengkuang Tiyu in November 2018 and it consolidated the full year financial results of Fengkuang Tiyu in 2019. In addition, Fengkuang Tiyu has accomplished its profit guarantee.

— The telemedia and e-commerce business also recorded a gross profit, amounting to approximately HK$3.2 million in 2019 as compared to a gross loss of HK$44.5 million in 2018, despite a decrease in revenue of 32.9% year-on-year to approximately HK$2,258.9 million in 2019 from HK$3,365.0 million in 2018. The strong growth in gross profit in the telemedia and e-commerce business was mainly attributable to Liangzi Port due to the adoption of a strategy of higher sales profit margin over trade volume in 2019.

— Negative adjusted EBITDA reduced significantly by 89.9% year-on-year to approximately HK$18.5 million in 2019.

— Loss for the year also reduced significantly by 70.9% to HK$190.5 million in 2019 from HK$655.0 million in 2018. The improvement was attributable to a gross profit recorded in 2019, and a significant decrease in the impairment of goodwill and intangible assets and the impairment of interest in an associate in 2019.

1. Financial Highlights

	Year ended				
	31 December 2019		31 December 2018		
	Amount	**Percentage to revenue**	Amount	Percentage to revenue	**Year-on-year changes**
	(in HK$'000, other than percentages)				
Revenue	**2,444,825**	**100%**	3,381,809	100%	(27.7%)
Gross profit	**127,302**	**5.2%**	(32,616)	(1.0%)	Nil
Loss before income tax	**(194,098)**	**(7.9%)**	(654,714)	(19.4%)	70.4%
Loss for the year	**(190,536)**	**(7.8%)**	(654,988)	(19.4%)	70.9%
Non HKFRS measurement:					
Adjusted EBITDA	**(18,527)**	**(0.8%)**	(182,447)	(5.4%)	89.9%

2. Financial Information by Category

	Year ended			
	31 December 2019		31 December 2018	
	Sports and Lottery Related Business	**Telemedia and E-commerce Business**	Sports and Lottery Related Business	Telemedia and E-commerce Business
	(in HK$'000, other than percentages)			
Revenue	**185,975**	**2,258,850**	16,835	3,364,974
Gross profit/(loss)	**124,096**	**3,206**	11,837	(44,453)
Gross margin	**66.7%**	**0.1%**	70.3%	(1.3%)

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

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

We finally found our chance in Fengkuang Tiyu in 2018.

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2019, the Group was principally engaged in the internet business with a focus on the sports industry in China, and established the largest lottery players sports community and lottery information distribution platform in China. The Company was engaged in the sports lottery online information and offline new retail business, sports games and live-streaming platform, internet audio-visual new media, online trading platform and other internet-related investment in the PRC and a satellite TV station in Dubai, the United Arab Emirates (the "**UAE**").

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

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

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

Sports and Lottery Related Business

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

As a result of the Notice on Issues Regarding Conducting Self-examination and Self-correction Activities of the Unauthorised Sale of Lottery through Internet (關於開展擅自利用互聯網銷售彩票行為自查自糾工作有關問題的通知) jointly promulgated by the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sport of the PRC, the Group's internet lottery business had been fully suspended since March 2015, and full provision was made in the financial statements.

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

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

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

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

(i) *Online Paid Lottery Information Services Platform — "Crazy Recommendation App"*

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

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

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

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

[1] *Source:* Analysys — Annual comprehensive analysis of China's online sports market 2019

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

Took lead in the lottery information and paid recommendation sector

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

Elected as one of the top 10 paid knowledge platforms for its rich contents

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

Product upgrades through the use of Artificial Intelligence (AI) technology

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

Gained first-mover advantages by preparing for world-class important sports matches

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

(ii) *Provision of Offline Sports Lottery Related Sales Services*

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

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

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

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

Seizing opportunities to create a closed-loop lottery services ecosystem with critical assessment

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

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

(iii) *Sports-related Mobile Games*

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

Mobile Game Publishing Business

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

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

Jointly-operated Game Distribution Business

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

(iv) *Sports Community and Live-streaming Business*

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

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

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

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

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

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

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

Telemedia and E-commerce Business

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

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

Source:

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

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

V1 Platform

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

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

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

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

Liangzi Port (量子港)

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

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

CATV

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

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

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

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

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

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

Investment in Associate — Bank of Asia

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

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

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

Bank of Asia had already established banking relationship with a bank in Europe and a nostro account with a bank in Asia. Bank of Asia is now in the process of establishing correspondent banking relationship with other banks.

The European Community has recently resolved to remove the British Virgin Islands from the list of uncooperative tax jurisdictions. The Cayman Islands, Seychelles, Palau and Panama, however, have been put onto the blacklist. The EU decision is likely to further increase the use of BVI companies, thus strengthening Bank of Asia's captive market base.

With its business now progressing, Bank of Asia is undertaking a number of initiatives for 2020. It will submit an application to the British Virgin Islands Financial Services Commission for a general banking license to enable it also to provide banking services to the domestic market.

Bank of Asia is still in the development stage and has been recording losses. In 2019, there was impairment of HK$69.8 million of the Group's interest in Bank of Asia according to valuation by an independent valuation expert given the fact that the business had not attained the operational targets up to the end of this financial year and these are uncertainties in the future income stream.

The management of Bank of Asia has been looking for fund raising opportunity. In January 2020, an independent third party had acquired a minority stake in Bank of Asia and raised USD10 million to strengthen its financial position. The management of Bank of Asia will continue to look for financial and strategic investors to provide capital as well as experiences and synergies to grow the business and generate income.

BUSINESS PROSPECT

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

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

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

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

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

FINANCIAL REVIEW

1. Year ended 31 December 2019 Compared to Year ended 31 December 2018

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

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

Revenue

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

Revenue by segment

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

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

Sports and Lottery Related Business

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

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

Telemedia and E-commerce Business

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

Cost of revenue

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

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

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

Gross Profit and Gross Margin

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

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

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

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

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

Other Gains and Losses

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

Research and Development Expenses

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

Selling and Marketing Expenses

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

Administrative Expenses

Our administrative expenses decreased to HK$138.3 million, or 19.8% of revenues in 2018 from HK$172.5 million. Excluding the effect of HK$23.8 million share-based payments to our employees in 2018 and HK$17.6 million professional fees incurred for various corporate finance activities during 2018, our general and administrative expenses was reduced due to the cost reduction efforts of the Group in 2019 including rental costs.

Impairment of Goodwill

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

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

Impairment of Intangible Assets

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

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

Impairment of Interest in an Associate — Bank of Asia

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

Share of Losses of Associates

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

Income Tax

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

2. Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures

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

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

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

3. Liquidity and Financial Resources

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

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

Net cash generated from operating activities

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

The loss before income tax was adjusted by

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

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

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

Net cash used in investing activities

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

Net cash used in financing activities

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

Gearing Ratio

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

Contingent Liabilities

As at 31 December 2019, the Group had no significant contingent liabilities.

Capital Structure

As at 31 December 2019, the total assets of the Group amounted to approximately HK$1,272.3 million (31 December 2018: HK$1,634.7 million) which were substantially financed by shareholders' fund of approximately HK$897.0 million (31 December 2018: HK$1,120.8 million). The Group's capital structure, as well as cash inflow, was therefore moderately healthy. The number of the issued shares of the Company is 4,213,395,262 (31 December 2018: 4,213,395,262). The Group's capital structure, as well as cash inflow, were therefore sufficient.

Material Acquisition and Disposal of Subsidiaries

Except for the disposals of the equity interest in subsidiaries as disclosed in this announcement, there was no material acquisition and disposal of subsidiaries during the year ended 31 December 2019.

Foreign Exchange Risk

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

Employees Remuneration and Benefits

As at 31 December 2019, the Group had a total of 202 employees. They include the management team and the employees in administration, production and sales departments. The Group regularly reviews its professional team members and will expand its management team whenever necessary.

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

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

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Note	**2019**	2018
		HK$'000	*HK$'000*
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(185,190)**	(647,558)
Non-controlling interests		**(5,346)**	(7,430)
		(190,536)	(654,988)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(209,096)**	(675,865)
Non-controlling interests		**(6,661)**	(7,045)
		(215,757)	(682,910)
LOSS PER SHARE			
— Basic (HK cents)	*9*	**(4.40) cents**	(19.02) cents
— Diluted (HK cents)	*9*	**(4.40) cents**	(19.02) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**12,150**	15,096
Goodwill		**404,672**	425,610
Intangible assets		**209,996**	257,073
Interests in associates		**7,952**	120,118
Financial asset at amortised cost		**1,115**	1,139
Financial assets at fair value through other comprehensive income		**355,383**	399,279
Right-of-use assets	*14*	**27,335**	—
Deferred tax assets		**891**	172
		1,019,494	1,218,487
CURRENT ASSETS			
Trade receivables	*10*	**19,918**	45,277
Other receivables, deposits and prepayments		**69,943**	99,861
Inventories		**36,311**	61,525
Financial assets at fair value through profit or loss		**56,953**	58,822
Amount due from an associate		**9,785**	17,850
Amounts due from related companies		**783**	951
Tax receivables		**160**	—
Cash and cash equivalents		**58,920**	131,918
		252,773	416,204

	Notes	2019 HK$'000	2018 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*11*	**154,091**	242,864
Lease liabilities	*13*	**14,050**	—
Contract liabilities	*12*	**44,359**	23,902
Amounts due to related companies		**6,248**	18,084
Bank borrowings	*13*	**5,572**	—
Tax payable		**112,094**	114,020
		336,414	398,870
NET CURRENT (LIABILITIES)/ASSETS		**(83,641)**	17,334
TOTAL ASSETS LESS CURRENT LIABILITIES		**935,853**	1,235,821
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**8,978**	11,752
Lease liabilities	*13*	**13,441**	—
Contingent consideration payable		**—**	87,892
		22,419	99,644
NET ASSETS		**913,434**	1,136,177
EQUITY			
Share capital		**42,134**	42,134
Reserves		**854,871**	1,078,673
Equity attributable to owners of the Company		**897,005**	1,120,807
Non-controlling interests		**16,429**	15,370
TOTAL EQUITY		**913,434**	1,136,177

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL

V1 Group Limited (the "Company") is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. Its principal place of business in Hong Kong is located at Room 3006, 30th Floor, 9 Queen's Road Central, Central, Hong Kong.

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

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

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

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

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2019

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

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%.

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

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

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

	1 January 2019
	HK$'000
Properties	29,906

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

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

Practical expedients applied

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

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

— reliance on previous assessments on whether leases are onerous

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

Except for the abovementioned, in the current year, the Group has applied a number of amendments to HKFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

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

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

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2019. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

HKFRS 17 Insurance Contracts

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

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

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

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

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

HKFRS 10 and HKAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 3 Definition of a business

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

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

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

Amendments to HKAS 1 and HKAS 8 Definition of material

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

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

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

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

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

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

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

(c) Functional and presentation currency

The functional currency of the Company is Renminbi ("RMB"), while the consolidated financial statements are presented in Hong Kong dollars ("HK$"), which the directors considered it is more beneficial to the users of the financial statements. As the Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited, the directors consider that it will be more appropriate to continuously adopt Hong Kong dollars as the Group's and the Company's presentation currency.

4. SEGMENT REPORTING

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

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

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

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

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

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-makers for assessment of segment performance.

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

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

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

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

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

(b) Geographical information

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

(c) Disaggregation of revenue

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

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

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

(d) Major customers

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

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

5. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Dividend income derived from financial assets at fair value through other comprehensive income	**10,872**	—
Gain on deregistration of a subsidiary	**4,385**	—
Interest income	**332**	4,116
Net foreign exchange gains	**330**	278
Gain/(loss) on disposal of intangible assets	**173**	(1,746)
Loss on disposal of property, plant and equipment	**(106)**	(115)
Loss on disposal of an associate	**(660)**	—
Net loss on disposal of subsidiaries *(Note 15)*	**(3,004)**	—
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(1,869)**	2,356
Others	**2,717**	3,808
	13,170	8,697

6. FINANCE COSTS

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

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
Staff costs (excluding directors' remuneration)		
— Salaries and wages	**49,137**	71,182
— Pension fund contributions	**9,446**	9,334
— Share-based payments	**2,775**	23,828
	61,358	104,344
Carrying amount of inventories sold	**2,225,169**	3,300,698
Depreciation of property, plant and equipment	**4,147**	2,598
Depreciation of right-of-use assets	**13,003**	—
Provision for expected credit losses on other receivables	**2,043**	—
Impairment of goodwill	**4,472**	83,196
Impairment of intangible assets	**10,000**	179,288
Impairment of interest in an associate	**69,771**	110,329
Amortisation of intangible assets included in		
— Cost of revenue	**33,666**	29,040
— Administrative expenses	**7,028**	5,538
Auditor's remuneration		
— Audit service	**1,840**	3,130
— Non-audit service	**199**	97

8. INCOME TAX (CREDIT)/EXPENSE

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

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

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

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

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

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

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

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

9. LOSS PER SHARE

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

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

Number of shares

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

Loss per share

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

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

10. TRADE RECEIVABLES

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

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

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

11. TRADE AND OTHER PAYABLES

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

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

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

12. CONTRACT LIABILITIES

Contract liabilities

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

Movements in contract liabilities:

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

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

13. LOANS AND BORROWINGS

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

The bank borrowings included the loans below:

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

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

Lease liabilities

	Properties
	HKD'000
At 1 January 2019	29,906
Addition	22,071
Interest expense	1,334
Lease payments	(14,170)
Modification of lease	(7,894)
Disposal of subsidiaries *(Note 15)*	(3,242)
Exchange realignment	(514)
At 31 December 2019	27,491

Future lease liabilities are payable as follows:

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

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

The present value of future lease payments are analysed as:

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

14. LEASE

(a) Leases as lessee

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

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

(i) ***Right-of-use assets***

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

	Properties
	HK$'000
2019	
Balance at 1 January	29,906
Modification of lease	(7,713)
Additions	22,071
Depreciation charge for the year	(13,003)
Disposal of a subsidiary *(Note 15)*	(3,405)
Exchange realignment	(521)
Balance at 31 December	27,335

(ii) ***Amounts recognised in profit or loss***

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

(iii) ***Operating lease under HKAS 17 (2018)***

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

The total future minimum lease payments are due as follows:

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

(iv) Amounts recognised in statement of cash flows

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

15. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Victor Choice Investment Limited ("Victor Choice")

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

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

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

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

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

Cash inflows arising from disposal of subsidiaries:

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

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

(b) Disposal of 北京快兔動力信息技術有限公司 (Beijing Quick To Power Information Technology Co., Ltd.) ("Quick To")

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

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

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

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

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

Cash inflows arising from disposal of subsidiaries:

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

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

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

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

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

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

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

16. EVENTS AFTER THE REPORTING PERIOD

Assessment of the Impact of the Coronavirus Disease 2019

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

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

Closure of Register of Members

The register of members of the Company will be closed from Monday, 18 May 2020 to Thursday, 21 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 May 2020.

Corporate Governance

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

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2019.

Audit Committee

The audit committee of the Company consists of the independent non-executive directors, namely Dr. LOKE Yu (alias LOKE Hoi Lam), Prof. GONG Zhankui and Mr. WANG Linan. The audit committee has reviewed with management the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the annual results for the year ended 31 December 2019.

Scope of Work of the Auditor

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements, and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2019.

Publication of the Final Results and Annual Report

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

Appreciation

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

Subsequent Event

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

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

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

With respect to the Group's operations, since the outbreak occurred after the end of its operations for 2019, the Group's operations during the period was not affected. However, the outbreak may cause risk to the business operations for 2020. The Group has already adopted corresponding emergency response measures to make timely adjustments to the operations which may be stressed by the outbreak, including performing cost review, fully capitalizing on the "anti-epidemic" preferential policies granted by the government and implementing job posting and pay reduction on staff of non-profit-making positions and managerial positions, in order to turn crises into opportunities and focus on its core operations for healthier business development. Based on the currently available information, the management estimates that the outbreak will not have material impact on the financial conditions of the Group for 2020 for the time being. The Group will obtain more information as the situation develops. Due to the uncontrollable and sudden nature of the outbreak, the actual impact may be different from the above estimates.

By order of the Board
V1 Group Limited
ZHANG Lijun
Chairman

Hong Kong, 27 March 2020

As at the date of this announcement, the Directors are:

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

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

* *for identification purposes only*