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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)

2020 ANNUAL RESULTS ANNOUNCEMENT

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020. These results have been audited by the Group's auditor, BDO Limited, based on the Hong Kong Standards on Auditing and reviewed by the Audit Committee.

CORE STRATEGY

- Along with the success of the Group's Restructuring, Crazy Sports has become the core business engine of the Group. Crazy Sports is integrating resources, as supported by Hainan sports quiz qualification, leveraging advanced blockchain technology, comprehensive application of core competitive edges including vast reserve of lottery players, massive big data and top football IPs, to become an operator that provides paid sports lottery information services, sports social interactive platform, sports quiz, sports mobile games, as well as offline sports lottery sales services. Through the comprehensive online and offline sports community ecosystem, it promotes fission growth of the user group and carries out operations under a business model featuring O2O user redirection and consumption through multiple channels. The Group targets to become a leading digital sports entertainment group in China.

MEASURES IMPLEMENTED

- Crazy Sports is a leading sports lottery and sports entertainment company in China. Each revenue segment experienced rapid growth in 2020.
- Crazy Sports focused on product innovation and user experience enhancement during the pandemic. Crazy Red Insights continued to expand its cooperation with other channels. It has entered into agreements with 27 platforms with high user traffic, featuring sports lottery paid contents and video and audio production.

- The Group signed agreements with 18 renowned convenience store chains targeting at seizing the market share. It is expected that nearly 30,000 sports lottery terminals will be installed to reach new lottery players. A total of 1,003 retail point of sales were set up as of the end of 2020. Among which, the highest monthly sales of a single store was close to RMB20,000.
- Crazy Sports signed an agreement with an international sports organization — Fédération Internationale des Associations de Footballeurs Professionnels (FIFPro), and officially obtained its FIFPro IP licenses to roll out the UEFA Euro strategy. Coupled with Chinese Super League IP licenses, Crazy Sports will launch a variety of sports mobile games.
- Crazy Sports has secured approvals from relevant authorities in Hainan Province to develop a sports quiz platform and a reward point system in Hainan driven by blockchain technology. Efforts preparing for commencement of this business segment have been progressing vigorously, including a new online membership bonus points system and a gift redemption system at the e-store on the live-streaming interactive platform of Crazy Sports, aiming to foster users engagement, thus laying a solid foundation for building an integrated sports and entertainment platform featuring sports games information, sports game prediction, live broadcasts and sports communities in 2021.
- It is proposed that the English name of the Company will be changed to “Crazy Sports Group Limited”, and its Chinese name will be changed to “瘋狂體育集團有限公司” in May 2021.

FINANCIAL HIGHLIGHTS

- After the Restructuring, the continuing operations in the financial statements of the Group for 2020 mainly consist of the sports and lottery related business operated by Crazy Sports.
- Revenue generated from continuing operations was HK\$300.8 million, representing an increase of 61.7% as compared to 2019. The increase was contributed primarily by mobile games as driven by “stay-at-home” restrictions which boosted user engagement and consumer spending during the first half of the year. The resumption of sports events in the second half of 2020 spurred the spending on paid sports lottery information platform and the demand for offline sales services of sports lottery.
- Gross profit of continuing operations was HK\$130.7 million, and gross profit margin was 43.5%.
- Profit from continuing operations was HK\$68.5 million. Comparing to the adjusted loss from continuing operations of HK\$97.3 million in 2019, the Group had accomplished a turnaround to return to profit after the Restructuring, showcasing an important starting point for the Group’s financial performance in the future.
- An one-off loss has been incurred in 2020 from the discontinuation of telemedia and e-commerce business subsequent to the Restructuring, with relevant intangible assets and goodwill fully written off. Loss for the year was HK\$131.3 million.

- The segment asset of the Group's sports and lottery related business was HK\$581.8 million, generated return on assets of 11.8%.
- In addition to its core business, the total value of the Group's strategic investment portfolio amounted to HK\$423.4 million, which includes financial investments and investment in BOA. In 2020, the Group recorded dividend income of HK\$46.0 million, which provided the Group with a solid asset base and investment capital returns.
- After the Restructuring, the Group's assets structure is clear, asset-light, with low gearing ratio.

CORE GROWTH STRATEGIES

The sports sector will usher into a golden era. Our priorities are pursuing establishment of a blockchain-driven sports quiz platform and a reward point system in Hainan which serves to provide users with real-time experience in sports events; accelerating the installation of national sports lottery retail point of sales to reach new lottery players and redirect users to online platforms; strengthening Crazy Red Insights' leading position in paid content; leveraging core football IPs to develop and publish a variety of sports mobile games; continuously investing in technology and big data capabilities to integrate the platform; and enhancing brand awareness of Crazy Sports through marketing efforts. The management is confident in mobilizing platform user resources, attracting new lottery players and the younger generation to expand the monthly active user base, encouraging user participation within the Group's ecosystem, achieving monetization by cross-selling and expanding the paid user base of the platform.

CHAIRMAN'S STATEMENT

Disruptive Innovation in 2020

Dear shareholders,

In the year 2020, for the world as a whole, the catchword was “COVID-19”. Yet, for us, V1 Group, the catchwords were predominately “Restructuring”, “Hainan” and “The Inaugural Year”.

I am overwhelmed with excitement being able to steer V1 through its historical turning point, to see the completion of its restructuring during this extraordinary year. Following the guiding strategy of “Streamline First, Scale up Next”, we initially divest from the underperformed businesses. Building on Crazy Sports as our principle business, we are positioning ourselves as the largest sports lottery and entertainment operator in China by combining online sports lottery information service and offline lottery points of sales.

Restructuring (Disruptive)

On 7 December 2020, V1 Group announced the Restructuring. The Group had been operating under two business segments, namely the sports and lottery related business and the telemedia and e-commerce business. These two business segments had been running independently following their respective strategies and attributes over the years. On the one hand, the Group's sports and lottery related business has been experiencing rapid growth and development since the acquisition of Crazy Sports by late 2018. Crazy Sports has proven to be a core driver contributing profit to our Group.

On the other hand, the Group's telemedia and e-commerce business segment had not come up with any suitable opportunity and market trend to stand out from its competitive peers. Due to its challenging and highly competitive operating environment, Liangzi Port had been operating with low profit margin. As such, the Board decided to terminate the business operation of Liangzi Port, as well as to dispose of the telemedia business by the first quarter of 2021. From that time onwards, the Group ceased to run the telemedia business. Meanwhile, the Group continued to own interests in CATV Group and China Investment so as to secure potential returns by acting as a passive investor in the CATV Fund. The investments in CATV Group and China Investment are deemed as capital intensive investments. The Company intends to explore further potential financing opportunities by leveraging the external network of CATV Fund and applying the expertise of the general partner, and thus, to continue the smooth running of these businesses with further capital funding provided by new investors.

The restructuring has allowed the Company to deploy and streamline its financial structure, personnel and other resources, with its strategic focus on the most profitable and promising business sectors, i.e. Crazy Sports. From then onwards, the “sports and entertainment community” in the sports industry, by combining online sports lottery information service and offline retailing has evolved to be the Group's core business, featuring concentrated resources, quality core data, huge market potential and strong core competitive edges.

The Board considers the restructuring to be the most appropriate arrangement, which aligns with overall interests of the Company and shareholders as a whole.

The sports business, due to its capacity to drive emotions from fans, confers immense economic value, and thus a valuable hinterland for immense profit opportunities. Focusing on sports industry, the Group is building an ecosystem that incorporates sports lottery retail, sports entertainment and information services, while ushering into a brand new business horizon with massive market potential.

The restructuring also involved a significant adjustment in the Group's management, embodying the concept of "younger and professional team". From the directors to the operational teams, new faces and changes are being introduced. Young and professional candidates with work experience in large international investment banks, lottery and internet business, sports industry operation and management, investment and financing and partners of well-known law firms have been added into the Company's core team.

More importantly, these moves have contributed to a more comprehensive corporate governance structure, better work assignments and collaboration between the Board and the management team in strategic decision-making and business operations.

Upon completion, the business operation of the Group will be duly transformed to enable Crazy Sports to unleash its inherent potential, creating encouraging returns to shareholders.

The Board has proposed to change its English name of the Company from "V1 Group Limited" to "Crazy Sports Group Limited", and its Chinese name from "第一視頻集團有限公司" to "瘋狂體育集團有限公司", which are subject to approval at the annual general meeting of the Company to be convened in May 2021 and the approval of the Registrar of Companies in Bermuda.

Hainan (Innovation)

In 2020, Crazy Sports secured the approval from relevant authorities in Hainan Province to build a blockchain technology-driven sports quiz platform and a reward point system. The Group is aiming at the development opportunity in the unique sports entertainment industry in Hainan. We will further extend our footprints in our sports and entertainment business from digital sports entertainment territories, and promote the development of Hainan tourism industry with features of its own.

Based on entertainment services provided such as sports games information, live broadcasting and sports games prediction, etc, Crazy Sports is poised to be a brand new and unique attractive hub for tourism in Hainan, enhancing tourist consumption, fulfilling demand for entertainment and facilitating the development of social welfare.

Crazy Sports plans to leverage its “sports quiz platform”, bringing in domestic and international game events to build an integrated sports tournament and e-sports service platform that incorporates sports events, entertainment media, club training centre, big data analyses and the user community. Ultimately, Crazy Sports will establish a fully-integrated sport culture hub with the cross-over of sports, culture and tourism and investment in Hainan.

Crazy Sports’ First Year (Remarkable Growth)

Three years passed since its acquisition of Crazy Sports, the Group had initially completed restructuring in 2020, and secured a firm foothold in Hainan, along with a sports quiz approval. Further along, the Group signed contracts with FIFPro and the Chinese Super League and secured IPs of top football leagues. Also, Crazy Sports achieved its 2020 profit guarantee, with a three-year accumulated profit of RMB180 million. All these developments are testimonies of the fact that since restructuring, Hainan sports quiz, major IPs of football secured, with the added profit-making capacity of Crazy Sports on top of all, Crazy Sports had been adequately fueled up with the necessary resources in 2020 and ready to leap forward in the inaugural year of golden racecourse in 2021.

In 2021, the sports industry has entered into a new stage of rapid development. The year not only marks the beginning of the “14th Five-Year Plan”, but also a crucial year for China to plan on evolving into a sports superpower. In 2020, the market size of the sports sector exceeded RMB3 trillion. Meanwhile, with the commencement of “14th Five-Year Plan” the market is estimated to grow to a target size of RMB5 trillion by 2025.

Going forward, the Group has determined to participate and excel in this multitrillion-dollar sports sector. Today, our crucial mantra include: Hong Kong–Shenzhen Stock Connect eligibility, sports lottery retail, Crazy Red Insights, Hainan sports quiz, UEFA Euro, CSL Game IP, Beijing green gaming channel, Sinopec Easy Joy convenience store, 7-Eleven, Bianlifeng (便利蜂) and China Resources Vanguard; these are our embracing elements in moving forward together.

In the new year ahead, the list of our engaging partners will continue to grow. As we (Stock Code: 00082) emerge as the first internet sports stock in Hong Kong, we will definitely earn all respect and pride that all our shareholders justifiably deserve.

“Disruptive Innovation”!

The Board and I would like to express our sincere gratitude to our shareholders for your ongoing support, guiding us all along, so that we always stay aligned to our original inspiration, leaping forward amid challenges.

On behalf of the Company and all staff members, I am extending my heartfelt gratitude to you all.

Dr. Zhang Lijun
Chairman

18 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

In 2020, the business segments of the Group included (1) the sports and lottery related business; and (2) the telemedia and e-commerce business. The sports and lottery related business operated by the Group covered the development and operation of an online paid sports lottery information platform, an interactive live-streaming platform, mobile game applications, and the provision of sales services of lottery tickets through retail channels in China. Leveraging on its digital capabilities and advantages, Crazy Sports has successfully established a Chinese user-orientated comprehensive online and offline sports community and lottery entertainment ecosystem. The telemedia and e-commerce business covered the operation of an e-commerce platform, namely Liangzi Port, the provision of online information services (including its internet audio-visual new media and other Internet+ businesses) in China, as well as the operation of a satellite TV station, namely China Arab TV (“CATV”), in Dubai, the UAE.

The outbreak of COVID-19 posed challenges and created opportunities at the same time for global economy and enterprises worldwide in 2020. Crazy Sports, which carried out the sports and lottery related business of the Group, rose to challenges and sailed against the current during the first half of 2020, thereby its various business segments exhibiting robust growth in the second half of the year. Crazy Sports has become a core profit driver of the Group.

On the other hand, the Group’s telemedia and e-commerce business segment has not had the right opportunity and market development to excel. By consolidating superior resources, the Group announced the Restructuring, which involved mainly the discontinuation of the operation of Liangzi Port, by the first quarter of 2021; and the disposal of CATV and telemedia equipment to an independent third party fund. CATV and assets related to internet information services are operated and managed by an independent third party fund upon the completion of Restructuring. The purpose of the disposal is to exploit potential financing opportunities by leveraging on the external network and the expertise of the general partner of the fund. The Group held interests in such fund in its capacity as passive investor, thus allowing the Group to deploy and streamline its financial, personnel and other resources in further facilitating its strategic focus on the most profitable and promising business segment, i.e. the Crazy Sports business. Following the disposal, the Group ceased to operate the telemedia and e-commerce business. For details in relation to termination of the operation of Liangzi Port and the disposal of CATV, please refer to the announcements of the Company dated 7 December, 11 December and 24 December 2020.

On the same day, the Group successfully raised approximately HK\$48 million from independent third parties. To demonstrate the Group's new core business, the Board proposed to change the Company's English name from "V1 Group Limited" to "Crazy Sports Group Limited", and the Company's Chinese name from "第一視頻集團有限公司" to "瘋狂體育集團有限公司", which is subject to the approval by shareholders at the 2021 annual general meeting. The Restructuring also involved a significant adjustment in the Company's management team, embodying the concept of "young and professional team" to bring greater success for future development.

Sports and Lottery Related Business

Crazy Sports is a leading sports lottery and sports entertainment company in China. Our platforms comprised of (i) Crazy Red Insights (瘋狂紅單) APP, a paid sports lottery information services platform; (ii) Crazy Sports app and China Soccer Lottery website, the match information, live-streaming and social interactive services platforms; (iii) online mobile interactive gaming applications; and (iv) the provision of lottery sales services in China through nationwide retail channels. According to the China Insights Consultancy Report, the paid sports lottery information services of Crazy Sports ranked first in China in terms of revenue in 2019. This was attributable to the Group's core lottery player data, artificial intelligence technology, content provision and the paid content published on various sports media platforms.

Through our unique online and offline sports community and lottery entertainment ecosystem, users could participate in sports lottery and entertainment activities in a number of ways, including access to professional analyses, predictions, tips, odds and updates of football matches and basketball matches, watching live matches with anchors, playing a variety of sports related mobile games and purchasing sports lottery tickets through retail channels in the neighborhood. We focused on building innovative product offerings and services that are highly complementary in its ecosystem, thereby enhancing users experience, engagement and retention.

Since its commencement of business in 2015, Crazy Sports achieved remarkable growth. In 2020, the revenue of this business segment amounted to HK\$300.8 million, with gross profit of HK\$130.7 million, up by 61.7% and 5.3% respectively as compared to 2019. Regardless of impacts of COVID-19 on global sports events in 2020, Crazy Sports still made significant progress in developing an innovative business model that enjoys unique edges and ensures our continuous leading position. Our advantages are based on:

(i) *Our core assets: Vast user resources, massive big data, cutting-edge technologies and top football IP licences*

Vast user resources and big data vault — As an established listed company in the lottery-related services industry with more than a decade of experience, the Group has succeeded in operating "Lottery 365" (彩票365) and "China Soccer Lottery" (中國足球網), the largest online lottery platform in China, amassing more than 200 million user resources and massive big data.

Professional data and leading industry technologies — By combining big data collected over past two decades by China Soccer Lottery and proprietary artificial intelligence technology, Crazy Sports produced quality content that are highly favored by users with superior accuracy.

Top football IP licences — Being the official game partner of the Chinese Super League, Crazy Sports possessed official IP licenses of 16 Chinese Super League clubs and more than 500 football players. Taking advantage of these IP licences, Crazy Sports successfully generated sustainable profit growth from a series of Chinese Super League mobile games developed and operated by it.

Furthermore, Crazy Sports formally entered into an agreement with FIFPro in December 2020 to obtain the IP licences of football players from 54 countries and football leagues, such as England, France, Spain, Italy and the Netherlands, including names and portrait rights of numerous international football stars. Crazy Sports rolled out the UEFA Euro strategy right after, and will soon launch soccer e-sports mobile game titled Ace Soccer (球場風雲).

(ii) *Proven industry leadership with Crazy Sports being a partner of choice*

Crazy Red Insights is a forerunner in the paid sports lottery information services industry. Apart from directly offering proprietary content to paid users on its platforms, Crazy Red Insights distributed its paid contents to 27 sports media platforms with high user traffic with a take rate. Coupled with user resources of Lottery 365 and China Soccer Lottery owned by the Group, Crazy Red Insights served close to 80% of internet sports users and was ranked first among paid lottery information platforms in terms of comprehensive capabilities and user coverage, according to a report prepared by Analysys International in 2019.

In September 2019, Crazy Sports announced the “sports lottery retail strategy”, and formally initiated sports lottery retail business. Since then, Crazy Sports signed cooperation agreements with 18 branded chain convenience stores, to install sports lottery terminals at nearly 30,000 retail point of sales in various cities and provinces across China. Forging business collaboration relationships with numerous renowned chain convenience stores served as important recognition of Crazy Sports as a choice of partner in the industry.

(iii) *Innovative and diversified monetization capability*

Innovative and diversified monetization models of Crazy Sports have all along been driving the development and profitability of the entire platform. Focusing on the interests and attributes of our sports and lottery players community, Crazy Red Insights APP, Crazy Sports APP, various sports mobile games and lottery sales services at retail point of sales operated by Crazy Sports has clear and reliable sources of profits. The development strategy of the entire platform was capable of driving fission growth among the online and offline user base and creating a new consumption model featuring online to offline user redirection and consumption through multiple channels.

(iv) *Further developing the sports and entertainment market with great growth potential in China*

According to the China Insights Consultancy Report, the market size for the sports lottery industry in China is projected to increase from RMB230.8 billion in 2019 to RMB395.5 billion in 2024. In particular, sports quiz lottery will be catalyzed by large sports events, and will boast a high retention rate as participants are educated after major sports events. The percentage of sports quiz lottery as to total sports lottery sales has grown significantly in recent years, boosting the demand for paid sports lottery information services. It accounted for 53% of total sports lottery sales in 2019, up from 35% in 2015, and is expected to grow to 67% by 2024. Following the suspension of major sports events due to COVID-19 pandemic for nearly a year, it is expected that major sports events (such as UEFA EURO and FIFA World Cup) to be held in 2021 and 2022 will substantially boost sports quiz lottery sales. In light of a better sports lottery environment and the stringent government regulations, the sports lottery market in China is being revitalized towards a more transparent and controllable mechanism. The General Administration of Sport of China announced its decision to promote high-quality sports development during the 14th Five-Year Plan period. Similarly, in 2016, the “13th Five-Year Plan for the Sports Industry” included the sports lottery industry as one of the eight key development industries. The China Insights Consultancy Report also pointed out that the market size for the paid sports lottery information industry will increase to RMB2.7 billion in 2024 from RMB440 million in 2019, representing a compound annual growth rate of 43.4%. This has created enormous market opportunities for us to accelerate the development of sports lottery and entertainment ecosystem to serve the growing needs of lottery players.

(v) *Visionary and experienced management team*

The management team of Crazy Sports has extensive experience in Chinese sports lottery and entertainment industry, with over ten years of sound track record. Under their leadership, effective competition and long-term objectives can be attained by Crazy Sports.

(vi) *Recognition from industry peers for our contributions to internet sports industry*

On 22 December 2020, the 2020 International Sci-Tech Innovation Festival and Global Digital Conference (2020國際科創節暨全球數字大會), jointly initiated by www.syobserve.com (數央網) and domestic technological and financial media, was convened in Beijing. As an outstanding representative of sports industry in China, Crazy Sports gained recognition for its self-developed sports lottery and entertainment services ecosystem. As a role model pursuing sports industry digitalization in China, Crazy Sports kept innovating, as well as applied AI and big data to sports community, sports mobile games and sports lottery. Riding on “innovation-driven and digital empowerment”, Crazy Sports, as the only award-winning company in the sports industry, was awarded the “Leading Brand Award 2020” at the International Sci-Tech Innovation Festival.

In 2020, revenues of sports and lottery related business of the Group were derived from the following four aspects:

(1) *Online paid lottery information services platform — Crazy Red Insights APP*

The paid information published by Crazy Red Insights focused on football and basketball games, which covered from top international events such as Premier League, top five European leagues and NBA, to mega-scale sports tournaments such as FIFA World Cup, European Cup and the Olympics, providing fans and lottery players with schedules and competition systems of league matches in nearly 200 countries worldwide. In addition, taking a multi-aspect approach to provide reference to lottery players, Crazy Red Insights entered into agreements with experts, athletes and reputable journalists to offer their forward-looking analyses, predictions and recommendations on matches on the platform.

When providing match analysis services, Crazy Red Insights also uses its data AI products to provide lottery players with precise analysis models and match result probability analyses by utilizing big data models to refine analyses about matches, strength, states, competition, morale, odds and sure win bets, as well as the prevailing odds volatility.

In addition to promotional campaigns on its own platform, Crazy Red Insights collaborated with over 27 established traffic platforms including Tencent Sports (騰訊體育), Zhibo8.cc (直播吧), PP Sports (PP體育), HUPU Sports (虎撲體育) and All Football (懂球帝) over a long period of time in providing and publishing paid sports lottery information to expand user coverage and brand coverage and achieve commercialization and monetization. After five years of rapid growth, Crazy Red Insights business evolved into a stable growing business line of the Group and a common tool platform used by sports lottery players in 2020.

The multi-dimensional paid products of Crazy Red Insights included charge for a single recommendation, periodic subscription fee for advices from a single expert, package fee for access to recommendations during a specific period of time, periodic subscription fee for big data models, as well as membership fee. Also, we shared revenue in the manners agreed between third party internet information platform partners and us.

Despite the suspension of matches caused by the pandemic during the first half of 2020, Crazy Red Insights was able to deliver overall stable performance in 2020, owing to our advantages in top experts, improving products, online and offline user traffic and ever-increasing channel users. Robust upward trend emerged during the second half of 2020 following the resumption of various sports competitions. As compared with the fourth quarter of 2019, the revenue of Crazy Red Insights increased by 22% year on year in the fourth quarter of 2020, with substantially improved monthly active users and average revenue per paying user, which laid a solid foundation for a new leap in revenue during the major sports year in 2021 and 2022.

— *Product innovation and user experience enhancement during COVID-19*

In addition to upgrading its existing versions of products, Crazy Red Insights launched Specialty Courses (精品課), Action Plan (計劃單), Highlights (看料, a video sharing page), database and other functions while working on product innovation and improvement in respect of the user payment procedures, membership services for Red Insights big data and functions of community information board. The two brand-new paid products, namely Specialty Courses and Action Plan, 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, dramatically strengthened lottery knowledge and analysis skills of subscribers.

To meet users' demand for live matches, CBox (央視影音), iQIYI Sports (愛奇藝體育), Tencent Sports and other partners owning the new media copyrights of top five European leagues and NBA matches have granted Crazy Red Insights the right of live streaming notification. Users can directly click into the live-streaming links on the platform of Crazy Red Insights that redirect to live match streaming.

Notwithstanding decline in matches, the demand of lottery players in China still existed during the first half of the year. By screening out excellent data analysts, Crazy Red Insights made a number of accurate predictions of jackpot number range during RMB990 million worth of Super Lotto lucky draws, gaining popularity among lottery players.

— *Deepening strategic collaboration with channel partners*

With full resumption of matches in the second half of 2020, the user base of the sports traffic platforms as the partners of Crazy Red Insights, has been expanding continuously, which also turned into new users of Crazy Red Insights. Crazy Red Insights stepped up strategic cooperation with its channel partners and enriched paid product offering. For example, it launched Red Insights membership function, AI forecast, big data tips, match analysis on HUPU Sports, in order to increase readable content and exposure of expert products.

Seizing new opportunities brought about by 5G, Crazy Red Insights enhanced the production and exports of audio and video clips for paid information in 2020. At present, it has successfully created a Crazy Red Insights match analysis collection on Himalaya App (喜馬拉雅). The registered users of Himalaya App exceeded 100 million, many of which were interested in sports lottery. Making use of the vast user base of Himalaya, the written content of paid lottery information is extended to multimedia formats including audio and video clips, which is a leading service pattern, thereby providing a promising future to Crazy Red Insights.

Furthermore, in an effort to expand cooperation channels, Crazy Red Insights' expert panel made contracts with 27 quality traffic platforms, adding Sohu Sports (搜狐體育), Kball (K球), QUIHUI.COM (球會體育), V Station (V站) and others.

(2) *Sports interactive live-streaming platform*

Crazy Sports APP is an interactive service platform offering match information, sports short videos and live matches. Sports journalists engaged by the platform were responsible for preparing popular contents, such as latest coverage on football, basketball and other sports, forward-looking analysis, athlete information and tidbits. Crazy Sports App also gathered a pool of user traffic for other business segments such as live-streaming, Crazy Red Insights and games. Its charging mode composed of advertisement, paid information, paid video, membership fee, top-ups and tips from users etc..

As affected by COVID-19, most of the top ten sports information platforms suffered from a negative growth in number of users during the first half of 2020, while Crazy Sports App delivered a growth against the overall downtrend. This was attributable to copyrighted matches introduced to the copyrighted match platform of Crazy Sports in 2020, the live streaming notification, the accumulated short videos and abundant types of live matches and videos. Owing to experts on the platform, short videos produced by key opinion leaders and Highlights (看料), we introduced more co-produced content with other platforms and provided users with interactive and entertaining sports content during the suspension of matches, thereby increasing active user number. The Crazy Sports App comprehensively upgraded the Red Insights recommendation function and live-streaming that combined match recommendations with real-time scores. Integration with the membership system of Crazy Sports allowed members to watch livestreaming videos while receiving expert analysis, making it more convenient to users. Expert anchors can display their real-time lottery analysis on the e-store interface, and paid users can access such analysis.

Crazy Sports introduced a brand new online membership system with reward points that enables members to earn reward points through signing in, sharing and posting original content in the App. Reward points can be used to exchange for coupons and gifts for Crazy Red Insights, games and others. Reward points sharing will be activated after connecting with Crazy Red Insights membership system. Crazy Sports has initially built a system of earning and exchanging reward points at e-store, to foster user engagement, create strategic synergy with the “Fantasy Sport Platform” (夢幻賽事平台) which was approved by the authorities in Hainan and completed the preliminary planning, thereby laying a foundation for launching sports quiz business in 2021.

(3) *Retail services for sports lottery*

Sports lottery retail services of Crazy Sports are made up by two components: (i) rolling out lottery sales business by installing sports lottery terminals at chain convenience stores all over China to facilitate lottery purchasing in the neighbourhood; (ii) establishing strategic cooperation relationships with lottery specialty stores to provide one-to-one services to VIP members of Crazy Sports and its cooperation channels.

Since the COVID-19 pandemic eased in the fourth quarter of 2020, Crazy Sports implemented sports lottery retail strategies in an all-round manner and substantially increased the number of chain convenience stores and single-store sales. On top of 12 convenience store brands that have already signed contracts with Crazy Sports, there are seven new brands, namely Sinopec's Easy Joy (易捷) in Hunan and Jiangxi, China Resources Vanguard in Guangdong (廣東華潤萬家), Lianhe Kuaike (聯合快客) in Dalian, Fengwu Supermarket (鳳梧超市) in Chongqing, Bianlizan (便利贊)/Hey Bro (江湖舖子) in Jiangsu and Lin Lin Qi (鄰鄰七). The number of potential retail point of sales is expected to be nearly 30,000. As of 31 December 2020, a total of 1,003 lottery retail point of sales completed was set up. The highest monthly sales of a single store was close to RMB20,000.

— *Accelerating strategic cooperation with branded convenience stores to compete for retail resources*

Among the chain convenience stores that have signed contracts with Crazy Sports, six brands were listed in the list of top 100 convenience stores in China published by China Chain-Store & Franchise Association in July 2020. In addition, Crazy Sports reached strategic cooperation with Lakala (Beijing) E-Billing Technology & Service Co., Ltd. (拉卡拉匯積天下技術服務(北京)有限公司) (“E-Billing”) on 20 January 2021. Crazy Sports will provide sports lottery sales and technical services to retailers in E-Billing's cooperative network. The current strategic cooperation not only accelerates the installation of new retail lottery business, but also offer a more convenient and smart lottery services to countless lottery players in China to immersive lottery players in China.

The issuance of Chinese sports lottery tickets is supervised by the Financial Department of the PRC. It is a franchise industry that requires special approval of sports lottery centres in all provinces and is subject to numerous requirements relating to the eligibility of convenience stores that are approved to engage in sports lottery business. Thanks to sound foundation of cooperation with various sports lottery centres and extensive experience of lottery sales for years, Crazy Sports become the lottery retail cooperation partner of sports lottery centres in Hunan, Qinghai, Liaoning, Taiyuan Shanxi and Shenzhen Guangdong. At present, Crazy Sports has signed contracts to carry out sports lottery retail business in 13 cities and provinces. As of 31 December 2020, there were a total of 1,003 lottery retail point of sales in 13 cities, including Beijing, Tianjing, Chongqing, Weihai Shandong, Nanjing Jiangsu, Xuchang Henan, Changsha Hunan, Zhuzhou Hunan, Hengyang Hunan, Guangzhou Guangdong, Shenzhen Guangdong and Wuhan Hubei.

— *Delicacy operation to boost sales and optimize lottery service ecosystem*

Before starting a retail point of sales, Crazy Sports would make field research on the surrounding environment, foot traffic, retail sales, consumer behaviour of each outlet, and would prepare for spatial layout and renovation, thereby increasing the exposure of sports lottery terminals and laying a solid foundation for subsequent sales boost. With the acceleration of the installation of terminals in various municipalities and provinces, awareness of the general public about the novel idea of purchasing lottery at convenience stores has been raised. Promotional activities tailored to different point of sales can contribute to dramatic increases in sales. Point of sales in some cities and provinces recorded a more than 20% monthly sales growth rate in several consecutive months since the installation of terminals. Single store monthly sales of RMB10,000 or above became increasingly common in Guangzhou, Tianjing and Nanjing where a historic high of RMB19,936 was recorded by a point of sales in November 2020.

As more smart lottery terminals are installed in chain convenience stores across China, Crazy Sports can obtain more offline lottery players under a low-cost and extensive mixed operation model, as well as increase the turnover from online sports information, paid lottery information services, sports mobile games and interactive live-streaming. Crazy Sports used its official WeChat account, Crazy Red Insights APP and Crazy Sports App to provide lottery players with online customer services, winning number enquiry, lottery information, speedy prize claim and expert recommendations, and to redirect traffic for its online services in order to achieve a closed-loop for online and offline lottery interaction.

As to lottery specialty stores, Crazy Sports established strategic cooperation relationships with 45 specialty stores. The single store monthly sales reached as high as RMB960,000.

(4) *Sports leisure mobile games*

Crazy Sports mobile game business concentrates on the provision of high-quality sports entertainment products to sports users. So far, Crazy Sports has established a global research and development (R&D) and distributing system for sports mobile games, which has produced Sociable Soccer, Soccer Manager, Realtime CSL (實況中超) and other star products. Its R&D and distributing partners come from China, the United Kingdom, Spain, the United States, Russia, Finland, Austria, Slovakia and other countries. As one of the professional sports mobile game publishers in China, the sports mobile game business of Crazy Sports recorded a surge in revenue of over 217% in 2020 as compared with 2019. Revenue mainly derived from competitive sports chess and card games, CSL Series, Soccer Manager Series (a simulated football management game), Sociable Soccer (a real-time competitive football game) and Realtime CSL (a live battle mobile game). As for jointly-operated games, Crazy Sports formed a strategic cooperation with 360 Games (360遊戲) in April 2020, 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) and others. At present, Crazy Sports is a cooperative partner of Tencent, NetEase, 360 and BlueStacks. As for downstream cooperation, Crazy Sports has also established 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.

In November 2020, Realtime CSL, a Chinese Football Association Super League official e-sports mobile game of Crazy Sports, obtained an official reply from Heilongjiang Sports Bureau and became an official e-sports of Heilongjiang Province. An e-sports version of Realtime CSL will be published by Crazy Sports for online selection and offline e-sports competition of the first “Longjiang Cup” (龍江杯) E-sports League. At the 2020 award ceremony of “Golden Seagull Award” (金鷗獎) convened on 26 January 2021, Realtime CSL was awarded the Best Sports Game Award for 2020 due to its dazzling performance in sports mobile game market in 2020. This award was initiated by xiouwang.cn and reviewed by 40 media institutions and investment institutions to identify annual representative projects and individuals of innovation and entrepreneurship, aiming to incentivising forerunners.

Entering 2021, major sports mobile game strategies of Crazy Sports include:

- (i) **Commencement of UEFA Euro strategy by entering into agreement with FIFPro and launching a flagship game Ace Soccer (球場風雲)** In December 2020, Crazy Sports entered into an agreement with FIFPro, an international sports organization, and obtained its IP licenses. By entering into agreement with FIFPro, Crazy Sports secured IP licenses of football players from 54 countries and football leagues across the world, such as England, France, Spain, Italy and the Netherlands, including names and portrait rights of numerous international football stars. Ace Soccer targets the niche market of “live battle + football management” games. As a flagship product under the UEFA Euro strategy, for the moment, Ace Soccer is available for pre-registration in different channels such as Huawei, OPPO, VIVO, UC and Myapp, with over 1.06 million gamers registered. In addition, Crazy Sports granted Gameone Group Limited the sole agency right of distributing Ace Soccer in Hong Kong, Macao and Taiwan.
- (ii) **Sociable Soccer’s official foraying into Chinese market** Sociable Soccer is a live battle e-sports mobile game. Its overseas version is exclusively distributed by Apple Inc., and highly recommended in over 150 countries. It is jointly developed and produced by Crazy Sports, MIGU of China Mobile and Tower Studios based on a football game engine built over 20 years. Among the first batch of football games exclusively distributed by overseas Arcade selected by Apple Inc., Sociable Soccer has a remarkable game engine, smooth battle scenes and revolutionary playing methods. At present, the National Press and Publication Administration of the PRC has granted Sociable Soccer publishing license. Its formal introduction to Chinese gamers is due to be around the eve of Euro 2021.

Moreover, Crazy Sports entered into new contracts and will publish the following sports mobile games in succession: Football Chairman, Sociable Basketball (夢想籃球), Basketball Slam, Fantasy Basketball Manager, Drift Legends, Tennis World Open, Galaxy Bowling, Cute Rush Runaway, Slapstick Fighter and other mobile games. The themes of these sports mobile games cover football, basketball, car racing, tennis and bowling etc. These games are in the process of publishing license application, and expected to be launched in China gradually.

In early February 2021, Crazy Sports participated in the signing ceremony of “two zones” construction projects in Beijing Economic and Technological Development Zone, and became a key enterprise introduced to the “two zones”, namely Comprehensive Demonstration Zone for Expanding the Opening-up of National Service Industry in Beijing Economic and Technological Development Area (北京經濟技術開發區國家服務業擴大開放綜合示範區) and China (Beijing) Free Trade High-End Industrial Pilot Zone (中國(北京)自由貿易試驗區高端產業片區). It is eligible for special financial support from the Beijing Economic Development Zone in technological innovation, key equipment research and development and high-end talent recruitment, as well as green channel treaty for game publishing license registration, thus generating momentum for further development of the mobile gaming business of Crazy Sports.

(5) *Establishment of a sports events quiz platform and commencement of reward point system in Hainan Province*

Pursuant to relevant provisions under the “Implementation Opinions of the People’s Government of Hainan Province on Accelerating the Development of the Sports Industry and Promoting Sports Consumption” (海南省人民政府關於加快發展體育產業促進體育消費的實施意見) (Qiong Fu [2015] No. 62) and the “Implementation Opinions of the General Office of the People’s Government of Hainan Province on Accelerating the Development of the Fitness and Leisure Industry” (海南省人民政府辦公廳關於加快發展健身休閒產業的實施意見) (Qiong Fu Ban [2017] No. 142), in late December 2020, Crazy Sports, through its subsidiary, has secured an approval from relevant authorities of Hainan Province to establish a sports quiz platform and reward point system in Hainan Province leveraging on blockchain technology, which will be a comprehensive entertainment platform integrating sports events information, sports events prediction, sports events live broadcast and sports community, and conduct prize-winning quizzes for various sports events, bicycle races, formula motorsports, boxing and other events in Hainan Province, as well as international football and basketball matches. The winners will receive reward points, which can be used to redeem goods and services in duty-free shops, hotels and airline services etc. through the system platform, thereby stimulating tourism consumption in Hainan Province.

In early 2021, Crazy Sports finalized its strategic cooperation with Huochain Technology under Huobi Group, which focus on the sports quiz sector empowered by blockchain technology and jointly explore new business models of sports quiz, sports mobile games and other businesses that use digital currency as payment method, with an aim to establish a model showcase of “Blockchain + Sports”.

Crazy Sports has accumulated user resources of over 200 million loyal lottery players. With its expert resources and sports events big data accumulated over the years, Crazy sports provides users with supreme entertainment experience and professional match analysis, which is complementary with various business segments like the quiz business. The sports quiz platform and reward point system and European Cup activities are scheduled to launch in the second quarter of 2021.

BUSINESS OUTLOOK

Along with the success of the Group's Restructuring, Crazy Sports has become the business engine of the Group. Crazy Sports is integrating resources, as supported by Hainan sports quiz qualification, leveraging advanced blockchain technology, comprehensive application of core competitive edges including vast reserve of lottery players, massive big data and top football IPs, to become an operator that provides paid sports lottery information services, sports social interactive platform, sports quiz, sports mobile games, as well as offline sports lottery sales services. Through the comprehensive online and offline sports community ecosystem, it promotes fission growth of the user group and carries out operations under a business model featuring O2O user redirection and consumption through multiple channels. The Group targets to become a leading digital sports entertainment group in China.

The sports sector will usher into a golden era. Our priorities are pursuing establishment of a blockchain-driven sports quiz platform and a reward point system in Hainan which serves to provide users with real-time experience in sports events; accelerating the installation of national sports lottery retail point of sales to reach new lottery players and redirect users to online platforms; strengthening Crazy Red Insights' leading position in paid content; leveraging core football IPs to develop and publish a variety of sports mobile games; continuously investing in technology and big data capabilities to integrate the platform; and enhancing brand awareness of Crazy Sports through marketing efforts. The management is confident in mobilizing platform user resources, attracting new lottery players and the younger generation to expand the monthly active user base, encouraging user participation within the Group's ecosystem, achieving monetization by cross-selling and expanding the paid user base of the platform.

The sports lottery market is characterized by strong end-user demand. In addition to regular matches like Premier League, top five leagues in Europe and NBA, etc., 2021, 2022 and 2023 will see hosting of UEFA Euro, Copa America, Tokyo Olympic Games, Qatar World Cup qualifier, World Cup, Beijing Winter Olympic Games, FIFA Club World Cup, Asian Cup and other sports events. Opportunities in the sports industry are enormous. Hainan Province is regarded as a showcase region for the sports industry in China, creating exponential opportunities. Combining the future development positioning of Hainan Province and the favourable policies by the Central Government, Crazy Sports has been approved to develop this unique project, which will strengthen our competitiveness, innovation and operating efficiency, this is a major historical development opportunity for Crazy Sports.

Sports lottery is a vital pathway to foray into the RMB1 trillion worth of sports market in China. Adhering to the concept of "let sports create happiness" and centering on the interests and needs of sports users for the provision of value-added services, Crazy Sports aspires to evolve itself into the largest sports entertainment group in China.

Telemedia and E-commerce Business

The Group's telemedia and e-commerce business covers the Liangzi Port (an e-commerce platform), V1 platform and CATV. In 2020, this business sector posted a revenue of HK\$2,159.6 million, gross loss of HK\$17.3 million and segment loss of HK\$199.9 million. The telemedia and e-commerce business was restructured in 2020. Financial results, assets and liabilities of relevant operating companies of the telemedia and e-commerce business ceased to be consolidated into the accounts of the Group. As a result of termination of operation, the Group made provision for impairment and write-off of HK\$103.5 million in respect of goodwill and intangible assets related to telemedia and e-commerce business of the Group.

Liangzi Port

Liangzi Port is a B2B digital consumer product e-commerce platform. The products sold by Liangzi Port included mobile phones, laptops, tablets, earphones, smart watches, mobile chargers, projectors, etc.. In 2020, Liangzi Port recorded sales revenue of HK\$2,138.2 million. Sales of Liangzi Port have been adversely affected by the COVID-19 pandemic during the first half of 2020. The supply of goods by its suppliers continued to be disrupted due to the logistic control and quarantine measures, which in turn affected the source of projected profit of Liangzi Port. The business of Liangzi Port had been operating under a challenging and competitive environment with razor-thin profit margins. Following the termination of operation of Liangzi Port, the Group does not operate any e-commerce platform at the moment. Relevant intangible assets of HK\$46.8 million were fully written-off at the end of 2020. The Board is of the view that the discontinuation of the operation of Liangzi Port will enable the Group to better utilize the resources for business development of Crazy Sports and other high return investments.

V1 Platform

The V1 website and APP is a news video-blogging platform. The platform interacted with users in a location-based, multi-channel and multi-dimensional manner through media integration to promote the economic development of county areas. During the COVID-19 pandemic in 2020, V1 Platform completed numerous live-streaming distribution with several media channels. As an experiment, the business team developed in the fields of KOLs incubators and live streaming e-commercial sales. In spite of the dedicated efforts of the management and business team, we, confronted with competitive pressure, need to continuously deploy more resources during the current stage of "money-burning" investment in the industry. In 2020, sales income generated from V1 website and mobile application merely amounted to HK\$21.5 million. The Board is of the view that the Group should make better use of resources by focusing on business development of Crazy Sports and other high-return investments. Therefore, along with the Restructuring, the telemedia assets of the Group had been disposed to CATV Fund on 7 December 2020. Upon the disposal of telemedia assets, relevant intangible assets of HK\$55.7 million, including the online social media service asset Domouse software and a computer system for information website, were fully written-off at the end of 2020.

CATV

CATV is a Chinese-Arabic bilingual satellite TV channel headquartered in Dubai. In 2020, CATV produced a variety of programmes, including important news from China and the Arabian countries, Chinese films and TV dramas, as well as programmes that introduce the Chinese history, culture, economy and social lifestyle to Arab audiences. CATV developed its business in areas such as film and TV drama translation and production, exchange activities and AI research and development. However, the investment in CATV Group is capital intensive. The brand of CATV needs more time and opportunities for development so as to generate huge investment return. Following the optimization and integration in the past two years, the Group is of the view that CATV can move another step forward upon the completion of Restructuring. The Group would like to exploit potential financing opportunities by leveraging on the external network and the expertise of the general partner of CATV Fund, thereby continue to develop such business operation by utilizing further investments made by other investors.

Strategic Investments

Apart from focusing on the organic growth of its principal businesses, the Group also made strategic investments in order to effectively allocate resources to maximize corporate value and realise the integration of resource advantages through strategic investments. We have developed focused investment strategies, targeting to invest, acquire or form alliances that will either complement our existing businesses or drive innovation initiatives.

Investment in private equity funds

As at 31 December 2020, the Group has investment in private equity funds amounted to HK\$361.6 million, which accounted for 30.5% of the total assets. The balance comprised of three funds as below:

(a) Mobile Internet Fund

In 2015, the Group entered into a limited partnership agreement to subscribe for the limited partnership interests in the Mobile Internet Fund as a limited partner and injected US\$31,250,000 to the Mobile Internet Fund. The Mobile Internet Fund is an exempted limited partnership registered under the laws of the Cayman Islands, which is principally engaged to achieve long-term capital appreciation primarily through private investments in securities and/or equity that operate in mobile internet and technology industries in the Greater China region, in particular the culture and entertainment industry, such as internet literature, dramas and movies, motion pictures, manga and animations, amongst others. Due to return received from successful underlying investments, the Group had received dividend income amounted to HK\$26.5 million from the Mobile Internet Fund during the year. The fair value of the Group's investment in Mobile Internet Fund is HK\$256.4 million at 31 December 2020, with a fair value gain of HK\$7.7 million recognised as other comprehensive income.

(b) *Golden Rock Fund*

In 2017, the Group entered into a limited partnership agreement to subscribe for the limited partnership interests in the Golden Rock Fund and injected a total of US\$2,000,000 to the Golden Rock Fund as at 31 December 2020. The Golden Rock Fund is an exempted limited partnership registered under the laws of the Cayman Islands, which is principally engaged to achieve long-term capital appreciation primarily through private investments in securities and/or equity that operate in or otherwise derive significant business opportunities from the mobile Internet sector, its related technologies, products and services. The fair value of the Group's investment in Golden Rock Fund is HK\$19.3 million as at 31 December 2020. Gains in fair value of HK\$1.4 million has been recognized as other comprehensive income.

(c) *CATV Fund*

On 7 December 2020, the Group has completed Restructuring and entered into a subscription agreement pursuant to which the Group agreed to subscribe for the limited partnership interests in the CATV Fund at an aggregate subscription amount of US\$11,080,000. The Group's CATV business and tele-media assets, two private equity investments and limited partnership interest in Hangzhou CICC Qianhai Weiyi Investment Partnership had been disposed to CATV Fund. CATV Fund is established to achieve long-term capital appreciation of the investments and tele-media assets held, by leveraging on the external network and the expertise of the general partner of CATV Fund, thereby continue to develop such business operation by utilizing further investments made by other investors. Since the CATV Fund is recently formed, its fair value as at 31 December 2020 is approximately equal to the value of capital injection as at 7 December 2020, which is US\$11,080,000 (equivalent to HK\$85.9 million).

Investment in Bank of Asia

The Group has invested in 46.0% equity interest in Bank of Asia, which was established to provide online digital banking services. Bank of Asia's fintech platform, robust "know your clients" and "anti-money laundering" processes and BVI regulatory framework allow remote onboarding of customers, which is a competitive edge over the traditional banks that have to establish physical contacts with business partners. Bank of Asia has opened accounts for customers from 33 countries, mainly in Asia, Europe, the Middle East, the Caribbean and South America. It became the first banking institution to join the Belt and Road Service Connect, the network of professional services organisations across the Belt and Road.

By the end of 2020, BVI Financial Services Commission granted a general license to Bank of Asia to provide banking services to the local population. Currently, a number of advisory mandates have been obtained and are currently under execution. Those ranged from regulatory advice to leading digital assets/crypto currency exchanges seeking to set up regulated presence in the BVI and other offshore jurisdictions to corporate re-structuring of PRC groups for offshore capital markets initiatives, advisory services relating to the use of Special Purpose Acquisition Companies (SPAC) and capital raising for natural resources companies. As a result, the above mentioned new services will generate incomes to Bank of Asia in 2021 and onwards.

Bank of Asia is still in the development stage and has been recording losses. In 2020, there was impairment of HK\$870,000 of the Group's interest in Bank of Asia after referencing to valuation by an independent valuation expert and the fact that the business had not attained the operational targets in 2020 and these are uncertainties in the future income stream. The management of Bank of Asia has been looking for fund raising opportunities. In January 2020, an independent third party had acquired a minority stake in Bank of Asia and raised USD10.0 million to strengthen its financial position.

The investment in BOA contributed a net gain to the Group during 2020, which is a combined effect from a gain from deemed disposal of HK\$35.7 million from the fund raising, compensated by a share of loss of HK\$31.7 million recorded for the year.

FINANCIAL REVIEW

	For the year ended 31 December	
	2020 (HK\$'000)	2019 (HK\$'000) (Represented)
CONTINUING OPERATIONS		
Revenue	300,805	185,975
Cost of revenue	<u>(170,104)</u>	<u>(61,879)</u>
Gross profit	130,701	124,096
Other gains and losses	83,405	12,598
Selling and marketing expenses	(52,903)	(48,888)
Administrative expenses	(61,354)	(76,253)
Provision for expected credit loss on other receivables	—	(2,043)
Impairment of interest in an associate	(870)	(69,771)
Share of losses of associates	(31,734)	(40,188)
Finance costs	<u>(856)</u>	<u>(371)</u>
Profit/(loss) before income tax	66,389	(100,820)
Income tax credit	<u>2,136</u>	<u>3,562</u>
Profit/(loss) for the year from continuing operations	68,525	(97,258)
DISCONTINUED OPERATIONS		
Loss for the year from discontinuing operations	<u>(199,861)</u>	<u>(93,278)</u>
Loss for the year	<u><u>(131,336)</u></u>	<u><u>(190,536)</u></u>

Following the Restructuring and the disposal of certain subsidiaries completed on 7 December 2020, the telemedia and e-commerce business constitute a discontinued operation under HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” as the disposed entities represented one of the main business of the Group. The operation of the telemedia and e-commerce business for 2020 was presented as discontinued operations in the consolidated financial statements of the Group. The consolidated statement of profit and loss and other comprehensive income for 2019 have been represented to separate the disclosures relating to the discontinued operations from that of the continuing operations. Currently, the sports and lottery related business, through Crazy Sports become the principal operation of the Group and main component of the continuing operations.

CONTINUING OPERATIONS

Revenue

The Group's revenue from continuing operations, as contributed by the sports and lottery-related business segment, was HK\$300.8 million in 2020, representing an increase of 61.7% as compared to HK\$186.0 million in 2019.

The Group generated revenue mainly from four areas: (i) paid sports lottery information platform; (ii) sports social interactive platform; (iii) self developed and cooperative games; and (iv) lottery-related commission income.

	2020		2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Paid sports lottery information platform	53,716	17.9	51,465	27.7
Sports social interactive platform	44,978	14.9	42,620	22.9
Self developed and cooperation games	199,540	66.3	87,303	46.9
Lottery related commission income	2,455	0.8	1,395	0.8
Others	116	0.1	3,192	1.7
	<u>300,805</u>	<u>100%</u>	<u>185,975</u>	<u>100%</u>

The increase in the Group's revenue in 2020 was contributed primarily by mobile games, as driven by "stay-at-home" restrictions which boosted user engagement and consumer spending during the period. This had compensated the drop in revenue from paid sports lottery information services due to the suspension of international football and basketball tournaments and closure of national sports lottery sales in the first half of 2020.

However, there was strong recovery in the demand for paid sports lottery information services in the second half of 2020 especially in the last quarter when major football leagues resumed its regular seasons and most games were played without fans in attendance.

In 2020, the stream of commission income generated from the provision of lottery ticket sales services at retail point of sales had increased and revenue was generated from the last quarter of 2020 when the operational team was able to arrange the installation sports lottery terminals at the chain convenience stores in different provinces and cities after COVID-19 pandemic came under control.

Gross profit

The Group reported a gross profit of HK\$130.7 million for 2020, representing an increase of 5.3% as compared to HK\$124.1 for 2019. Gross margin for 2020 was 43.5% as compared to gross margin of 66.7% for 2019. The decrease in gross margin for the year was mainly due to shift in product mix for mobile games which recorded lower gross profit margin in 2020. The margin for other business areas maintained stable in 2020.

Other gains and losses

Other gains and losses recorded a gain of HK\$83.4 million in 2020 compared to a gain of HK\$12.6 million in 2019. The gain was primarily due to dividend income of HK\$46.0 million received from financial assets held by the Group, the gain on deemed disposal of an associate of HK\$35.7 million, waiver of fund management fee of HK\$14.5 million and a fair value gain on financial assets at fair value through profit and loss of HK\$7.5 million. This was offset by a loss on settlement and derecognition of financial assets at fair value through profit or loss of HK\$31.1 million in 2020.

Selling and marketing expenses

Selling and marketing expenses increased by 8.2% to HK\$52.9 million in 2020 from HK\$48.9 million in 2019. The increase was primarily due to the increase in service fee of HK\$9.1 million for marketing of the mobile games during the year. This was offset by an overall reduction in staff costs and other marketing spending as a result of cost reduction efforts of the Group during the year.

Administrative expenses

General and administrative expenses decreased by 19.5% to HK\$61.4 million in 2020, from HK\$76.3 million in 2019. The decrease was primarily due to streamlining of the administrative function of the Group through reducing management headcount while maintaining a highly efficient structure, and the reduction in depreciation and amortisation.

Impairment of interest in an associate

Impairment loss of HK\$870,000 was recognised in respect of the Group's interest in Bank of Asia in 2020, as compared to HK\$69.8 million in 2019. The fair value of Bank of Asia was determined with references to an independent valuation as at 31 December 2020 and impairment loss was made primarily due to uncertainty of future income to be generated. As at 31 December 2020, the carrying amount of our Group's interest in Bank of Asia was HK\$11.2 million.

Share of losses of associates

Share of losses of associates decreased 21.0% to HK\$31.7 million in 2020, from HK\$40.2 million in 2019. The decrease was due to cost control measures taken by Bank of Asia.

Income Tax

There was a tax credit in 2020 due to the reversal of temporary differences generated during the year.

DISCONTINUED OPERATIONS

Revenue

Revenue from the telemedia and e-commerce business was decreased to HK\$2,159.6 million in 2020 from HK\$2,258.9 million in 2019. The revenue from the telemedia and e-commerce business was comprised of (i) Liangzi Port (量子港); (ii) V1 platforms, and (iii) CATV.

The revenue contribution from Liangzi Port accounted for 99.0% (2019: 99.8%) of the segment revenue. During 2020, Liangzi Port was affected by the lockdown measures during COVID-19 pandemic and thus the sales revenue was reduced. The telemedia and e-commerce business was ceased to operate by the Group upon the Restructuring.

Gross profit

Our cost of revenue decreased by 3.5% to HK\$2,176.9 million in 2020, from HK\$2,255.6 million in 2019. The decrease was mainly attributable to the drop in the cost of revenue of the e-commerce business, in which Liangzi Port's electronic trading platform had decreased in sales. The gross loss was HK\$17.3 million whereas a gross profit of HK\$3.2 million was recorded in 2019. The drop in gross profit was mainly due to the increase in costs during the COVID-19 pandemic.

Selling and marketing expenses

Selling and marketing expenses from discontinued operations increased by 7.8% to HK\$23.0 million in 2020 from HK\$21.4 million in 2019. The increase was primarily due to the increase in average salary of staff supporting the sales and distribution of Liangzi Port products and increase in logistic cost due to COVID-19 lockdowns.

Administrative expenses

Administrative expenses from discontinued operations decreased by 46.5% to HK\$32.1 million in 2020, from HK\$60.0 million in 2019. The reduction was primarily due to implementation of cost saving measures during the COVID-19 pandemic, through refining the management and optimising processes.

Written off intangible assets

During 2020, the carrying amount of the Group's intangible assets, including an internet SNS asset and an e-commerce platform system, were fully written off following the termination of internet information services agreements that related to the discontinued operations of telemedia and e-commerce businesses.

Loss for the year from discontinuing operations

As a result of the Restructuring, the telemedia and e-commerce business was discontinued in December 2020. The loss for the year from discontinued operations mainly consisted of loss on disposal of companies of HK\$22.4 million, discontinued operation loss of HK\$74.0 million and the written off of related intangible assets and goodwill of HK\$103.5 million.

Loss for the year

As a result of the foregoing, the Group had losses of HK\$131.3 million and HK\$190.5 million in 2020 and 2019 respectively.

Liquidity and capital Resources

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

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(29,182)	49,133
Net cash generated from/(used in) investing activities	27,204	(111,295)
Net cash generated from/(used in) financing activities	<u>52,678</u>	<u>(8,825)</u>
Net increase/(decrease) in cash and cash equivalents	50,700	(70,987)
Cash and cash equivalents at beginning of year	58,920	131,918
Effect of foreign exchange rate changes	<u>144</u>	<u>(2,011)</u>
Cash and cash equivalents at end of year	<u><u>109,764</u></u>	<u><u>58,920</u></u>

Working capital

The Group had HK\$109.8 million cash and cash equivalents as at 31 December 2020, compared to a balance of HK\$58.9 million as at 31 December 2019.

Net cash used in operating activities

Our Group's net cash used in operating activities was amounted to HK\$29.2 million for 2020 as compared to net cash generated from operating activities of HK\$49.1 million in 2019. It was primarily due to the operating loss resulted from the tele-media and e-commerce segment, which had been discontinued on 7 December 2020.

The loss before income tax was adjusted by the following major items:

- (i) non-cash items, which primarily comprised depreciation and amortisation of HK\$52.1 million, loss on written off of goodwill and intangible assets of HK\$103.6 million, deemed disposal of an associate of HK\$35.7 million and share of losses of associates of HK\$31.7 million; and
- (ii) changes in working capital, which primarily comprised an increase in trade receivables of HK\$15.2 million, a decrease in inventories of HK\$14.3 million, a decrease in contract liabilities of HK\$29.7 million, an increase in trade payables of HK\$16.9 million, and a decrease in deposits received, other payables and accruals of HK\$19.3 million,

to arrive at net cash used in operating activities of HK\$29.2 million in 2020.

Net cash generated from investing activities

Net cash generated from investing activities was HK\$27.2 million in 2020, compared to net cash used in investing activities of HK\$111.3 million in 2019. The net cash generated from investing activities mainly comprised dividend income of HK\$26.5 million and proceeds from disposal of financial assets at fair value through other comprehensive income of HK\$16.7 million.

Net cash generated from financing activities

Net cash generated from financing activities was HK\$52.7 million in 2020 as compared to net cash used in financing activities of HK\$8.8 million in 2019. The net cash generated was primarily comprised of the gross proceeds received from share placements of HK\$62.7 million and repayment of lease liabilities of HK\$13.0 million, representing rental cost of the Group in 2020.

OTHER FINANCIAL INFORMATION

Treasury Policy

The Group have established policies to monitor and control the risks relating to the business operations and treasury activities in order to meet the financial obligations in a timely manner. The Group's treasury policy seeks to govern areas regarding counterparty, interest rate and foreign exchange risks to ensure that the Group has sufficient sources of funding for working capital and investments. As part of our cash management activities, we typically invest our surplus cash in low-risk and/or high investment grade instruments that generate reasonable returns.

Gearing Ratio

As at 31 December 2020, gearing ratio was approximately 1.0%, which was calculated by dividing the total borrowings by the total equity attributable to owners of the Company.

Contingent liabilities

As at 31 December 2020 and 2019, we did not have any material contingent liabilities.

Dividends

No dividends have been paid or declared by the Group during the years ended 31 December 2020 and 2019.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK\$'000	2019 HK\$'000 (Re-presented)
CONTINUING OPERATIONS			
Revenue	4(c)	300,805	185,975
Cost of revenue		<u>(170,104)</u>	<u>(61,879)</u>
Gross profit		130,701	124,096
Other gains and losses	5	83,405	12,598
Selling and marketing expenses		(52,903)	(48,888)
Administrative expenses		(61,354)	(76,253)
Provision for expected credit losses on other receivables		—	(2,043)
Impairment of interest in an associate		(870)	(69,771)
Share of losses of associates		(31,734)	(40,188)
Finance costs	6	<u>(856)</u>	<u>(371)</u>
Profit/(loss) before income tax	7	66,389	(100,820)
Income tax credit	8	<u>2,136</u>	<u>3,562</u>
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		68,525	(97,258)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	9	<u>(199,861)</u>	<u>(93,278)</u>
LOSS FOR THE YEAR		<u>(131,336)</u>	<u>(190,536)</u>
Other comprehensive income			
Items that maybe reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of foreign operations		15,601	7,152
— Reclassification upon disposal of subsidiaries		<u>8,541</u>	<u>—</u>
		24,142	7,152
Item that will not be reclassified to profit or loss:			
— Fair value change on financial assets at fair value through other comprehensive income		<u>9,010</u>	<u>(32,373)</u>
Other comprehensive income for the year		<u>33,152</u>	<u>(25,221)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(98,184)</u>	<u>(215,757)</u>

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000 (Re-presented)
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the Company			
Profit/(loss) for the year from continuing operations		68,584	(97,190)
Loss for the year from discontinued operations		<u>(200,500)</u>	<u>(88,000)</u>
Loss for the year attributable to owners of the Company		<u>(131,916)</u>	<u>(185,190)</u>
Non-controlling interests			
Loss for the year from continuing operations		(59)	(68)
Profit/(loss) for the year from discontinued operations		<u>639</u>	<u>(5,278)</u>
Profit/(loss) for the year attributable to non-controlling interests		<u>580</u>	<u>(5,346)</u>
		<u>(131,336)</u>	<u>(190,536)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(98,415)	(209,096)
Non-controlling interests		<u>231</u>	<u>(6,661)</u>
		<u>(98,184)</u>	<u>(215,757)</u>
LOSS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS			
— Basic (HK cents)	10	<u>(3.07) cents</u>	<u>(4.40) cents</u>
— Diluted (HK cents)	10	<u>(3.07) cents</u>	<u>(4.40) cents</u>
EARNINGS/(LOSS) PER SHARE FROM CONTINUING OPERATIONS			
— Basic (HK cents)	10	<u>1.59 cents</u>	<u>(2.31) cents</u>
— Diluted (HK cents)	10	<u>1.59 cents</u>	<u>(2.31) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*AT 31 DECEMBER 2020*

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		7,806	12,150
Goodwill		426,941	404,672
Intangible assets		53,095	209,996
Interests in associates		11,181	7,952
Financial asset at amortised cost		—	1,115
Financial assets at fair value through other comprehensive income		361,651	355,383
Right-of-use assets	<i>15</i>	22,557	27,335
Deferred tax assets		318	891
		883,549	1,019,494
CURRENT ASSETS			
Trade receivables	<i>11</i>	35,805	19,918
Other receivables, deposits and prepayments		73,372	69,943
Inventories		372	36,311
Financial assets at fair value through profit or loss		50,612	56,953
Amount due from an associate		33,382	9,785
Amounts due from related companies		163	783
Tax receivables		169	160
Cash and cash equivalents		109,764	58,920
		303,639	252,773
TOTAL ASSETS		1,187,188	1,272,267

		2020	2019
	Notes	HK\$'000	HK\$'000
CURRENT LIABILITIES			
Trade and other payables	12	94,909	154,091
Contract liabilities	13	14,673	44,359
Lease liabilities	14	12,251	14,050
Amounts due to related companies		46,952	6,248
Bank borrowings	14	8,838	5,572
Tax payable		<u>112,094</u>	<u>112,094</u>
		<u>289,717</u>	<u>336,414</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>13,922</u>	<u>(83,641)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>897,471</u>	<u>935,853</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		6,269	8,978
Lease liabilities	14	<u>10,304</u>	<u>13,441</u>
		<u>16,573</u>	<u>22,419</u>
NET ASSETS		<u><u>880,898</u></u>	<u><u>913,434</u></u>
EQUITY			
Share capital		45,036	42,134
Reserves		<u>819,297</u>	<u>854,871</u>
Equity attributable to owners of the Company		864,333	897,005
Non-controlling interests		<u>16,565</u>	<u>16,429</u>
TOTAL EQUITY		<u><u>880,898</u></u>	<u><u>913,434</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL

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

The Company is an investment holding company. The Company and its subsidiaries (thereafter referred to as the “Group”) were operated under two business segments: (1) the sports and lottery related business was specialised in the development and operation of paid sports lottery information platform, sports social interactive platform, online mobile game applications and provision of sales 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 (discontinued during the year (notes 9 and 17)).

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

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

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

On 7 December 2020, the Company, TMD1, VODone Telemedia and its related company entered into several termination agreements to terminate the abovementioned internet information services agreements.

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

(a) Adoption of new or amended HKFRSs

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKAS 1 and HKAS 8	Definition of Material

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarised below.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020. As described in note 16, the Group has applied the concentration test to the acquisition of Hainan Ri Chang Xin Tong Information Technology Company Limited (“Hainan Ri Chang”). The fair value of the gross assets acquired was substantially concentrated in a permission license for operating an online sports event platform and reward points system (the “Permission License”). Therefore, this subsidiary was determined not to be a business and accordingly, the Group did not apply the acquisition method to the acquisition of this subsidiary.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

The amendments address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria.

Amendments to HKAS 1 and HKAS 8, Definition of Material

The amendments provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 17	Insurance Contracts ^{4, 6}
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company (the "Directors") do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The Directors do not anticipate that the application of this standard in the future will have an impact on the financial statements.

Amendments to HKFRS 17, Insurance Contracts

The amendments include changes to simplify certain requirements in the standard and make financial performance easier to explain. The amendments also provide additional reliefs to reduce the effort required for the transition to HKFRS 17. In addition, the amendments defer the effective date of HKFRS 17 to annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. As a result of the deferral, the HKICPA issued the amendments to HKFRS 4 to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023. The amendments are not expected to have any impact on the Group.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transaction arise.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of the financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values.

(c) Functional and presentation currency

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

4. SEGMENT REPORTING

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

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

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

- The sports and lottery related business is specialised in the development and operation of paid sports lottery information platform, sports social interactive platform, online mobile game applications and provision of sales services of lottery tickets through retail channels in the PRC; and
- The telemedia and e-commerce business which involved the operation of an online trading platform, provision of Internet information services included Internet audio-visual new media and other Internet + business in the PRC and a satellite TV station in Dubai, UAE (discontinued during the year (notes 9 and 17) and the relevant information for the year ended 31 December 2019 is re-presented accordingly).

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.

	<u>Continuing operations</u>		<u>Discontinued operations</u>			
	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
		(Re-presented)		(Re-presented)		(Re-presented)
Revenue from external customers	300,805	185,975	2,159,622	2,258,850	2,460,427	2,444,825
Reportable segment gross profit/(loss)	130,701	124,096	(17,313)	3,206	113,388	127,302
Reportable segment profit/(loss)	65,848	52,971	(199,861)	(93,278)	(134,013)	(40,307)
Interest income	98	107	61	103	159	210
Interest expense	(511)	(371)	(439)	(1,190)	(950)	(1,561)
Impairment of intangible assets	—	—	—	10,000	—	10,000
Impairment of goodwill	—	—	—	4,472	—	4,472
Depreciation and amortisation	26,428	26,520	21,850	18,651	48,278	45,171
Reportable segment assets	581,758	533,195	—	288,304	581,758	821,499
Additions to non-current assets	13,854	5,945	19,992	2,959	33,846	8,904
Reportable segment liabilities	106,893	40,673	—	79,665	106,893	120,338

(a) **Reconciliations of reportable segment revenue, profit or loss, assets and liabilities, and other material items**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Re-presented)
Revenue		
Reportable segment revenue	2,460,427	2,444,825
Elimination of discontinued operations	<u>(2,159,622)</u>	<u>(2,258,850)</u>
Consolidated revenue	<u>300,805</u>	<u>185,975</u>
Profit/(loss) before income tax credit and discontinued operations		
Reportable segment loss	(134,013)	(40,307)
Segment loss from discontinued operations	199,861	93,278
Other gains and losses	80,478	10,743
Impairment loss on interest in an associate	(870)	(69,771)
Share of losses of associates	(31,734)	(40,188)
Finance costs	(345)	—
Unallocated expenses:		
— Legal and professional fee	(6,870)	(4,202)
— Share-based payment expenses	(2,418)	(3,043)
— Staff costs	(24,493)	(25,612)
— Others	<u>(13,207)</u>	<u>(21,718)</u>
Consolidated profit/(loss) before income tax credit from continuing operations	<u>66,389</u>	<u>(100,820)</u>

	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Assets		
Reportable segment assets	581,758	821,499
Other financial assets	412,263	412,336
Interests in associates	11,181	7,952
Right-of-use assets	20,354	—
Amount due from an associate	33,382	—
Other receivables, deposits and prepayments	34,810	7,169
Cash and cash equivalents	85,880	21,830
Unallocated corporate assets	<u>7,560</u>	<u>1,481</u>
Consolidated total assets	<u><u>1,187,188</u></u>	<u><u>1,272,267</u></u>
Liabilities		
Reportable segment liabilities	106,893	120,338
Deposits received, other payables and accruals	19,928	37,892
Lease liabilities	20,423	—
Tax provision for gain on disposal of subsidiaries	112,094	112,094
Contingent consideration payable	—	87,892
Unallocated corporate liabilities	<u>46,952</u>	<u>617</u>
Consolidated total liabilities	<u><u>306,290</u></u>	<u><u>358,833</u></u>
Other material items		
Reportable depreciation and amortisation	48,278	45,171
Unallocated	<u>3,843</u>	<u>12,673</u>
Consolidated depreciation and amortisation	<u><u>52,121</u></u>	<u><u>57,844</u></u>

(b) Geographical information

During 2020 and 2019, over 90% of the Group's revenue is attributable to customers in the PRC and over 90% of the Group's total non-current assets are located in the PRC and the remaining non-current assets are located in Hong Kong (2019: Hong Kong and Dubai).

(c) **Disaggregation of revenue**

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

	<u>Continuing operations</u>		<u>Discontinued operations</u>			
	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
		(Re-presented)		(Re-presented)		(Re-presented)
E-commerce trading platform	—	—	2,138,169	2,255,031	2,138,169	2,255,031
Internet gaming	—	—	—	140	—	140
Advertising and services income	—	—	21,453	3,679	21,453	3,679
Paid sports lottery information platform	53,716	51,465	—	—	53,716	51,465
Sports social interactive platform	44,978	42,620	—	—	44,978	42,620
Self developed games	186,953	61,857	—	—	186,953	61,857
Cooperation games	12,587	25,446	—	—	12,587	25,446
Interactive game applications	106	3,182	—	—	106	3,182
Exchange of gifts	10	10	—	—	10	10
Lottery related commission income	2,455	1,395	—	—	2,455	1,395
	<u>300,805</u>	<u>185,975</u>	<u>2,159,622</u>	<u>2,258,850</u>	<u>2,460,427</u>	<u>2,444,825</u>
Timing of revenue recognition						
At a point in time	10	10	2,138,169	2,255,031	2,138,179	2,255,041
Transferred over time	300,795	185,965	21,453	3,819	322,248	189,784
	<u>300,805</u>	<u>185,975</u>	<u>2,159,622</u>	<u>2,258,850</u>	<u>2,460,427</u>	<u>2,444,825</u>

(d) **Major customers**

There was no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the year ended 31 December 2020 (2019: two customers).

	2020	2019
	HK\$'000	HK\$'000
Customer A	N/A ¹	485,388
Customer B	<u>N/A¹</u>	<u>299,098</u>

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER GAINS AND LOSSES

2020	2019
HK\$'000	HK\$'000
	(Re-presented)

Continuing operations

Dividend income from financial assets at fair value through other comprehensive income ("FVOCI")	26,459	10,872
Gain on deemed disposal of an associate	35,664	—
Dividend income from financial assets at fair value through profit or loss ("FVTPL")	19,569	—
Waiver of fund management fee of a financial asset at FVOCI	14,531	—
Gain on realisation of financial assets at FVTPL	8,442	—
Fair value gain/(loss) on financial assets at FVTPL	7,531	(1,869)
Government grants	2,092	—
Interest income	133	229
Gain on deregistration of a subsidiary	—	1,189
Gain on disposal of intangible assets	—	173
Net gain on disposal of subsidiaries	—	164
Loss on disposal of property, plant and equipment	—	(96)
Loss on disposal of an associate	—	(660)
Loss on settlement of financial assets at FVTPL	(3,085)	—
Net foreign exchange gains	(3,302)	317
Loss on derecognition of financial assets at FVTPL	(27,978)	—
Others, net	3,349	2,279
	<u>83,405</u>	<u>12,598</u>

6. FINANCE COSTS

2020	2019
HK\$'000	HK\$'000
	(Re-presented)

Continuing operations

Interest on lease liabilities	422	144
Interest on bank borrowings	434	227
	<u>856</u>	<u>371</u>

7. PROFIT/(LOSS) BEFORE INCOME TAX

Continuing operations

Profit/(loss) before income tax is arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Re-presented)
Staff costs (excluding directors' remuneration)		
— Salaries and wages	12,208	19,735
— Pension fund contributions	1,201	3,503
— Share-based payments	<u>1,576</u>	<u>2,775</u>
	<u>14,985</u>	<u>26,013</u>
Depreciation of property, plant and equipment	2,807	912
Depreciation of right-of-use assets	4,867	12,091
Provision for expected credit losses on other receivables	—	2,043
Impairment of interest in an associate	870	69,771
Amortisation of intangible assets included in		
— Cost of revenue	19,077	19,550
— Administrative expenses	3,520	6,640
Auditor's remuneration		
— Audit service	1,500	1,480
— Non-audit service	<u>280</u>	<u>199</u>

8. INCOME TAX CREDIT

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

	2020 HK\$'000	2019 HK\$'000
Current tax		
— Hong Kong profits tax for the year	—	—
— PRC income tax for the year	<u>48</u>	<u>—</u>
	48	—
Deferred taxation		
— Attributable to the reversal of temporary differences	<u>(2,184)</u>	<u>(3,562)</u>
Income tax credit	<u><u>(2,136)</u></u>	<u><u>(3,562)</u></u>
Represented by:		
— Continuing operations	(2,136)	(3,562)
— Discontinuing operations	<u>—</u>	<u>—</u>
	<u><u>(2,136)</u></u>	<u><u>(3,562)</u></u>

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

Arab Business TV FZ-LLC is incorporated as a free zone limited liability company in Dubai. Pursuant to the income tax rules and regulations in Dubai, it is exempted from income tax for a period of 50 years. Following the disposal of Golden Target (notes 9 and 17), it was disposed of accordingly.

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 years ended 31 December 2019 and 2020.

Khorgos Crazy New Game Network Technology Company Limited (“Khorgos Crazy”) (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.

9. DISCONTINUED OPERATIONS

On 7 December 2020, the Company and the CATV Cayman LP (“CATV Fund”), an exempted limited partnership registered in the Cayman Islands, entered into a sales and purchase agreement (the “Sales and Purchase Agreement”), pursuant to which the Company agreed to dispose the entire issued share capital of Golden Target Global Limited (“Golden Target”) and 99.9% equity interest in V1 (China) Investment Co., Ltd. (“China Investment”) at a consideration of US\$11,080,000. The consideration is satisfied by way of admission of subscription of limited partnership interest in the CATV Fund at a subscription price of US\$11,080,000 (equivalent to approximately HK\$85,870,000) by the Company’s wholly owned subsidiary, Goal Dynasty Limited. The disposal of Golden Target and China Investment was completed on 7 December 2020.

Following the disposal of China Investment, property, plant and equipment of the telemedia business were disposed of accordingly. Following the disposal of Golden Target, the Group ceased to have control over CATV Group Limited and its subsidiaries (“CATV Group”) which operated the broadcasting TV CGU (CATV). Also, as discussed in note 1, the Group has terminated its internet information services agreement with TMD1 and VODone Telemedia, which is the source of revenue for the telemedia business, on 7 December 2020.

On 20 November 2020, the Group entered into a sales and purchase agreement with an independent third party to dispose its entire equity interest in Beijing Liangzi Port Technology Company Limited (“Beijing Liangzi Port”) at a consideration of RMB10,000,000. The disposal of Beijing Liangzi Port was completed on 27 November 2020.

Following the disposal of Beijing Liangzi Port, China Investment and Golden Target (together referred to as the “Disposal Companies”), the Group ceased to operate its telemedia and e-commerce business.

The abovementioned disposals constitute a discontinued operation under HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” as the Disposal Group, which mainly consisted of the telemedia and e-commerce businesses, represented one of the major lines of business of the Group. The operation of the telemedia and e-commerce businesses for the year ended 31 December 2020 was presented as discontinued operations in the consolidated financial statements. For the purpose of presenting discontinued operations, the comparative consolidated statement of profit or loss and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period. The carrying amounts of the assets and liabilities of the Disposal Companies at the date of disposal are disclosed in note 17.

After the abovementioned disposals, the Group retains mainly sports and lottery related business as the continuing operations.

The results of the discontinued operations, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	1 January 2020 to 7 December 2020 (date of completion of the disposals) HK\$'000	Year ended 31 December 2019 HK\$'000 (Re-presented)
Revenue (<i>note (a)</i>)	2,159,622	2,258,850
Cost of revenue	<u>(2,176,935)</u>	<u>(2,255,644)</u>
Gross (loss)/profit	(17,313)	3,206
Other gains and losses	(1,178)	572
Selling and marketing expenses	(23,025)	(21,353)
Administrative expenses	(32,096)	(60,041)
Written off intangible assets	(102,522)	—
Written off goodwill	(933)	—
Impairment of intangible assets	—	(10,000)
Impairment of goodwill	—	(4,472)
Finance costs	<u>(439)</u>	<u>(1,190)</u>
Loss before income tax	(177,506)	(93,278)
Loss on disposal of the Disposal Companies (<i>note 17</i>)	<u>(22,355)</u>	<u>—</u>
Loss for the year from discontinued operations	<u><u>(199,861)</u></u>	<u><u>(93,278)</u></u>

Note (a):

	1 January 2020 to 7 December 2020 (date of completion of the disposals) HK\$'000	Year ended 31 December 2019 HK\$'000 (Re-presented)
Timing of revenue recognition		
At a point in time	2,138,169	2,255,031
Transferred over time	<u>21,453</u>	<u>3,819</u>
	<u><u>2,159,622</u></u>	<u><u>2,258,850</u></u>

Loss before taxation has been arrived at after charging:

	1 January 2020 to 7 December 2020 (date of completion of the disposals) HK\$'000	Year ended 31 December 2019 HK\$'000 (Re-presented)
Depreciation of property, plant and equipment	852	3,235
Depreciation of right-of-use assets	6,972	912
Amortisation of intangible assets	14,026	14,504
Interest on lease liabilities	<u>439</u>	<u>1,190</u>

10. EARNINGS/(LOSS) PER SHARE

Continuing and discontinued operations

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

Earnings/(loss)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Re-presented)
Loss attributable to owners of the parent	(131,916)	(185,190)
Add:		
Loss for the year from discontinued operations	<u>200,500</u>	<u>88,000</u>
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share from continuing operations	<u><u>68,584</u></u>	<u><u>(97,190)</u></u>
Number of shares		
	2020 <i>'000</i>	2019 <i>'000</i>
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	<u><u>4,301,910</u></u>	<u><u>4,213,395</u></u>
Loss per share		
	2020 <i>HK Cents</i>	2019 <i>HK Cents</i>
— Basic	<u><u>(3.07)</u></u>	<u><u>(4.40)</u></u>
— Diluted	<u><u>(3.07)</u></u>	<u><u>(4.40)</u></u>

Discontinued operations

Basic loss per share for the discontinued operations is HK4.66 cents per share (2019: HK2.09 cents per share) and diluted loss per share for the discontinued operations is HK4.66 cents per share (2019: HK2.09 cents per share), based on the loss for the year from the discontinued operations of HK\$200,500,000 (2019: HK\$88,000,000) and the denominators detailed above for both basic and diluted loss per share.

The computation of diluted loss per share for the years ended 31 December 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.

11. 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:

	2020 HK\$'000	2019 HK\$'000
Within 6 months	28,365	18,055
Over 6 months but within 1 year	7,311	1,854
Over 1 year but within 2 years	<u>129</u>	<u>9</u>
	<u>35,805</u>	<u>19,918</u>

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

12. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	18,456	899
Deposits received	13,745	96
Accruals	12,388	21,607
Dividends payable	1,331	4,301
Contingent consideration payable	—	87,892
Other payables	<u>48,989</u>	<u>39,296</u>
	<u>94,909</u>	<u>154,091</u>

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

	2020 HK\$'000	2019 HK\$'000
Within 6 months	17,753	704
Over 6 months but within 1 year	227	195
Over 1 year but within 2 years	<u>476</u>	<u>—</u>
Total trade payables	18,456	899
Accrued liabilities and other liabilities	<u>76,453</u>	<u>153,192</u>
	<u>94,909</u>	<u>154,091</u>

13. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Contract liabilities arising from:		
Games and applications	14,673	15,932
Advance payments received from e-commerce trading platform	<u>—</u>	<u>28,427</u>
	<u>14,673</u>	<u>44,359</u>

Movements in contract liabilities:

	Games and applications HK\$'000	E-commerce trading platform HK\$'000	Total HK\$'000
Balance as at 1 January 2019	10,151	13,751	23,902
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(10,151)	(13,751)	(23,902)
Increase in contract liabilities as a result of advance payment received for e-commerce platform for goods not yet delivered	—	28,427	28,427
Increase in contract liabilities as a result of sales of virtual currency from users of games and applications	<u>15,932</u>	<u>—</u>	<u>15,932</u>
Balance as at 31 December 2019 and 1 January 2020	15,932	28,427	44,359
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(16,009)	(28,565)	(44,574)
Increase in contract liabilities as a result of sales of virtual currency from users of games and applications	13,943	—	13,943
Exchange realignment	<u>807</u>	<u>138</u>	<u>945</u>
Balance as at 31 December 2020	<u>14,673</u>	<u>—</u>	<u>14,673</u>

14. LOANS AND BORROWINGS

2020
HK\$'000

2019
HK\$'000

Current liabilities

Bank loan due for repayment within one year	8,838	5,572
Lease liabilities — current portion	<u>12,251</u>	<u>14,050</u>
Loan and borrowings — repayable within one year	<u>21,089</u>	<u>19,622</u>

Non-current liabilities

Lease liabilities — non-current portion	<u>10,304</u>	<u>13,441</u>
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The bank borrowings included the loans below:

- (a) As at 31 December 2020, certain bank loans granted by the Bank of China are secured by certain cooperate guarantees and bear interest ranging from 3.85% to 3.9% per annum. The loans are carried at amortised cost. The loans are repayable within one year on 19 January 2021, 21 January 2021, 24 June 2021 and 9 December 2021.
- (b) As at 31 December 2019, a bank loan granted by the Bank of China is secured by a cooperate guarantee and bear interest at 4.35% per annum. The loan is carried at amortised cost. The loan is repayable within one year on 30 June 2020.

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

- (c) As at 31 December 2019 and 2020, the fair value of bank borrowings approximates to their carrying amount largely due to the short-term maturities.

Leases liabilities

Properties
HK\$'000

As at 1 January 2019	29,906
Additions	22,071
Interest expense (<i>note 15</i>)	1,334
Lease payments (<i>note 15</i>)	(14,170)
Modification of lease	(7,894)
Disposal of subsidiaries	(3,242)
Exchange realignment	<u>(514)</u>
As at 31 December 2019 and 1 January 2020	27,491
Additions	21,507
Interest expense (<i>note 15</i>)	861
Lease payments (<i>note 15</i>)	(13,014)
Modification of lease	(15,261)
Exchange realignment	<u>971</u>
As at 31 December 2020	<u>22,555</u>

Future lease liabilities are payable as follows:

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
At 31 December 2020			
Not later than one year	13,069	(818)	12,251
Later than one year and not later than five years	<u>10,606</u>	<u>(302)</u>	<u>10,304</u>
	<u><u>23,675</u></u>	<u><u>(1,120)</u></u>	<u><u>22,555</u></u>
	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
At 31 December 2019			
Not later than one year	15,033	(983)	14,050
Later than one year and not later than five years	<u>13,769</u>	<u>(328)</u>	<u>13,441</u>
	<u><u>28,802</u></u>	<u><u>(1,311)</u></u>	<u><u>27,491</u></u>

The present value of future lease payments are analysed as:

	2020 HK\$'000	2019 HK\$'000
Current liabilities	12,251	14,050
Non-current liabilities	<u>10,304</u>	<u>13,441</u>
	<u><u>22,555</u></u>	<u><u>27,491</u></u>

15. LEASE

Leases as lessee

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

Information about leases for which the Group is lessee is presented below:

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

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

	Properties <i>HK\$'000</i>
As at 1 January 2019	29,906
Modification of lease	(7,713)
Additions	22,071
Depreciation charge for the year	(13,003)
Disposal of a subsidiary	(3,405)
Exchange realignment	<u>(521)</u>
As at 31 December 2019 and 1 January 2020	27,335
Modification of lease	(15,433)
Additions	21,507
Depreciation charge for the year	(11,839)
Exchange realignment	<u>987</u>
As at 31 December 2020	<u><u>22,557</u></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing and discontinued operations:		
Interest on lease liabilities (<i>note 14</i>)	861	1,334
Expenses relating to short-term leases	2,206	6,353
Loss/(gain) on the modification of lease	<u>172</u>	<u>(181)</u>
	<u>3,239</u>	<u>7,506</u>
Continuing operations:		
Aggregate undiscounted commitments for short-term leases	<u>64</u>	<u>758</u>

(iii) ***Amounts recognised in statement of cash flows***

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total cash outflow for leases	<u>(13,014)</u>	<u>(14,170)</u>

16. ACQUISITION

Acquisition of Hainan Ri Chang

On 18 December 2020, the Group entered into a sale and purchase agreement with an independent third party for purchase of 100% equity interest in Hainan Ri Chang at a total consideration of RMB8,000,000.

The Group has applied the concentration test to the acquisition of Hainan Ri Chang. The fair value of the gross assets of Hainan Ri Chang was substantially concentrated in the Permission License. The acquisition of Hainan Ri Chang is determined by the Directors to be acquisition of assets and liabilities, being the intangible assets.

The allocation to respective assets and liabilities are as follows:

	<i>HK\$'000</i>
Intangible assets	<u>9,112</u>

17. DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries during the year ended 31 December 2020

(a) *Disposal of Golden Target and China Investment*

On 7 December 2020, pursuant to the Sales and Purchase Agreement dated 7 December 2020 entered into between the Company and CATV Fund, the Group disposed of its entire issued share capital of Golden Target and 99.9% equity interest in China Investment at a consideration of US\$11,080,000. The consideration is satisfied by way of admission of subscription of limited partnership interest in the CATV Fund at a subscription price of US\$11,080,000 (equivalent to approximately HK\$85,870,000) by the Company's wholly owned subsidiary, Goal Dynasty Limited.

Further details are set out in the Company's announcement dated 7 December 2020.

The net assets of Golden Target and China Investment at the date of disposal on 7 December 2020 were as follows:

	Golden Target <i>HK\$'000</i>	China Investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Property, plant and equipment	493	831	1,324
Financial assets at fair value through other comprehensive income	—	76,028	76,028
Intangible assets	30,295	—	30,295
Other receivables, deposits and prepayments	1,599	57	1,656
Cash and cash equivalents	1,184	752	1,936
Trade and other payables	<u>(921)</u>	<u>—</u>	<u>(921)</u>
Net assets disposed of	<u>32,650</u>	<u>77,668</u>	<u>110,318</u>

The loss arising from the disposal shown in the consolidated statement of profit or loss and other comprehensive income is calculated as follows:

	<i>HK\$'000</i>
Fair value of subscribed financial assets at fair value through other comprehensive income	85,870
Less: Net assets disposed of	(110,318)
Add: Non-controlling interests	95
Add: Realisation of exchange fluctuation reserve	<u>9,307</u>
Loss on disposal of subsidiaries included in discontinued operations	<u><u>(15,046)</u></u>
<i>Net cash outflow arising on disposal</i>	

	<i>HK\$'000</i>
Cash and cash equivalents disposed of	<u><u>(1,936)</u></u>

(b) *Disposal of Beijing Liangzi Port*

On 20 November 2020, the Group entered into a sales and purchase agreement with an independent third party to dispose its entire equity interest in Beijing Liangzi Port at a consideration of RMB10,000,000. The disposal was completed on 27 November 2020.

The net assets of Beijing Liangzi Port at the date of disposal on 27 November 2020 were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	440
Other receivables, deposits and prepayments	24,029
Inventories	21,810
Cash and cash equivalents	6,816
Trade and other payables	<u>(35,408)</u>
Net assets disposed of	<u><u>17,687</u></u>

The loss arising from the disposal shown in the consolidated statement of profit or loss and other comprehensive income is calculated as follows:

	<i>HK\$'000</i>
Total consideration	11,144
Less: Net assets disposed of	(17,687)
Less: Realisation of exchange fluctuation reserve	<u>(766)</u>
Loss on disposal of subsidiaries included in discontinued operations	<u><u>(7,309)</u></u>

Net cash inflow arising on the disposal:

	<i>HK\$'000</i>
Cash consideration	11,144
Cash and cash equivalents disposed of	<u>(6,816)</u>
	<u><u>4,328</u></u>

18. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting date.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 4 May 2021 to Friday, 7 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 3 May 2021.

Corporate Governance

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

The Company had applied and complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the year ended 31 December 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 appointed Mr. Peng Xitao to the post of chief executive since 1 January 2021.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2020.

Audit Committee

The Audit Committee consists of the independent non-executive Directors, namely Dr. LOKE Yu (alias LOKE Hoi Lam), Mr. ZANG Dongli and Mr. ZHOU Jingping. The Audit Committee has reviewed with management the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the annual results for the year ended 31 December 2020.

Scope of Work of the Auditor

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements, and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2020.

Publication of the Final Results and Annual Report

This annual results announcement is published on the Company’s website (<http://ir.v1group.com>) and the Hong Kong Exchanges and Clearing Limited’s website (<http://www.hkexnews.hk>). The 2020 annual report will be dispatched to the Shareholders and will be made available on the aforesaid websites in due course.

Appreciation

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

Subsequent Event

Subsequent to the reporting period and as of the date of this announcement, there were no major events.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Audit Committee”	the audit committee of the Company
“Bank of Asia”	Bank of Asia (BVI) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a general banking license
“Board”	the board of directors of the Company
“CATV Fund”	CATV Cayman LP, an exempted limited partnership registered in Cayman Islands
“China Insights Consultancy”	China Insights Consultancy Limited, an independent market research and consultancy company
“China Insights Consultancy Report”	“Report on Sports Lottery and Entertainment Services Industry in China”, an independent industry research prepared by China Insights Consultancy in October 2020
“China Investment”	V1 (China) Investment Co., Ltd* (第一視頻(中國)投資有限公司), a limited liability company established in the PRC
“Company”	V1 Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Crazy Sports”	Beijing Crazy Sports Management Company Limited, together with its subsidiaries

“FIFPro”	Fédération Internationale des Associations de Footballeurs Professionnels
“Golden Rock Fund”	Golden Rock Cayman LP, an exempted limited partnership registered in Cayman Islands
“Group”	the Company, together with its subsidiaries
“Huobi Group”	Huobi Technology, together with its subsidiaries
“Huobi Technology”	Huobi Technology Holdings Limited, a company incorporated in the British Virgin Islands with limited liability whose shares listed on the Main Board of The Stock Exchange of Hong Kong Limited
“HuoChain Technology”	Hainan HuoChain Technology Co., Ltd.* (海南火鏈科技有限公司), a subsidiary of Huobi Technology
“IP”	intellectual property
“Mobile Internet Fund”	China Prosperity Capital Mobile Internet Fund, L.P., an exempted limited partnership registered in Cayman Islands
“O2O”	online to offline
“Restructuring”	the restructuring of the telemedia business of the Group as per announcement of the Company made on 7 December 2020, 11 December 2020 and 24 December 2020
“V1”	the Company and/the Group
“2019”	the financial year ended 31 December 2019
“2020”	the financial year ended 31 December 2020

By order of the Board
V1 Group Limited
ZHANG Lijun
Chairman

Hong Kong, 18 March 2021

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

Executive Directors:

Dr. ZHANG Lijun (*Chairman*)

Mr. PENG Xitao

Ms. CHENG Po Chuen

Independent Non-executive Directors:

Dr. LOKE Yu (alias LOKE Hoi Lam)

Mr. ZANG Dongli

Mr. ZHOU Jingping

* *for identification purposes only*