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V1 GROUP LIMITED
第一視頻集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 82)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the “**Board**”) of V1 Group Limited (the “**Company**” or “**V1 Group**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020. These interim results have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

INTERIM RESULTS HIGHLIGHTS FOR 2020

Financial Results (compared with the first half of 2019)

- Loss after taxation significantly decreased by 61.8% to approximately HK\$16.4 million, which was attributable to the continuous and vigorous effort by the Group to increase the revenue of the core business Crazy Sports which mitigated the negative impact of the COVID-19 pandemic, significant reduction in the cost of operation, and decrease in the share of loss of an associate and the gain on deemed disposal of such associate.
- Loss after taxation included the impairment of goodwill and intangible assets, which amounted to approximately HK\$18.9 million in total.
- Total revenue amounted to approximately HK\$1,066.5 million while gross profit amounted to approximately HK\$54.1 million, which came from the following segments:
 - Revenue from the sports and lottery related business increased by 53.0% to approximately HK\$144.9 million;
 - Revenue from the telemedia and e-commerce business decreased by 10.8% to approximately HK\$921.6 million.

Overall Results

- Right at the start of 2020, the coronavirus pandemic broke out across the globe, bringing about considerable impact to the national economy, consumption sentiment, and in turn the daily lives. At the same time, China has vigorously developed new infrastructure, of which the core directions included 5G and cloud computing, leading to a new round of technological revolution and industrial reformation and the acceleration of social digital transformation.
- V1 Group is facing a crucial turning point in its business. While various major sports events were forced to be postponed, suspended or even cancelled as a result of the coronavirus pandemic, the Group did not abate at all. Instead, it strived to consolidate its core business, namely the internet sports ecosystem. Meanwhile, V1 Group possesses all the necessary government authorisation, licenses and operating qualifications. Drawing on its experience in operating the e-commerce and video websites which achieved sales amount of HK\$2.2 billion (in 2019), the Group endeavors to expand the Commerce 5.0 layout of “content + supply chain” e-commerce. It is hoped that it will no longer be a cost line and instead start to contribute profit to the Group.
- In the first half of 2020, important developments of the Group included:
 - **Crazy Red Insights further expanded its market coverage.** In addition to the previous strategic cooperation with 17 platforms including All Football (懂球帝), hupu.com (虎撲), Tencent Sports (騰訊體育), Zhibo8.cc (直播吧) that had over ten million users each, Crazy Red Insights initiated new partnerships with Taobao (淘寶), Alipay Lottery (支付寶彩票), QIUHUI.COM (球會體育) and Kball (K球).
 - **Crazy Sports further added to the number of renowned convenience store chains as its business partners,** which will provide sports lottery sales related services nationwide together with the 12 chain enterprise lottery sales channels that had already entered into collaboration agreements at the end of December 2019 (including 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 Youlinyoutia (友鄰有家)).
 - During the suspension of international football and basketball tournaments, programmers of the Group proactively upgraded Crazy Red Insights App and Crazy Sports App. **The number of registered users on these platforms increased by 15% during the first half of the year to 23.78 million as at the end of June 2020.**
 - During the pandemic, the operation team of the **sports and leisure games business** has put more efforts on **launching and promoting various new games** to seize the market, **which has successfully offset the decline in business revenue of Crazy Red Insights.** This has been a demonstration of the complementary nature of the Group’s comprehensive online and offline sports community and lottery e-commerce ecosystem.
 - On 10 August, Crazy Sports released an upgrade on Realtime CSL (實況中超), an official e-sports mobile game of CSL, thereby **officially entering the football e-sports industry.**

- On 13 August, the Group took the lead to **establish its presence in Sanya with a Crazy Sports project**, which will greatly facilitate the development of the internet sports business of the Group leveraging the favorable policies of the Hainan Free Trade Port.
- Despite the increased pressure on operation as a result of the pandemic, the Group strengthened its efforts on implementing cost reduction initiatives. Through management and process optimization, **administrative costs were significantly reduced by 27.8%**.
- Bank of Asia, an associate of the Group, has reduced business operation costs and successfully raised US\$10 million.
- The management of the Group proactively **set up a two-way communication channel for investors**, which allowed the investment community to understand the strategies, commercial activities, financial performance and value drivers of the Group in a more comprehensive manner.

Outlook

- As the COVID-19 pandemic comes under control and with the gradual commencement of tournaments such as Bundesliga, Premier League, La Liga, Serie A, NBA, CSL and CBA, the global sports industry had adjusted to the pandemic and implemented coping strategies in organizing the tournaments. Since the resumption of the international tournaments in mid-May this year, the total monthly sales of sports lottery in June has recovered to over 95% of the corresponding period last year. Looking ahead to the second half of 2020 with more intensive tournaments, coupled with the facilitation by the major sports events including the European Cup, Copa America and Olympic Games in 2021 as well as the World Cup and Winter Olympic Games in 2022, there will not only be abundant demand for online and offline services in relation to sports lottery, but also rapid growth in sports and leisure games including football, basketball, golf, badminton, tennis and winter sports. There may even be a “retaliatory” rebound. The Group is confident that with accelerated developments in these areas and Crazy Sports as its core business, it will be able to achieve rapid growth.
- Specific implementation plans:
 - Increasing the number of users and monetization of the user base
 - Accelerating the installation of sports lottery terminals at no less than 15,000 locations in various provinces and cities in China, so as to get in touch with more lottery players. Redirecting new users to online platforms while taking commissions from the provision of lottery sales related services to realise consumption through both channels.
 - Activating the 200-million users on the platforms by refining operation and promotion strategies and redirecting online users to the offline lottery sales outlets, so as to satisfy user demand for offline lottery purchasing services.

— Expanding the core business scope

- Maximising sales of online products related to sports lottery, such as Crazy Red Insights, through the synergy effect of the online and offline businesses.
- Further utilising the official IP licenses and resources of the 16 football clubs and over 500 players from CSL, the Group will focus on the R&D and publishing of sports and leisure games, as well as the operation of its sports and leisure games platform in order to provide quality gaming entertainment products for sports users.
- Adhering to development directions favoured by government policies to capture opportunities in the 5G, cloud games and e-sports industries, and focusing on the technological development to build a global football e-sports tournament IP.
- V1 Group had developed a solid foundation in internet sports, media and cultural industries after over four years of planning and implementation. In particular, the layout of the core internet sports business, Crazy Sports, had matured, and established China's largest and distinctive online and offline sports community lottery e-commerce ecosystem. The vision is to use sports lottery as the key entry into China's trillion-worth sports market.
- V1 Group implements an asset-light operation model with strong cash flow. In the ever-changing era, it strives to leverage its strength in resources and the power of the capital market to adhere to its country, market and shareholder oriented principle. With strong technological capabilities, it will keep a steady and healthy growth and continue to mine the industry. It will continue to promote the widespread of sustainable development of the internet and sports industry, to read the world digital and innovative mindset, such that we can all live a better, more prolific and efficient life.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Sports and Lottery Related Business

According to the “Announcement of Arrangement for the Closure of Lottery Market in 2020” (關於2020年彩票市場休市安排的公告) promulgated by the Ministry of Finance of the PRC, sports lottery in China has been suspended since 22 January 2020, and afterwards due to the circumstances brought by the COVID-19 pandemic, lotto games of sports lottery were suspended for 50 days in the first half of the year, while sports betting was suspended for an even longer time due to the postponement of sports events.

The suspension of sports events and national sports lottery sales had an adverse impact on revenue generated from the paid lottery recommendation business of Crazy Red Insights. At the same time, Crazy Sports and its business partners such as the respective local sports lottery administration centres and chain enterprise lottery sales channels could only maintain remote communication, which has

affected the pace of its business expansion. Nevertheless, these challenges also created opportunities for its business. Crazy Sports actively rose to the challenges during the period. The postponement of sports events allowed more time for programmers to upgrade Crazy Red Insights and for the sports lottery new retail business to set-up more offline sales channels. Crazy Sports will be able to install more sports lottery terminals in the future. With a solid foundation, the Group is well-prepared for a potentially explosive growth in sales revenue. Furthermore, the operation team of the sports and leisure games business has put more effort into launching and promoting various new games to seize the market, which has successfully offset the decline in business revenue of Crazy Red Insights. This has been a demonstration of the complementary nature of the Group's comprehensive online and offline sports community and lottery e-commerce ecosystem.

1. *Crazy Red Insights paid lottery recommendation platform and Crazy Sports community platform*

During the reporting period, Crazy Red Insights further enhanced the development of the lottery player community and the paid lottery information system, seeking breakthroughs in user growth and revenue diversification. Since the resumption of sports events in mid-May this year, the total monthly sales of national sports lottery in June reached RMB18.27 billion, representing a recovery of over 95% of the corresponding period last year (RMB18.85 billion).

1.1 *Maturation of the paid lottery information system and lottery player community*

During the reporting period, reinforcing a stronger paid lottery information system was one of the key areas of development for Crazy Red Insights. During the period, Crazy Red Insights launched two new paid products, namely Specialty Courses (精品課) and Action Plan (計劃單), in which the analysts of Crazy Red Insights would share their expert insights with subscribers, and explain the details of various lottery games based on the actual lottery tickets that they had purchased from lottery stores in the PRC. The two products quickly rose in popularity among users since they were launched. As for the development of the lottery player community, more interactive functions and contents were added to the mobile application. The Group also launched a mini-video recommendation section to enhance user loyalty.

The launch of such products in the market accelerated the maturation of the Crazy Red Insights ecosystem. Users can make full use of its quality information services to enrich their understanding as well as share and interact with other users about sports events and lottery through the interactive community functions. The common creation of a harmonious and healthy lottery player community will, in turn, further consolidate the position of Crazy Sports in the domestic lottery community.

1.2 *Establishing a group of lotto star experts in response to the shift in the lottery market*

The progress of sports lottery and related sport events was kept at a slow yet stable pace due to the COVID-19 pandemic during the reporting period. On the contrary, the development of welfare lottery was, in fact, not much affected. Lottery players' demand for lotto games was relatively high. As such, Crazy Red Insights seized this opportunity to further develop its analytical capabilities on lotto games and put together a team of star experts for lotto games and lotto lottery analysts to provide predictions for users which are more accurate through a range of analytical methods. They accurately predicted the winning numbers multiple times in the 2020 Sports Lottery Super Lotto (體彩大樂透), which delivered prize money worth up to RMB990 million to all winners. This allowed the team to gain great popularity among lottery players.

1.3 *Sports community functions attracting users to form a solid user base*

Crazy Sports further optimised its community functions to build a vertical sports community in preparation for the resumption of sports events as well as to accumulate more users for the Group's video livestreaming, Crazy Red Insights, sports and leisure games, and other businesses. During the reporting period, the Crazy Sports App continued to maintain its advantage of quick real-time data update. It further developed its sports information contents through a comprehensive upgrade that has enhanced the Red Insights Recommendation function. Integration with the membership system of Crazy Sports allowed users to watch livestreaming videos while receiving expert analysis, making itself more convenient to users as a tool for lottery players. The lottery station map function facilitated offline lottery purchasing for users, while the adoption of an ad auction model increased the exposure of lottery stores. This may in turn become a new source of revenue for the Group.

The Crazy Sports App also started to embed H5 games. The addition of the game section and the integration of the account and payment systems led to a gradual optimisation of user redirection to the Group's various games. They also increased the time spent on the Crazy Sports App by users, thereby generating more revenue. Through the above operations, the Crazy Sports App successfully attracted and retained a number of gaming users, in addition to effectively providing a new and stable source of users for other entertainment and leisure products of the Group.

1.4 *Capturing the 5G opportunity to promote new mini-video and livestreaming interaction channels*

Crazy Red Insights further expanded its market coverage in the first half of 2020. In addition to the previous cooperation with 17 platforms including All Football (懂球帝), hupu.com (虎撲), Tencent Sports (騰訊體育), Zhibo8.cc (直播吧) that had over ten million users each, Crazy Red Insights also initiated new partnerships with Taobao (淘寶), Alipay Lottery (支付寶彩票), QIUHUI.COM (球會體育) and Kball (K球). Crazy Red Insights now has a total of 21 partners and its lottery recommendation content covers over 70% of the sports users in

China. It has an absolute advantage in terms of user coverage. Seizing the opportunity brought by national 5G implementation, Crazy Red Insights will focus on mini-videos recommendation so as to create the largest mini-videos interactive community for lottery players.

As of the end of June 2020, Crazy Red Insights and Crazy Sports had approximately 23.78 million registered users, representing a 15% increase from numbers at the end of December 2019.

2. Sports Lottery New Retail Business

2.1 Offline sports lottery new retail business sees rising new opportunities amidst market decline

According to a report released by the Ministry of Finance of the PRC, from January to May 2020, the accumulated sales of lottery nationwide amounted to RMB90.33 billion, representing a year-on-year decrease of nearly one half. This was undoubtedly aggravating news to lottery specialty stores, which were already facing operating difficulties. It is believed that the number of lottery specialty stores will continue to drop in the future. Management believes that due to its competitive nature, Crazy Sports' sports lottery new retail business strategy would benefit under the macro environment, since its collaboration with more promising chain enterprises to set up more sports lottery terminals would allow it to reach more of the new lottery players at these high traffic convenience stores.

The pandemic has also allowed more time for the preparation and development of the new retail strategy. A number of major sports events have been postponed to 2021, allowing the Group's sports lottery new retail business to have more time to install sports lottery terminals at the stores of its business partners, as well as more time to conduct market education and marketing activities. When major sports events begin afresh next year, leveraging on the emotional impact of these mega events and with more new retail outlets, the Group could reach and acquire a larger user base for its new retail business.

2.2 Speeding up the siege in sports lottery new retail market resources

During the reporting period, Crazy Sports signed contracts with Guangdong China Resources Vanguard (廣東華潤萬家), JD Convenience Stores (京東便利店), Dalian Lianhua Quik (大連聯華快客) and 007 Convenience Stores (鄰鄰七便利店), which have become partners of Crazy Sports' sports lottery new retail business. Together with the 12 chain enterprise lottery sales channels (including Haolinju, Quanshi, Bianlifeng, Jiajiayue, Pangzidian, Wanhexiang, 7-Eleven in Guangdong, Youkejia, Qianhui, Tianfu, Heli and Youlinyoutia) which have entered into cooperation agreements with the Group as at the end of December 2019, it is expected that the Group will gradually install sports lottery terminals at not less than 15,000 outlets across China to provide sports lottery sales related services.

The Group has obtained approvals in nine provinces and cities from their respective local sports lottery administration centres to provide sports lottery sales related services in outlets of local chain enterprises. The total number of approved stores (stores that have already paid a

deposit) is 756. In the first half of 2020, regarding such business, the highest monthly sales of sports lottery tickets in a single store at these outlets reached RMB7,822, while the record in July was RMB11,449.

In addition, Crazy Sports has been providing one-to-one VIP lottery sales related services through 45 authorised lottery specialty stores named “365 Smart Stores”. Though the sales for the first five months of 2020 were affected by the suspension of sports events, the monthly sales of 365 Smart Stores recovered to a significant extent and reached approximately RMB6 million in June, while the highest record in July was approximately RMB9 million.

2.3 Improving the lottery service ecosystem

As more and more smart lottery terminals were installed at chain retail store outlets across China, Crazy Sports can reach more offline lottery players with this low-cost, extensive coverage model. This will also increase the revenue from the online lottery information services, sports games and interactive livestreaming businesses. Crazy Sports makes use of its chain retail outlets to redirect traffic for its online services. The aim is to achieve a closed-loop for its lottery services, and this model of operation, combining both online and offline channels, has been widely recognised by users and customers.

Crazy Sports will make good use of the offline new retail setting to redirect traffic for its online lottery information services. Together with the launch of promotional events in relation to the 2021 Super Sports Year, Crazy Sports will provide better services to lottery players, explore more channels and cultivate the market so as to be well positioned for the vigorous developments expected in the super sports year.

3. Mobile Game Business

Due to the pandemic, people around the world had been restricted to their homes for some time, creating a new opening for the internet and related sectors such as games, e-commerce, mini-videos and social media, which was also known as the “stay-at-home economy”.

3.1 Rapid growth in the sports and leisure game business

The sports and leisure games of Crazy Sports could be generally categorised into three types, namely competitive sports chess and card games, simulated football management games and real-time competitive football games.

There is a considerable overlap between users of the competitive sports chess and card games on the one hand, and users of the lottery related businesses of Crazy Sports on the other. As per usual, this type of games has presented steady revenue growth for the game business of the Group, being one of its major revenue generating segments. Currently, there are three main competitive sports chess and card games launched by Crazy Sports, namely Hotpot Mahjong (火鍋麻將), CSL Cards (中超棋牌) and CSL Fight The Landlord (中超鬥地主).

As for simulated football management games, Crazy Sports, as publisher, released the official Chinese version of Soccer Manager 2020 (夢幻足球世界), the 16th generation of the British mobile game series, through all of its channels. Crazy Sports has established cooperative relationships with mainstream channels, namely Android and iOS, respectively, with regard to this game, so as to bring the new generation of Soccer Manager to Chinese players. The number of accumulated registered players of this game in China has reached over 1.5 million.

As for real-time competitive football games, Sociable Soccer, of which Crazy Sports is the publisher in the Asia region, achieved a rapid growth in Asia. As a paid subscription product in Apple Arcade, Sociable Soccer topped the rankings “Weekly Best Arcade Games” multiple times, and has been accredited by The Guardian as one of the best 25 games in the world. The Chinese version of Sociable Soccer (夢想足球) will be jointly released by Crazy Sports and Migu Interactive Entertainment, a subsidiary of China Mobile. the Chinese version has already obtained its publishing license and is recognised as an official e-sports-based mobile game of CSL. With over 500,000 pre-orders, the plan is to release the Chinese version in Mainland China at the end of September 2020.

3.2 Development of the sports game community and the jointly-operated game businesses

In April 2020, Crazy Sports formed a cooperation with 360 Games (360遊戲) and successfully introduced 120 quality games, including MU Miracle (全民奇跡), Legends of The Condor Heroes (射雕英雄傳), Uncharted Waters (大航海時代), etc. Crazy Sports is a cooperative partner of Tencent, NetEase, 360 and BlueStacks. As for downstream cooperation, Crazy Sports has also commenced partnerships with several downstream channels such as Quanyou E-Sports (全游電競) to distribute quality games through game organisations and cyber café associations.

Crazy Sports focuses on the publication of sports games. Through the cooperation with Tencent, NetEase, 360 and BlueStacks, Crazy Sports has introduced over 100 domestic sports games and various overseas sports games, and is planning to launch WALAGame, a platform for sports games, in the second half of 2020. The platform focuses on global publication of sports games and the Group will be able to introduce more quality sports games to users.

3.3 Official launch of the 5G+ cloud game strategy

Crazy Sports and Migu Interactive Entertainment, a subsidiary of China Mobile, signed the Strategic Cooperation Agreement for Native Cloud Games (原生雲遊戲戰略合作協議) with respect to the Chinese version of Sociable Soccer (夢想足球). Pursuant to the agreement, the parties will jointly develop native cloud game products of the Chinese version of Sociable Soccer (夢想足球) with Tower Studios from the UK, covering both mobile and PC versions. It will be the first native sports-based cloud game of China Mobile and is expected to be officially launched by the end of November this year.

Meanwhile, Crazy Sports has also formed a strategic cooperation with People Video, a subsidiary of people.cn, making it a partner of Crazy Sports for the publication of cloud games. As a strategic partner of China Mobile, People Video will be the agent of Crazy Sports for the publication of four cloud game products, namely the official Chinese version of Soccer Manager 2020 (夢幻足球世界), Greens Dynasty (綠茵王朝), CSL Cards (中超棋牌) and CSL Heroes (中超英雄).

3.4 *Signing new games*

During the reporting period, Crazy Sports signed two new games, which are Fantasy Basketball Manager and Top Eleven 2020 (巔峰十一人).

3.5 *Enter the e-sports market*

Crazy Sports is the official game partner of the Chinese Super League. As at 30 July, Crazy Sports launched the newly upgraded Chinese Super League official real-time mobile game “Realtime CSL” (實況中超) at the “2020 China Internet Conference Online Interactive Experience Exhibition” (2020中國互聯網大會線上互動體驗展), and officially entered the e-sports market. The game has the official IP licenses from 16 Chinese Super League clubs including Beijing Guoan, Guangzhou Evergrande, Shanghai SIPG and Shandong Luneng and more than 500 football players. It is based on a 3D football game engine that integrates the three major game modes which are more in line with the preferences of Chinese game players, namely character cultivation, trading of characters and live battles. It is China’s first live football mobile game featuring “Complete CSL” (完全中超). The 11-a-side football e-sports mobile game developed by Crazy Sports supports the three major e-sports battle modes namely online PVP tournaments, challenges and matches for top players. Players can enjoy various game modes such as selecting their favorite Chinese Super League stars and leading the team to win the Chinese Super League Championship in the game.

Telemedia and E-Commerce Business

As a pillar of the telemedia industry, the Group has taken the responsibility to aid the impoverished and maintained social stability amid the pandemic and proactively conveyed precise and important information in order to ensure transparency of information while the public has been keeping a safe social distance. The Group has implemented the strategy of “generate great significance in small circles; create grand value from humble circulation” since last year to focus on the operation of private circulation. Looking into the long term, the Group has started to develop talent training strategies for the e-commerce industry so as to project positive energy in the media during this difficult time, and to support a broad societal return to normality as soon as possible.

V1 Platform

The severe outbreak of the COVID-19 pandemic has resulted in the cancellation of nearly all physical press conferences of numerous advertising agencies and event agencies that were in cooperation with the Group, which has affected the revenue of the Group’s V1 platform to a certain extent. Fortunately,

many enterprises and organisations have switched to online communication since offline meetings were no longer possible, leading to a surge in demand for online cloud livestreaming services. Technical and marketing staff of the Group have seized the opportunity to plan and try new technical solutions and has successfully uncovered another source of revenue after a series of adjustments. These attempts have also received positive feedbacks from customers.

1. *Enterprise Livestreaming Integrated Centre*

During the reporting period, the Group's Enterprise Livestreaming Integrated Centre was devoted to platform contents, commercial sales, anti-pandemic information dissemination and brand and marketing promotion.

Firstly, for contents, Tales of Masters (大家•故事) produced by V1 platform has been officially released and premiered on the channel of CATV at the same time. As of 30 June 2020, this programme has achieved a milestone with over 1 million views and secured a strong reputation among viewers. As such, the Group has commenced shooting for the second season. For commercial sales, the Group has started commercial livestreaming cooperation with Haier, BlueFocus, Yili, Ganhuobang (乾貨幫), health.people.cn (人民健康) and China Business Journal respectively. The cloud meeting interactive livestream and virtual livestream were both widely acclaimed in the market.

Amid the pandemic, the Group has successfully conducted several global livestreams against the pandemic on topics such as ways for small and medium-sized enterprises to overcome the challenges brought by the pandemic, and these livestreams were promoted in more than 20 media outlets. Mainstream outlets in Mainland China, such as toutiao.com (今日頭條), Baidu, Phoenix (鳳凰) and Sohu, have recommended these livestreams to various extent, and at least one of these livestreams secured over 1 million views. As for the promotion of brand image, in order to support local citizens in Wuhan where the pandemic broke out, the Group took the initiative to help local media by distributing public relations articles through approximately 20 self-media. Meanwhile, the Group adjusted its marketing priority of V1 platform according to the development of the pandemic. The number of new Android and Apple users of the application has also increased steadily, reflecting an effective promotion of the brand "V1 Group".

2. *Assisting in "concentrating efforts to win the battle against poverty" by integrating internet and agriculture*

During the reporting period, V1 Group reached a consensus with the Beijing Municipal Bureau of Agriculture and Rural Affairs and planned to assist in raising the income of farmers and aiding low income farmers in Beijing in the second half of 2020, as well as to promote the Beijing chapter of the Beautiful Village Development project with an aim of steering public opinion in favour of the construction of beautiful villages. Livestreaming projects such as "Red Livestream" (紅播) and "Village Livestream" (村播) are two of the pilot programmes for this project in Beijing, which had been a great display of the advantages of "Internet+". It could support the capital's comprehensive work on "Three Rural Issues" and create a new "Internet + Assisting Agriculture"

business model. V1 Group has also established a cooperative relationship with the China Agricultural Science and Technology Press of the Chinese Academy of Agricultural Sciences to connect with overseas markets, business clients (2B) and terminal consumers (2C) focusing on “agriculture going abroad” (農業走出去), “Cloud Agricultural Master Class” (農科雲端大課堂) and paid information sectors.

3. *Cultivating e-commerce marketing talents for future development*

Amid the pandemic, people’s lifestyles have changed. E-commerce livestream outran other services and developed rapidly over this period, but the flip-side of this phenomenon was that a shortage of e-commerce and livestreaming talents also became apparent. In response, leveraging on the resources accumulated in different sectors of the society, the Group has entered into a strategic cooperation agreement with Beijing-U.S.A. College of English (北京美國英語語言專修學院) to cultivate excellent online anchor talents, pursuant to which both parties will work together to build and operate an online video anchor academy and carry out in-depth cooperation in terms of curriculum development, training practices and employment supply, so as to address the expanded demand in expert personnel.

During the reporting period, V1 Group was also proactive on community recruitment in search of online anchor talents, so as to expand the Group’s talent pool. The Group actively promotes the operation of private circulation. Given that most of the top or even second- or third-class anchors are already under contract, the training provided by the Group mainly focuses on the cultivation of the independent circulation of anchors. Combined with the foundation laid by the cooperation between the institute and the enterprise as mentioned above, the Group aims to “generate great significance in small circles; create grand value from humble circulation”.

Liangzi Port

Liangzi Port, which was officially launched in September 2017, is the Group’s digital consumer product e-commerce platform. At present, its partners include JD.COM, Suning, Dangdang, China Mobile, China Telecom, China Unicom, Apple, Xiaomi, Lenovo and other well-known companies at home and abroad.

Sales of Liangzi Port has been adversely affected by the COVID-19 pandemic in 2020. The Group believes that the supply of goods by its suppliers will continue to be disrupted due to the logistic control and quarantine measures, which in turn will affect the source of projected profit of Liangzi Port and accordingly it is expected that the estimated value of its business will decrease. As a result, the impairment of goodwill and impairment of intangible assets of approximately HK\$0.9 million and HK\$18 million respectively were recognised for the telemedia and e-commerce business during the Period.

Despite the above, the management continued to improve the quality of its services. In March 2020, the Liangzi Port Business Networking Application System (量子港商業社交應用程式系統) was officially launched. The system aims to connect upstream suppliers with downstream wholesale distributors and sales outlets to establish a fast and efficient transaction and logistics system with an focus on providing

competitive supply chain solutions, products and service solutions to various cooperative partners such as enterprises, value-added service providers and retailers, as well as the consumers faced by such enterprises, so as to build a borderless, shared and win-win business world where all participants in the ecosystem are able to gain the most economic growth.

Looking into the second half of the year, Liangzi Port will gradually introduce investments into the platform, connecting capital with assets, digitalising assets, setting trading standards and achieving economies of scale to strive to become a leading domestic e-commerce platform that is professional, ethical, innovative and efficient for digital consumer products, and a pioneer of promoting the healthy development of the industry by relying on the Group's resource and integration capability in the industry, drawing upon its own professional risk control and product design capacities.

CATV

During the reporting period, CATV, as an important strategic resource for the Group to focus on The Belt and Road Initiative and "Enterprises Go Global" (企業走出去), continued to actively promote cultural exchanges and information exchanges between China and the Arab countries and assisted in promoting their trade and commercial cooperation, so as to accelerate deployment in overseas markets in collaboration with the Group's other major businesses.

During the reporting period, CATV launched various cooperative programmes series and produced a large number of quality original programmes, which ensured that major news in China and the Arab countries would be covered.

1. *Cooperative programme series*

The large-scale humanities documentary series, Fujian Time (福建時間) and Ningxia Time (寧夏時間), jointly translated and produced by CATV with Fujian Media Group and Ningxia Television respectively, officially premiered in January and June 2020. The documentary series demonstrate China's local cultural characteristics from a number of aspects such as food, tourism, history and humanities, enabling Arab audiences to have a better understanding of China's natural scenery, special cuisines and cultural customs.

In May 2020, CATV launched a programme named Beijing Theatre (北京劇場) to bring a wide range of Chinese films and TV dramas with different themes to Arab audiences, including close to 20 TV dramas such as Perfect Youth (最美的青春), Fire Blue Blade (火藍刀鋒), Legends of The Condor Heroes (射雕英雄傳) and Mother's Life (娘道), to cater to a variety of viewers.

2. *Quality original programmes*

Tales of Masters (大家•故事), a large-scale cultural and celebrity interview programme co-produced by V1 platform and CATV, officially premiered in March 2020. The programme invited descendants of masters and celebrities in various fields such as calligraphy, painting, opera, film and television, or literature to talk about lesser known cultural stories, family history and customs inherited and other anecdotes and tales in their respective fields. The programme aims to bring authentic Chinese culture to the Arab countries and the world.

CATV launched an personal interview programme called Thirty People in China and the Arab Countries (中阿三十人). Hosted by CATV host Elena, the programme will interview dozens of entrepreneurs who have made significant contributions to China-Arab economic and trading exchanges to show the comprehensive cooperation and joint development of the China-Arab relationship from an indirect perspective.

In addition, CATV also started to produce a livestreaming product selling programme called Happy Shopping at Your Fingertips (指尖上的樂購) and signed a strategic cooperation agreement with Beijing Heyi Zhiyuan Networking Technology Limited (北京合一致遠網絡技術有限公司) at the press conference of the programme.

3. *Accurate coverage of major news in the two regions*

In fighting the global battle against the COVID-19 pandemic, CATV translated and distributed important information following the developments of the pandemic. It also began to report various issues such as livestreams of the situation in Wuhan, blessings from international friends, speeches made by Chinese ambassadors abroad and the donations from overseas Chinese. It also reported actively on the fight against the pandemic in China to Arab countries which was a major concern of Arab audiences. These efforts brought the support and blessings of the Arab countries towards China, which in return created a good publicity effect. More than 200 related posts were published by CATV through various platforms, which were read or viewed for more than 10 million times. The total number of user interactions such as retweets, comments and likes reached 1.2 million.

Looking into the second half of 2020, on the basis of promoting cultural exchanges and building friendships for people in China and the Arab countries, CATV will continue to drive through more diversified and closer trading cooperation between China and the Arab countries and even among the countries and enterprises in all regions of The Belt and Road Initiative.

Investment in the Associate — Bank of Asia

At the start of 2020, Bank of Asia (BVI) Limited (“Bank of Asia”), an associate of the Group, successfully renovated its customer interface platform and adopted the multi-layered “Know Your Customer” and “Anti-Money Laundering” processes, enabling the provision of banking and other financial services to customers all over the world. It has established a payment channel with registered payment service providers, which allowed for the provision of cross-border payment services. At the same time, it has also established contacts with licensed and regulated exchange(s) and other participants to provide banking services related to the digital asset sector.

Bank of Asia is still in the development stage and recorded a loss. In January 2020, Bank of Asia gained recognition from an independent third-party investor, who acquired a minority stake in Bank of Asia with a valuation of approximately US\$300 million and raised US\$10 million to increase its financial position.

FINANCIAL REVIEW

Comparison of six months ended 30 June 2020 and corresponding period of 2019

The following table sets forth the comparative figures for the six months ended 30 June 2020 and the corresponding period of 2019:

	Unaudited	
	For the six months ended	
	30 June	
	2020	2019
	(HK\$'000)	(HK\$'000)
Revenue	1,066,520	1,127,994
Cost of revenue	<u>(1,012,420)</u>	<u>(1,053,774)</u>
Gross profit	54,100	74,220
Other gains and losses	40,500	11,031
Research and development expenses	(4,320)	(6,282)
Selling and marketing expenses	(34,701)	(37,479)
Administrative expenses	(40,813)	(56,502)
Finance costs	(784)	(571)
Impairment of goodwill	(933)	—
Impairment of intangible assets	(18,000)	—
Share of losses of associates	<u>(17,194)</u>	<u>(28,196)</u>
Loss before income tax	(22,145)	(43,779)
Income tax	<u>5,782</u>	<u>978</u>
Loss for the period	<u><u>(16,363)</u></u>	<u><u>(42,801)</u></u>
Attributable to:		
Owners of the Company	(16,020)	(41,208)
Non-controlling interests	<u>(343)</u>	<u>(1,593)</u>
	<u><u>(16,363)</u></u>	<u><u>(42,801)</u></u>

Revenue

The Group's total revenue was contributed by two business segments, (1) the sports and lottery related business, and (2) the telemedia and e-commerce business. The Group's total revenue was approximately HK\$1,066.5 million for the six months ended 30 June 2020 (the "Period"), a decrease of 5.5% as

compared with the corresponding period of 2019 mainly due to the decrease in the revenue from the telemedia and e-commerce business as the COVID-19 pandemic had impacted the sales of electronic products, which netted off the increase in the revenue from the sports and lottery related business.

Revenue by Segment

The following table sets forth the Group's revenue by segment for the six months ended 30 June 2020 and the corresponding period of 2019:

	Unaudited			
	For the six months ended 30 June 2020		2019	
		As a percentage of total revenue		As a percentage of total revenue
<i>(in HK\$'000, other than percentages)</i>	Amount		Amount	
Revenue				
Sports and lottery related business	144,922	13.6%	94,733	8.4%
Telemedia and e-commerce business	921,598	86.4%	<u>1,033,261</u>	<u>91.6%</u>
Total	<u>1,066,520</u>	<u>100.0%</u>	<u>1,127,994</u>	<u>100.0%</u>

Sports and Lottery Related Business

Breakdown of the revenue by business segments:

	Unaudited			
	For the six months ended 30 June 2020		2019	
		As a percentage of segment revenue		As a percentage of segment revenue
	Amount		Amount	
Online information platform — Crazy Red Insights	11.2	7.7%	26.5	28.0%
Online Livestreaming platform — Crazy Sports	21.0	14.5%	17.4	18.4%
Sports and leisure mobile games	112.2	77.4%	50.8	53.6%
Sports lottery new retail related commission	0.5	0.4%	<u>—</u>	<u>—</u>
	<u>144.9</u>	<u>100.0%</u>	<u>94.7</u>	<u>100.0%</u>

Revenue from the sports and lottery related business of the Group increased by 53.0% to approximately HK\$144.9 million during the Period from approximately HK\$94.7 million for the corresponding period of 2019. The significant increase in revenue was due to the fact that Crazy Sports launched and promoted various new games during the Period and at the same time, customers spent more time on using mobile phones as they stayed indoor due to the pandemic, which increased the online consumption at Crazy Sports community's livestreaming platform and game platform, which offset the decline in business revenue of Red Crazy Insights due to suspension of international competition events.

Telemedia and E-Commerce Business

Revenue from the telemedia and e-commerce business of the Group decreased by 10.8% to approximately HK\$921.6 million during the Period from approximately HK\$1,033.3 million for the corresponding period of 2019. The reduction in revenue was mainly due to the logistics disruption caused by the COVID-19 pandemic and the measure to lower product prices to promote sales of Liangzi Port, which led to the reduction in sales.

Cost of Revenue

Total cost of revenue of the Group decreased by 3.9% to approximately HK\$1,012.4 million during the Period as compared with the corresponding period of 2019.

The following table sets forth the cost of revenue by segment for the six months ended 30 June 2020 and the corresponding period of 2019:

	Unaudited			
	For the six months ended 30 June 2020		2019	
	Amount	As a percentage of total cost of revenue	Amount	As a percentage of total cost of revenue
<i>(in HK\$'000, other than percentages)</i>				
Cost of revenue				
Sports and lottery related business	83,188	8.2%	29,234	2.8%
Telemedia and e-commerce business	<u>929,232</u>	<u>91.8%</u>	<u>1,024,540</u>	<u>97.2%</u>
Total	<u>1,012,420</u>	<u>100.0%</u>	<u>1,053,774</u>	<u>100.0%</u>

Gross Profit and Gross Profit Margin

The following table sets forth the gross profit and the gross profit margin by segment for the six months ended 30 June 2020 and the corresponding period of 2019:

	Unaudited			
	For the six months ended 30 June 2020		2019	
		As a percentage of segment revenue		As a percentage of segment revenue
<i>(in HK\$'000, other than percentages)</i>	Amount		Amount	
Gross profit/(loss)				
Sports and lottery related business	61,734	42.6%	65,499	69.1%
Telemedia and e-commerce business	(7,634)	(0.8)%	8,721	0.8%
Total	<u>54,100</u>	<u>5.1%</u>	<u>74,220</u>	<u>6.6%</u>

During the Period, total gross profit of the Group was approximately HK\$54.1 million, representing a decrease of 27.1% as compared with the corresponding period of 2019; meanwhile, the total gross profit margin decreased to 5.1% in 2020 from 6.6% in 2019.

The gross profit of sports and lottery related business for the Period decreased by 5.7% to approximately HK\$61.7 million while recording significant increase in revenue. The gross profit margin of sports and lottery related business reduced from 69.1% recorded in 2019 to 42.6% for the Period. Such decrease was the result of the significant reduction in revenue of the high-gross-profit-margined online information platform, Crazy Red Insights, due to the suspension of international sports events during the COVID-19 pandemic. During the Period, the team increased focus on sports and leisure games business and introduced and promoted a variety of new mobile games. The revenue generated by sports and leisure games contributed to a greater proportion of the overall revenue of sports and lottery related business.

The gross loss of telemedia and e-commerce business for the Period was approximately HK\$7.6 million with a gross loss margin of 0.8% for the Period; while a gross profit of approximately HK\$8.7 million was recorded for the corresponding period of 2019. The decrease in gross profit in the first half of 2020 was primarily due to the decrease in gross profit contributed by Liangzi Port.

Other Gains and Losses

Other gains and losses for the Period recorded a gain of approximately HK\$40.5 million. It was primarily due to the gain of approximately HK\$35.7 million on the deemed disposal of the Company's interest in Bank of Asia from dilution upon its issuance of new shares to an investor acquiring

approximately 3.3% of its shareholding during the Period. In the corresponding period of 2019, other gains were primarily due to the dividend income of approximately HK\$10.9 million received from financial assets.

Research and Development Expenses

Research and development expenses for the Period decreased by 31.2% to approximately HK\$4.3 million from approximately HK\$6.3 million in corresponding period of 2019. The decrease in expenses was primarily due to cost control measures adopted by the Group during the Period.

Selling and Marketing Expenses

Selling and marketing expenses for the Period decreased by 7.4% to approximately HK\$34.7 million from approximately HK\$37.5 million in corresponding period of 2019. The decrease in expenses was primarily due to the decrease in marketing expenses as a result of cost control measures adopted during the Period.

Administrative Expenses

Administrative expenses for the Period decreased by 27.8% to approximately HK\$40.8 million from approximately HK\$56.5 million for the corresponding period of 2019. The decrease in expenses was a result of the Group strengthening the implementation of cost saving measures during the COVID-19 pandemic, through refining the management and optimising processes.

Impairment of Goodwill and Intangible Assets

Sales of Liangzi Port has been adversely affected by the COVID-19 pandemic in 2020. The Group believes that the supply of goods by its suppliers will continue to be disrupted due to the logistic control and quarantine measures, which in turn will affect the source of projected profit of Liangzi Port and accordingly it is expected that the estimated value of its business will decrease. As a result, the impairment of goodwill and impairment of intangible assets of approximately HK\$0.9 million and HK\$18 million respectively were recognised for the telemedia and e-commerce business during the Period.

There was no such impairment during the corresponding period of 2019.

Share of Losses of Associates

Share of losses of associates were approximately HK\$17.2 million for the Period whereas a loss of approximately HK\$28.2 million was recorded for the corresponding period of 2019. The decrease in loss was due to the cost control measures taken by Bank of Asia.

Income Tax

There was an increment in income tax credit recorded in the Period as compared to that of the corresponding period of 2019.

Loss for the Period

As a result of the foregoing, the Group had a loss of approximately HK\$16.4 million for the Period, which was decreased by 61.8% as compared to a loss of approximately HK\$42.8 million for the corresponding period of 2019.

Reconciliation of Non-HKFRSs Financial Measures to the Nearest Measures Prepared in Accordance with HKFRSs

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

The following table sets forth the reconciliation of non-HKFRSs financial measures for the Period and the corresponding period of 2019 to the nearest measures prepared in accordance with HKFRSs.

	Unaudited	
	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
Loss before income tax	(22,145)	(43,779)
Add:		
Interest expense	784	571
Share-based compensation expenses	420	—
Impairment of goodwill	933	—
Impairment of intangible assets	18,000	—
Depreciation of property, plant and equipment	2,018	1,952
Amortisation of intangible assets	18,258	20,950
Share of losses of associates	17,194	28,196
Gains on disposal of property, plant and equipment	(16)	—
Gain on deemed disposal of an associate	(35,664)	—
Other gains and losses	(4,820)	(11,031)
Depreciation of right of use assets	<u>6,980</u>	<u>5,688</u>
Adjusted EBITDA	<u>1,942</u>	<u>2,547</u>

Investments Held

As at 30 June 2020, the investment portfolio of the Group amounted to approximately HK\$495.6 million (31 December 2019: HK\$412.3 million), which was recorded as financial assets at fair value through profit or loss or through other comprehensive income. The information has been disclosed in the interim condensed consolidated comprehensive income statement, the statement of financial position and Note 16 to the financial statement, respectively.

The Group manages its investment portfolio with a primary objective to strengthen the leading position of its core businesses and to serve as a complementary part to the “connective” strategy of the Group’s businesses, particularly in the areas of fintech, digital currency, artificial intelligence and other innovative technology.

During the Period, the investment portfolio of the Group recorded a fair value gain of approximately HK\$99.3 million. Such change was mainly attributable to a mobile internet fund invested by the Group in 2016. During the Period, its fair value gain of approximately HK\$99.3 million was recognised as other comprehensive income and increased the investment revaluation reserve. There was no material fair value change in other projects in the investment portfolio during the Period.

Liquidity and Financial Resources

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

	Unaudited	
	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
Net cash inflow from operating activities	18,657	12,272
Net cash outflow from investing activities	(21,689)	(51,588)
Net cash inflow/(outflow) from financing activities	<u>12,663</u>	<u>(1,301)</u>
Increase/(decrease) in cash and cash equivalents	9,631	(40,617)
Effect of changes in foreign exchange rate	(138)	(7,757)
Cash and cash equivalents at beginning of the period	<u>58,920</u>	<u>131,918</u>
Cash and cash equivalents at end of the period	<u><u>68,413</u></u>	<u><u>83,544</u></u>

Net Cash Inflow from Operating Activities

The Group's net cash inflow from operating activities improved to approximately HK\$18.7 million for the Period, compared to net cash generated from operating activities of approximately HK\$12.3 million for the corresponding period of 2019.

Net Cash Outflow from Investing Activities

Net cash outflow from investing activities of the Group was approximately HK\$21.7 million and HK\$51.6 million during the Period and corresponding period of 2019 respectively. The net cash used in investing activities during the Period was primarily attributable to cash considerations paid in respect of the Group's acquisition of Crazy Sports on 27 November 2018.

Net Cash Inflow from Financing Activities

The Group recorded net cash inflow from financing activities of approximately HK\$12.7 million during the Period mainly due to the placement of new shares of the Company on 20 January 2020 with net proceeds of approximately HK\$14.8 million while net cash used in financing activities was approximately HK\$1.3 million for the corresponding period of 2019.

Working Capital

The Group had cash and cash equivalents of approximately HK\$68.4 million as of 30 June 2020, compared to a balance of HK\$58.9 million as of 31 December 2019. As of 30 June 2020, the Group had net current liabilities of approximately HK\$57.8 million (as of 31 December 2019: HK\$83.6 million). Taking into consideration the financial resources available and the original shareholders of Crazy Sports having agreed not to demand for the repayment of other payable balance due (with an aggregate carrying amount of HK\$60.8 million as of 30 June 2020) until the Group is in a position to do so, the management of the Group is confident that the Group will have sufficient cash resources to satisfy their future working capital and other financing requirements.

Capital Structure

As of 30 June 2020, the Group's total assets amounted to approximately HK\$1,355.2 million (31 December 2019: HK\$1,272.3 million) which were substantially financed by shareholders' fund of approximately HK\$984.2 million (31 December 2019: HK\$897.0 million). During the Period, the Company issued share capital of 75 million new ordinary shares at HK\$0.2 per share. The capital of the Group only comprises of ordinary shares.

Gearing Ratio

As of 30 June 2020, gearing ratio was approximately 1.1%, which was calculated by dividing the total borrowings by the equity attributable to owners of the Company.

Material Acquisitions and Disposals

Except for the deemed disposal of the equity interests in an associate as disclosed in the financial report, there was no material acquisition and disposal of subsidiaries, associates and joint ventures by the Group during the Period.

Foreign Exchange Risk

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

Pledge of Assets

The Group did not have any pledged assets as of 30 June 2020 (31 December 2019: Nil).

Contingent Liabilities

The Group had no significant contingent liabilities as of 30 June 2020 (31 December 2019: Nil).

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
			(Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	7	1,066,520	1,127,994
Cost of revenue		<u>(1,012,420)</u>	<u>(1,053,774)</u>
Gross profit		54,100	74,220
Other gains and losses	8	40,500	11,031
Selling and marketing expenses		(35,031)	(37,479)
Administrative expenses		(44,803)	(62,784)
Finance cost		(784)	(571)
Impairment loss on goodwill		(933)	—
Impairment loss on intangible assets		(18,000)	—
Share of losses of associates		<u>(17,194)</u>	<u>(28,196)</u>
Loss before income tax	9	(22,145)	(43,779)
Income tax	10	<u>5,782</u>	<u>978</u>
LOSS FOR THE PERIOD		<u><u>(16,363)</u></u>	<u><u>(42,801)</u></u>

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
			(Restated)
<i>Notes</i>		HK\$'000	HK\$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income	16	99,256	(9,470)
Exchange differences arising on translation of foreign operations		<u>(11,637)</u>	<u>(11,056)</u>
Other comprehensive income for the period		<u>87,619</u>	<u>(20,526)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>71,256</u>	<u>(63,327)</u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(16,020)	(41,208)
Non-controlling interests		<u>(343)</u>	<u>(1,593)</u>
		<u>(16,363)</u>	<u>(42,801)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		71,762	(60,081)
Non-controlling interests		<u>(506)</u>	<u>(3,246)</u>
		<u>71,256</u>	<u>(63,327)</u>
LOSS PER SHARE			
— Basic (HK cents)	11	<u>(0.37) cents</u>	<u>(0.98) cents</u>
— Diluted (HK cents)	11	<u>(0.37) cents</u>	<u>(0.98) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	12	10,469	12,150
Interests in associates	13	27,688	7,952
Goodwill	14	396,566	404,672
Intangible assets		173,220	209,996
Deferred tax assets		5,380	891
Right-of-use assets	15	22,718	27,335
Financial assets at amortised cost	16	—	1,115
Financial assets at fair value through other comprehensive income	16	436,646	355,383
		<u>1,072,687</u>	<u>1,019,494</u>
CURRENT ASSETS			
Trade receivables	17	16,624	19,918
Other receivables, deposits and prepayments		88,331	69,943
Inventories		35,065	36,311
Financial assets at fair value through profit or loss	16	58,993	56,953
Amount due from an associate		12,049	9,785
Amounts due from related companies		2,706	783
Tax receivables		308	160
Cash and cash equivalents		68,413	58,920
		<u>282,489</u>	<u>252,773</u>
Total assets		<u><u>1,355,176</u></u>	<u><u>1,272,267</u></u>

		As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables and other payables	18	126,469	154,091
Contract liabilities		64,483	44,359
Lease liabilities		15,630	14,050
Amounts due to related companies		10,636	6,248
Bank borrowings		10,946	5,572
Tax payable		<u>112,094</u>	<u>112,094</u>
		<u>340,258</u>	<u>336,414</u>
NET CURRENT LIABILITIES		<u>(57,769)</u>	<u>(83,641)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,014,918</u>	<u>935,853</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		7,634	8,978
Lease liabilities		<u>7,174</u>	<u>13,441</u>
		<u>14,808</u>	<u>22,419</u>
NET ASSETS		<u>1,000,110</u>	<u>913,434</u>
EQUITY			
Share capital	19	42,884	42,134
Reserves		<u>941,303</u>	<u>854,871</u>
Equity attributable to owners of the Company		984,187	897,005
Non-controlling interests		<u>15,923</u>	<u>16,429</u>
TOTAL EQUITY		<u>1,000,110</u>	<u>913,434</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserves HK\$'000	Other reserve HK\$'000	Share-based compensation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Non- controlling interests HK\$'000	
Balance at 31 December 2018	42,134	1,702,600	52,914	1,059,408	23,549	11,463	(1,771,261)	15,370	1,136,177
Profit or loss	—	—	—	—	—	—	(41,208)	(1,593)	(42,801)
Other comprehensive income	—	—	(9,470)	—	—	(9,403)	—	(1,653)	(20,526)
Total comprehensive income	—	—	(9,470)	—	—	(9,403)	(41,208)	(3,246)	(63,327)
Change in ownership interests in a subsidiary without change of control	—	—	—	—	—	—	(17,749)	5,550	(12,199)
At 30 June 2019 (unaudited)	<u>42,134</u>	<u>1,702,600</u>	<u>43,444</u>	<u>1,059,408</u>	<u>23,549</u>	<u>2,060</u>	<u>(1,830,218)</u>	<u>17,674</u>	<u>1,060,651</u>
Balance at 31 December 2019	42,134	1,702,600	20,541	1,059,408	3,559	19,930	(1,951,167)	16,429	913,434
Profit or loss	—	—	—	—	—	—	(16,020)	(343)	(16,363)
Other comprehensive income	—	—	99,256	—	—	(11,474)	—	(163)	87,619
Total comprehensive income	—	—	99,256	—	—	(11,474)	(16,020)	(506)	71,256
Issuance of new share	750	14,250	—	—	—	—	—	—	15,000
Recognition of share-based payment expense	—	—	—	—	420	—	—	—	420
At 30 June 2020 (unaudited)	<u>42,884</u>	<u>1,716,850</u>	<u>119,797</u>	<u>1,059,408</u>	<u>3,979</u>	<u>8,456</u>	<u>(1,967,187)</u>	<u>15,923</u>	<u>1,000,110</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18,657	12,272
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(21,689)	(51,588)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<u>12,663</u>	<u>(1,301)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,631	(40,617)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	(138)	(7,757)
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	<u>58,920</u>	<u>131,918</u>
CASH AND CASH EQUIVALENT AT END OF PERIOD	<u><u>68,413</u></u>	<u><u>83,544</u></u>

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

V1 Group Limited is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. Its principal place of business in Hong Kong is located at Room 3006, 30th Floor, 9 Queen's Road Central, Central, Hong Kong.

The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) were principally engaged in two business segments: (1) the sports and lottery related business specialised in the development and operation of online information platform, online mobile game applications, live streaming platforms and provision of sales related services of lottery tickets through retail channels in the People's Republic of China (“**PRC**”); and (2) the telemedia and e-commerce business involved the operation of online trading platform, provision of internet information services included internet audio-visual new media and other Internet+ business in the PRC and the operation of a satellite TV station in Dubai, UAE during the six months period ended 30 June 2020 (the “**Period**”).

2. BASIC OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements were authorised for issue on 28 August 2020.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2019 annual financial statements.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 5.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars (“**HK\$**”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) and should be read in conjunction with the 2019 consolidated financial statements.

These condensed consolidated interim financial statements are unaudited.

3. SIGNIFICANT EVENTS

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, the Group has experienced significant disruption to its operations in the following respects:

- Due to logistic control and quarantine measures, the Telemedia and e-commerce business operated by the Group is affected;
- Disruptions in the supply of inventory from major suppliers of Telemedia and e-commerce business;
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for the Group's electronic products.

The significant events and transactions that have occurred since 31 December 2019 relate to the effects of the global pandemic on the Group's condensed consolidated interim financial statements for the six months ended 30 June 2020 and are summarised as follows.

Decrease in sales and cash flows, including impairment of goodwill

During 2020, the revenue streams from Telemedia and e-commerce business have experienced reductions since the pandemic's effects became widespread. The Group considered the reduced sales and reductions in budgeted revenue as indicators of impairment, and therefore determined the recoverable amount for tele-media cash generating units ("CGU"). The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use was higher in all cases due to the nature of the assets included in the carrying amount of cash generating units.

For the purpose of impairment testing for assets allocated to the tele-media CGU in 2020 and 2019, the recoverable amounts of tele-media CGU have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. It is determined that the five-year period is extrapolated using an estimated average growth rate of 3% (2019: 3%), which does not exceed the long-term growth rate for tele-media industry in the PRC. Cash flows for the first five financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	Six months ended 30 June	
	2020	2019
Operating margin	0.9%–1%	0.4%–1%
Discount rate	20.02%	23.53%
Growth rate within the five-year period	18%–31%	16%–31%

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

The cash flows were probability weighted based on the following scenarios:

1. Base case (50% weighting): Delivery of goods are subject to delays due to restrictions imposed by the Government in relation to interaction distancing requirements for 4 weeks, but full capacity is forecast to resume in August 2020.
2. Negative case (50% weighting): Delivery of goods are subject to delays due to restrictions imposed by the government in relation to interaction distancing requirements for 12 weeks, gradually returning to full capacity by January 2021.

During the Period, an additional impairment loss on goodwill of HK\$933,000 and intangible assets of HK\$18,000,000 respectively was recognised in the interim condensed consolidated income statement. As the carrying amount of the CGU has been reduced to its recoverable amount, any adverse change in the key assumption used to calculate the recoverable amount would result in further impairment losses on intangible assets in subsequent years.

4. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, as described therein.

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

5. USE OF JUDGEMENTS AND ESTIMATES

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

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2019 annual financial statements.

However, as disclosed in Note 3, the effects of COVID-19 have required significant judgments and estimates to be made, including the calculation of the recoverable amount for cash generating units that exhibit indicators of impairment as at the period end, and determining the amount of goodwill impairment attributable to the cash generating units.

6. SEGMENT REPORTING

(a) Reportable segments

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

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

The Group has presented two reportable segments in 2020 and 2019 as below:

- The sports and lottery related business which specialised on the development and operation of online information platform, online mobile game applications, live streaming platforms and provision of sales related 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, 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.

For the six months ended 30 June 2020 (Unaudited)	Sports and lottery related business HK\$'000	Telemedia and e-commerce business HK\$'000	Consolidated HK\$'000
Revenue from external customers	<u>144,922</u>	<u>921,598</u>	<u>1,066,520</u>
Reportable segment gross profit/(loss)	<u>61,734</u>	<u>(7,634)</u>	<u>54,100</u>
Reportable segment profit/(loss)	<u>26,159</u>	<u>(48,794)</u>	(22,635)
Unallocated other income			38,184
Share of losses of associates			(17,124)
Salaries and allowances			(11,390)
Unallocated expenses			<u>(9,180)</u>
Loss for the period before taxation			<u>(22,145)</u>
For the six months ended 30 June 2019 (Unaudited)	Sports and lottery related business HK\$'000 (Restated)	Telemedia and e-commerce business HK\$'000 (Restated)	Consolidated HK\$'000 (Restated)
Revenue from external customers	<u>94,733</u>	<u>1,033,261</u>	<u>1,127,994</u>
Reportable segment gross profit	<u>65,499</u>	<u>8,721</u>	<u>74,220</u>
Reportable segment profit/(loss)	<u>30,676</u>	<u>(32,168)</u>	(1,492)
Unallocated other income			9,884
Share of losses of associates			(28,196)
Salaries and allowances			(11,671)
Unallocated expenses			<u>(12,304)</u>
Loss for the period before taxation			<u>(43,779)</u>

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

Period ended 30 June 2020 (Unaudited)	Sports and lottery related business HK\$'000	Telemedia and e-commerce business HK\$'000	Consolidated HK\$'000
Reportable segment assets	<u>535,677</u>	<u>275,966</u>	811,643
Interests in associates			27,688
Other financial assets			495,639
Cash at banks			11,961
Unallocated corporate assets			<u>8,245</u>
Total assets			<u>1,355,176</u>
Period ended 30 June 2020 (Unaudited)	Sports and lottery related business HK\$'000	Telemedia and e-commerce business HK\$'000	Consolidated HK\$'000
Reportable segment liabilities	<u>(58,671)</u>	<u>(94,303)</u>	(152,974)
Tax provision for gain on disposal of subsidiaries			(112,094)
Amounts due to shareholders of subsidiary			(60,791)
Deposits received, other payables and accruals			<u>(29,207)</u>
Total liabilities			<u>(355,066)</u>

	Sports and lottery related business <i>HK\$'000</i>	Telemedia and e-commerce business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Period ended 31 December 2019 (Audited)			
Reportable segment assets	<u>533,195</u>	<u>288,304</u>	821,499
Interests in associates			7,952
Other financial assets			412,336
Cash at banks			21,830
Unallocated corporate assets			<u>8,650</u>
Total assets			<u>1,272,267</u>
	Sports and lottery related business <i>HK\$'000</i>	Telemedia and e-commerce business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Period ended 31 December 2019 (Audited)			
Reportable segment liabilities	<u>(40,673)</u>	<u>(79,665)</u>	(120,338)
Tax provision for gain on disposal of subsidiaries			(112,094)
Contingent consideration payable			(87,892)
Deposits received, other payables and accruals			(37,892)
Unallocated corporate liabilities			<u>(617)</u>
Total liabilities			<u>(358,833)</u>

(b) Geographical information

During the six months ended 30 June 2019 and 2020, over 90% of the Group's revenue was attributable to customers in the PRC and over 90% of the Group's total non-current assets are located in the PRC and the remaining non-current assets are located in Hong Kong and Dubai.

(c) Major customers

Revenue from one customer (2019: three customers) of the corresponding periods contributing over 10% of the total sales of the Group are as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	111,094	246,888
Customer B	—	184,675
Customer C	<u>—</u>	<u>145,850</u>

7. REVENUE

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

Six months ended 30 June (Unaudited)	Sports and lottery related business		Telemedia and e-commerce business		Total	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)		(Restated)		(Restated)	
E-Commerce trading platform	—	—	914,544	1,030,184	914,544	1,030,184
Advertising and services income	—	—	7,054	3,077	7,054	3,077
Self developed games	102,758	38,089	—	—	102,758	38,089
Cooperation games*	9,428	12,688	—	—	9,428	12,688
Live stream online platform	20,984	17,436	—	—	20,984	17,436
Online information platform	11,245	26,520	—	—	11,245	26,520
Lottery related commission income	507	—	—	—	507	—
	<u>144,922</u>	<u>94,733</u>	<u>921,598</u>	<u>1,033,261</u>	<u>1,066,520</u>	<u>1,127,994</u>
Timing of revenue recognition						
At a point in time	1	9	914,544	1,030,184	914,545	1,030,193
Transferred over time	<u>144,921</u>	<u>94,724</u>	<u>7,054</u>	<u>3,077</u>	<u>151,975</u>	<u>97,801</u>
	<u>144,922</u>	<u>94,733</u>	<u>921,598</u>	<u>1,033,261</u>	<u>1,066,520</u>	<u>1,127,994</u>

- * The directors of the Company had re-assessed the sale agreements entered into with the customers by the Group and considered they acted in substance as an agent in certain cooperation games contracts arranged for the sports and lottery related business segment during the six months ended 30 June 2019. Therefore, in preparing the interim condensed consolidated financial statements for the six months ended 30 June 2020, adjustments are required to be made to the comparative information presented so as to ensure that the interim condensed consolidated financial statements presented are in compliance with HKFRSs. The gross turnover of the cooperating mobile game is HK\$106,357,000 (six months ended 30 June 2019: HK\$103,171,000) for the Period netted off the payments of HK\$96,929,000 (six months ended 30 June 2019: HK\$90,483,000) to mobile game operators and the third-party channels to arrive at the net proceeds recognised as revenue. The net turnover of cooperating mobile game was HK\$9,428,000 (six months ended 30 June 2019: HK\$12,688,000).

8. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fair value gain on financial assets at FVTPL	2,040	—
Interest income	162	78
Government grants	1,186	—
Net foreign exchange gains	104	204
Gain on deemed disposal of an associate	35,664	—
Dividend income	—	10,872
Loss on disposal of an associate	—	(660)
Realised fair value gain on other financial assets	—	279
Fair value change in investment fund	—	(1,052)
Gain on disposal of property, plant and equipment	16	—
Others	1,328	1,310
	40,500	11,031

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	2,018	1,952
Depreciation of right-of-use assets	6,980	5,688
Amortisation of intangible assets	18,258	20,950
Carrying amount of inventories sold	913,125	978,044
Auditor's remuneration	150	136
Impairment loss on goodwill (Note 3)	933	—
Impairment loss on intangible assets (Note 3)	18,000	—
Staff costs (excluding directors' remuneration)		
Salaries and wages	17,297	26,067
Pension fund contributions	3,262	3,727
Share-based payments	146	—
	20,705	29,794

10. INCOME TAX

No provision was made for Hong Kong profits tax as the Group had no assessable profits in 2019 and during the Period.

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 2019 and 30 June 2020.

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 from 1 January 2017 to 31 December 2020.

11. LOSS PER SHARE

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

Loss

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period for the purpose of basic and diluted loss per share calculation	<u>(16,020)</u>	<u>(41,208)</u>

Number of shares

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>4,273,972</u>	<u>4,213,375</u>

Loss per share

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK cents</i>	<i>HK cents</i>
Basic loss per share	<u>(0.37)</u>	<u>(0.98)</u>
Diluted loss per share	<u>(0.37)</u>	<u>(0.98)</u>

The computation of diluted loss per share for the six months ended 30 June 2020 and 2019 does not assume the exercise of the outstanding share options as they had an anti-dilutive effect on the loss per share calculation.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$717,000 (2019: HK\$523,000).

13. INTERESTS IN ASSOCIATES

	As at	As at
	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets/(liabilities)	3,887	(14,603)
Goodwill	<u>236,043</u>	<u>238,181</u>
	239,930	223,578
Less: impairment	<u>(212,242)</u>	<u>(215,626)</u>
	<u>27,688</u>	<u>7,952</u>

Particulars of the Group's associates are as follows:

Name of company	Form of business structure	Place of incorporation and operation	Percentage of ownership interests/voting rights/profit share	Principal activity
VODone Datamedia Technology Co., Ltd. ("TMDI")	Corporation	PRC	49% (31 December 2019: 49%)	Provision of tele-media business support and content services
Bank of Asia (BVI) Limited ("BOA")	Limited company	BVI	45.95% (31 December 2019: 47.53%)	Provision of BVI banking services

The movement of interests in associates is summarised as below:

	2020 (Unaudited) HK\$'000	2019 (Audited) HK\$'000
At 1 January	7,952	120,118
Deemed disposal of an associate (<i>Note</i>)	35,664	—
Disposal of an associate	—	(2,368)
Impairment of an associate	—	(69,771)
Share of loss from associates	(17,194)	(40,188)
Exchange alignment	<u>1,266</u>	<u>161</u>
At 30 June/31 December	<u><u>27,688</u></u>	<u><u>7,952</u></u>

Note:

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

TMD1	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Total assets	193,724	143,749
Total liabilities	<u>(232,432)</u>	<u>(183,013)</u>
Net liabilities of the associate	<u>(38,708)</u>	<u>(39,264)</u>
Carrying amount of the Group's interest in the associate	<u>—</u>	<u>—</u>
	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	<u>997</u>	<u>2,005</u>
(Loss)/profit for the period	<u>(142)</u>	<u>263</u>
Included in the above amounts are: Depreciation and amortisation	<u>(64)</u>	<u>(68)</u>
BOA	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Total assets	52,980	24,458
Total liabilities	<u>(4,967)</u>	<u>(14,113)</u>
Net assets	<u>48,013</u>	<u>10,345</u>
Carrying amount of the Group's interest in the associate	<u>48,013</u>	<u>10,345</u>
	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	<u>313</u>	<u>—</u>
Loss for the period	<u>(39,696)</u>	<u>(74,485)</u>
Included in the above amounts are: Depreciation and amortisation	<u>(4,731)</u>	<u>(1,568)</u>

14. GOODWILL

HK\$'000

Cost:

At 1 January 2019	868,606
Disposal of subsidiaries	(183,161)
Written off	(9,118)
Exchange adjustments	<u>(14,598)</u>
At 31 December 2019	661,738
Exchange adjustments	<u>(4,247)</u>

At 30 June 2020	<u>657,491</u>
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Accumulated impairment losses:

At 1 January 2019	442,996
Additions	4,472
Disposal of subsidiaries	(175,595)
Written off	(9,118)
Exchange adjustments	<u>(5,689)</u>
At 31 December 2019	257,066
Addition	933
Exchange adjustments	<u>2,926</u>

At 30 June 2020	<u>260,925</u>
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Carrying amount:

At 30 June 2020 (unaudited)	<u><u>396,566</u></u>
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At 31 December 2019 (audited)	<u><u>404,672</u></u>
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Goodwill is allocated to the Group's CGUs identified to country of operation and business segment. The carrying amounts as at 30 June 2020 were related to the Group's tele-media service business and mobile games, application and live streaming platform business in the PRC.

Except for the impairment testing performed on tele-media CGU as disclosed in Note 3, the Group tests goodwill annually for impairment on other CGUs as there are no indications that goodwill might be impaired for other CGUs.

15. RIGHT-OF-USE ASSETS

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Properties	<u>22,718</u>	<u>27,335</u>

16. OTHER FINANCIAL ASSETS

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Current portion:		
Financial assets at fair value through profit or loss:		
— Compensation arising from profit guarantee (note (a))	1,453	1,244
— Listed equity investment (note (d))	19,748	7,560
— Derivatives instrument (note (d))	<u>37,792</u>	<u>48,149</u>
	<u>58,993</u>	<u>56,953</u>
Non-current portion:		
Financial assets at fair value through other comprehensive income:		
— Investment funds (note (b))	393,536	311,493
— Unlisted equity investments (note (c))	<u>43,110</u>	<u>43,890</u>
	<u>436,646</u>	<u>355,383</u>
Financial assets at amortised cost		
— Managed fund (PRC) (note (e))	<u>—</u>	<u>1,115</u>

Notes:

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

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

This Mobile Internet Fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in equity and/or equity-related securities of companies that operate in or otherwise derive significant business opportunities from the mobile internet sector, its related technologies, products and services. The Directors classified the investment as financial asset at fair value through other comprehensive income as it is held for long term strategic gains and not for trading. As at 30 June 2020, a fair value gain of HK\$99,256,000 was recognised as other comprehensive income and increased the investment revaluation reserve. As at 30 June 2020, the fair value of Mobile Internet Fund was HK\$348,038,000 (31 December 2019: HK\$248,782,000).

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

As at 30 June 2020, the management assessed that the fair value of the Golden Rock fund of the remaining interest of US\$2,000,000 is HK\$17,989,000 (31 December 2019: HK\$17,989,000).

- (iii) On 30 June 2017, the Company entered into a Limited Partnership Agreement (the “**Agreement**”) to subscribe, as a limited partner, in the total amount of RMB100,000,000 (equivalent to HK\$113,873,000) of Hangzhou China Capital Qianhai Weiyi Investment Partnership Limited (the “**China Capital Qianhai Weiyi**”). The timing of capital contribution of the investment is generally on an “as needed” basis. As at 30 June 2020, the Group has invested RMB23,000,000 to the investment fund.

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

As at 30 June 2020, the management assessed that the fair value of the investment fund is RMB25,133,000 (equivalent to HK\$27,509,000) (31 December 2019: RMB25,133,000 (equivalent to HK\$28,007,000)).

- (iv) On 13 February 2019, the Company entered into a Limited Partnership Agreement (the “**Agreement**”) to subscribe, as a limited partner, in the total amount of RMB30,000,000 (equivalent to HK\$34,104,000) of Shenzhen Zhongjin Qianhai Weiyi Angel Innovation Investment Partnership Limited (the “**Shenzhen Qianhai Fund**”). The timing of capital contribution of the investment is generally on an “as needed” basis. As at 31 December 2019, the Group has invested RMB15,000,000 (equivalent to HK\$16,715,000) to the investment fund.

Shenzhen Qianhai Fund is an enterprise established in the PRC and is principally engaged in asset management and investment management. It is established to achieve long-term capital appreciation primarily through privately-negotiated investments in innovation technologies industries. The Group is a limited partner in the Shenzhen Qianhai Fund and does not have control nor significant influence in the Shenzhen Qianhai Fund operational and financing decisions. The Directors classified the investment as financial asset as fair value through other comprehensive income as it is held for long term strategic gains and not for trading.

During the Period, the Group requested a withdrawn of investment and it was approved by the general partner of the Shenzhen Qianhai Fund. The investment is therefore reduced by RMB15,000,000 (equivalent to HK\$16,503,000) and the Group received the reduced balance in cash which equals to its original investment cost. As at 30 June 2020, the Group has no investment in the Shenzhen Qianhai Fund.

(c) The unlisted equity investments are as follows:

- (i) In 2017, the Group invested in 10% equity interest in Hangzhou Yixin Technology Limited, a company incorporated in the PRC, at a consideration of RMB6,400,000 (equivalent to HK\$7,686,000). The Directors classified the investment as financial asset at fair value through other comprehensive income as it is held for long term strategic gains and not for trading. The management assessed that there was no material change in fair value of the investment during the Period.
- (ii) In 2018, the Group invested in 8% equity interest in Shenzhen Qianhai Shouhui Technology Culture Co., Ltd., a company incorporated in the PRC, at a consideration of RMB28,000,000 (equivalent to HK\$31,884,000). The Directors classified the investment as financial asset as fair value through other comprehensive income as it is held for long term strategic gains and not for trading. As at 30 June 2020, the management assessed that there was no material change in fair value of the investment.

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

- (i) It represents an equity investment of listed securities in NASDAQ. During the Period, a fair value gain of HK\$12,187,000 was recognised as “Other gains and losses” in the interim condensed consolidated comprehensive income statement.
- (ii) During 2018, the Group purchased a put option linked with the listed securities in NASDAQ abovementioned in Note 16(d)(i). A fair value loss of HK\$10,357,000 was recognised as “Other gains and losses” in the interim condensed consolidated comprehensive income statement during the Period.

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

17. TRADE RECEIVABLES

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Within 6 months	16,236	18,055
Over 6 months but within 1 year	131	1,854
Over 1 year but within 2 years	<u>257</u>	<u>9</u>
	<u>16,624</u>	<u>19,918</u>

The Group and the Company assessed impairment loss based on expected credit loss model. 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.

18. TRADE PAYABLES AND OTHER PAYABLES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade payables		
Within 6 months	13,464	704
Over 6 months but within 1 year	130	195
Over 1 year but within 2 years	<u>417</u>	<u>—</u>
	14,011	899
Other payables	<u>112,458</u>	<u>153,192</u>
	<u>126,469</u>	<u>154,091</u>

19. SHARE CAPITAL

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
<i>Authorised:</i>		
50,000,000,000 ordinary shares of HK\$0.01 each	<u>500,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
4,213,395,262 (1 January 2019: 4,213,395,262) ordinary shares of HK\$0.01 each at beginning of year.	42,134	42,134
Issuance of new shares (<i>Note</i>)	<u>750</u>	<u>—</u>
4,288,395,262 (31 December 2019: 4,213,395,262) ordinary shares of HK\$0.01 each at the end of Period/year	<u>42,884</u>	<u>42,134</u>

Note:

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

20. COMMITMENTS

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Contracted, but not provided for:		
— Investment of investment fund (<i>Note 16(b)(iii)</i>)	<u>84,281</u>	<u>83,644</u>

21. SHARE OPTION SCHEMES

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

Under the V1 Group Scheme, the directors of the Company may, at their discretion, invite any eligible participants to take up share option(s) (“**Share Option(s)**”) to subscribe for ordinary share(s) of HK\$0.01 each in the share capital of the Company (“**Share(s)**”). The exercise price for the share options shall be determined in accordance with the V1 Group Scheme and the relevant provisions of the Listing Rules.

In the annual general meeting of the Company held on 21 May 2020 the share option scheme of two wholly owned subsidiaries of the Company was adopted by two ordinary resolutions passed by the shareholders of the Company.

On 30 March 2020, a total of 23,000,000 share options were granted to directors and eligible participants under the V1 Group Scheme and entitled the grantees to subscribe for ordinary shares at an exercise price of HK\$0.385 per share. The options may be exercisable during the period from 30 March 2020 to 29 March 2023. Fair value of share options granted at grant date was measured at HK\$0.01827 per share option. Accordingly, the related share-based payment expenses amounted to HK\$420,000 was recognised in the interim condensed consolidated comprehensive income statement and credited to the share-based compensation.

No share options were exercised during the period ended 30 June 2020.

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

2020

	Number of shares issuable under share options						
	At 1 January 2020	Granted during the Period	Exercised during the Period	Lapsed during the Period	At 30 June 2020	Exercise price HK\$	Exercise period
Executive directors							
Zhang Lijun							
— on 25 January 2018	2,000,000	—	—	—	2,000,000	0.229	25/01/2018 to 24/01/2021
	2,000,000	—	—	—	2,000,000		
Wang Chun							
— on 25 January 2018	3,000,000	—	—	—	3,000,000	0.229	25/01/2018 to 24/01/2021
	3,000,000	—	—	—	3,000,000		
Ji Qiang							
— on 5 July 2019	3,000,000	—	—	—	3,000,000	0.385	5/07/2019 to 4/07/2022
	3,000,000	—	—	—	3,000,000		
Cheng Po Chuen							
— on 30 March 2020	—	15,000,000	—	—	15,000,000	0.385	30/03/2020 to 29/03/2023
	—	15,000,000	—	—	15,000,000		
Sub-total	8,000,000	15,000,000	—	—	23,000,000		
Independent non-executive directors							
Loke Yu (alias Loke Hoi Lam)							
— on 25 January 2018	750,000	—	—	—	750,000	0.229	25/01/2018 to 24/01/2021
— on 5 July 2019	1,000,000	—	—	—	1,000,000	0.385	5/07/2019 to 4/07/2022
	1,750,000	—	—	—	1,750,000		
Gong Zhankui							
— on 25 January 2018	750,000	—	—	—	750,000	0.229	25/01/2018 to 24/01/2021
— on 5 July 2019	1,000,000	—	—	—	1,000,000	0.385	5/07/2019 to 4/07/2022
	1,750,000	—	—	—	1,750,000		

	Number of shares issuable under share options				Exercise price HK\$	Exercise period
	At 1 January 2020	Granted during the Period	Exercised during the Period	Lapsed during the Period	At 30 June 2020	
Wang Linan						
— on 25 January 2018	750,000	—	—	—	750,000	0.229 25/01/2018 to 24/01/2021
— on 5 July 2019	1,000,000	—	—	—	1,000,000	0.385 5/07/2019 to 4/07/2022
	<u>1,750,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,750,000</u>	
Sub-total	<u>5,250,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,250,000</u>	
Employees						
— on 5 July 2019	42,000,000	—	—	—	42,000,000	0.385 5/07/2019 to 4/07/2022
— on 30 March 2020	—	2,000,000	—	—	2,000,000	0.385 30/03/2020 to 29/03/2023
Sub-total	<u>42,000,000</u>	<u>2,000,000</u>	<u>—</u>	<u>—</u>	<u>44,000,000</u>	
Other						
— on 5 July 2019	20,000,000	—	—	—	20,000,000	0.385 5/07/2019 to 4/07/2022
— on 30 March 2020	—	6,000,000	—	—	6,000,000	0.385 30/03/2020 to 29/03/2023
Sub-total	<u>20,000,000</u>	<u>6,000,000</u>	<u>—</u>	<u>—</u>	<u>26,000,000</u>	
Total	<u>75,250,000</u>	<u>23,000,000</u>	<u>—</u>	<u>—</u>	<u>98,250,000</u>	

22. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Service fee income earned from an associate, TMD1	<u>992</u>	<u>1,748</u>
Management fee charged by TMD1	<u>997</u>	<u>2,005</u>

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Short term benefits	<u>8,114</u>	<u>11,882</u>

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

23. COMPARATIVE AMOUNTS

The comparative amount of revenue and cost of revenue included in the interim condensed consolidated comprehensive income statement for the period ended 30 June 2019 were restated to recognise the net proceeds from cooperation games instead of gross proceeds (detail information is disclosed in Note 7), in order to consistent with the current period accounting treatments. The related notes to financial statements was also restated to be consistent with the current period accounting treatments.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were reviewed by the audit committee of the Company and approved and authorised for issue by the Board on 28 August 2020.

OTHER INFORMATION

EMPLOYEES REMUNERATION AND BENEFITS

As at 30 June 2020, the Group had a total of 176 employees, which include the management and the employees in administration, production and sales departments. The Group regularly reviews its professional team members and will expand its management team whenever necessary.

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

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020.

CORPORATE GOVERNANCE PRACTICES

The Company had applied and complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020 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, since it allows contributions from all executive Directors with different expertise and enhances coherence in planning and implementation of the policies and long-term business strategies of the Company. The Board will periodically review the effectiveness of this arrangement and consider appointing an individual as chief executive when it is appropriate.

According to the code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings. All Directors had attended the annual general meeting of the Company held on 21 May 2020.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions and dealings, which applies to all the relevant persons as defined in the Model Code, including the Directors, any employee of the Company, or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment or involvement, are likely to come into contact or be in possession of unpublished price sensitive information in relation to the Company or its securities. After specific inquiries made to all Directors, each Director has confirmed compliance with the required standards set out in the Model Code during the six months ended 30 June 2020.

REVIEW BY AUDIT COMMITTEE

The Group’s unaudited interim financial results for the six months ended 30 June 2020 have been reviewed by the audit committee of the Company which comprises the three independent non-executive Directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s securities listed on the Stock Exchange during the six months ended 30 June 2020.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company’s website (www.v1group.com) and Hong Kong Exchanges and Clearing Limited’s website (www.hkexnews.hk). The 2020 interim report will be dispatched to the shareholders of the Company and will be made available on the aforesaid websites in due course.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no other significant events that may affect the Group since the end of the six months ended 30 June 2020.

APPRECIATION

On behalf of the Board, I would like to express my wholehearted gratitude to customers, merchants and partners for their trust in the Group's platforms, as well as to all staff and management for their outstanding contributions, and to shareholders for their continuous support.

By Order of the Board
V1 Group Limited
ZHANG Lijun
Chairman

Hong Kong, 30 August 2020

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

Executive Directors:

Dr. ZHANG Lijun (*Chairman*)

Ms. WANG Chun

Mr. JI Qiang

Ms. CHENG Po Chuen

Independent non-executive Directors:

Dr. LOKE Yu (alias LOKE Hoi Lam)

Prof. GONG Zhankui

Mr. WANG Linan