有線寬頻 i-CABLE

i-CABLE COMMUNICATIONS LIMITED

STOCK CODE: 1097

2016
ANNUAL REPORT

CONTENTS

RESULTS HIGHLIGHTS

- A weak advertising market and harsh competition in the subscription business continued to put pressure on the Group's performance.
- The decline in airtime and subscription revenues eroded EBITDA further, despite lower operating expenses as a result of stringent cost control.
- ARPU continued to improve but fell short of arresting the subscription revenue erosion caused by subscriber base contraction.
- Contraction of broadband subscribers slowed in the second half of 2016. Monthly broadband revenue stabilised.
- The current Pay TV licence expires at the end of May 2017. Government has agreed to grant a new licence for 12 years. Final terms of the new licence are under negotiation.
- Affiliate Fantastic is in final preparation to launch a Cantonese channel in May 2017 under its Free TV licence.
- Recurrent losses have significantly weakened the liquidity position and increased the dependency on external financing, currently short term in tenor. Net cash outflow is budgeted to continue in 2017.
- Caution will be exercised over investment in programming across platforms, HD/OTT upgrades, customer service improvement, GPON for higher speed broadband service, as well as new marketing and media initiatives.

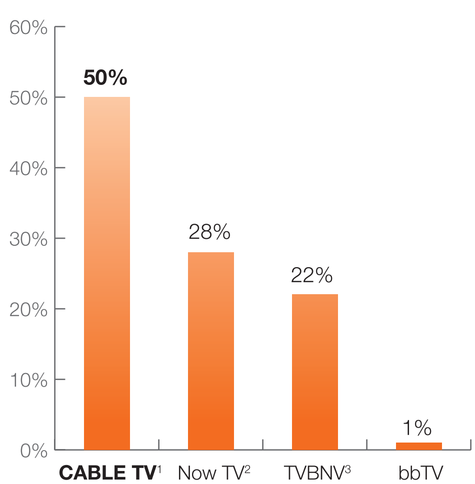
CUSTOMERS

	December 2016	December 2015
Television	**909,000**	951,000
Broadband	**156,000**	171,000
Telephony	**95,000**	100,000

VIEWERSHIP

Viewing Share Among Pay TV Operators

(All Individuals aged 4+, All Day All Time)

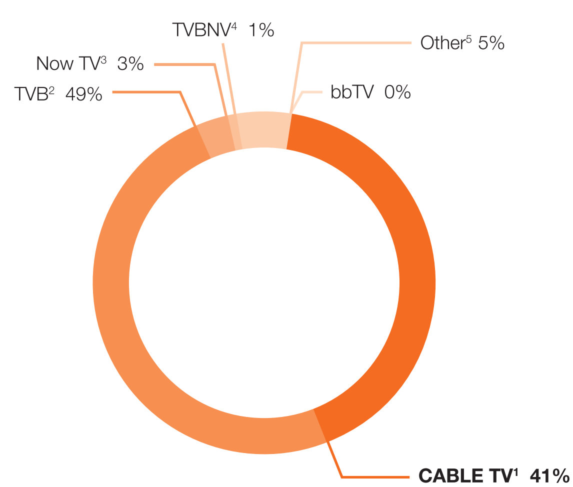


Source: Nielsen (Jan–Dec 2016)

[1] *Overall CABLE TV (via STB & SMATV)*
[2] *Excluded All TVBNV channels via Now TV STB*
[3] *Included All TVBNV channels via Now TV STB*

Viewing Share Among All TV Operators

(CABLE TV Subs aged 4+, All Day All Time)



Source: Nielsen (Jan–Dec 2016)

[1] *Overall CABLE TV (via STB & SMATV)*
[2] *Included TVB Jade (Analog+DTT81), TVB-J2 (DTT82), TVB-iNews (DTT83), TVB Pearl (Analog+DTT84), TVB-HD Jade/TVB J5 (DTT85)*
[3] *Excluded all TVBNV channels via Now TV STB*
[4] *Included all TVBNV channels via Now TV STB*
[5] *Included ATV all channels, RTHK all channels, Viu TV & others*

CORPORATE INFORMATION

BOARD OF DIRECTORS

Stephen T H Ng	Chairman & Chief Executive Officer
William J H Kwan	Chief Financial Officer
Paul Y C Tsui	

Independent Non-executive Directors

Herman S M Hu, *BBS, JP*
Roger K H Luk, *BBS, JP*
Sherman S M Tang
Patrick Y W Wu

GROUP EXECUTIVES

Stephen T H Ng	Chairman & Chief Executive Officer
William J H Kwan	Director & Chief Financial Officer
Ronald Y C Chiu	Executive Director, *i-CABLE News Limited and i-CABLE Sports Limited*
Samuel C C Tsang	Executive Director, *i-CABLE Entertainment Limited and Hong Kong Cable Enterprises Limited*
Raymond W M Chan	Vice President, *Network Operations, Hong Kong Cable Television Limited*
Yvonne Yung	Assistant Vice President, *Subscription Marketing and Sales, Hong Kong Cable Television Limited*

COMPANY SECRETARY

Kevin C Y Hui, *FCCA, HKICPA*

AUDITORS

KPMG, Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

REGISTRARS

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

REGISTERED OFFICE

16th Floor, Ocean Centre, Harbour City, Canton Road,
Kowloon, Hong Kong
Telephone: (852) 2118 8118
Fax: (852) 2118 8018

PRINCIPAL BUSINESS ADDRESS

Cable TV Tower,
9 Hoi Shing Road,
Tsuen Wan,
Hong Kong

CORPORATE WEBSITE

www.i-cablecomm.com

ENQUIRIES

info@i-cablecomm.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

When we launched Hong Kong's first multi-channel pay TV service some 23 years ago, on October 31, 1993, we had not anticipated each and every challenge we would overcome eventually, no matter how insurmountable they first appeared to be.

Our number one competitor then was, and still is, TVB the dominant broadcaster in Hong Kong. They have come out stronger over the years, with many more free and pay TV channels under their roof and a huge advantage in terms of their scale and their ability to attract eyeballs, creative talent and advertising dollars. Yet they also have had their fair share of not-so-successful endeavours, such as when they finally decided to surrender their pay TV licence after some 16 years.

After over 200,000 hours of non-stop broadcast, we have learned a lot, which has prepared us to go beyond pay TV and set our foot in the free TV arena. Our affiliate, Fantastic TV, has started the countdown to launch its Cantonese free TV channel in May 2017.

By sharing our creative, production as well as network expertise with Fantastic, we can more effectively build scale in programme production/acquisition and in airtime sales, through more buying and selling power, more operational efficiency, as well as access to a bigger pool of talents and new ideas. A broader outlook will help us stay much closer to the market and to respond to changes more effectively and take initiatives early on. The collaboration between CABLE TV and Fantastic TV will also enhance their respective brandings and programme appeal through cross promotions.

As we reform our content provision business along the direction above, we are at the same time rebuilding our service provision businesses. These include investment in new media channels to view our content anytime anywhere; in GPON network to provide higher speed broadband services; in brand image and marketing through enhanced communications with existing and prospective customers; as well as in customer service and support through improvements in policies/procedures and new channels for customer enquiries and interactions.

On the licence front, our pay TV licence is expiring in May 2017 and Government has already offered to grant a new licence for 12 years. Final terms of the new licence are under negotiation.

On the financial front, recurrent losses in recent years have significantly weakened our liquidity position and increased our dependency on external financing, currently short term in nature. We will exercise additional caution over investment to rebuild the business.

As we rebuild the Group for the future, we are thankful for your patience and support. We look forward to sharing the rewards ahead with you.

Stephen T H Ng
Chairman and Chief Executive Officer

Hong Kong, March 15, 2017

BUSINESS REVIEW

OPERATING ENVIRONMENT

In 2016, the Group's financial performance was affected by the decline of advertising and subscription revenues due to the weak advertising market as well as the challenges of subscription businesses.

During the year, Hong Kong's TV industry was in transition, led by free-to-air channels. ViuTV launched its Cantonese channel in April. ATV had gone off the air, ending its 59-year run as the world's oldest Chinese-language broadcaster. Finally, in May 2016, a licence was granted to our affiliate Fantastic Television Limited with a validity period of 12 years until May 30, 2028, subject to a mid-term review around 2022.

The pay TV industry is also changing fast, as LeEco and Netflix launched their OTT services with mixed review and TVB Network Vision applied to surrender its pay TV licence, moving its entire operations over to OTT. On our part, we launched our FANhub HD/OTT service, which was meeting our expectations.

TELEVISION SERVICES

Advertisers were more prudent in campaigns as a result of the downtrend in local retail sales. This had a material impact on our airtime sales. To mitigate, we adopted flexible pricing, offered quality TVC production and bundled sales with digital platform to enhance the stickiness with advertisers. The extension of Kwun Tong line to Ho Man Tin and Whampoa as well as the launch of South Island line should give a boost to airtime sales on MTR In-train TV.

Subscription ARPU continued its growth trend. However, subscription revenue erosion remained in 2016 as a result of customer base contraction. New business initiatives are being launched to contain customer attrition.

FANhub, launched in early 2016, is an enhanced Pay TV service with a full featured, "video-on-demand", open platform and app-enabled HD set top box to enrich customer experience. Our marketing team is promoting this service to facilitate customer retention, acquisition as well as upselling, and the take up rate is satisfactory.

We have been continuously working on the enrichment of our HD channel portfolio. Two popular entertainment channels "RTL CBS Entertainment HD" and "RTL CBS Extreme HD" were launched in September, bringing customers 24-hour, all-rounded entertainment in English with Chinese subtitles. Ten other acquired channels had been upgraded to HD.

The enhanced i-CABLE mobile app to offer a multi-screen platform was launched. Our multi-screen strategy will enable customers to enjoy content across different devices anytime and anywhere.

During the year, we were awarded the certification of ISO 9001 and ISO 10002, the first pay TV operator in Hong Kong to have attained both certification standards. This demonstrates the Group's commitment to deliver quality excellence to our customers.

On December 13, 2016, the Government announced that the Chief Executive in Council had approved the application for renewal of the domestic pay TV programme service licence of Hong Kong Cable Television Limited for a validity period of 12 years from June 1, 2017 to May 31, 2029. Final terms of the new licence are under negotiation.

INTERNET & MULTIMEDIA

Broadband revenue stabilised towards the end of 2016 as a result of a moderate increase in various subscription price points despite contraction of customer base, which also stabilized at the end of 2016.

Network enhancement to higher-speed broadband GPON service was progressing on track with over 400,000 homes passed at the end of 2016. We will accelerate GPON coverage in the coming year. The faster and more reliable broadband service will strengthen our competitiveness.

PROGRAMMING

The Group strived to offer diversified and quality programmes to our viewers and maintained our market position in the industry.

Our movie acquisition strategy focuses on the local market by offering a wide range of choices to movie fans, including both mass-appealing and critically acclaimed titles: "From Vegas to Macau III" (賭城風雲3) was one of the top three grossing local films in 2016 and "Port of Call" (踏血尋梅) had won various film awards based on a local tragedy.

Entertainment platform's self-produced programmes are distinctive, innovative and fused with local flavor. The pet reality programme, "Dogs Savior" (寵物狗救星) highlighted dog rehabilitation. Our latest original travelogue "Trips with Kids" (帶阿B去旅行) hosted by popular artistes, earned good publicity and received critically acclaimed tribute. These programmes also scored high ranks in TV Programme Appreciation Index Survey.

Acquired dramas remained a popular choice of our viewers. Our drama slate comprised different genres from tearjerker to romantic comedy, suspense to family-oriented to cater for the needs of drama lovers. Korean family drama continued to attract eye-balls this year, "Only You My Love" (真的愛你) and "Don't Make Her Cry" (活出彩虹) ranked amongst the highest viewership entertainment programmes on the platform. We will keep sourcing popular drama from the region for our viewers.

Following the successful launch of HD News channel, our Finance and Information channel was also upgraded to HD during the year. Our news continued to be top ranked in media credibility and is well respected by different stakeholders in Hong Kong. We will compete with mainstream media on public trust and credibility and digital media on timeliness.

Sports remained our focus, with exclusive games of UEFA Champions League, along with German Bundesliga, Japanese J League and popular coverage of horse racing and other sports events.

PRINCIPAL RISKS AND UNCERTAINTIES FACED BY THE GROUP

The following principal risks and uncertainties are considered to be of significance and have the potential to affect the Group's businesses, results of operations and financial conditions. However, this is non-exhaustive as there may be other risks and uncertainties arising, resulting from changes in the economy and other conditions over time.

The television segment is experiencing intense competition in a crowded marketplace with a super dominant operator and changing user behavior. A wider range of contents is available on new platforms and various mobile devices for users to select and view anytime and anywhere. An abundant supply of contents intensified competition, which further weakened the demand for our subscription content. At the same time, the much keener competition for content has raised costs. They combine to weaken the Group's operating results. Nevertheless, the Group will make prudent and necessary investment in content and infrastructure, including the launch of FANhub, enhancement of HD channels as well as multi-screen strategy to strengthen our competitiveness. The launch of Fantastic TV in May 2017 would leverage on the Group's production expertise and broadcasting infrastructure and develop a new revenue stream while reinforcing its reputation in the industry.

PRINCIPAL RISKS AND UNCERTAINTIES FACED BY THE GROUP (Continued)

Internet & Multi-media segment is faced with fast changing technology and customers are constantly demanding for better quality and higher-speed Internet service. The Group's operations depend on its ability to innovate and the successful deployment of new technologies. The Group is accelerating its network enhancement to higher-speed broadband services GPON, bringing better quality service to the customers. The enhancement would strengthen our competitiveness and bring in revenue growth potential.

Recurrent losses have weakened the Group's financial position and increased its dependency on external financing. The current credit facilities are short term in tenor and less stable. Longer term financing will be explored to support operating cash flow and capital expenditure.

OUTLOOK

Initiatives to contain costs have been more effective than those to improve revenues. New initiatives will be introduced in 2017 but they may or may not produce the results that we need.

Against that backdrop, the Group will exercise additional prudence in continuing to invest in programming across platforms, HD/OTT upgrades, customer service improvement, GPON for higher speed broadband service, as well as new marketing and media initiatives to sharpen our competitiveness.

The Fantastic TV team is preparing for the launch of its integrated Cantonese channel in May 2017. This will supplement our existing services and enhance our overall competitiveness.

BUSINESS MODEL

i-CABLE Communications Limited is an integrated communications services provider in Hong Kong, commanding a large and influential television viewer and communications service user base in town.

It owns and operates a near universal wireline telecommunications network in Hong Kong to provide Television, Broadband, Telephony and multimedia services to over two million households.

It is also one of the largest producers of television, film and multimedia content based in Hong Kong for distribution over conventional and new media, with a particular focus on news, information, sports and entertainment.

BUSINESS STRATEGY

The Group endeavours to sharpen its services to attain higher customer satisfaction, which in turn drives business and revenue performance. Specifically, the Group pursues the following:

(a) acquire, produce and distribute quality content meeting local tastes and needs;

(b) invest in infrastructure, network and delivery platforms to enhance service level and customer convenience;

(c) unlock the value of our programming assets for cross-platform and international distribution; and

(d) continuously better our processes and procedures to always stay cost-effective.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(A) ABOUT THIS REPORT

As a responsible corporate citizen, i-CABLE Communications Limited ("i-CABLE" or the "Company") and its subsidiaries (together, the "Group") are committed to responding to the challenges of climate change by adopting environmental protocols for our operations. We are also dedicated to creating a favourable environment for our staff members; providing resources to support their growth and development; as well as promoting staff engagement in social undertakings and volunteer work.

To identify sustainability issues material to the Group, a CSR Steering Committee composed of senior executives holds regular meetings to discuss the views and suggestions of stakeholders, and formulate the major direction of environmental, social and governance ("ESG") reporting. The Group places greater emphasis on ESG issues relating to product responsibility, employee safety, supply chain management and environmental protection, as we believe these are the primal concerns of our stakeholders and the community.

Looking ahead, we will continue to develop our corporate social responsibilities ("CSR") work in line with our business plan and strategies. This will not be possible without our colleagues' efforts and dedication in upholding CSR values.

For the financial year ended December 31, 2016 as covered by this report, the Company has complied with the "comply or explain" provisions in respect of general disclosures set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(B) SOCIAL

(I) Community

(i) Community Investment

i-CABLE attaches great importance to staff participation in community activities, motivating and encouraging colleagues to extend a helping hand to the elderly, children and youths as well as families in need of social support.

Volunteer Service

Established in 2003, our staff volunteering team continued to grow. Leading charitable organizations that we worked with include the Community Chest, Youth Outreach, Ronald McDonald House, Food Angel, The Salvation Army and Tai Po Geoheritage Centre. Activities and events included visits to elderly homes, hot meal boxes for singletons and low-income families, collection of books and stationery for donation to needy children, improvement projects for wildlife habitats, as well as fundraising initiatives.

Community Support

Since 2013, the Group has supported Project WeCan, a business-in-community programme initiated by the Wharf Group, which offers care and opportunities for less-privileged students. We partnered with Buddhist Wong Wan Tin College in Shatin to provide assistance to students in terms of learning, personal and moral development as well as career planning.

Community Engagement

Our news team has undertaken to produce the programme "Making a Difference," covering over 500 touching stories in town by exploring encouraging stories with non-profit-making organizations, individuals or organizations with a passion for life; turning these into news segments and "Making a Difference" a reality. We hope to bring more positive energy to Hong Kong and raise public awareness of minority groups and people in need.

The Group received the "Caring Company Scheme 10 Years Plus Logo" in 2016 from the Hong Kong Council of Social Service.

(B) SOCIAL (Continued)

(II) Employment and Labour Practices

(i) Employment

The Company has Employee Handbook & Company Policy posted on intranet web link regarding employment and employee benefits. We also have Equal Opportunities Policy in place.

The Company has complied with the following Hong Kong laws:

- Employment Ordinance;
- Mandatory Provident Fund Schemes Ordinance ("MPFSO");
- Employees' Compensation Ordinance;
- Minimum Wage Ordinance;
- Sex Discrimination Ordinance;
- Disability Discrimination Ordinance;
- Family Status Discrimination Ordinance;
- Race Discrimination Ordinance; and
- Personal Data (Privacy) Ordinance.

Employee Statistics

2016 Total Workforce

All types of employee			Employment Types			
			Permanent contract		Temporary contract	
Male	Female	Total	Male	Female	Male	Female
1,469	668	2,137	1,469	668	0	0

2016 New Hires and Employee Turnover

	Below 30		30–50		Above 50		Total	Rate
	Male	Female	Male	Female	Male	Female		
New Hires	235	141	140	63	24	4	607	0.284(1)
Employee Turnover	226	147	146	89	36	5	649	0.304(2)

Notes:

(1) New hire rate = Total number of new hires/Total number of employees

(2) Turnover rate = Total number of turnover/Total number of employees

(ii) Health and Safety

Safety Handbook & Company Policy is posted on intranet web link regarding work place safety. The following policies are also in place:

1. Typhoon & Rainstorm Policy; and
2. Display Screen Equipment Assessment Policy.

To enhance employees' awareness of the importance of safe working practices, the Company has adopted key occupational health and safety measures as follows:

- Annual practice of mass fire drill in collaboration with Fire Department;
- Periodical occupational safety & health training courses;
- Demo video of physical exercise in department workplace as reminder; and
- Department Operational Guideline on safety measures for working-at-height and lifting of heavy tools and objects.

(B) SOCIAL (Continued)

(II) Employment and Labour Practices (Continued)

(ii) Health and Safety (Continued)

The Company has complied with the Occupational Safety and Health Ordinance.

Occupational Health and Safety Data

Fatality number	Injury rate(1)	Lost days rate(2)	Absentee rate(3)
0	0.0106	0.0008	0.0124

Notes:

(1) *Injury rate = Total staff affected/Total headcount*
(2) *Lost day rate = Total number of lost days/Total days worked*
(3) *Absentee rate = Total number of absentee days/Total days worked*

(iii) Development and Training

The Company encourages vocational education and training activities, including:

1. Tuition Subsidies Programme; and
2. Full Funding Training Programme.

The Company conducted around 60 corporate training events involving 7,791 participants with a total of 79,826 training hours to enhance work knowledge, safety compliance, service quality as well as compliance of anti-corruption last year.

Employee Training and Development Data
2016 Average Hours of Training

By gender		By employment category			
Male (hour)	Female (hour)	Management Staff (hour)	Senior Staff (hour)	General Staff (hour)	Total (hour)
37.4	37.4	24.0	22.7	41.6	37.4

(iv) Labour Standards

Employment and Compensation & Benefits Policies were established to meet or exceed the requirements of Employment Ordinance and MPFSO. The Group has adopted measures to prevent recruitment of child and forced labour:

- Except for child entertainers and summer interns, the Company shall hold against hiring any candidate who is under 18 years old;
- For child entertainers, the Company renews permission to employ child entertainers yearly from Labour Department; and
- For summer interns, strict collection of sworn declaration forms and school endorsement to prevent child labour.

i-CABLE Group companies have received the “Good MPF Employer Award 2015/16” from The Mandatory Provident Fund Schemes Authority for our full compliance with employers’ statutory obligations and provision of better retirement for employees.

(III) Operating Practices

(i) Supply Chain Management

The Group sources from trustworthy suppliers and contractors for quality and sustainable products and services. We believe in long-term relationship with suppliers and contractors via compliance with procurement policy and procedures. We encourage suppliers and contractors to engage in environmental protection measures and products that fulfill the 4Rs Rule: “Reduce, Recycle, Reuse and Replace”.

We source from around the world with over 70% of suppliers and contractors based in Hong Kong to support the local economy.

(B) SOCIAL (Continued)

(III) Operating Practices (Continued)

(ii) Product Responsibility

We observe codes and guidelines for TV programme service licensees, along with various legislations including:

- Broadcasting Ordinance;
- Broadcasting (Miscellaneous Provisions) Ordinance;
- Telecommunications Ordinance; and
- Competition Ordinance.

We also have various internal guidelines or codes of practices for different functions and divisions, and different trainings for staff development.

Service Commitment

We were awarded ISO 9001:2008 Quality Management System certification & ISO 10002:2014 Quality Management — Customer Satisfaction certification, covering after-sales services and customer cases management, by SGS Hong Kong Limited in March 2016.

We place customer experience as our priority. A Quality Management System in line with the requirements of the ISO standards is implemented to improve our hotline and customer care services, and to uplift installation and maintenance standards. We address customer complaints in a timely, fair and unbiased manner. Customer views are regularly collected and analyzed through customer satisfaction surveys.

Intellectual Property Rights

We have Corporate General IT Control Policies and Procedures in place to manage, protect and monitor IT systems and data. We do not use unauthorized software or copying of copyrights works.

Personal Data Policy

We respect individuals' legal rights to privacy, and strictly abide by the Personal Data (Privacy) Ordinance in collecting, holding, processing and using customers' personal data. In addition to establishing policies and operation guidelines, we issue periodic reminders and deliver regular briefings to frontline staff to remind them the importance of protecting personal data.

We protect the confidentiality of our customer data by implementing layers of security (IT controls) to prevent loss or leakage of customer data. Our Corporate General IT Control Policies and Procedures also ensure data security and IT system user access control.

No substantiated complaints regarding breach of the Personal Data (Privacy) Ordinance were received in 2016.

(iii) Anti-corruption

The Company prohibits bribery and corruption practices. It has Circular, Employee Handbook & Company Policy posted on intranet web link regarding standard code of ethics:

(1) Corporate Code of Ethical Standards on prevention of bribery, gambling, collections and insider dealing; and
(2) Policy on reporting potential non-compliance and conflict of interest.

Under the Group's Code of Conduct, all staff are required to abide by the laws on anti-corruption, e.g. Prevention of Bribery Ordinance.

There was no legal case brought against our employees in corruption practices in 2016.

Whistle Blowing

Staff is obliged to report alleged material non-compliance to the Company, which will be investigated. Those found in violation are subject to appropriate disciplinary action.

(C) ENVIRONMENTAL

(I) Emissions

Greenhouse Gas Emission	Year 2016 (tonne)
Scope 1 CO_2 emission	843
Scope 2 CO_2 emission	11,465
Total emission	12,308

i-CABLE takes the following measures to reduce energy consumption in our daily operation:

Electricity consumption

- reduce operation hours of public lighting, escalators and lifts;
- re-zoning for automated switching off air-conditioning & lighting;
- retrofit lighting system by using energy efficient T5 fluorescent tubes and LED lights;
- adjust indoor temperature settings;
- purchase energy efficient office equipment with EELS; and
- provide staff with tips for Green Office.

Fuel consumption

- reduce the number of company vehicles and optimize vehicle utilization;
- regular maintenance to reduce carbon emission and extend the life span of vehicles;
- provide guidelines on proper driving practice; and
- Green driving workshops conducted for our drivers.

Total greenhouse gas emission was 12,308 tonnes in 2016.

The Group complies with Vehicle Emissions Standard implemented by Environment Protection Department and will phase out pre-euro IV diesel vehicles.

i-CABLE reduces waste emission activities and minimizes waste to landfills through reducing waste generation and recycling.

(II) Use of Resources

Energy Consumption	Year 2016
Electricity (kilowatt-hour)	17,913,312
Diesel (liter)	160,202
Unleaded Petrol (liter)	179,740
Water consumption (m^3)	5,054

Efficient use of energy resources

We focus on the most efficient performance in our daily operation through processes and technologies that provide the best use of production and office equipment.

In addition to electricity, fuel used in the Company's vehicle fleet is receiving special attention for greater efficiency. Regular check-up and phasing out of pre-euro IV diesel vehicles is carried out. The amount of energy corresponding to the consumption of diesel oil in 2016 was equivalent to 160,202 liters (2015: 168,265 liters).

We encourage our staff to use less water. In 2016, i-CABLE consumed 5,054 m^3 of water.

(III) The Environment and Natural Resources

i-CABLE protects natural resources by green purchasing such as recycled paper, toner and cartridge. We reduce the quantity of copying paper, use duplex printing, print on used paper, use copier networking for faxing and document storage. We have implemented electronic leave application, internal documents approvals and EDI with business partners etc. Paper consumption of 21.02 tonnes was recorded in 2016.

Type and amount of waste recycled

Paper and Paper Product (tonne)	Production Equipment (piece)	Plastics (Video Tape) (piece)	Cartridge (piece)	Office Equipment and Computers (piece)	Batteries and Charger Accessories (piece)
27	1,123	12,541	1,200	720	343

FINANCIAL REVIEW

A. REVIEW OF 2016 RESULTS

Consolidated revenue decreased by HK$103 million or 7% to HK$1,406 million.

Operating costs before depreciation decreased by HK$25 million to HK$1,504 million. Programming costs decreased by 3%, selling, customer services, general & administrative expenses 1%, cost of sales on par, while network costs increased by 4%.

Partly due to one-off charges, EBITDA loss increased to HK$98 million (2015: HK$19 million) while net loss increased to HK$313 million (2015: HK$233 million). Basic and diluted loss per share was HK$0.16 (2015: HK$0.12).

B. SEGMENTAL INFORMATION

Television

Revenue decreased by 8% to HK$1,043 million on lower subscription and advertising income. Operating costs before depreciation increased by 1% to HK$1,185 million. EBITDA loss was HK$142 million (2015: HK$46 million).

Internet & Multimedia

Revenue decreased by 4% to HK$336 million. Operating costs before depreciation decreased by 4% to HK$197 million. EBITDA decreased by 3% to HK$138 million (2015: HK$143 million).

C. LIQUIDITY AND FINANCIAL RESOURCES

As of December 31, 2016, the Group had net debt of HK$484 million, as compared to HK$218 million at December 31, 2015. The ratio of net debt to total equity was 95.8% (2015: 26.6%).

Consolidated net asset value as at December 31, 2016 was HK$505 million, or HK$0.25 per share.

The Group's assets, liabilities, revenues and expenses were mainly denominated in Hong Kong or U.S. dollars and the exchange rate between these two currencies has remained pegged.

Capital expenditure during the period amounted to HK$238 million (2015: HK$207 million). Major items included network equipment, TV production and broadcast facilities as well as the new FANhub set-top-box.

The Group's ongoing capital expenditure and new business development will be funded by internal cash flows generated from operations and credit facilities. Recurrent losses have significantly weakened the liquidity position and increased the dependency on external financing, currently short term in tenor.

D. CONTINGENT LIABILITIES

At December 31, 2016, there were contingent liabilities in respect of guarantees, indemnities and letters of awareness given by the Company on behalf of subsidiaries relating to overdraft and guarantee facilities of borrowings up to HK$806 million (2015: HK$606 million), of which HK$590 million (2015: HK$300 million) was utilised by the subsidiaries.

E. HUMAN RESOURCES

The Group had 2,137 employees at the end of December 2016 (2015: 2,186). Total gross salaries and related costs incurred in the period amounted to HK$700 million (2015: HK$697 million).

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended December 31, 2016, the Company has applied the principles set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and all the code provisions contained therein were met by the Company, with the exception of one deviation as set out under section (D) below.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors of the Company and all of them have confirmed that they have complied with the required standard set out in the Model Code during the financial year ended December 31, 2016.

(C) BOARD OF DIRECTORS

(I) Composition of the Board, number of Board/General meetings and Directors' attendance

The Company's Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Five Board meetings and one general meeting were held during the financial year ended December 31, 2016. The composition of the Board and attendance of the Directors are set out below:

	Attendance/Number of Meeting(s)	
Directors	**Board Meetings**	**General Meeting**
Chairman and Chief Executive Officer		
Stephen T H Ng	5/5	1/1
Chief Financial Officer		
William J H Kwan	4/5	1/1
Non-executive Director		
Paul Y C Tsui	5/5	1/1
Independent Non-executive Directors		
Herman S M Hu	4/5	1/1
Roger K H Luk	5/5	1/1
Sherman S M Tang	4/5	1/1
Patrick Y W Wu	5/5	1/1

Each Director of the Company has been appointed on the strength of his calibre, experience and stature, and his potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions.

(II) Board Diversity

The Company's Board has adopted a Board Diversity Policy (the "Policy"). Under the Policy, the Company recognises and embraces the benefits of having a diverse Board with a vision for the Company to achieving a sustainable and balanced development. Appointments of Directors are made on merits while having due regard for the benefits of diversity of the Board.

At present, more than half of the Directors on the Board are Independent Non-executive Directors ("INED(s)"). They represent diverse career experience in both international and local enterprises. They bring with them diverse professional backgrounds, spanning property development and investment, banking, legal, valuation and advisory, hospitality and entrepreneurship. They also hold or have held important public service positions in Hong Kong and China, covering business, industry and commerce, sports, education, regulatory and politics.

(C) BOARD OF DIRECTORS (Continued)

(II) Board Diversity (Continued)

The Board composition reflects various cultural and educational backgrounds, professional development, length of service, knowledge of the Company and a broad range of individual attributes, interests and values. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board will continue to review its composition from time to time taking into consideration specific needs for the Group's business.

(III) Operation of the Board

The Company is headed by an effective Board which makes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

(IV) Directors' Continuous Professional Development

The Company has arranged for Directors to attend training sessions and forums which place emphasis on the roles, functions and duties of a listed company director, as well as the development of regulatory updates and issues. All Directors are required to provide training records to the Company and the training records are maintained by the Company Secretary.

According to the records of training maintained by the Company Secretary, all the current Directors have, during the financial year under review, pursued continuous professional development and relevant details are set out below:

Directors	**Type of trainings** *(See Remarks)*
Stephen T H Ng	A, B
William J H Kwan	A, B
Paul Y C Tsui	A, B
Herman S M Hu	A, B
Roger K H Luk	A, B
Sherman S M Tang	A, B
Patrick Y W Wu	A, B

Remarks:

A: attending seminars and/or conferences and/or forums

B: reading journals, updates, articles and/or materials, etc.

(D) CHAIRMAN AND CHIEF EXECUTIVE

Mr Stephen T H Ng serves as the Chairman and Chief Executive Officer of the Company. This is a deviation from Code Provision A.2.1 with respect to the roles of chairman and chief executive (or chief executive officer) to be performed by different individuals. The relevant arrangement is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, with more than half of them being INEDs.

(E) APPOINTMENT AND RE-ELECTION OF DIRECTORS

Under the Company's Articles of Association, all Directors are subject to retirement at an annual general meeting at least once every three years and are subject to re-election. The Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any such new Director shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at the same general meeting.

The re-election of each of those INEDs who has served on the Board for more than nine years is subject to (i) a separate resolution to be approved by Shareholders at the relevant Annual General Meeting; and (ii) further information being given to Shareholders together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected.

(F) BOARD COMMITTEES

(I) Audit Committee

The Company has set up an audit committee (the "AC") with majority of the members being INEDs. The AC comprises Mr Roger K H Luk (an INED and the chairman of the AC), Mr Paul Y C Tsui (a Non-executive Director) and Mr Patrick Y W Wu (an INED).

No member of the AC is a former partner of the existing audit firm of the Company during the one year after he ceases to be a partner of the audit firm. All AC members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Mr Roger K H Luk has the appropriate professional qualifications or experience in financial matters.

Three AC meetings were held during the financial year ended December 31, 2016. Attendance of the AC members is set out below:

Members	**Attendance/Number of Meetings**
Roger K H Luk, Chairman	3/3
Patrick Y W Wu	3/3
Paul Y C Tsui	3/3

(F) BOARD COMMITTEES (Continued)

(I) Audit Committee (Continued)

(i) The terms of reference of the AC are aligned with the provisions set out in the CG Code and the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the AC:

(A) Relationship with the Company's external auditors

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;

(b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The AC should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences; and

(c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The AC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

(B) Review of financial information of the Company

(a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the AC should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(b) regarding (B)(a) above:

(i) the AC should liaise with the Company's Board and Senior Management and must meet, at least twice a year, with the Company's external auditors; and

(ii) the AC should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, or for compliance function or auditors (internal or external).

(F) BOARD COMMITTEES (Continued)

(I) Audit Committee (Continued)

(C) Oversight of the Company's financial reporting system, and risk management and internal control systems

(a) to review the Company's risk management and internal control systems covering all controls; including financial, operational and compliance controls, with the support of the Risk Management and Internal Control Committee;

(b) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budgets of the Company's accounting, internal audit and financial reporting functions;

(c) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings and review the statements concerning risk management and internal control to be included in the annual report;

(d) to ensure co-ordination between the internal and external auditors, to review and approve the annual internal audit plan, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company for it to carry out an analysis and independent appraisal of the adequacy and effectiveness of the Company's financial reporting system and risk management and internal control systems, and to review and monitor the effectiveness of the internal audit function;

(e) to review the Group's financial and accounting policies and practices;

(f) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

(g) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

(h) to report to the Board on the matters in the Code Provisions in the Listing Rules;

(i) to establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

(j) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The AC should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(k) to act as the key representative body for overseeing the Company's relations with the external auditors; and

(l) to consider other topics, as defined by the Board.

(F) BOARD COMMITTEES (Continued)

(I) Audit Committee (Continued)

(D) Review and reassessment of these terms of reference

At least annually, the AC shall review and reassess the adequacy of these terms of reference and recommend any proposed changes to the Board for approval.

(E) Oversight of the Company's Corporate Governance Matters

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and Senior Management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to consider other topics, as defined by the Board.

(ii) The Group has adopted and established a Whistleblowing Policy & Procedures. The Company's AC has the delegated authority and responsibility, for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence, with the Head of Human Resources Department, and any and all relevant complaints received may then be referred to the AC and/or Chief Executive Officer about possible improprieties in any matter related to the Group.

(iii) The work performed by the AC for the financial year ended December 31, 2016 is summarised below:

(a) review of the annual audit plan of the external auditors before the audit commences, and discussion with them about the nature and scope of the audit;

(b) approval of the remuneration and the appointment and the terms of engagement of the external auditors;

(c) review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

(d) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(B) above regarding the duties of the AC;

(e) review of the internal audit report and annual audit plan of the internal audit function and its effectiveness;

(f) review of the Group's risk management and internal control systems and the statements concerning risk management and internal control to be included in the annual report;

(g) meeting with the external auditors without executive Board members present;

(F) BOARD COMMITTEES (Continued)

(I) Audit Committee (Continued)

(h) review of whistle-blowing cases and relevant investigation results;

(i) review of the corporate governance matters of the Group; and

(j) review of and monitoring of the Group's compliance with legal and regulatory requirements.

(II) Compensation Committee

The Company has set up a Compensation Committee (the "CC") consisting of two INEDs. The CC comprises Mr Patrick Y W Wu (as the chairman of the CC) and Mr Roger K H Luk.

One CC meeting was held during the financial year ended December 31, 2016. Attendance of the CC members is set out below:

Members	Attendance/Number of Meeting
Patrick Y W Wu, Chairman	1/1
Roger K H Luk	1/1

(i) The terms of reference of the CC are aligned with the provisions set out in the CG Code. Given below are the main duties of the CC:

(a) to make recommendations to the Board on the Company's policy and structure for remuneration of all Directors and Senior Management, and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives;

(c) either:

(i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management; or

(ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and Senior Management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(F) BOARD COMMITTEES (Continued)

(II) Compensation Committee (Continued)

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(i) to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Listing Rules;

(j) to decide with respect to the Employee Share Option Scheme (if any):

(i) the Employees to whom Options shall be granted;

(ii) the number of Shares subject to each Option;

(iii) the date on which Options shall be granted; and

(iv) the Subscription Price; and

(k) to review any compensation related or other issues as requested by the Board.

(ii) The work performed by the CC, which has the delegated authority and responsibility, for the financial year ended December 31, 2016 is summarised below:

(a) review of the Company's policy and structure for all remuneration of Directors and Senior Management;

(b) consideration and approval of the emoluments for all Directors and Senior Management; and

(c) review of the level of fees for Directors and AC members.

The basis of determining the emoluments payable to its Directors and Senior Management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the fee payable to each of the Directors of the Company, currently at the rate of HK$60,000 per annum, and the fee payable to each of those Directors who are also members of the AC of the Company, currently at the rate of HK$20,000 per annum, is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(III) Nomination Committee

The Company has set up a Nomination Committee (the "NC") with the majority of its members being INEDs. The NC comprises the Chairman of the Company, namely, Mr Stephen T H Ng (as the chairman of the NC), and two INEDs, namely, Mr Patrick Y W Wu and Mr Roger K H Luk.

(F) BOARD COMMITTEES (Continued)

(III) Nomination Committee (Continued)

The terms of reference of the NC are aligned with the provisions set out in the CG Code. Given below are the main duties of the NC:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of INEDs; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the chief executive.

During the financial year ended December 31, 2016, no physical meeting of the NC was held and nomination matters, if any, requiring NC's approval and/or recommendation were arranged by means of circulation of written resolutions.

(IV) Corporate Governance Functions

While the Board is and remains to be principally responsible for the corporate governance functions of the Company, it has delegated the relevant duties to the AC to ensure the proper performance of corporate governance functions of the Company. In this connection, the terms of reference of the AC include various duties relating to corporate governance matters which are set out in paragraph "(E) Oversight of the Company's Corporate Governance Matters" on page 19 under sub-section "(I) Audit Committee" of section "(F) BOARD COMMITTEES" above.

(G) AUDITORS' REMUNERATION

The fees in relation to the audit services for the financial year ended December 31, 2016 provided by KPMG, the external auditors of the Company, amounted to HK$3.1 million.

(H) RISK MANAGEMENT AND INTERNAL CONTROLS

(I) Risk Governance

The risk management and internal control systems ("RM&IC Systems") of the Group comprises a well-defined governance structure, with areas of responsibility and limits of authority of each business and operational unit clearly delineated to ensure effective checks and balances. Internal control policies, procedures and guidelines have been compiled to safeguard assets against unauthorised use or disposition, maintenance of proper records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations.

(H) RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

(I) Risk Governance (Continued)

The Board of Directors acknowledges its ultimate responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving strategic objectives and for maintaining the RM&IC Systems as well as monitoring their effectiveness. Management is tasked with the design, implementation and monitoring of the systems. The AC has been delegated by the Board to oversee the systems and is supported by the Risk Management and Internal Control Committee ("RMICC"), which provides assessment and assurance on risk and internal control oversight.

As the last line of defence, the internal audit function monitors compliance with policies and standards and carries out an analysis and independent appraisal of the adequacy and effectiveness of the RM&IC Systems across the Group. Findings regarding risk management and internal control matters are reported to the AC, in line with the annual audit plan reviewed by AC, and communicated to the business or corporate units concerned. The external auditors have access to the full set of internal audit reports.

Notwithstanding the above, the RM&IC Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

(II) Risk Management Processes and Practices

Management maintains a risk register to identify major risks, which are then categorized into business risks, financial risks, compliance risks and operational & other risks. The risks identified are evaluated in terms of individual likelihood of occurrence, severity of consequence, priority and the existence of early warning signal. Based on the results of the assessment, management will determine the appropriate risk response: acceptance, transfer, elimination, reduction or sharing, and formulate corresponding control activities and mitigation measures. The risk profile will be reviewed and the risk register will be updated on an ongoing basis to incorporate any change in the nature and extent of significant risks. Internal control deficiencies, if any, are communicated to the responsible parties for taking corrective action.

The AC, through the RMICC, conducts annual review of the effectiveness of the RM&IC Systems and procedures covering all controls, including financial, operational and compliance controls, by way of the above risk identification and assessment exercise. Confirmation from management, in the form of certification that risk management and internal control procedures are functioning effectively to meet the respective financial reporting, operational and compliance needs, is obtained from business and corporate unit heads.

To ensure timely, fair, accurate and complete disclosure of inside information and for compliance with the applicable laws and regulations, the Group has in place, as an internal control element, a Disclosure Policy of Price Sensitive Information providing guidance on reporting and dissemination of inside information and preservation of confidentiality. Under the policy, Directors or heads of business units shall report to Chairman/ Chief Financial Officer any potential/suspected inside information event as soon as practicable when it materializes for determining the nature of developments, and if required, making disclosure. All staff are also required to observe the Code of Ethical Standards to keep non-public information confidential.

(III) Periodical Reviews

During the year ended December 31, 2016, the AC has, on behalf of the Board, conducted review of the RM&IC Systems, including the adequacy of, inter alia, resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. Written management confirmation on the effectiveness of the RM&IC Systems has been received.

(H) RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

(III) Periodical Reviews (Continued)

The results of the review were reported by the AC to the Board, based on which the Directors concluded that, for the financial year ended December 31, 2016, the RM&IC Systems and procedures of the Group were effective and adequate and the Group has complied with the provisions in the CG Code regarding risk management and internal control.

(I) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the financial statements for the financial year ended December 31, 2016, which give a true and fair view of the financial position of the Group as a whole as at the end of the financial year and of the Group's financial performance and cash flows for the year then ended and in compliance with the requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "CO") and the applicable disclosure provisions of the Listing Rules.

The responsibilities of the external auditors are to form an independent opinion, based on the audit, on the financial statements.

In preparing the financial statements for the financial year ended December 31, 2016:

(i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;

(ii) prudent and reasonable judgements and estimates are made; and

(iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(J) COMMUNICATION WITH SHAREHOLDERS

A Shareholders Communication Policy has been adopted by the Company to ensure that Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are published/printed and printed copies of such reports or notifications of publication thereof on the Company's website are sent to all Shareholders. Such reports and press releases are posted and are available for download at the Company's corporate website www.i-cablecomm.com. In addition, the Company makes full use of the Internet to make information broadly available to Shareholders. The Company's website provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company's Board. Constantly being updated in a timely manner, the website also contains a wide range of additional information on the Group's business activities. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and to stay informed of the Group's strategy and goals.

The Directors and external auditors attend the Annual General Meetings to answer Shareholders' questions.

(K) SHAREHOLDERS' RIGHTS

(I) Convene a General Meeting

Pursuant to Section 566 of the CO, on written requisition by Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings, the Directors of the Company must convene a general meeting.

(II) Send Enquiries to the Board

The Company's corporate website (www.i-cablecomm.com) provides email address (for enquiry purpose only), postal address, fax number and telephone number by which Shareholders may at any time address their enquiries to the Company's Board.

(III) Make Proposals at General Meetings

(i) The procedures for proposing candidate(s) for election as Director(s) at a Shareholders' meeting are set out in the Corporate Information section of the Company's corporate website.

(ii) The procedures for proposing resolution(s) to be moved at the Company's Annual General Meeting(s) are as follows:

Pursuant to Section 615 of the CO, Shareholder(s) can submit a written requisition to move a resolution at the Company's Annual General Meeting(s) if they represent:

- at least 2.5% of the total voting rights of all Shareholders who have a right to vote at the Annual General Meeting to which the requests relate; or
- at least 50 members who have a right to vote on the resolution at the Annual General Meeting to which the requests relate.

The relevant written requisition must:

(a) identify the resolution of which notice is to be given;

(b) be authenticated by the person or persons making it; and

(c) be received by the Company not later than 6 weeks before the relevant Annual General Meeting to which the requests relate; or if later, the time at which notice is given of that meeting.

Any written requisitions from Shareholders to the Company pursuant to Sections 566 and 615 of the CO must be deposited at the Company's registered office (16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong).

(L) AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

There was no significant change in the Company's constitutional documents during the financial year.

(M) SUBSEQUENT EVENT

Subsequent to the Board's approval and announcement of the Group's preliminary 2016 results on February 23, 2017 and as described in the announcement issued by the Company on March 9, 2017, the Company received a notice from The Wharf (Holdings) Limited ("Wharf") on March 9, 2017, the intermediate holding company and controlling shareholder of the Company, indicating that the board of Wharf had resolved not to provide any further funding commitments to any of the Company and its subsidiaries for its business operations. For details and implications of this event, please refer to note 1(b) (Basis of Preparation of the Financial Statements) on pages 52 to 53 set out in the Notes to the Financial Statements.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended December 31, 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its subsidiaries which principally affected the results, assets or liabilities of the Group are set out in Note 15 to the Financial Statements on page 75.

BUSINESS REVIEW

Discussion and analysis of the Group's business in accordance with Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "CO") are covered in different sections of this Annual Report as set out below, which shall form an integral part of this Directors' Report:

(a) Review of the Group's business and analysis using key performance indicators — Chairman's Statement (page 4), Business Review (pages 5 to 6) and Financial Review (page 13)

(b) Principal risks and uncertainties — Principal Risks and Uncertainties Faced by the Group section of Business Review (pages 6 to 7) and Note 27 to the consolidated financial statements (pages 82 to 84)

(c) Future development in the Group's business — Chairman's Statement (page 4) and Outlook section of Business Review (page 7)

(d) Discussion on the Group's environmental policies and performance, compliance with the relevant laws and regulations and an account of the Group's key relationship with its employees, customers and suppliers — Environmental, Social and Governance Report (pages 8 to 12)

RESULTS

The results of the Group for the financial year ended December 31, 2016 are set out in the Consolidated Statement of Profit or Loss and the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 48.

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the financial year ended December 31, 2016.

DONATIONS

The Group made donations during the financial year totalling HK$59,190.

DIRECTORS OF THE COMPANY

The Directors of the Company during the financial year and up to the date of this report are Mr Stephen T H Ng, Mr William J H Kwan, Mr Herman S M Hu, Mr Roger K H Luk, Mr Paul Y C Tsui, Mr Sherman S M Tang and Mr Patrick Y W Wu.

DIRECTORS OF THE COMPANY (Continued)

Messrs Stephen T H Ng, Paul Y C Tsui and Patrick Y W Wu will retire by rotation from the Board at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS OF SUBSIDIARIES

The names of all persons who, during the financial year and up to the date of this report, serve as directors of all those companies included as subsidiaries in the consolidated financial statements of the Company for the financial year ended December 31, 2016, other than Mr Stephen T H Ng, Mr William J H Kwan and Mr Paul Y C Tsui who are also Directors of the Company, are set out below in alphabetical order of their respective English surnames:

Andrea Limited
Ms Chan Doi Lei Dorothy
Mr Chan King Chuen Lourice
Mr Cheung Ka Lung Tom (ceased to be director of subsidiaries with effect from March 3, 2016)
Mr Chiu Ying Chun Ronald
Mr Fu Wai Hung
Mr Hui Chung Ying Kevin
Mr Ma Wai Shin Vincent (resigned on November 1, 2016)
Ms Oon Hock Neo
Mr Tsang Chin Cheung Samuel
Ms Wong Pui Chee Gigi
Mr Yu Ka Kai

INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement or contract of significance in relation to the Company's business to which any subsidiary of the Company or the ultimate holding company of the Company or any subsidiary of such ultimate holding company was a party and in which a Director of the Company or any entities connected with a Director of the Company (such connected entities being construed in accordance with the CO) had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during that financial year.

MANAGEMENT CONTRACTS

There was in existence during the year ended December 31, 2016 a management services agreement dated November 1, 1999 with Wharf Limited (a wholly-owned subsidiary of The Wharf (Holdings) Limited ("Wharf")), as revised by supplemental agreements, whereby Wharf Limited agreed to continue to provide or procure the provision of services including corporate secretarial services, treasury services, provision of management personnel and other general corporate services to the Group for a term expiring on December 31, 2017. Mr Stephen T H Ng and Mr Paul Y C Tsui are directors of Wharf and/or Wharf Limited and are accordingly regarded as interested in the said agreement.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, any of its subsidiaries, its ultimate holding company or any subsidiary of such ultimate holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, with the exception that during the year, there existed certain outstanding options to subscribe for ordinary shares of Wharf, the Company's parent company, and of Wheelock and Company Limited ("Wheelock"), the Company's ultimate holding company, granted under Wharf's share option scheme and Wheelock's share option scheme respectively to certain employees/directors in Wharf group and in Wheelock group respectively, some of whom were Directors of the Company during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES (Continued)

Under the respective rules of the two schemes (such rules being subject to the relevant laws and regulatory provisions applicable from time to time), shares of Wharf and/or Wheelock would be issued at such prices as being not less than the highest of (i) the indicative price as specified in the written offer; (ii) the closing price on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the options; and (iii) the average closing price on the Stock Exchange for the five trading days immediately preceding the date of grant; and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant of relevant options, as determined by the board of directors of Wharf and/or Wheelock respectively.

During the financial year, 300,000 ordinary shares of Wharf and 300,000 ordinary shares of Wheelock were allotted and issued to Mr Paul Y C Tsui on his exercises of options under the abovementioned share option schemes respectively.

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into by the Company during the financial year or subsisted at the end of the financial year.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, every Director is entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution and/or discharge of his duties and/or the exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office, to the extent as permitted by laws.

The Company has, in conjunction with Wharf (its parent company), Wheelock (its ultimate holding company), and Harbour Centre Development Limited (a listed fellow subsidiary, "HCDL") maintained directors' liability insurance which is in force throughout the financial year and up to the date of this report to provide appropriate insurance cover for all directors of the Company and directors of the Company's subsidiaries.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

AUDITORS

The Financial Statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

OTHER CORPORATE INFORMATION

Other corporate information supplementary to this Report of the Directors are set out on pages 29 to 39.

By Order of the Board
Kevin C Y Hui
Company Secretary

Hong Kong, March 15, 2017

SUPPLEMENTARY CORPORATE INFORMATION

(A) Biographical Details of Directors and Senior Managers etc.

(i) Directors

Stephen Tin Hoi NG, *Chairman and Chief Executive Officer (Age: 64)*

Mr Ng has been Director and Chief Executive Officer of the Company since 1999 and became its Chairman in August 2001. He also serves as a member and the chairman of the Company's Nomination Committee. Among other listed companies in Hong Kong and Singapore, he is the deputy chairman of Wheelock, the ultimate holding company of the Company, and the chairman and managing director of Wharf, of which the Company is a subsidiary, the chairman of HCDL and Wheelock Properties (Singapore) Limited ("WPSL"), subsidiaries of Wharf and Wheelock respectively, and the non-executive chairman of Joyce Boutique Holdings Limited ("Joyce"), as well as a non-executive/non-independent director of Hotel Properties Limited, an associate of Wheelock. He was formerly a non-executive director of publicly listed Greentown China Holdings Limited ("Greentown") until his resignation in March 2015.

Mr Ng was born in Hong Kong in 1952, and grew up in Hong Kong. He attended Ripon College in Ripon, Wisconsin, USA and the University of Bonn, Germany, from 1971 to 1975, and graduated with a major in mathematics. He is the chairman of Project *WeCan* Committee and Hong Kong General Chamber of Commerce, and a council member of the Employers' Federation of Hong Kong ("EFHK") and Hong Kong Trade Development Council.

The basic salary and various allowances (covered by service contract) of Mr Ng for the year 2017, calculated on an annualised basis, would be approximately HK$2.01 million (2016: HK$1.95 million) per annum.

William Jut Ho KWAN, *Director and Chief Financial Officer (Age: 53)*

Mr Kwan was appointed Chief Financial Officer in January 2006 and a Director of the Company in February 2007. He is responsible for finance, accounting, planning, corporate development, investor relations, broadcasting and engineering operations, commercial dealings with acquired channels, human resources, administration, legal and regulatory affairs. He is also a director of certain subsidiaries of the Company. Under the existing service contract between the Group and Mr Kwan, his basic salary and various allowances for the year 2017, calculated on an annualised basis, would be approximately HK$2.23 million (2016: HK$2.23 million) per annum.

Herman Shao Ming HU, *BBS, JP, Director (Age: 62)*

Mr Hu, *BSc, FCIBSE, FHKIE, MIEEE. C. Eng.*, has been an Independent Non-executive Director ("INED") of the Company since 2012. He is the chairman of Ryoden Development Limited. Mr Hu has been elected to be a Deputy of the 12th National People's Congress. He is also the Council Chairman of City University of Hong Kong, a general committee member, executive committee member and chairman of Mainland China Committee of EFHK, the Vice-President of the Sports Federation & Olympic Committee of Hong Kong, China, a member of Council on Human Reproductive Technology, an Honorary Court Member of Hong Kong University of Science & Technology, a member of the Election Committee of the Government of the HKSAR and the Vice Patron of The Community Chest of Hong Kong.

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(A) Biographical Details of Directors and Senior Managers etc. (Continued)

(i) Directors (Continued)

Roger Koon Hoo LUK, *BBS, JP, Director (Age: 65)*

Mr Luk, *FHKIB*, has been an INED of the Company since 2010. He also serves as the chairman of the Company's Audit Committee and a member of each of the Company's Compensation Committee and Nomination Committee. He has over 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975, became the bank's director and deputy chief executive in 1994 and then became managing director and deputy chief executive of the bank in 1996 until his retirement in May 2005. Mr Luk is an INED of three companies publicly listed in Hong Kong, namely, China Properties Group Limited, Computime Group Limited and Hung Hing Printing Group Limited, and also an INED of AXA General Insurance Hong Kong Limited and Octopus Cards Limited. Mr Luk was formerly an INED of Wheelock Properties Limited ("WPL", formerly a listed public company until it became a wholly-owned subsidiary of Wheelock in July 2010) from February 2008 to July 2010. He also serves as a council member and the treasurer of The Chinese University of Hong Kong, and a non-executive director (non-official) of Urban Renewal Authority. Mr Luk also served in the past on the Court and Council of Hong Kong Baptist University, the Advisory Committee on New Broad-based Taxes, the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government, the Statistics Advisory Board, the Broadcasting Authority, the Advisory Committee and the Investor Education Advisory Committee of the Securities and Futures Commission, the Barristers Disciplinary Tribunal Panel and the Town Planning Board. He was an appointed member of the Hong Kong Legislative Council from 1992 to 1995, and also a member of the first Election Committee of the Legislative Council.

Mr Luk graduated with a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and also holds a Master of Business Administration Degree granted by The Chinese University of Hong Kong. He is also a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services.

Sherman Sing Ming TANG, *Director (Age: 59)*

Mr Tang has been appointed an INED of the Company since 2014. He holds a Master degree in Electrical Engineering and a degree of Doctor in Medicine from the University of Southern California, the United States of America. Mr Tang is a seasoned entrepreneur in the hospitality industry and has over 20 years of experience in investment and operation of restaurants, cafes and bars. He is the founder and owner of the Epicurean Group and also served as the chairman and chief executive officer of Epicurean and Company, Limited, a company listed on the Stock Exchange, until his resignation in November 2016.

Paul Yiu Cheung TSUI, *Director (Age: 70)*

Mr Tsui, *FCCA, FCPA, FCMA, CGMA, CPA, CGA*, has been a Director of the Company since 2009. He also serves as a member of the Company's Audit Committee. He is an executive director and group chief financial officer of Wheelock and a vice chairman and group chief financial officer of Wharf. Mr Tsui joined Wheelock/Wharf group in 1996 and became Wheelock's director in 1998. Furthermore, he is the vice chairman of WPL as well as a director of certain subsidiaries of the Company. He is also a director of Joyce. He is a general committee member of EFHK and chairman of the functional group "Property & Construction". Mr Tsui was formerly a non-executive director of Greentown until his resignation in July 2015 as well as a director of both HCDL and WPSL until his resignation in August 2015.

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(A) Biographical Details of Directors and Senior Managers etc. (Continued)

(i) Directors (Continued)

Patrick Yung Wei WU, *Director (Age: 64)*

Mr Wu has been an INED of the Company since 2007. He also serves as the chairman of the Company's Compensation Committee and a member of each of the Company's Audit Committee and Nomination Committee. Mr Wu is the managing director and Greater China Region leader of Duff & Phelps. Mr Wu has worked both in industry as a senior executive with extensive management experience and in private practice as a lawyer. He was a partner of an international law firm with particular responsibility for China trade advice. Mr Wu was educated in Hong Kong and the United Kingdom. He graduated from the University of London in 1974 with a Bachelor's Degree in Science, and obtained his Master of Business Administration Degree from the Cass Business School, City University in London in 1976. Mr Wu was admitted as a solicitor of the Supreme Court in the UK in 1982 and in Hong Kong also in 1982 and is a member (non-practising) of The Law Society of Hong Kong. He is also an active member of various professional organisations, chambers of commerce and the business community in Hong Kong.

Notes:

(1) Wheelock and Wharf (Mr Stephen T H Ng and Mr Paul Y C Tsui being directors of both of them) have interests in the shares in issue of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

(2) The Company confirms that it has received written confirmation from each of the INEDs confirming their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, and considers them independent.

(ii) Senior Management

Stephen T H NG, *Chairman & Chief Executive Officer*

William J H KWAN, *Director & Chief Financial Officer*

Ronald Y C CHIU, *Executive Director, i-CABLE News Limited and i-CABLE Sports Limited (Age: 64)*

Mr Chiu was appointed Assistant News Controller in June 1993 and was instrumental in the launch of the first 24-hour Cantonese language News Channel in the world. Mr Chiu was promoted to News Controller in 1994 and appointed as Vice President, News & Sports in 2002. He became an executive director of i-CABLE News Limited and i-CABLE Sports Limited in September 2005 responsible for operating channels of the Sports and News platform. Prior to joining the Company, Mr Chiu held various senior news positions in the television industry. His experience spans from reporting, editing, news anchoring; to planning and execution of news coverage as well as management of news operation. He was made Honorary University Fellow of the Hong Kong Baptist University in 2012 in recognition of his contributions to broadcasting news.

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(A) Biographical Details of Directors and Senior Managers etc. (Continued)

(ii) Senior Management (Continued)

Samuel C C TSANG, *Executive Director, i-CABLE Entertainment Limited and Hong Kong Cable Enterprises Limited (Age: 60)*

Mr Tsang was appointed Enterprises Director in 1995 to take charge of international programme licensing and advertising sales for the station. He became Chief Operating Officer of Hong Kong Cable Enterprises Limited ("HKCE") when it was set up in 2000 to take over advertising sales of Hong Kong Cable Television Limited ("HKC"). He became General Manager of both HKCE and Hong Kong Cable News Express Limited on March 1, 2005. Mr Tsang has extensive experience in media and marketing, specialising in new business establishment in Mainland China and Hong Kong. He assumed the additional position of executive director, i-CABLE Entertainment Limited, in March 2011, and is also responsible for the operation and development of the Group's entertainment platform.

Raymond W M CHAN, *Vice President, Network Operations, HKC (Age: 51)*

Mr Chan joined the Company in September 1993 and was responsible for the operations and technical support of broadcasting headend. Throughout his career with the Company, he gained extensive experience in TV broadcasting, telecommunication and data communication engineering. He was appointed Vice President, Network Operations in July 2014, responsible for the development and operation of the Company's pay TV and broadband distribution networks. Mr Chan holds a Bachelor of Engineering degree (First Class Honours) and a Master of Science degree in Electronic Engineering.

Yvonne YUNG, *Assistant Vice President, Subscription Marketing and Sales, HKC (Age: 50)*

Ms Yung first worked for the Access Department of the Company from November 1993 to December 1997. She rejoined the Company in September 2003 and was responsible for managing the corporate sales team. She was appointed Assistant Vice President, Subscription Marketing and Sales in December 2016 to oversee the sales business of Pay TV, Broadband and Telephony services. She has over 20 years of experience in various sectors of the telecommunications field. Ms Yung holds a Bachelor of Arts Degree in Economics from the University of Alberta, Canada.

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(B) Directors' Interests in Securities

(i) Interests in Shares and Debt Securities

At December 31, 2016, Directors of the Company had the following interests, all being personal, beneficial and long position interests, in the shares and/or debt securities of the Company, Wharf (which is the Company's parent company), Wheelock (which is Wharf's parent company), Wharf Finance (No. 1) Limited and Wheelock Finance Limited (both being fellow subsidiaries of the Company). The percentages (where applicable) which the relevant shares represented as compared to the total number of shares in issue of the five relevant companies respectively are also set out below:

	Quantity held (percentage based on number of shares in issue, where applicable)
The Company — Ordinary Shares	
Stephen T H Ng	1,265,005 (0.0629%)
Wheelock — Ordinary Shares *(Note 1)*	
Stephen T H Ng	300,000 (0.0147%)
Wharf — Ordinary Shares *(Note 1)*	
Stephen T H Ng	4,445 (0.0001%)
Wharf Finance (No. 1) Limited	
— HKD Fixed Rate Notes due 2020	
Roger K H Luk *(Note 2)*	HK$4,000,000
Wheelock Finance Limited	
— HKD Guaranteed Notes due 2017	
Roger K H Luk *(Note 2)*	HK$2,000,000

Notes:

(1) The interests in shares disclosed above do not include interests in share options of the Company's associated corporations held by Directors of the Company as at December 31, 2016. Details of such interests in share options are separately set out below under the sub-sections headed "(ii) Interests in Share Options of Wheelock" and "(iii) Interests in Share Options of Wharf".

(2) These represent interests held jointly with another person.

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(B) Directors' Interests in Securities (Continued)

(ii) Interests in Share Options of Wheelock

There was in existence during the financial year a share option scheme of Wheelock (the "Wheelock's Scheme"). Set out below are particulars of all interests (all being personal interests) in options held during the financial year ended December 31, 2016 by the Directors of the Company to subscribe for ordinary shares of Wheelock granted/exercisable under the Wheelock's Scheme:

Name of Director	Total number as at December 31, 2016 (percentage based on number of shares in issue)	Date of grant (Day/Month/Year)	Number of Wheelock's shares under option: As at January 1, 2016	Granted during the year	Exercised during the year	As at December 31, 2016	Subscription price per share (HK$)	Vesting/ exercise period (Day/Month/Year)
Paul Y C Tsui	2,700,000 (0.1327%)	14/06/2013	1,500,000	–	–	1,500,000	39.98	15/06/2013–14/06/2018[(1)]
		07/07/2016	N/A	1,500,000	(300,000)	1,200,000	36.60	08/07/2016–07/07/2021[(2)]

Notes:

(1) *The share options of Wheelock granted on June 14, 2013 outstanding as at both January 1, 2016 and December 31, 2016 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wheelock's share options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wheelock's shares and with the 1st, 2nd, 3rd, 4th and 5th tranche being exercisable from 15th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.*

(2) *The share options of Wheelock granted on July 7, 2016 outstanding as at both the date of grant and December 31, 2016 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wheelock's share options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wheelock's shares and with the 1st, 2nd, 3rd, 4th and 5th tranche being exercisable from 8th of July in the years 2016, 2017, 2018, 2019 and 2020 respectively. The relevant options as at December 31, 2016 held by Mr Paul Y C Tsui will be vested in four tranches, with each tranche covering options for 300,000 Wheelock's shares being exercisable from 8th of July in the years 2017, 2018, 2019 and 2020 respectively.*

(iii) Interests in Share Options of Wharf

There was in existence during the financial year a share option scheme of Wharf (the "Wharf's Scheme"). Set out below are particulars of all interests (all being personal interests) in options held during the financial year ended December 31, 2016 by the Directors of the Company to subscribe for ordinary shares of Wharf granted/exercisable under the Wharf's Scheme:

Name of Director	Total number as at December 31, 2016 (percentage based on number of shares in issue)	Date of grant (Day/Month/Year)	Number of Wharf's shares under option: As at January 1, 2016	Granted during the year	Exercised during the year	Lapsed during the year	As at December 31, 2016	Subscription price per share (HK$)	Vesting/ exercise period (Day/Month/Year)
Stephen T H Ng	7,000,000 (0.2309%)	04/07/2011	1,500,000	–	–	(1,500,000)	0	55.15	05/07/2011–04/07/2016[(1)]
		05/06/2013	2,000,000	–	–	–	2,000,000	70.20	06/06/2013–05/06/2018[(2)]
		07/07/2016	N/A	5,000,000	–	–	5,000,000	46.90	08/07/2016–07/07/2021[(3)]
Paul Y C Tsui	2,200,000 (0.0726%)	04/07/2011	1,200,000	–	–	(1,200,000)	0	55.15	05/07/2011–04/07/2016[(1)]
		05/06/2013	1,000,000	–	–	–	1,000,000	70.20	06/06/2013–05/06/2018[(2)]
		07/07/2016	N/A	1,500,000	300,000	–	1,200,000	46.90	08/07/2016–07/07/2021[(3)]

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(B) Directors' Interests in Securities (Continued)

(iii) Interests in Share Options of Wharf (Continued)

Notes:

(1) The share options of Wharf granted on July 4, 2011 outstanding as at both January 1, 2016 and July 4, 2016 (the date on which the options lapsed) were vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf's share options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares and with the 1st, 2nd, 3rd, 4th and 5th tranche being exercisable from 5th of July in the years 2011, 2012, 2013, 2014 and 2015 respectively, with one exception that the relevant options as at July 4, 2016 held by Mr Paul Y C Tsui were vested in four tranches, with each tranche covering options for 300,000 Wharf's shares being exercisable from 5th of July in the years 2012, 2013, 2014 and 2015 respectively.

(2) The share options of Wharf granted on June 5, 2013 outstanding as at both January 1, 2016 and December 31, 2016 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf's share options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares and with the 1st, 2nd, 3rd, 4th and 5th tranche being exercisable from 6th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.

(3) The share options of Wharf granted on July 7, 2016 outstanding as at both the date of grant and December 31, 2016 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf's share options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares and with the 1st, 2nd, 3rd, 4th and 5th tranche being exercisable from 8th of July in the years 2016, 2017, 2018, 2019 and 2020 respectively. The relevant options as at December 31, 2016 held by Mr Paul Y C Tsui will be vested in four tranches, with each tranche covering options for 300,000 Wharf's shares being exercisable from 8th of July in the years 2017, 2018, 2019 and 2020 respectively.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers, there were no interests, both long and short positions, held as at December 31, 2016 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held by any of them at any time during the financial year.

(C) Substantial Shareholders' Interests

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at December 31, 2016, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the total number of shares in issue of the Company:

	Names	**Number of Ordinary Shares** (percentage based on number of shares in issue)
(i)	The Wharf (Holdings) Limited	1,485,259,171 (73.84%)
(ii)	Wheelock and Company Limited	1,485,259,171 (73.84%)
(iii)	HSBC Trustee (C.I.) Limited ("HSBC CI")	1,485,259,171 (73.84%)

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(C) Substantial Shareholders' Interests (Continued)

Notes:

(1) The total number of shares of the Company in issue as at December 31, 2016 was 2,011,512,400.

(2) Duplication occurs in respect of the shareholdings stated against parties (i) to (iii) above to the extent that they represented the same block of shares.

(3) HSBC CI's deemed shareholding interests stated above were held by virtue of its 48.98% shareholding interest in Wheelock. HSBC CI held the interest in Wheelock as trustee of a trust.

(4) Wheelock's deemed shareholding interests stated above were held by virtue of its 61.03% shareholding interest in Wharf which were held through, inter alia, its two wholly-owned subsidiaries, namely, Wheelock Investments Limited and WF Investment Partners Limited.

(5) Wharf's deemed shareholding interests stated above were held through its wholly-owned subsidiary, namely, Wharf Communications Limited.

All the interests stated above represented long positions and as at December 31, 2016, there were no short position interests recorded in the Register.

(D) Retirement Scheme and Mandatory Provident Fund

The principal retirement scheme operated by the Group is a defined contribution retirement scheme for its employees, established under a trust deed. Other fellow subsidiaries of the Company also participate in the scheme.

The scheme is funded by contributions from employees and employers. The employees and employers contribute respectively to the scheme sums which represent percentages of the employees' salaries as defined under the trust deed. Forfeited contributions may be utilised by the employers to reduce contributions.

The Group's principal retirement scheme is closed to new employees joining after October 1, 2000 while existing members of the scheme can continue to accrue future benefits.

Employees joining after October 1, 2000 will participate in the Mandatory Provident Fund, which is not operated by the Group, with terms as stipulated by the Mandatory Provident Fund Schemes Authority. The Group will also provide voluntary top-up benefits to employees receiving a monthly basic salary exceeding the statutory limits prescribed by the Mandatory Provident Fund Schemes Ordinance.

For the retirement scheme operated by the Group, retirement scheme costs before capitalisation and charged to the consolidated statement of profit or loss during the financial year ended December 31, 2016 amounted to HK$19,894,272 (2015: HK$19,903,009) which were incurred after utilisation of forfeitures to reduce the Group's contributions of HK$230,539 (2015: HK$286,684).

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(E) Directors' Interests in Competing Business

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules:

Two Directors of the Company, namely, Mr Stephen T H Ng and Mr Paul Y C Tsui, were also directors of Wharf T&T Limited ("WTT") and were considered as having an interest in WTT under Rule 8.10 of the Listing Rules.

WTT holds a Unified Carrier Licence to provide, *inter alia*, telecommunications services to commercial customers and hence a potential competitor of the Group for the provision of facility-based telecommunications services.

Mr Ng and Mr Tsui resigned as directors of WTT in November 2016. Accordingly, they were no longer regarded as having an interest in WTT and therefore ceased to have interest in a business which may compete or is likely to compete, either directly or indirectly, with the Group.

(F) Major Customers and Suppliers

For the financial year ended December 31, 2016:

(i) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases;

(ii) the aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue; and

(iii) none of the Directors of the Company or their close associates holds, nor does any Shareholder of the Company owning (to the knowledge of the Directors) more than 5% of the number of issued shares of the Company hold, any interests in any of the Group's five largest suppliers or customers.

(G) Bank Loans, Overdrafts and Other Borrowings

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at December 31, 2016 which are repayable on demand or within a period not exceeding one year or after one year are set out in Note 21 to the Financial Statements on page 78.

(H) Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended December 31, 2016.

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(I) Disclosure of Connected Transactions

(i) Set out below is information in relation to certain continuing connected transactions (the "Transactions") between the Company (the Company being a 73.8%-owned subsidiary of Wharf) and/or its subsidiaries (together, the "Group") and other subsidiaries or affiliates of Wharf, which were substantially disclosed in the announcement of the Company dated December 19, 2014 and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

Description of the Transactions	Amounts for the financial year ended December 31, 2016 HK$ million
(1) Master Tenancy Agreement	
Amount paid/payable by the Group	49.1
(2) Master Licence Agreement for Wharf group to occupy premises	
Amount received/receivable by the Group	6.4
(3) Master Services Agreement	
1. Amount received/receivable by the Group	8.2
2. Amount paid/payable by the Group	20.0
(4) Management Services Agreement for management services provided by Wharf group	
Amount paid/payable by the Group	9.0

The Transactions are subject to various annual cap amounts previously disclosed in the abovementioned announcement of the Company. The purposes of entering into the Transactions are for the continued operation and growth of the Group's business, for generation of recurrent rental revenue to the Group and/or maintaining revenue stream for the Group.

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(I) Disclosure of Connected Transactions (Continued)

(ii) Confirmation from Directors etc.

The Directors, including the INEDs, of the Company have reviewed the Transactions and confirmed that the Transactions were entered into:

(a) by the Group in the ordinary and usual course of its business;

(b) on normal commercial terms or better; and

(c) according to the agreements governing such Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Group has followed the specific pricing terms set out in the relevant agreements for the Transactions conducted during the year.

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing the auditors' findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 38 of the Annual Report in accordance with Main Board Listing Rules 14A.56. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The auditors of the Company have confirmed that nothing has come to their attention that caused them to believe that the Transactions:

1. had not been approved by the Company's Board of Directors;

2. were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods and services by the Group;

3. were not entered into, in all material aspects, in accordance with the relevant agreements governing the Transactions; and

4. have exceeded the relevant cap amounts, where applicable, during the financial year ended December 31, 2016.

Note: Certain particulars of the related party transactions entered into by the Group during the financial year ended December 31, 2016 under review have been disclosed in Note 30 to the Financial Statements on pages 86 and 87. Those related party transactions also constitute connected transactions (as defined in the Listing Rules) for the Company and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the members of i-CABLE Communications Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of i-CABLE Communications Limited ("the Company") and its subsidiaries ("the Group") set out on pages 48 to 91, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS OF OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1(b) to the consolidated financial statements, which indicates the Group incurred a net loss of HK$313 million during the year ended December 31, 2016 and, as of that date, the Group had net current liabilities of HK$892 million. It also states that subsequent to the year end on March 9, 2017, the Company issued an announcement which described a decision made by its intermediate holding company and controlling shareholder, The Wharf (Holdings) Limited, on their funding commitments to the Company. As stated in note 1(b), these events or conditions, along with other matters as set forth in note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTERS (Continued)

Assessment of impairment of property plant & equipment ("PP&E") and the programming library

Refer to notes 10 and 11 to the consolidated financial statements and accounting policy notes 1(e), 1(g) and 1(q)

The Key Audit Matter	How the matter was addressed in our audit
The carrying values of property, plant & equipment ("PP&E") and the programming library as at December 31, 2016 were HK\$894 million and HK\$169 million, respectively. The Group sustained a loss for the year ended December 31, 2016 of HK\$313 million. Accordingly, management considered that there were indicators of potential impairment of PP&E and the programming library. Management performs an impairment assessment when indicators of impairment are identified. When performing an impairment assessment management uses the value in use model and compares the aggregate carrying values of PP&E and the programming library with the value in use of the cash generating units ("CGUs") to which these assets are allocated, to determine the impairment loss which should be recognised for the year, if any. Value in use is calculated by preparing discounted cash flows for each CGU. The determination of value in use requires the exercise of significant management judgement in determining the assumptions adopted in the cash flow forecasts, in particular in relation to compound annual growth rates, long term growth rates and the discount rates applied. We identified the assessment of potential impairment of PP&E and the programming library as a key audit matter because the impairment assessments prepared by management are complex and contain certain judgemental and subjective assumptions which may be inherently uncertain and could be subject to management bias.	Our audit procedures to assess potential impairment of PP&E and the programming library included the following: • evaluating management's identification of CGUs and the allocation of PP&E and the programming library to the corresponding CGUs; • engaging our internal valuation specialists to assist us in evaluating management's impairment assessment methodology and calculations contained within the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards; • comparing data in the discounted cash flow forecasts with the relevant data, including forecast revenue, forecast programming costs, forecast network expenses and forecast other expenses, in the financial budgets approved by the Group's Chief Executive Officer and Chief Financial Officer; • comparing the compound annual growth rates and long term growth rates adopted in the discounted cash flow forecasts with historical performance and those of comparable companies and external market data; • engaging our internal valuation specialists to assist us in assessing the discount rates applied in the discounted cash flow forecasts with reference to the range adopted by other companies in the same industry; • comparing the revenue and operating costs included in the prior year's discounted cash flow forecasts with the current year's performance to assess the historical accuracy of management's forecasting process and considering the nature of any significant differences; • performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions on the conclusions reached by management and whether there were any indicators of management bias.

KEY AUDIT MATTERS (Continued)

Assessment of impairment of amounts due from subsidiaries (company level statement of financial position)

Refer to note 32 to the consolidated financial statements and accounting policy notes 1(c) and 1(q)

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of amounts due from subsidiaries as at December 31, 2016 was HK$4,318 million, as reflected in the company level statement of financial position. As the carrying value of amounts due from subsidiaries was significantly greater than the Group's net assets as at December 31, 2016, which totalled HK$505 million, management considered that there was an indicator of potential impairment of amounts due from subsidiaries. Management performs an impairment assessment when indicators of impairment are identified. When performing an impairment assessment, management compares the aggregate carrying values of amounts due from subsidiaries with the equity values of the subsidiaries to determine the impairment loss which should be recognised for the year, if any. Equity values were estimated by preparing a discounted cash flow forecast for the operations of the subsidiaries considered in aggregate. The determination of equity values requires the exercise of significant management judgement in determining the assumptions in the discounted cash flow forecast, in particular in relation to the compound annual growth rate, the long term growth rate and the discount rate applied. We identified assessing potential impairment of amounts due from subsidiaries as a key audit matter because of its potential significance to the financial position of the Company and the calculation of the distributable reserves of the Company and because the impairment assessments prepared by management are complex and contain certain judgemental assumptions which can be inherently uncertain and could be subject to management bias.	Our audit procedures to assess potential impairment of amounts due from subsidiaries included the following: • engaging our internal valuation specialists to assist us in evaluating management's impairment assessment methodology and calculations contained within the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards; • assessing the key assumptions and data adopted in the cash flow forecast by: ➢ comparing data in the discounted cash flow forecast with the relevant data, including forecast revenue, forecast programming costs, forecast network expenses and forecast other expenses, in the financial budget approved by the Group's Chief Executive Officer and Chief Financial Officer; ➢ engaging our internal valuation specialists to assist us in assessing whether the discount rate applied in the discounted cash flow forecast was within the range adopted by other companies in the same industries; ➢ comparing the compound annual growth rates and long term growth rate adopted in the discounted cash flow forecast with historical performance and those of comparable companies and external market data; • comparing the revenue and operating costs included in the prior year's discounted cash flow forecast with the current year's performance to assess the accuracy and reliability of management's budget and forecasting processes and considering the nature of any significant differences; • performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecast and assessing the impact of changes in the key assumptions on the conclusions reached by management in its impairment assessment and whether there were any indicators of management bias.

KEY AUDIT MATTERS (Continued)

Assessment of the recoverability of recognised deferred tax assets

Refer to notes 6 and 26(b) to the consolidated financial statements and the accounting policy note 1(n)

The Key Audit Matter	How the matter was addressed in our audit
As at December 31, 2016 the Group had recognised deferred tax assets in respect of the future benefit of unutilised tax losses of HK$352 million. For the year ended December 31, 2016, the Group sustained a consolidated loss before taxation of HK$318 million which may indicate that the recognised deferred tax assets may not be recoverable, in whole or in part. Management recognises deferred tax assets in respect of the future benefit of unutilised tax losses for individual entities, to the extent that it is considered probable that future taxable profits will be available against which the tax losses can be utilised. The determination of the recoverability of deferred tax assets is complex as it requires the exercise of management judgement in estimating future taxable profits and the timing of utilisation of the tax losses. We identified assessing the recoverability of recognised deferred tax assets as a key audit matter because the assessment of recoverability by management is complex and contains certain judgemental assumptions about future taxable profits which may be inherently uncertain and could be subject to management bias.	Our audit procedures to assess the recoverability of recognised deferred tax assets included the following: • evaluating the availability of tax losses recognised, taking into account any unsettled disputes or queries raised by the relevant taxation authorities; • evaluating historical profitability and loss utilisation trends for the entities for which tax losses have been recognised; • challenging management's assessment of the recoverability of recognised deferred tax assets in respect of forecast results and the period over which management expects the losses to be utilised by assessing the relevant subsidiaries' abilities to generate sufficient future taxable income to utilise the available tax losses, which included; ➢ comparing key assumptions in the forecasts of taxable income of the related subsidiaries with those used in the Group's cash flow forecast approved the Group's Chief Executive Officer and Chief Financial Officer and investigating any inconsistencies between the two forecasts; ➢ comparing the revenue and operating costs included in the prior year's forecast with the current year's actual results to assess the reliability of management's budget and forecasting processes and investigating any significant differences; ➢ performing sensitivity analyses of the key assumptions adopted in the forecasts and assessing the impact of changes in the key assumptions on the conclusions reached by management in its assessment and whether there were any indicators of management bias; • comparing the actual tax losses utilised during the current year with the prior year forecast for tax loss utilisation to assess the accuracy and the reliability of management's forecasting process and considering the nature of any significant variations identified.

KEY AUDIT MATTERS (Continued)

Revenue recognition from Television, Internet and Multimedia services

Refer to note 3 to the consolidated financial statements and the accounting policy note 1(l)

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue comprises principally subscriptions for Television, Internet and Multimedia (including Telephony) services. Revenue is recognised when such services are provided, provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. The accounting for revenue recorded in the consolidated financial statements is complex because of the variety of service packages offered to customers and the different information systems utilised by the Group to capture the billings and revenue recognised in this regard. We identified the recognition of revenue from Television, Internet and Multimedia services as a key audit matter because revenue is one of the key performance indicators of the Group and because it involves complex information technology ("IT") systems both of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations.	Our audit procedures to assess the recognition of revenue from Television, Internet and Multimedia services included the following: • utilising our internal IT specialists to assess the design, implementation and operating effectiveness of the Group's IT general control environment in which the subscription, billing and other relevant support systems operate, which included assessing the operating effectiveness of access authorisation controls, program and parameter change controls and computer operation controls; • utilising our internal IT specialists to assess the design, implementation and operating effectiveness of IT application controls over the completeness and accuracy of financial information contained within the subscription and billing systems, which included the preparation of system generated reports and automated journal entries relating to the recording of revenue, deferred revenue (advances from customers) and accounts receivable; • performing analytical procedures, which included predictive analyses and trend analyses, by using subscriber data, subscription prices and historical trends to develop an expectation for subscription revenue from Television, Internet and Multimedia services for the current period and comparing our expectation with the actual revenue recorded by the Group; • using data analytic procedures and risk-based criteria to select a sample of customer billings relating to Television, Internet and Multimedia issued during the year and after the reporting period and comparing the details with underlying documentation, which included sales contracts, account activation records and the revenue amortisation schedule, where applicable, to assess if the customer accounts existed and to assess whether the related revenue and deferred revenue was recognised in accordance with the terms of the sales contracts and the requirements of the prevailing accounting standards and recorded in the appropriate financial period.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chu Ngar Yee.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 15, 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	*3,4*	**1,406,368**	1,509,678
Programming costs		**(869,949)**	(900,761)
Network expenses		**(209,392)**	(200,970)
Selling, general and administrative and other operating expenses		**(339,869)**	(342,452)
Cost of sales		**(84,697)**	(84,760)
Loss from operations before depreciation		**(97,539)**	(19,265)
Depreciation	*5*	**(214,324)**	(223,007)
Loss from operations	*4*	**(311,863)**	(242,272)
Interest income	*5*	**40**	5
Finance costs, net	*5*	**(5,489)**	(2,998)
Non-operating expenses	*5*	**(556)**	(1,373)
Loss before taxation	*5*	**(317,868)**	(246,638)
Income tax	*6(a)*	**5,078**	13,540
Loss for the year		**(312,790)**	(233,098)
Attributable to:			
Equity shareholders of the Company		**(312,790)**	(233,098)
Loss per share	*9*		
Basic		**(15.5) cents**	(11.6) cents
Diluted		**(15.5) cents**	(11.6) cents

The notes on pages 52 to 91 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2016

	2016 HK$'000	2015 HK$'000
Loss for the year	**(312,790)**	(233,098)
Other comprehensive income for the year (after reclassification adjustment)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(785)**	(461)
Total comprehensive income for the year	**(313,575)**	(233,559)
Attributable to:		
Equity shareholders of the Company	**(313,575)**	(233,559)

The notes on pages 52 to 91 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2016

	Note	**2016 HK$'000**	2015 HK$'000
Non-current assets			
Property, plant and equipment	*10*	**894,039**	873,803
Programming library	*11*	**169,307**	156,531
Intangible assets	*12*	**2,062**	3,767
Interest in associate	*13*	**–**	–
Deferred tax assets	*26(b)*	**306,467**	308,884
Other non-current assets	*14*	**43,254**	62,588
		1,415,129	1,405,573
Current assets			
Inventories	*16*	**18,076**	14,891
Accounts receivable from trade debtors	*17*	**51,385**	68,096
Deposits, prepayments and other receivables	*17*	**34,926**	28,060
Amounts due from fellow subsidiaries	*18*	**204**	79
Bank deposits and cash	*19*	**105,814**	82,427
		210,405	193,553
Current liabilities			
Amounts due to trade creditors	*20*	**59,135**	33,138
Accrued expenses and other payables	*20*	**239,758**	214,532
Receipts in advance and customers' deposits	*20*	**183,821**	170,392
Interest bearing borrowings	*21*	**590,000**	300,000
Current taxation	*26(a)*	**113**	150
Amounts due to fellow subsidiaries	*22*	**26,129**	34,308
Amount due to immediate holding company	*23*	**3,229**	1,614
		1,102,185	754,134
Net current liabilities		**(891,780)**	(560,581)
Total assets less current liabilities		**523,349**	844,992
Non-current liabilities			
Deferred tax liabilities	*26(b)*	**9,210**	17,247
Other non-current liabilities	*24*	**8,741**	8,772
		17,951	26,019
NET ASSETS		**505,398**	818,973
CAPITAL AND RESERVES	*25*		
Share capital		**6,857,599**	6,857,599
Reserves		**(6,352,201)**	(6,038,626)
TOTAL EQUITY		**505,398**	818,973

The notes on pages 52 to 91 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on March 15, 2017.

Stephen T H Ng
Chairman and Chief Executive Officer

William J H Kwan
Director and Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

		Attributable to equity shareholders of the Company					
	Note	Share capital HK$'000	Special capital reserve HK$'000	Exchange reserve HK$'000	Revenue reserve HK$'000	Total reserves HK$'000	Total equity HK$'000
Balance at January 1, 2015		6,857,599	13,984	4,104	(5,823,155)	(5,805,067)	1,052,532
Changes in equity for 2015:							
Loss for the year		–	–	–	(233,098)	(233,098)	(233,098)
Other comprehensive income		–	–	(461)	–	(461)	(461)
Total comprehensive income		–	–	(461)	(233,098)	(233,559)	(233,559)
Transfer to special capital reserve	*25(d)(i)*	–	1	–	(1)	–	–
Balance at December 31, 2015 and January 1, 2016		**6,857,599**	**13,985**	**3,643**	**(6,056,254)**	**(6,038,626)**	**818,973**
Changes in equity for 2016:							
Loss for the year		**–**	**–**	**–**	**(312,790)**	**(312,790)**	**(312,790)**
Other comprehensive income		**–**	**–**	**(785)**	**–**	**(785)**	**(785)**
Total comprehensive income		**–**	**–**	**(785)**	**(312,790)**	**(313,575)**	**(313,575)**
Transfer to special capital reserve	*25(d)(i)*	**–**	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2016		**6,857,599**	**13,985**	**2,858**	**(6,369,044)**	**(6,352,201)**	**505,398**

The notes on pages 52 to 91 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2016

	Note	2016 HK$'000	2015 HK$'000
Operating activities			
Loss before taxation		**(317,868)**	(246,638)
Adjustments for:			
Finance costs, net		**5,489**	2,998
Interest income		**(40)**	(5)
Depreciation		**214,324**	223,007
Amortisation of programming library		**109,579**	123,540
Impairment losses on programming library		**209**	4,117
Impairment losses on property, plant and equipment		**892**	867
Net loss on disposal of property, plant and equipment		**556**	1,373
Operating profit before changes in working capital		**13,141**	109,259
(Increase)/decrease in inventories		**(3,035)**	3,682
Decrease in accounts receivable from trade debtors		**17,596**	9,397
Decrease in deposits, prepayments and other receivables		**6,137**	47,880
Decrease in amounts due from fellow subsidiaries		**711**	1,259
Increase/(decrease) in amounts due to trade creditors		**24,693**	(37,413)
Increase/(decrease) in accrued expenses and other payables		**19,537**	(5,649)
Increase in receipts in advance and customers' deposits		**12,516**	12,226
Decrease in amounts due to fellow subsidiaries		**(8,180)**	(3,813)
Net change in amount due to immediate holding company		**1,614**	678
Cash generated from operations		**84,730**	137,506
Interest received		**14**	5
Overseas tax paid		**(571)**	(701)
Net cash generated from operating activities		**84,173**	136,810
Investing activities			
Purchase of property, plant and equipment		**(233,646)**	(196,954)
Additions to programming library		**(119,421)**	(120,064)
Proceeds from disposal of club debenture		**1,705**	–
Proceeds from disposal of property, plant and equipment		**680**	340
Placement of security deposits with bank		**(20,000)**	–
Net cash used in investing activities		**(370,682)**	(316,678)
Financing activities			
Drawdown of interest bearing borrowings		**290,000**	200,000
Net cash generated from financing activities		**290,000**	200,000
Net increase in cash and cash equivalents		**3,491**	20,132
Effect of foreign exchange rates changes		**(104)**	(87)
Cash and cash equivalents at January 1		**82,427**	62,382
Cash and cash equivalents at December 31	*19*	**85,814**	82,427

The notes on pages 52 to 91 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the CO. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2016, comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate. The measurement basis used in the preparation of the financial statements is the historical cost basis.

During the year ended December 31, 2016, the Group incurred a net loss of HK$313 million (2015: HK$233 million) and, as of that date, the Group had net current liabilities of HK$892 million (2015: HK$561 million).

The directors of the Company have taken steps to improve the Group's liquidity and solvency position. Based on management estimation of the future cash flows of the Group, after taking into account (i) cash balance of HK$106 million and continuous net cash inflows from operating activities; and (ii) the banking facility of HK$400 million and a revolving loan facility of HK$400 million given by Wharf Finance Limited, a fellow subsidiary, of which a total of HK$590 million had been utilised at the end of the reporting period, the directors were of the opinion at the time of the Board's approval and announcement of the Group's preliminary 2016 results on February 23, 2017 that the Group would have sufficient working capital to finance its operations and remain as a going concern for the foreseeable future.

Subsequent to the Board's approval and announcement of the Group's preliminary 2016 results on February 23, 2017 and as described in the announcement issued by the Company on March 9, 2017, the Company received a notice from The Wharf (Holdings) Limited ("Wharf") on March 9, 2017, the intermediate holding company and controlling shareholder of the Company, indicating that the board of Wharf had resolved:

(i) not to provide any further funding commitments to any of the Company and its subsidiaries for its business operations, other than the current funding commitments (which include the existing facility by Wharf Finance Limited of up to HK$400 million pursuant to the facility agreement dated December 12, 2016);
(ii) not to renew any of the current funding commitments when they expire; and
(iii) Wharf has no intention to increase its shareholding interest in the Company.

This subsequent event casts doubt on the Company's ability to continue as a going concern, and therefore the Company's ability to realise its assets and discharge its liabilities in the ordinary course of business for the foreseeable future has become materially uncertain.

In the light of the above, the Company has subsequently formed an executive committee and engaged professional external advisors to explore alternative sources of funding and/or advise on any business reorganisation and the continuance, directions and/or discontinuance of the Group's business operations.

As the Company is continuing to explore alternative sources of funding and other options open to the Company, the financial statements continue to be prepared on a going concern basis in accordance with Hong Kong Accounting Standard 1, *Presentation of Financial Statements*.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

If in the future the Company ceases to be a going concern or the going concern assumption is no longer appropriate, adjustments may have to be made to the consolidated financial statements to reflect the situation that assets may need to be realised at amounts other than those at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 33.

(c) Subsidiaries

Subsidiaries are entities (including consolidated structured entities) controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 1(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(q)(ii)).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates (Continued)

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(q)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investment in an associate is stated at cost less impairment losses (see Note 1(q)(ii)).

(e) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(q)(ii)). The cost of self-constructed items of property, plant and equipment includes the cost of materials, labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 1(m)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Network, decoders, cable modems and television production systems	5% to 25%
Furniture, fixtures, other equipment and motor vehicles	10% to 33.33%
Buildings situated on leasehold land *	Higher of 2.5% or percentage to amortise the asset cost over the unexpired term of land leases
Leasehold improvements	8.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Under certain circumstances, the Group may have an obligation to dismantle part of its network upon request by concerned parties. Owing to the absence of such history, no reliable estimate can be reasonably made in respect of such potential obligation.

* *This represents units in industrial and commercial buildings which the Directors consider impracticable to split the cost into land and buildings.*

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 1(e). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 1(q)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(g) Programming costs

(i) Programming library

Programming library consists of presentation rights for commissioned programmes and acquired programmes for showing on the Group's television channels, and commissioned programmes and films for licensing purposes.

Presentation rights are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see Note 1(q)(ii)). Amortisation is charged to profit or loss on an accelerated basis over the licence period or over the estimated number of future showings. Subsequent expenditure on programmes after initial acquisition is recognised as an expense when incurred.

Commissioned programmes and films for licensing purposes comprise direct production costs and production overheads, and are stated at the lower of amortised cost or net realisable value. Costs are amortised on an individual programme/film basis in the ratio of the current year's gross revenues to management's forecast of the total ultimate gross revenues from all sources.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Programming costs (Continued)

(ii) Live programmes

Live programmes consist of third party feed programmes and are charged to profit or loss upon telecast of the programmes. Payments made in advance or in arrears of programme cost recognition are recorded as prepayments or accruals, as appropriate.

(iii) In-house developed programmes

In-house developed programmes consist primarily of news, documentary and general entertainment programmes with short lead-time from production to telecast. The costs of in-house developed programmes are accordingly recognised as expenses in the period in which they are incurred.

(iv) Film rights and perpetual film rights

Film rights generated by the Group or perpetual film rights acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see Note 1(q)(ii)). Costs represent the carrying value transferred from films in progress upon completion or the purchase price of the perpetual film rights, and are amortised at rates calculated to write off the costs in proportion to the estimated revenues from exhibition, the reproduction and distribution of audio visual products, the licensing of video rights and other broadcast rights following their release. Such rates are subject to annual review by the Directors.

(v) Films in progress

Films in progress are stated at cost less impairment losses (see Note 1(q)(ii)). Costs include all direct costs associated with the production of films. Impairment losses are made for costs which are in excess of the expected future revenue generated by these films. Costs of films are transferred to film rights upon completion.

(h) Intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(i) Club debentures

The Group's club debentures are stated in the statement of financial position at cost less impairment losses (see Note 1(q)(ii)), on an individual basis.

(i) Inventories

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments

(i) Recognition and initial measurement

The Group initially recognises trade and other receivables, trade and other payables, deposits and borrowings on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

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

(ii) Classification and subsequent measurement

Policy applicable from January 1, 2016

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL. Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

— the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade and other receivables, including balances due from group companies are classified as financial assets at amortised cost. All other financial assets are classified and measured at fair value.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Financial assets at FVTPL and FVOCI are subsequently measured at fair value.

Financial liabilities are classified as measured at amortised cost or FVTPL. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Trade and other payables, including balances due to group companies and interest bearing borrowings are classified as financial liabilities at amortised cost. The Group does not have financial liability measured at FVTPL.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Policy applicable before January 1, 2016

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(q)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under HKFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flows statement.

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised in profit or loss provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably as follows:

(i) Income from the provision of subscription Television services, Internet access services, and Voice Over Internet Protocol telephony services is recognised at the time when the services are provided.

(ii) Installation fees are recognised upon completion of the related installation work to the extent of direct selling costs.

(iii) Where packaged service fees comprise a number of elements and the fees can be allocated on a reasonable basis into elements of subscription service and installation service, revenue is recognised in accordance with the accounting policies set out in Notes 1(l)(i) and (ii). Where packaged service fees cannot be allocated into individual elements, the fees are deferred and recognised evenly over the term of the service period.

(iv) Advertising income net of agency deductions is recognised on telecast of the advertisement. When an advertising contract covers a specified period, the related income is recognised evenly over the contract period.

(v) Revenue from theatrical distribution is recognised when the films are exhibited.

(vi) Revenue from distribution of films is recognised upon delivery of the master tapes to the customers.

(vii) Income from licensing of television rights is recognised in full upon delivery of the programmes concerned in accordance with the terms of the licence contracts and is stated net of withholding tax.

(viii) Income from network maintenance and operation is recognised at the time when services are provided.

(ix) Rental income receivable under operating leases is recognised in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as integral part of the aggregate net lease payments receivables. Contingent rentals are recognised as income in the accounting period in which they are earned.

(x) Interest income is recognised as it accrues using the effective interest method.

(m) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available. Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

(a) In the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

(b) In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or
   (ii) different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Translation of foreign currency

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(p) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third parties.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of assets

(i) Impairment of financial asset

Policy applicable from January 1, 2016

The Group recognises loss allowances for lifetime expected credit loss ("ECL") on trade and other receivables. For bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, the loss allowances are measured as 12-month ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward-looking information. In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs and presentation of ECLs in the statement of financial position

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

— financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
— financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
— undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
— financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of assets (Continued)

(i) Impairment of financial asset (Continued)

Policy applicable before January 1, 2016

Investments in equity securities and receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If any objective evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment (other than properties carried at revalued amounts);
— programming library (including film rights, perpetual film rights and films in progress);
— intangible assets; and
— Investments in subsidiaries and associates in the Company's statement of financial position.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 1(q)(i) and (ii)).

(r) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(t) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans.

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group, except to the extent that they are included in the cost of property, plant and equipment and programming library not yet recognised as an expense.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has early adopted HKFRS 9, *Financial Instruments*, (2014) with a date of initial application of January 1, 2016 in the consolidated financial statements for the year ending December 31, 2016. Except for the foregoing, the Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 is early adopted to replace the current standard on accounting for financial instruments, HKAS 39, *Financial Instruments: Recognition and Measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

As at January 1, 2016, the Directors of the Group have reviewed and reassessed the Group's financial assets on that date and the results for the period. Upon adoption of the standard, the Group:

(1) Classified and measured its financial assets, including trade and other receivables and bank deposits and cash, previously designated as "loans and receivables" to "financial assets at amortised costs", with carrying amount being determined as unchanged;

(2) Adopted the new impairment model of trade and other receivables. The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise the measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the assets and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's accounts receivables. However, the Group has assessed that it is unlikely to have a significant impact on the Group's financial statements.

There was no impact on the Group's accounting for financial liabilities, as the new standard only affects the subsequent measurement of those designated as FVTPL, while the Group does not have any such liability. Given the changes in accounting policy have no material financial impact on the amounts as previously reported, no prior period restatement is made.

3. REVENUE

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

Revenue comprises principally subscription, service and related fees for Television and Internet (including Telephony) services. It also includes advertising income net of agency deductions, channel service and distribution fees, programme licensing income, film exhibition and distribution income, network maintenance income and other related income.

The Group's customer base is diversified and no single customer with whom transactions have exceeded 10% of the Group's revenues. The Group has no significant concentrations of credit risk from customers.

4. SEGMENT INFORMATION

The Group manages its businesses according to the nature of services provided. Management has determined two reportable operating segments for measuring performance and allocating resources. The segments are Television and Internet and Multimedia.

The Television segment includes operations related to the Television subscription business, advertising, channel carriage, Television relay service, programme licensing, network maintenance, and miscellaneous Television related businesses.

The Internet and Multimedia segment includes operations related to Broadband Internet access services, portal operation, mobile content licensing, Voice Over Internet Protocol telephony services as well as other Internet access related businesses.

Management evaluates performance primarily based on earnings before interest, taxation, depreciation and amortisation ("EBITDA") and earnings before interest and taxation ("EBIT"). Management defines EBITDA to mean earnings before interest income, finance costs, impairment losses on investment, non-operating income/expenses, provision for income tax, depreciation of property, plant and equipment but after amortisation of programming rights.

Inter-segment pricing is generally determined at arm's length basis.

Segment assets principally comprise all tangible assets, intangible assets and current assets with the exception of interest in associate, investments in equity securities and deferred tax assets. Segment liabilities include all liabilities and borrowings directly attributable to and managed by each segment with the exception of current taxation and deferred tax liabilities.

In addition to receiving segment information concerning EBITDA and EBIT, management is provided with segment information concerning revenue (including inter-segment revenue).

Information regarding the Group's reportable segments as provided to the Group's Senior Management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2016 and 2015 is set out below:

Business segments

	Television		Internet and Multimedia		Unallocated		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**1,028,390**	1,114,646	**335,449**	347,889	**42,529**	47,143	**1,406,368**	1,509,678
Inter-segment revenue	**14,440**	15,323	**204**	247	**9,486**	9,462	**24,130**	25,032
Reportable segment revenue	**1,042,830**	1,129,969	**335,653**	348,136	**52,015**	56,605	**1,430,498**	1,534,710
Reportable segment results ("EBITDA")	**(142,321)**	(45,775)	**138,457**	143,228	**(87,117)**	(111,129)	**(90,981)**	(13,676)
Reportable segment results ("EBIT")	**(277,215)**	(183,114)	**61,506**	60,048	**(89,596)**	(113,617)	**(305,305)**	(236,683)
Inter-segment elimination							**(6,558)**	(5,589)
Loss from operations							**(311,863)**	(242,272)
Interest income							**40**	5
Finance costs, net							**(5,489)**	(2,998)
Non-operating expenses							**(556)**	(1,373)
Income tax							**5,078**	13,540
Loss for the year							**(312,790)**	(233,098)

4. SEGMENT INFORMATION (Continued)

A reconciliation of reportable segment EBITDA to loss before taxation is provided as follows:

	2016 HK$'000	2015 HK$'000
Total segment EBITDA	**(90,981)**	(13,676)
Depreciation	**(214,324)**	(223,007)
Total segment EBIT	**(305,305)**	(236,683)
Inter-segment elimination	**(6,558)**	(5,589)
Interest income	**40**	5
Finance costs, net	**(5,489)**	(2,998)
Non-operating expenses	**(556)**	(1,373)
Loss before taxation	**(317,868)**	(246,638)

Segment assets	2016 HK$'000	2015 HK$'000
Television	**847,929**	817,610
Internet and Multimedia	**351,290**	333,743
Unallocated assets	**119,848**	138,889
	1,319,067	1,290,242
Interest in associate	**–**	–
Deferred tax assets	**306,467**	308,884
	1,625,534	1,599,126

Segment liabilities	2016 HK$'000	2015 HK$'000
Television	**766,132**	519,589
Internet and Multimedia	**241,915**	153,056
Unallocated liabilities	**102,766**	90,111
	1,110,813	762,756
Current taxation	**113**	150
Deferred tax liabilities	**9,210**	17,247
	1,120,136	780,153

Geographical segments

No geographical segment information is shown as, during the periods presented, less than 10% of the Group's segment revenue, segment results and segment assets are derived from activities conducted outside Hong Kong.

5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting):

	2016 HK$'000	2015 HK$'000
Interest income		
Interest income from deposits with bank	**(40)**	(5)
Finance costs, net		
Interest expenses on borrowings	**5,489**	2,998
Staff costs		
Salaries, wages and other benefits	**627,746**	626,831
Contributions to defined contribution retirement plans	**35,181**	34,249
Other items		
Depreciation		
— assets held for use under operating leases	**27,247**	31,900
— other assets	**187,077**	191,107
Amortisation of programming library*	**109,579**	123,540
Impairment losses		
— trade and other receivables	**2,800**	2,906
— property, plant and equipment	**892**	867
— programming library	**209**	4,117
Reversal of impairment losses on trade and other receivables	**(248)**	(403)
Cost of inventories	**7,440**	8,161
Rentals payable under operating leases in respect of land and buildings	**61,631**	67,806
Auditor's remuneration — audit service		
— charge for the year	**3,141**	3,044
— under-provision in respect of prior years	**80**	64
Net foreign exchange gain **	**(726)**	(1,492)
Rentals receivable under operating leases in respect of		
— subleased land and buildings	**(7,842)**	(9,161)
— owned plant and machinery	**(34,046)**	(16,453)
Net loss on disposal of property, plant and equipment	**556**	1,373

* *Amortisation of programming library is included within programming costs in the consolidated results of the Group.*

** *Net foreign exchange gain of approximately HK$60,000 and HK$666,000 are included within programming costs and selling, general and administrative and other operating expenses in the consolidated results of the Group, respectively.*

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2016 **HK$'000**	2015 HK$'000
Current tax — Overseas		
Provision for the year	**542**	678
	542	678
Deferred tax		
Utilisation of prior years' tax losses recognised	**3,953**	7,274
Benefit of previously unrecognised tax losses now recognised	**(10,070)**	(16,221)
Origination and reversal of temporary differences	**497**	(5,271)
	(5,620)	(14,218)
Income tax	**(5,078)**	(13,540)

The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year ended December 31, 2016. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between the effective income tax rate and the applicable tax rate:

	2016 **%**	2015 %
Statutory income tax rate	**(16.5)**	(16.5)
Tax effect of non-deductible expenses	**–**	0.1
Tax effect of unused tax losses not recognised	**16.8**	23.6
Tax effect of previously recognised tax losses utilised	**1.2**	–
Tax effect of previously unrecognised tax losses now recognised	**(3.2)**	(12.7)
Differential tax rate on subsidiaries' income	**0.1**	0.1
Effective income tax rate	**(1.6)**	(5.4)

7. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the CO and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Name of directors	Directors' fees HK$'000	Basic salaries, housing and other allowances, and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Discretionary bonuses and/or performance related bonuses HK$'000	Total emoluments HK$'000
2016					
Independent Non-executive Directors:					
Roger K H Luk	**80**	**–**	**–**	**–**	**80**
Patrick Y W Wu	**80**	**–**	**–**	**–**	**80**
Herman S M Hu	**60**	**–**	**–**	**–**	**60**
Sherman S M Tang	**60**	**–**	**–**	**–**	**60**
Non-executive Director:					
Paul Y C Tsui	**80**	**–**	**–**	**–**	**80**
Executive Directors:					
Stephen T H Ng	**60**	**1,947**	**5**	**2,875**	**4,887**
William J H Kwan	**60**	**2,234**	**223**	**930**	**3,447**
Total for 2016	**480**	**4,181**	**228**	**3,805**	**8,694**
2015					
Independent Non-executive Directors:					
Roger K H Luk	80	–	–	–	80
Patrick Y W Wu	80	–	–	–	80
Herman S M Hu	60	–	–	–	60
Sherman S M Tang	60	–	–	–	60
Non-executive Director:					
Paul Y C Tsui	80	–	–	–	80
Executive Directors:					
Stephen T H Ng	60	1,802	5	3,000	4,867
William J H Kwan	60	2,172	217	860	3,309
Total for 2015	480	3,974	222	3,860	8,536

There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the Company's Directors in respect of the years ended December 31, 2016 and December 31, 2015.

Except for Directors' fees of HK$480,000 (2015: HK$480,000), certain Directors' emoluments disclosed above were paid directly by the Company's intermediate holding company, The Wharf (Holdings) Limited ("Wharf"), (or its wholly owned subsidiaries) to the relevant Directors. Wharf recovered such costs from the Group by charging a management fee (see Note 30(iv)).

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND EMOLUMENTS OF SENIOR MANAGEMENT

(a) Five highest paid individuals

Of the five individuals with the highest emoluments, two (2015: two) are Directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other three (2015: three) individuals are as follows:

	2016 HK$'000	2015 HK$'000
Basic salaries, housing and other allowances, and benefits in kind	**6,354**	6,144
Retirement scheme contributions	**234**	197
Discretionary bonuses and/or performance related bonuses	**2,109**	2,029
	8,697	8,370

The emoluments of the three (2015: three) individuals with the highest emoluments are within the following bands:

HK$	**2016 Number of individuals**	2015 Number of individuals
2,000,001–2,500,000	**1**	1
2,500,001–3,000,000	**–**	–
3,000,001–3,500,000	**2**	2
	3	3

(b) Emoluments of Senior Management

Of the seven (2015: seven) senior managers' emoluments, two (2015: two) are Directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other five (2015: five) senior managers are as follows:

HK$	**2016 Number of senior managers**	2015 Number of senior managers
1,500,001–2,000,000	**2**	2
2,000,001–2,500,000	**1**	1
2,500,001–3,000,000	**–**	–
3,000,001–3,500,000	**2**	2
	5	5

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$312,790,000 (2015: HK$233,098,000) and the weighted average number of ordinary shares outstanding during the year of 2,011,512,400 (2015: 2,011,512,400).

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$312,790,000 (2015: HK$233,098,000) and the weighted average number of ordinary shares of 2,011,512,400 (2015: 2,011,512,400) after adjusting for the effects of all dilutive potential ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

	Network, decoders, cable modems and television production systems	Furniture, fixtures, other equipment and motor vehicles	Leasehold land and buildings in Hong Kong and PRC		Leasehold improvements	Total
			Long leases	Medium leases		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At January 1, 2015	5,729,792	651,977	8,119	47,480	336,826	6,774,194
Additions	196,739	8,861	–	–	1,900	207,500
Disposals	(32,334)	(2,631)	–	–	(870)	(35,835)
Reclassification to inventories	(831)	–	–	–	–	(831)
Exchange reserve	–	(592)	–	(949)	(274)	(1,815)
At December 31, 2015	5,893,366	657,615	8,119	46,531	337,582	6,943,213
At January 1, 2016	**5,893,366**	**657,615**	**8,119**	**46,531**	**337,582**	**6,943,213**
Additions	**227,697**	**7,747**	**–**	**–**	**2,839**	**238,283**
Disposals	**(99,199)**	**(3,904)**	**–**	**–**	**(1,078)**	**(104,181)**
Reclassification to inventories	**(537)**	**–**	**–**	**–**	**–**	**(537)**
Exchange reserve	**–**	**(1,212)**	**–**	**(1,984)**	**(579)**	**(3,775)**
At December 31, 2016	**6,021,327**	**660,246**	**8,119**	**44,547**	**338,764**	**7,073,003**
Accumulated depreciation						
At January 1, 2015	4,942,003	617,368	1,795	12,887	307,075	5,881,128
Charge for the year	200,740	14,724	203	1,585	5,755	223,007
Impairment loss	867	–	–	–	–	867
Written back on disposals	(30,649)	(2,602)	–	–	(870)	(34,121)
Reclassification to inventories	(409)	–	–	–	–	(409)
Exchange reserve	–	(564)	–	(315)	(183)	(1,062)
At December 31, 2015	5,112,552	628,926	1,998	14,157	311,777	6,069,410
At January 1, 2016	**5,112,552**	**628,926**	**1,998**	**14,157**	**311,777**	**6,069,410**
Charge for the year	**194,665**	**12,805**	**203**	**1,521**	**5,130**	**214,324**
Impairment loss	**892**	**–**	**–**	**–**	**–**	**892**
Written back on disposals	**(97,995)**	**(3,872)**	**–**	**–**	**(1,078)**	**(102,945)**
Reclassification to inventories	**(388)**	**–**	**–**	**–**	**–**	**(388)**
Exchange reserve	**–**	**(1,184)**	**–**	**(723)**	**(422)**	**(2,329)**
At December 31, 2016	**5,209,726**	**636,675**	**2,201**	**14,955**	**315,407**	**6,178,964**
Net book value						
At December 31, 2016	**811,601**	**23,571**	**5,918**	**29,592**	**23,357**	**894,039**
At December 31, 2015	780,814	28,689	6,121	32,374	25,805	873,803

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment loss results from loss recognised on abandonment of lost or damaged property, plant and equipment. In 2016, an impairment loss of HK$892,000 (2015: HK$867,000) was recorded for decoders and cable modems which had become obsolete during normal usage or were leased to subscribers in the ordinary course of the Television Subscription and Broadband Internet access business, and had not been returned after the services were terminated.

As at December 31, 2016, the gross carrying amounts of property, plant and equipment of the Group held for use in operating leases were HK$236,953,000 (2015: HK$246,450,000) and the related accumulated depreciation was HK$191,292,000 (2015: HK$196,088,000).

11. PROGRAMMING LIBRARY

	2016 HK$'000	2015 HK$'000
Cost		
At January 1	**694,998**	667,250
Additions	**122,564**	116,207
Written off	**(68,587)**	(88,459)
At December 31	**748,975**	694,998
Accumulated amortisation		
At January 1	**538,467**	499,269
Charge for the year	**109,579**	123,540
Impairment loss	**209**	4,117
Written off	**(68,587)**	(88,459)
At December 31	**579,668**	538,467
Net book value		
At December 31	**169,307**	156,531

The management of the Group undertook a review of its programming library to assess the recoverability of film rights. As a result of the assessment, an impairment loss of HK$209,000 (2015: HK$4,117,000) was made.

12. INTANGIBLE ASSETS

	Club Debentures HK$'000
Cost less impairment losses	
At January 1, 2015 and December 31, 2015	3,767
At January 1, 2016	3,767
Disposal	(1,705)
At December 31, 2016	**2,062**

13. INTEREST IN ASSOCIATE

Details of the Group's interest in associate are as follows:

Name of associate	**Form of business structure**	**Place of incorporation/ operation**	**Principal activities**	**Particulars of issued and paid up capital**	**Proportion of ownership interest**
FRM Film InvestCo LLC	Incorporated	State of Delaware, USA	Investment holding	Capital contribution US$25,000,000	30%

In respect of the year ended December 31, 2016, the Group has not taken into account the effect of transactions or events of the associate as the associate was inactive during the current year. Since the Group's share of losses exceeds its interest in the associate, the Group's interest is recorded at HK$Nil (2015: HK$Nil) and no recognition of future losses is expected as the Group has no legal or constructive obligation in respect of such losses.

14. OTHER NON-CURRENT ASSETS

	2016 HK$'000	2015 HK$'000
Deposits, prepayments and other receivables	**29,465**	47,962
Amounts due from fellow subsidiaries	**13,789**	14,626
	43,254	62,588

15. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries and consolidated structured entities which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued capital, all fully paid	Proportion of ownership interest	
				Directly	Indirectly
Hong Kong Cable Enterprises Limited	Hong Kong	Advertising airtime and programme licensing	HK$2 divided into 2 ordinary shares	–	100
Hong Kong Cable News Express Limited	Hong Kong	Advertising airtime	HK$20 divided into 2 ordinary shares	–	100
Hong Kong Cable Television Limited	Hong Kong	Television and Internet and Multimedia	HK$750,000,000 divided into 750,000,000 ordinary shares	–	100
i-CABLE Entertainment Limited	Hong Kong	Programme production and channel operation	HK$10,000,000 divided into 10,000,000 ordinary shares	–	100
i-CABLE Network Limited	Hong Kong	Network operation	HK$102 divided into 100 ordinary shares	–	100
			and 2 non-voting deferred shares	–	–
i-CABLE Network Operations Limited	Hong Kong	Network operation	HK$500,000 divided into 500,000 ordinary shares	–	100
i-CABLE News Limited	Hong Kong	Programme production and channel operation	HK$10,000,000 divided into 10,000,000 ordinary shares	–	100
i-CABLE Sports Limited	Hong Kong	Programme production and channel operation	HK$10,000,000 divided into 10,000,000 ordinary shares	–	100
i-CABLE Telecom Limited	Hong Kong	Telephony	HK$1 divided into 1 ordinary share	–	100
廣州市寬訊技術服務有限公司*	The People's Republic of China	Technical services	HK$34,600,000	–	100
Fantastic Television Limited **	Hong Kong	Free television broadcasting	HK$10,000 divided into 9,999 ordinary shares and 1 non-voting preference share	14.9	–

* *This entity is registered as a wholly foreign owned enterprise under PRC law and is not audited by KPMG.*

** *The Company holds 1 non-voting preference share and 1,489 class "A" ordinary shares, while the remaining 4,255 class "B" ordinary shares and 4,255 class "C" ordinary shares are held by two independent trustees respectively. The entity is consolidated by the Group as the Group has control over the entity as defined in Note 1(c). During the year, no non-controlling interest is recognised as the entity's distributable profits do not surpass the threshold for the external ordinary shareholders.*

16. INVENTORIES

	2016 HK$'000	2015 HK$'000
Spare parts and consumables	**18,076**	14,891

17. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise:

	2016 HK$'000	2015 HK$'000
Accounts receivable from trade debtors	**51,385**	68,096
Deposits, prepayments and other receivables	**34,926**	28,060
	86,311	96,156

(a) Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis, based on the invoice date as of the end of the reporting period:

	2016 HK$'000	2015 HK$'000
0 to 30 days	**16,530**	18,178
31 to 60 days	**15,421**	19,661
61 to 90 days	**8,524**	12,701
Over 90 days	**10,910**	17,556
	51,385	68,096

The Group's credit policy is set out in Note 27(a).

(b) Impairment losses in respect of accounts receivable from trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable from trade debtors directly (see Note 1(q)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2016 HK$'000	2015 HK$'000
Balance at beginning of year	**5,450**	6,000
Impairment loss for the year	**2,800**	2,906
Reversal of impairment losses in prior year	**(248)**	(403)
Written off	**(2,701)**	(3,053)
Balance at end of year	**5,301**	5,450

(c) (i) 11% (2015: 14%) of the gross trade receivables relate to the Television and Internet and Multimedia access subscription businesses. There is no significant concentration of credit risk with respect to these trade receivables as the customer bases are widely dispersed in different sectors. The Group has given a credit term of 30 days to these customers. Impairment losses in respect of receivables arising from these subscription businesses are recognised once the receivable is more than 90 days overdue.

17. TRADE AND OTHER RECEIVABLES (Continued)

(c) (ii) The ageing analysis of trade receivable that are neither individually nor collectively considered to be impaired are as follows:

	2016 HK$'000	2015 HK$'000
Not yet due	**9,552**	8,969
Less than 1 month past due	**15,684**	20,194
1 to 3 months past due	**17,463**	21,713
3 to 6 months past due	**3,945**	7,266
Over 6 months past due	**449**	1,611
	37,541	50,784
	47,093	59,753

Receivables that were past due but not impaired relate to accounts receivables from advertising and programme distribution businesses that the Group had continuing business relationship and have a good track record with the Group. Impairment losses are recognised based on the credit history of the customers, and are made on balances overdue for a period of 90 to 270 days. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

18. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are unsecured, interest free and repayable on demand, and are arisen in the ordinary course of business (see Note 30).

19. BANK DEPOSITS AND CASH

	2016 HK$'000	2015 HK$'000
Cash and cash equivalent	**85,814**	82,427
Security deposits with bank	**20,000**	–
	105,814	82,427

The security deposit represents deposit made by a subsidiary to secure a banking facility granted to the subsidiary.

20. TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	2016 HK$'000	2015 HK$'000
Amounts due to trade creditors	**59,135**	33,138
Accrued expenses and other payables	**239,758**	214,532
Receipts in advance and customers' deposits	**183,821**	170,392
	482,714	418,062

An ageing analysis of amounts due to trade creditors, based on the invoice date is set out as follows:

	2016 HK$'000	2015 HK$'000
0 to 30 days	**17,012**	3,476
31 to 60 days	**21,945**	13,874
61 to 90 days	**12,271**	10,773
Over 90 days	**7,907**	5,015
	59,135	33,138

21. INTEREST BEARING BORROWINGS

The analysis of the carrying amount of interest bearing borrowings is as follows:

	2016 HK$'000	2015 HK$'000
Within 1 year or on demand		
Bank loan	**295,000**	125,000
Loan from a fellow subsidiary	**295,000**	175,000
	590,000	300,000

22. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are unsecured, interest free and repayable on demand, and are arisen in the ordinary course of business (see Note 30).

23. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company is unsecured, interest free and has no fixed terms of repayment, and is arisen in the ordinary course of business (see Note 30).

24. OTHER NON-CURRENT LIABILITIES

	2016 **HK$'000**	2015 HK$'000
Accrued expenses and other payables	**8,068**	8,068
Receipts in advance and customers' deposits	**673**	704
	8,741	8,772

25. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Capital and Reserves		
Company	**Share Capital** HK$'000	**Revenue Reserves** HK$'000	**Total Equity** HK$'000
Balance at January 1, 2015	6,857,599	20,806	6,878,405
Changes in equity for 2015:			
Loss and total comprehensive income for the year	–	(2,799,827)	(2,799,827)
Balance at December 31, 2015 and at January 1, 2016	6,857,599	(2,779,021)	4,078,578
Changes in equity for 2016:			
Loss and total comprehensive income for the year	–	(1,100,357)	(1,100,357)
Balance at December 31, 2016	6,857,599	(3,879,378)	2,978,221

(b) Dividends

No dividend will be paid for the year ended December 31, 2016 (2015: Nil).

(c) Share capital

Issued share capital

	At December 31, 2016		At December 31, 2015	
	No. of shares ('000)	**HK$'000**	No. of shares ('000)	HK$'000
Ordinary shares, issued and fully paid:				
At January 1 and December 31	**2,011,512**	**6,857,599**	2,011,512	6,857,599

In accordance with section 135 of the CO, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

25. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Special capital reserve

The special capital reserve is non-distributable. In 2004, the issued share capital of a subsidiary under the Group was reduced ("Capital Reduction") and the credit arising from the Capital Reduction was applied to eliminate the accumulated losses standing in the statement of profit or loss of that subsidiary as at September 30, 2004. An undertaking was given to the Court by the subsidiary in connection with the Capital Reduction (the "Undertaking"). Pursuant to the Undertaking, any future recoveries or reversals of provisions and depreciation made by the subsidiary in respect of certain assets ("relevant assets") held by the subsidiary as at September 30, 2004 to the extent that such recoveries exceed the written down amounts of the relevant assets, up to an aggregate amount of HK$1,958,524,266 ("Limit"), will be credited to a special capital reserve. While any debt or liability of, or claim against, the subsidiary at the date of the Capital Reduction remains outstanding and the person entitled to the benefit thereof has not agreed, the special capital reserve shall not be treated as realised profits.

The Limit may be reduced by the amount of any increase in the issued share capital of the subsidiary or upon a capitalisation of distributable reserves. The Limit may also be reduced after the disposal or other realisation of the relevant assets by the amount of the charge to provision or depreciation made in relation to such asset as at September 30, 2004 less reversal as a result of such disposal or realisation. In the event that the amount standing to the credit of the special capital reserve exceeds the Limit, the subsidiary shall be at liberty to transfer the amount of any such excess to the general reserves of the subsidiary, which shall become available for distribution. As at December 31, 2016, the Limit of the special capital reserve, as reduced by HK$1,488,247 (2015: HK$992,881) related to recoveries and reversals of provisions of the relevant assets, was HK$834,947,831 (2015: HK$836,436,178), and the amount standing to the credit of the special capital reserve was HK$13,984,483 (2015: HK$13,984,083).

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(o).

(e) Distributability of reserves

At December 31, 2016, the aggregate amount of reserves of the Company available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the CO, was HK$Nil (2015: revenue reserve HK$Nil).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to support the Group's stability and growth, by pricing products and services commensurately with the level of risk. The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders return, taking into consideration the future of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group made no changes to its capital management objectives, policies or processes during the years ended December 31, 2016 and December 31, 2015. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2016 HK$'000	2015 HK$'000
Overseas taxation	**113**	150

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	**Depreciation allowances in excess of related depreciation** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At January 1, 2015	59,149	(336,568)	(277,419)
Credited to the consolidated statement of profit or loss (Note 6(a))	(5,271)	(8,947)	(14,218)
At December 31, 2015	53,878	(345,515)	(291,637)
At January 1, 2016	**53,878**	**(345,515)**	**(291,637)**
Charged/(credited) to the consolidated statement of profit or loss (Note 6(a))	**497**	**(6,117)**	**(5,620)**
At December 31, 2016	**54,375**	**(351,632)**	**(297,257)**

	2016 HK$'000	2015 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(306,467)**	(308,884)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**9,210**	17,247
	(297,257)	(291,637)

(c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of the following:

	2016 HK$'000	2015 HK$'000
Future benefit of tax losses	**470,059**	422,310
Impairment loss for bad and doubtful accounts	**28**	50
	470,087	422,360

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's businesses. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a defined credit policy in place with general credit terms ranging from 0 to 90 days. The exposure to credit risks is monitored on an ongoing basis. The Group has no significant concentrations of credit risk from customers. Subscription revenue from customers is settled mainly in cash or via major credit cards.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and its compliance with lending covenants. The Group's objective is to maintain a balance between the continuity of funding and the flexibility through use of bank overdrafts and bank loans. In addition, banking facilities have been put in place for contingency purposes.

The following table show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2016				2015			
	Contractual undiscounted cash outflow				Contractual undiscounted cash outflow			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount in the consolidated statement of financial position HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount in the consolidated statement of financial position HK$'000
Amounts due to trade creditors	59,135	–	59,135	59,135	33,138	–	33,138	33,138
Accrued expenses and other payables	239,758	8,068	247,826	247,826	214,532	8,068	222,600	222,600
Receipts in advance and customers' deposits	183,821	673	184,494	184,494	170,392	704	171,096	171,096
Interest bearing borrowings	590,000	–	590,000	590,000	300,000	–	300,000	300,000
Amounts due to fellow subsidiaries	26,129	–	26,129	26,129	34,308	–	34,308	34,308
Amount due to immediate holding company	3,229	–	3,229	3,229	1,614	–	1,614	1,614
	1,102,072	8,741	1,110,813	1,110,813	753,984	8,772	762,756	762,756

(c) Interest rate risk

At December 31, 2016, the Group's interest rate risk arises primarily from the revolving loan of HK$295,000,000 from a fellow subsidiary and HK$295,000,000 from a banking facility. The loans at variable rates expose the Group to cash flow interest rate risk. At December 31, 2016, the Group's had short-term deposits with bank amounting to HK$20,000,000 with original maturities of 36 to 273 days. Apart from the foregoing, the Group has no other significant income-generating financial assets or interest-bearing financial liabilities. The Group's revenue, expenses and cash flows are substantially independent of changes in market interest rates.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the end of the reporting period and the periods in which they reprice:

	Total		Effective interest rate	
	2016	2015	**2016**	2015
Interest rate risk	**HK$'000**	HK$'000	**%**	%
Floating rate:				
Cash at bank and in hand	**85,814**	82,427	**–**	0.01
Interest bearing borrowings	**(590,000)**	(300,000)	**1.35**	1.29
	(504,186)	(217,573)		
Fixed rate:				
Bank deposits and cash	**20,000**	–	**0.63**	–

At December 31, 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and increased/decreased the revenue reserve by approximately HK$5,041,860 (2015: HK$2,175,730).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and revenue reserve) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and revenue reserve) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2015.

(d) Currency risk

The Group is exposed to currency risk primarily through trade and other receivables, bank deposits and trade and other payables that are denominated in a foreign currency, i.e. currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi, Euros and United States dollars. The Group manages this risk as follows:

(i) Forecast transactions

The Group is exposed to currency risk primarily through programmes acquisition activities whereby a substantial portion of our programming costs on overseas content is settled in United States dollars. In view of the continued support from the Hong Kong SAR Government to maintain the peg of the Hong Kong dollars to the United States dollars, management does not expect that there will be any significant currency risk associated with programming cost commitments denominated in United States dollars.

(ii) Recognised assets and liabilities

In respect of trade and other receivables and payables denominated in foreign currencies, the Group manages the net exposure by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(iii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from forecast transactions and recognised assets or liabilities denominated in currencies other than the functional currency of the entity to which they relate.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(iii) Exposure to currency risk (Continued)

	2016			2015		
	Renminbi ’000	**Euros ’000**	**United States Dollars ’000**	Renminbi ’000	Euros ’000	United States Dollars ’000
Trade and other receivables	**–**	**3**	**2,519**	–	11	4,316
Bank deposits and cash	**526**	**1**	**1,404**	802	1	578
Trade and other payables	**(1,223)**	**–**	**(3,785)**	–	(25)	(3,903)
Exposure arising from recognised assets and liabilities	**(697)**	**4**	**138**	802	(13)	991
Highly probable forecast purchases	**–**	**(152)**	**(52,702)**	–	(248)	(81,746)
Overall net exposure	**(697)**	**(148)**	**(52,564)**	802	(261)	(80,755)

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group’s loss after tax (and revenue reserve) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2016		2015	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and revenue reserve HK$’000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and revenue reserve HK$’000
Renminbi	**5%**	**37**	5%	41
Euros	**5%**	**51**	5%	89

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group’s loss after tax and revenue reserve measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group’s presentation currency. The analysis is performed on the same basis for 2015.

(e) Fair values of financial instruments

All financial instruments are carried at amounts not materially different from their fair values as at December 31, 2016 and 2015.

28. COMMITMENTS

Commitments outstanding as at December 31, 2016 not provided for in the financial statements were as follows:

	2016 HK$'000	2015 HK$'000
Capital commitments		
(i) Property, plant and equipment		
— Authorised and contracted for	**17,595**	24,744
— Authorised but not contracted for	**210,733**	245,098
	228,328	269,842
(ii) Programming and other commitments		
— Authorised and contracted for	**423,009**	669,934
— Authorised but not contracted for	**61,531**	64,608
	484,540	734,542
(iii) Operating lease commitments		
— Within one year	**44,254**	53,880
— After one year but within five years	**25,385**	68,635
— After five years	**7,246**	13,014
	76,885	135,529
	789,753	1,139,913

(a) Operating lease commitments

The Group leases a number of premises under operating leases for use as office premises, car parks, warehouses, district centres, remote camera sites, multipoint microwave distribution system transmission sites and hub sites. The terms of the leases vary and may be renewable on a monthly basis or run for an initial period of two to fifteen years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually adjusted every two to three years to reflect market rentals. None of the leases includes contingent rentals.

Some of the leased properties have been sublet by the Group under operating leases. The terms of the subleases vary and may be renewable on a monthly basis or run for an initial period of three years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group leases out decoders to subscribers under operating leases which are renewable on a monthly basis. None of the leases includes contingent rentals.

(b) Future operating lease income

The total future minimum sublease payments receivable under non-cancellable subleases at December 31, 2016 amounted to HK$3,436,000 (2015: HK$21,130,000). The total future minimum lease payments receivable in respect of decoders and other equipment under non-cancellable operating leases are as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**3,505**	2,146

29. CONTINGENT LIABILITIES

As at December 31, 2016, there were contingent liabilities in respect of the following:

(i) The Company has undertaken to provide financial support to certain of its subsidiaries in order to enable them to continue to operate as going concerns.

(ii) Guarantees, indemnities and letters of awareness to a bank and a fellow subsidiary totally of HK$806,000,000 (2015: HK$606,000,000) in respect of overdraft and guarantee facilities to the subsidiaries. Of this amount, at December 31, 2016, HK$590,000,000 (2015: HK$300,000,000) was utilised by the subsidiaries.

As at the end of the reporting period, the Company has issued three separate guarantees to a bank and one guarantee to a fellow subsidiary in respect of loan facilities granted to two wholly owned subsidiaries. As at December 31, 2016, the directors do not consider it probable that a claim will be made against the Company under any of the guarantee. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the facilities drawn down by the wholly owned subsidiaries of HK$590,000,000 (2015: HK$300,000,000).

30. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year ended December 31, 2016:

	2016 HK$'000	2015 HK$'000
Rentals payable and related management fees on land and buildings *(Note (i))*	**55,486**	57,062
Rentals receivable on land and buildings *(Note (ii))*	**(6,424)**	(7,535)
Network repairs and maintenance services charges *(Note (iii))*	**(7,069)**	(4,966)
Management fees *(Note (iv))*	**8,960**	9,050
Computer services *(Note (v))*	**523**	393
Leased line and Public Non-Exclusive Telecommunications Service ("PNETS") charges and international bandwidth access charges *(Note (vi))*	**5,132**	5,662
Telephony services fees *(Note (vii))*	**8,081**	9,598

Notes:

(i) These represent rentals and related management fees paid to fellow subsidiaries in respect of office premises, car parks, warehouses, district centres and hub sites. As at December 31, 2016, related rental deposits amounted to HK$12,507,509 (2015: HK$12,734,651).

(ii) This represents rentals received from fellow subsidiaries in respect of the lease of office premises.

(iii) This represents service charges to a fellow subsidiary in relation to the operation, repair and maintenance of ducts, cables and ancillary equipment.

(iv) This represents costs incurred by a fellow subsidiary on the Group's behalf which were recharged to the Group.

(v) This represents service charges paid to fellow subsidiaries for computer system maintenance and consulting services provided.

(vi) These represent service fees paid to a fellow subsidiary in respect of the leasing of datalines, PNETS charges and international bandwidth access charges incurred.

(vii) This represents service charges paid to a fellow subsidiary in relation to the telephony services.

30. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

On November 9, 2016, Wharf T&T Limited ("WT&T") has been disposed the entire equity interests by The Wharf (Holdings) Limited. Accordingly, the income and expenses which come from WT&T will no longer be included into the material related party transactions since the disposal.

On December 12, 2016, Wharf Finance Limited, a fellow subsidiary has granted a revolving loan facility of HK$400,000,000 to a subsidiary of the Group on January 1, 2017 and which will be mature on December 31, 2017 (2016: HK$400,000,000 revolving loan facility, with an original maturity date of December 31, 2016).

The above material related party transactions include amounts which also constitute connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Section "Disclosure of Connected Transactions" of the Report of the Directors.

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 7 and certain of the highest paid employees as disclosed in Note 8, is as follows:

	2016 **HK$'000**	2015 HK$'000
Short-term employee benefits	**20,318**	19,343
Post-employment benefits	**586**	599
	20,904	19,942

Total remuneration is included in "staff costs" (See Note 5).

31. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Group has entered into three sale and purchase agreements with third parties to sell two property holding companies and one real property, at a consideration of HK$81,850,000 in aggregate.

32. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Investments in subsidiaries		**9**	8
Amounts due from subsidiaries		**4,317,828**	5,053,216
		4,317,837	5,053,224
Current assets			
Prepayments and other receivables		**1**	1
Cash and cash equivalents		**16,355**	48,851
		16,356	48,852
Current liabilities			
Accrued expenses and other payables		**1,196**	1,433
Amounts due to subsidiaries		**1,349,637**	1,017,465
Amounts due to fellow subsidiaries		**5,139**	4,600
		1,355,972	1,023,498
Net current liabilities		**(1,339,616)**	(974,646)
NET ASSETS		**2,978,221**	4,078,578
Capital and reserves	*25(a)*		
Share capital		**6,857,599**	6,857,599
Reserves		**(3,879,378)**	(2,779,021)
TOTAL EQUITY		**2,978,221**	4,078,578

Approved and authorised for issue by the Board of Directors on March 15, 2017.

Stephen T H Ng
Chairman and Chief Executive Officer

William J H Kwan
Director and Chief Financial Officer

33. ACCOUNTING ESTIMATES AND JUDGEMENTS

Management considers the key source of estimation uncertainty lies in the recognition of deferred tax assets from unused tax losses. As explained in Note 1(n), all deferred tax assets to the extent that it is probable that future taxable profits will be available against which they can be utilised, are recognised. It is possible that adverse changes to the operating environment or the Group's organisation structure could cause a future write-down of the deferred tax assets recognised.

Apart from deferred tax assets, management also makes estimates and assumptions that affect the reported amounts of other assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. Notes 1(c), 1(e), 1(g)(i), 1(g)(iv) and 1(g)(v), 1(h), 1(i), 1(j), 1(q), and Note 27(e) contain information about the assumptions and risk factors relating to useful lives of property, plant and equipment, net realisable value of commissioned programmes, films rights and perpetual film rights and films in progress, impairment of property, plant and equipment, intangible assets, inventories, financial assets at amortised cost and amounts due from subsidiaries on company level statement of financial position.

The useful lives of property, plant and equipment are estimated at the time such assets are acquired and are based on historical experience with similar assets, also taking into account the anticipated technological or industrial changes in order to determine the amount of depreciation expense to be recorded during any reporting period. If these changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation expense in future periods.

Net realisable values of commissioned programmes, films rights and perpetual film rights and films in progress are estimated based on the projected future revenue to be derived from all applicable territories and windows less cost to sell, taking into account historical performances of films and programmes with comparable budgets, casts, or other relevant qualities. Impairment is made for carrying costs that are in excess of the expected future revenue to be generated by these programmes and films. Films in progress are stated at cost less any impairment, taking into account the project status and estimated realisable value. If revenue actually generated were to fall short of forecasts, or there are changes in total projected ultimate gross revenues, amortisation may need to be increased, or impairment may need to be made to reduce the carrying value of individual programme or film to its realisable amount.

Property, plant and equipment, inventories, and amounts due from subsidiaries on company level statement of financial position, intangible assets, various financial assets at amortised cost are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed the realisable value. If any such indication exists, the asset's realisable value is estimated and an impairment loss is recognised.

The value in use of property, plant and equipment, inventories, intangible assets and amounts due from subsidiaries on company level statement of financial position represent the amount that these assets are expected to generate based on reasonable and supportable assumptions. The value of financial assets at amortised cost are calculated based on estimated future cash flows considering reasonable and supportable information that is relevant and available without undue cost or effort, including historical experience, informed credit assessment and forward-looking information.

Actual results may differ from these estimates under different assumptions or conditions.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2016

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended December 31, 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	January 1, 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	January 1, 2017
HKFRS 15, *Revenue from contracts with customers*	January 1, 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	January 1, 2018
HKFRS 16, *Leases*	January 1, 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified that the timing of revenue recognition is likely to be affected. The Group's revenue recognition policies are disclosed in note 1(l). Currently, revenue arising from the installation services are generally recognised upon completion of the related installation works whereas revenue from licensing of television rights is recognised in full upon delivery of the programmes.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

HKFRS 15, Revenue from contracts with customers (Continued)

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's installation fees and income from licensing that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

HKFRS 16, Leases

As disclosed in Note 1(f), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

35. IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The Directors consider the immediate and the ultimate controlling parties at December 31, 2016 to be Wharf Communications Limited and Wheelock and Company Limited, respectively, both of which are incorporated in Hong Kong. Wheelock and Company Limited produces financial statements available for public use.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on March 15, 2017.

FIVE-YEAR FINANCIAL SUMMARY

(Expressed in HK$ million)

	2012	2013	2014	2015	**2016**
Results					
Revenue	2,127	1,932	1,666	1,510	**1,406**
Operating expenses	(2,402)	(2,020)	(1,804)	(1,752)	**(1,718)**
Loss from operations	(275)	(88)	(138)	(242)	**(312)**
Interest income	1	1	–	–	**–**
Finance costs, net	(4)	(3)	(1)	(3)	**(5)**
Non-operating (expenses)/income	6	–	–	(1)	**(1)**
Impairment losses on investment	(1)	–	–	–	**–**
Loss before taxation	(273)	(90)	(139)	(246)	**(318)**
Income tax	(5)	(3)	–	13	**5**
Loss for the year	(278)	(93)	(139)	(233)	**(313)**
Attributable to:					
Equity shareholders of the Company	(278)	(93)	(139)	(233)	**(313)**
Assets and Liabilities					
Property, plant and equipment	1,024	934	893	874	**894**
Programming library	109	138	168	156	**169**
Intangible assets	4	4	4	4	**2**
Interest in associate	–	–	–	–	**–**
Deferred tax assets	323	311	303	309	**306**
Other non-current assets	59	56	58	63	**43**
Current assets	447	331	243	193	**211**
Total assets	1,966	1,774	1,669	1,599	**1,625**
Current liabilities	528	539	582	754	**1,102**
Deferred tax liabilities	44	34	25	17	**9**
Other non-current liabilities	9	8	9	9	**9**
Bank loans	100	–	–	–	**–**
Total liabilities	681	581	616	780	**1,120**
Share capital: nominal value	2,012	2,012	–	–	**–**
Other statutory capital reserves	4,846	4,846	–	–	**–**
Share capital and other statutory capital reserves	6,858	6,858	6,858	6,858	**6,858**
Other reserves	(5,573)	(5,665)	(5,805)	(6,039)	**(6,353)**
Total equity attributable to equity shareholders of the Company	1,285	1,193	1,053	819	**505**
Total liabilities and equity	1,966	1,774	1,669	1,599	**1,625**

Note:

As the term "share capital" includes share premium account and capital redemption reserve from the commencement date of the new CO of March 3, 2014, but not before that date, presentation of "capital and reserves" has been revised by providing further breakdown in order to be consistent with both the old and new terminology.

A Chinese version of this annual report is available from the Company upon request

如有需要，可向本公司索取本年報之中文版本

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