Change

The Way We Shop

改變我們的購物方式

ANNUAL REPORT 2016 年報

HONG KONG TELEVISION NETWORK LIMITED
香港電視網絡有限公司

SEHK 香港交易所股份編號: 1137

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HKTV mall.com

HKTVmall aims to be the largest & diversified 24-hour online shopping mall. Currently, we have about 1,300 stores, selling more than 135,000 products, including leading brands, international brands, as well as products & food directly delivered from Japan & Korea. To serve our customers better, HKTVmall sets up logistics centres in Kowloon Bay and Tsing Yi, manages its own delivery team to ensure punctual delivery of quality products and services directly to our customers.

HKTVmall目標是成為香港最大型、「包羅萬有」的24小時網上購物商場。現時，我們的商場有約1,300家商店營運，售賣超過135,000件貨品，當中包括本地各行業的領導品牌、國際品牌、日本及韓國直送的貨品及食品等。為確保每一個環節都做到最合客戶心意，HKTVmall 於九龍灣及青衣設立物流中心，擁有自己的物流及送貨團隊，確保準時送貨，將優質貨品與服務，直接送到客戶手上。

Save Efforts
慳力
Save Time
慳時間
Save Money
慳錢
Convenience
方便
Anytime, Anywhere
隨時隨地
Choices
選擇
Shoppers' Community
客戶社群

Contents

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Nowadays, e-commerce is one of the growth momentum of the global economy. Hong Kong, praised as Shopping Paradise, however, is lagging behind in this aspect compared to neighbourhood areas. HKTVmall endeavors to be the engine of local e-commerce development. By keeping evolve to create value for customers, and encouraging them to learn and try, we hope to become an indispensable part of lives, and remain the competitiveness of Hong Kong.

Financial Information

SHOPPING

Change

HKTVmall empowers customers to make price comparison and purchase on their fingertips. With point-to-point delivery service, shopping is made faster and easier.

Financial Highlights

In thousands of Hong Kong dollars except for per share amounts and ratios

	For year ended 31 December 2016	For year ended 31 December 2015
Turnover	**187,071**	112,810
Loss attributable to shareholders	**(257,116)**	(812,559)
Loss per share		
- Basic and Diluted (in Hong Kong dollars)	**(0.32)**	(1.00)
Capital Expenditures	**384,648**	99,202

	As at 31 December 2016	As at 31 December 2015
Cash position[1]	**44,397**	174,808
Available-for-sale securities	**1,183,425**	1,445,752
Total outstanding borrowings	**184,144**	71,793
Total equity attributable to equity shareholders	**1,996,663**	2,238,617
Shares in issue (in thousands)	**809,017**	809,017
Net asset per share (in Hong Kong dollars)	**2.47**	2.77
Gearing ratio (times)	**0.07**	N/A

[1] Cash position means cash at bank and in hand and term deposits

Major Milestones and Events

1992

MAY City Telecom (H.K.) Limited ("City Telecom") was incorporated in Hong Kong

1997

JAN Launch of IDD300 Calling Service

MAR Set up INC (the Specialized IDD Network for Corporations) for corporate sector

AUG City Telecom was listed on The Stock Exchange of Hong Kong Limited

1998

NOV The first company to receive the licence of ISR voice service in Hong Kong

1999

JAN Launch of IDD1666 Direct Calling Service

NOV ADR listing on the NASDAQ National Market of USA

2000

FEB Hong Kong Broadband Network Limited ("HKBN"), a subsidiary of City Telecom obtained the local wireless FTNS licence

MAR Launch of Broadband Internet services by HKBN

2001

MAY CTI International awarded the Satellite-based Fixed Carrier licence

2002

APR HKBN officially launched local on-net VoIP telephony service, and upgraded to become a wireline-based FTNS licensee

JUN Launch of HKBN IDD0030 service

2003

AUG HKBN officially launched IP-TV service

2004

NOV HKBN announced the launch of "bb100", Hong Kong's first 100Mbps residential broadband service

2005

APR HKBN launched "bb1000" Fibre-To-The-Home 1Gbps residential broadband service

OCT HKBN launched 2b Broadband Phone Service, providing VoIP service to local and overseas users via software version broadband phone

2006

SEP City Telecom enhanced Work-Life Balance with the launch of eight employee-beneficial measures

2007

MAR HKBN enhanced Digital TV Platform and launched new application "bbBOX"

2008

JAN HKBN launched free WiFi service at public housing estates

FEB HKBN awarded contract for the provision of payphone service at the Hong Kong International Airport

2009

FEB City Telecom launched talent upgrade program: "Next Station: University"

NOV HKBN launched "AWESOME SPEED. FOR EVERYONE" 100Mbps broadband at HK$99 /month (US$13)

DEC HKBN shattered the one-millionth mark for Fixed Telecommunications Network Services subscriptions

2010

FEB HKBN took on climate change with expedition to the Antarctica

MAR City Telecom celebrated 10 Years on NASDAQ

MAR HKBN launched bb100 + WiFi services at Hong Kong International Airport

APR HKBN launched 1 Gbps broadband for HK$199/month (US$26)

NOV Mr. Ricky Wong, Chairman, was awarded Ernst & Young Entrepreneur of The Year 2010 China For Telecom Category

DEC HKBN launched HD Online Music Portal – MusicOne

2011

MAY Surpassed 10,000 Symmetric 1Gbps Subscribers

JUN Incredible 1Gbps Triple-Play (1Gbps Broadband, HomeTel, bbTV) for HK$158/ month (US$20/month)

JUN Awesome HK$9.9/month (US$1.30) HomeTel Switch-Over Offer for incumbent's customers

AUG City Telecom announced the establishment of Worldclass Multimedia Centre, doorway to multimedia creativity

2012

FEB HKBN "Big Fat Dumb Pipes" that easily handled over 100GB/month per user across our 600,000 plus FTTH/B customer base

FEB Groundbreaking of City Telecom's Multimedia Production and Distribution Centre

MAR Over 4,500 applicants strived for career opportunity in City Telecom TV Division

MAY City Telecom sold HKBN and all telecom businesses to CVC Capital Partners, a global private equity firm

SEP City Telecom celebrated 20th Anniversary : Together We Create TV Miracles

Mr. Ricky Wong, Chairman of City Telecom (11th from the left) led our guests and talents to celebrate 20th Anniversary.

Major Milestones and Events

2012

OCT City Telecom's TV & Multimedia Production Centre reached a new milestone

DEC City Telecom launched "TV Network Naming Ceremony and Programme Preview" event

2013

JAN City Telecom renamed as Hong Kong Television Network Limited ("HKTV")

DEC HKTV announced new developments to its multimedia business. Upon the completion of acquiring mobile TV service licence and spectrum, Over-The-Top (OTT) Internet content platform as well as mobile TV service will be launched

2014

OCT Cisco and HKTV proudly announced revolutionary "Shoppertainment"–HKTVmall

OCT HKTV entered into content licensing agreement for broadcast and distribution rights with ASTRO, bringing HKTV's dramas to audience in Southeast Asia region

NOV With "Always Something New" as corporate vision, HKTV announced its grand launch. The public can watch HKTV's self-produced dramas, variety & infotainment programs via Internet-connected devices such as smartphones, tablets, personal computers, smart TVs & set-top boxes

2014

DEC Trial run for Online Shopping Mall commenced

2015

FEB Grand launch of HKTV online shopping mall. Starting with the slogan"We Sell Whatever You Can Imagine", HKTV worked with more than 333 stores from Hong Kong, Japan & Korea, targeting to be a large scale online shopping mall in Hong Kong

FEB HKTV Launched Video-on-Demand Service on TV Set-Top Box

2015

MAR HKTV's first promotional event being held at large shopping mall for its drama "The Menu"

MAR HKTV app was available on PlayStation®4

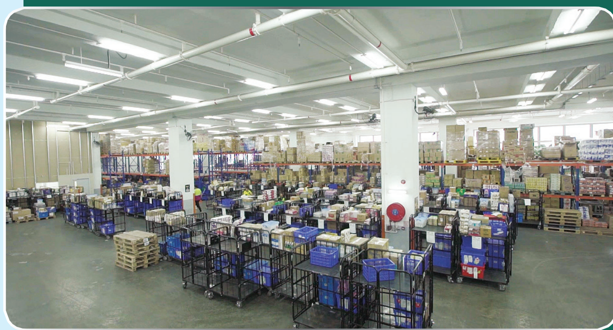
AUG HKTVmall's mega MTR advertising campaign dominated more than 50 MTR stations

SEP Construction work of the Multimedia Production and Distribution Centre commenced

DEC HKTVmall participated in Hong Kong Mega Showcase, offering exclusive discount and small gifts

2016

JUL Expanded our warehouse and logistics centre to Tsing Yi for an additional 144,000 square feet



AUG Launched first of its kind Online Electronic Product Warehouse Sale, offering super discounted products as well as gifts.

OCT Launched "Win $4 Million to Buy a Home!" Lucky Draw

OCT Opened the first concept shop in North Point

2017

JAN Opened the second concept shop in South Horizons

PAYMENT Change

At HKTVmall, customers can shop easily in cashless way with no more queuing up. Shopping is merrier than ever.

Chairman's Statement

Dear Shareholders,

Time flies - HKTVmall is stepping into the third year of operation in a blink. The world has changed over this period : Consumers are smarter and they are making better use of information, while the younger generation was born with digital DNA that solidifies the foundation for the development of online shopping; With advanced technology, everyone can shop on any smart devices. Combining the above, consumers are now able to shop anytime at anywhere, breaking geographical constraints and physical retail shop space limitation, that a normal consumer may now be able to source products with larger variety than resellers or merchandisers do. In addition, high rental cost triggers retailers to search for new operational model, for instance there are traders placing their products on eBay or Amazon to explore the US and overseas markets, skipping the role for intermediary. However, while consumers, retailers and technology are all evolving, our local retailers are still focusing on searching for better locations for their stores, or thinking of ways to grasp the business opportunities brought by Mainland tourists.

In the operation of HKTVmall, I noticed that many Hong Kong retailers are very good at promoting their products. To be specific, they are quite product-centric. However, online shopping is more on data analysis, digital marketing and consumer-centric. We understand our customers very well, and we have their information such as age, gender and addresses, as well as the shopping habits and preferences for everyone of them. The most unique is that, even though they have not made any purchase, still, we know what products that they are interested in.

Over the past two years, we have been dedicating to adapt to the new environment and to transform into growth momentum to live with the mass. In fact, it is not only HKTVmall who is evolving, Hong Kong consumers are evolving too. This concept was adopted in the design of this annual report.

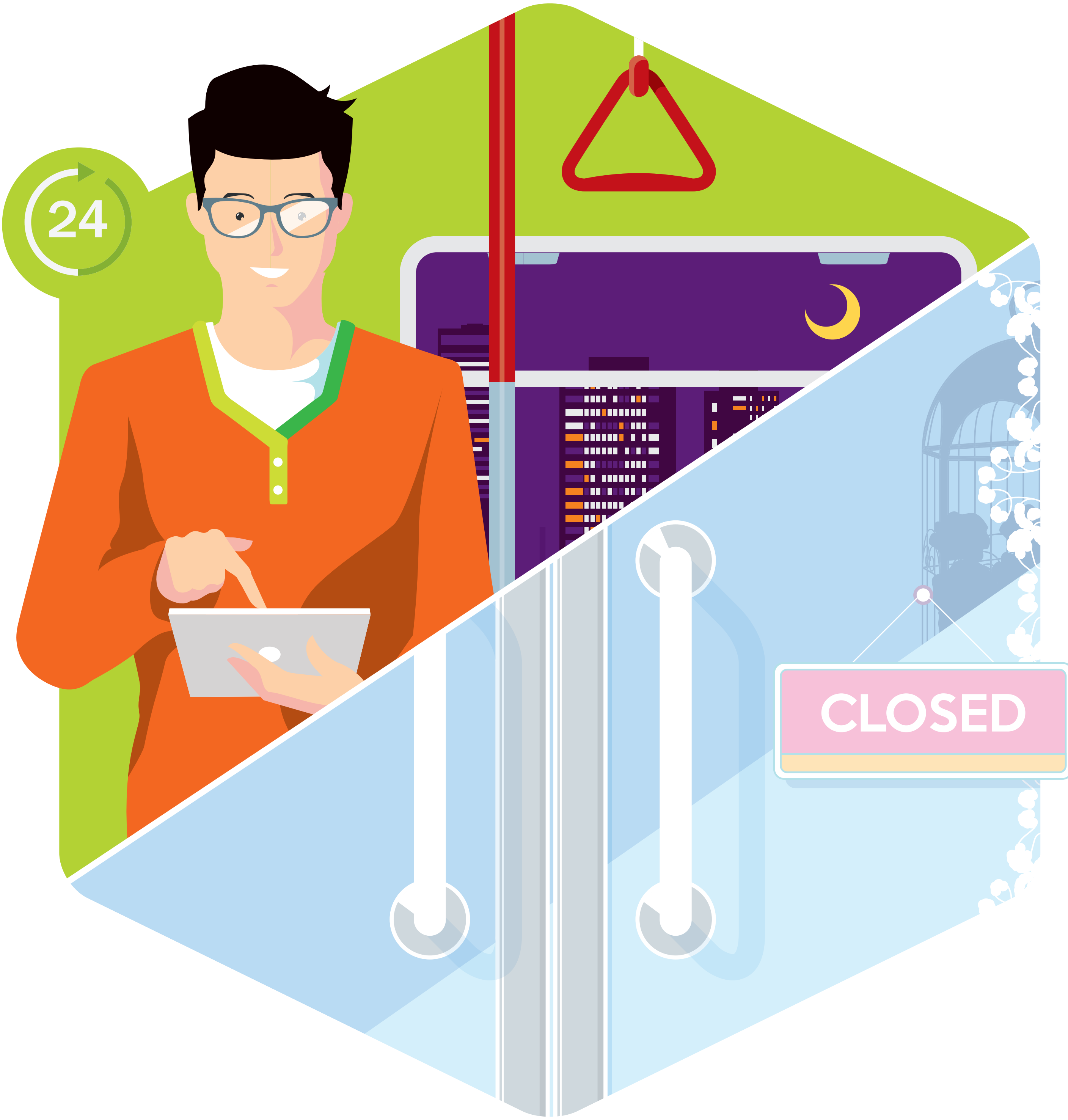
Our operational scale is growing with our better understanding of customer needs. Compared with last year, the number of stores grew from 700 to 1,300, with more than 135,000 products available for sale. I believe that HKTVmall is now the largest online shopping platform in Hong Kong. In view of this, our platform has spanned from 3 zones into 5 zones to enrich our product spectrum, by adding "Hot Deals" with "Fashion & Beauty" splitting into "Fashion" and "Beauty & Health".

There were 256,950 customers making purchases on HKTVmall over the past two years, and year 2016 alone accounts for 163,033 customers. Therefore, we are looking into the adoption of a big data analytical system, to collect and analyze customer behavior. This will not only be beneficial to the Group's future business development, but will also help our business partners, brands and merchants to understand their customers better. Indeed, big data analysis has become a global trend, and HKTVmall is the only company in Hong Kong entailing such data.

In addition, after the launch of large scale promotion campaign, order intake surges, resulting in "happy problem" that bottleneck issue exists in warehousing, logistics and delivery. Apart from Kowloon Bay, we have added another logistics centre in Tsing Yi. Despite of a total of about 200,000 square feet for the two centres, space remains to be an issue for us. Therefore, part of the new headquarter located in Tseung Kwan O will be used to incorporate an e-Commerce fulfilment centre. While the limitation of logistics not only consists of spacing issue, manpower and operational efficiency are some other key areas to note. Therefore, we introduced a large scale robotic system from Germany, which can assist in the systemization of warehousing and automation for pick and pack in the long run. Despite this will induce certain amount of capital investment and the transformation process will result in short term interruption to the operation of our logistics centre, we believe that when the system is in full scale operation in future, it will help to reduce reliance of manpower. The existing operation of running at a loss will be improved, and the overall operation will be more stable.

From all of these, we believe that we are the only company that is willing to invest tremendously in the online shopping sector in Hong Kong. Our target is to be the largest online shopping platform in Hong Kong all the way, and therefore we are able to attract cooperation opportunities from more merchants and brands, as HKTVmall is their best choice.

TIME & LOCATION
Change



HKTVmall, as a 24-hour online shopping mall, is free from time and location constraints. Customers enjoy shopping anytime, anywhere.

Chairman's Statement

Externally, to cater for the changes in consumer habits, we have opened two shops in North Point and South Horizons respectively. Through the display of different products on weekly or bi-weekly basis, we wish to intensify the feeling of "We sell whatever you can imagine", and we shall open more shops in future. This online-offline interactivity is a new way of retailing, that we are trying to add value to our customers via a 400-500 square feet store compared to a 20,000 square feet retail store.

I understand that online shopping will not replace offline shopping, which means that online shopping will not replace physical retailing. Undeniably, online shopping complements physical retailing in terms of product variety and all-rounded 24 hours' convenience; as for the busy Hong Kong population, online shopping possesses huge business development potential for its hassle-free and time-saving edges.

Maybe you are aware of the recent move of the Group, that Groupon HK has become part of us. While you may be curious that the group purchase business in Hong Kong has already been off from its peak, and why we are doing this? We strongly believe that combining HKTVmall and Groupon HK will form an unbeatable online shopping platform in Hong Kong - there are altogether 3,500,000 downloads for our apps, with more than 2,000,000 visitors monthly. Therefore, we can extend the servicing segment of HKTVmall, and to create synergy with the existing business, thus strengthening our market leadership.

Over the past two years, I have been looking and searching for ways of doing online shopping in Hong Kong, in which I had the same feeling when we established Hong Kong Broadband Network decades ago. In 2000 to 2003 when we were thinking how to build a high speed broadband network infrastructure in Hong Kong, many people thought that we would not be able to be comparable to PCCW. Until today when we look at the business progress of HKTVmall, when we are handling 3,000 orders daily on average, I have gained my confidence towards the future as I think we have found the way to succeed. Some day if we can handle 8,000 orders daily, probably we will be able to reach the breakeven point.

In the coming five years, I hope that HKTVmall can grab a significant share of the HK$436.6 billion retail market in Hong Kong. And I wish that we will become a credible partner for our customers and suppliers, and be the largest Hong Kong-based online shopping platform across all product spectrums.

Wong Wai Kay, Ricky
Chairman
Hong Kong, 22 March 2017

SHOPPERS' COMMUNITY

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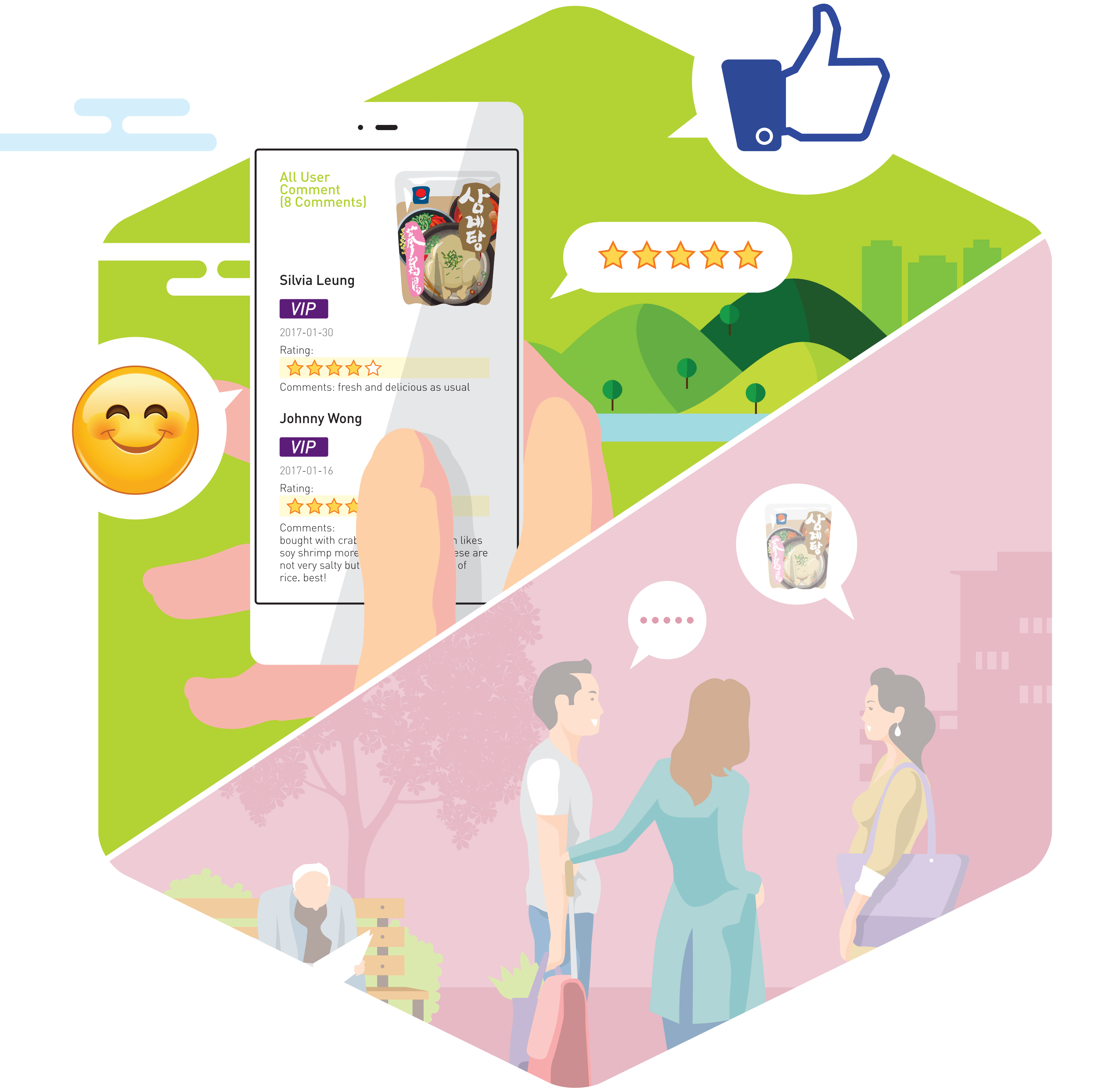

Shopping information circulates better than ever. HKTVmall allows only genuine customers to tell you more about the products, and share their real experiences on this digital platform

Management's Discussion and Analysis

BUSINESS REVIEW

The local economy in retail sector was in its downturn in 2016 relative to 2015 but the economy started to have recovery signs showing in the last quarter of 2016. According to the Report on Monthly Survey of Retail Sales for December 2016 published by the Census and Statistics Department of Hong Kong Special Administrative Region, the total value of the retail sales for 2016 decreased by 8.1% relative to the same period in 2015, while the total volume decreased by 7.1% relatively. Nevertheless, the retail sector was observed to have gradual improvement in the fourth quarter of 2016, it was performed slightly better than the third quarter of 2016 by 2.3% in total value and 2.6% in total volume. Moreover, among different sectors, commodities in supermarkets, food and alcoholic drinks, etc. were able to maintain flat or with a slightly growth in 2016.

Though the overall consumer sentiment has deteriorated the consumption momentum in Hong Kong during the year, the business performance on HKTVmall was exceptionally encouraging. HKTVmall has continued to expand its addressable market in terms of age and household disposable income groups, where our diversified brand and product portfolio as well as the door-to-door last mile delivery service has contributed the most to our developments in 2016. As a marketplace, we have more than 135,000 products offering in HKTVmall carried by about 1,300 stores and this diversified brand and product portfolio well captures the growing online demand across mass to premium segments and supports revenue share gains. Our low threshold (order value at HK$250/HK$400 for free delivery service to our VIP/general customers) last mile free delivery service has built convenience and efficiency to our customers. Moreover, the expansion of our supermarket grocery product segment since August 2015 has built us a strong driver for repeated purchases. Our repeated purchase ratio for the year ended 31 December 2016 was about 60%. All of these key factors have helped to migrate the Hong Kong consumers online. Relative to 2015, our annual Gross Merchandise Value[1] ("GMV") at HKTVmall had a promising growth of about 300% in 2016, and for the month of December 2016, the GMV on order intake reached approximately HK$46.0 million relative to approximately HK$14.1 million for the month of December 2015. In terms of operational parameters, we also have encouraging performance in terms of number of customers who placed orders at HKTVmall and number of order intake during 2016.

1. We have 163,000 customers who have placed orders with HKTVmall during 2016, a substantial growth of 73% from 94,000 in 2015.

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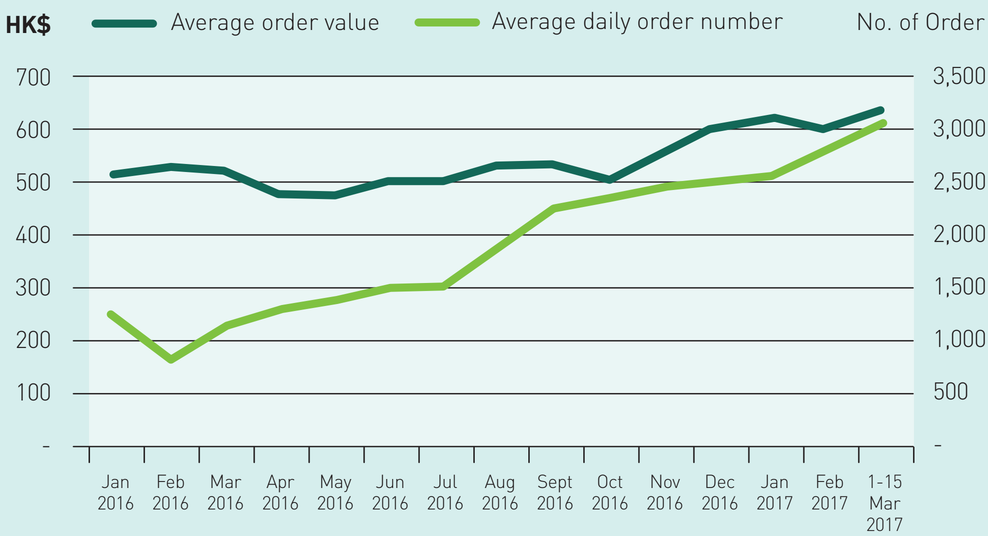
[1] Gross Merchandise Value ("GMV") represents the total gross sales dollar value for merchandise sold through a particular marketplace over a certain timeframe, before deduction of any discounts offered by the marketplace, rebate used and returns of merchandise sold.

Management's Discussion and Analysis

2. Our average daily order number was only about 1,300 in January 2016 but in December 2016, it has reached about 2,500, and even reached about 3,000 orders in the first half of March 2017. Below is a trend on our average order value and average daily order nubmer for the month from January 2016 to 1–15 March 2017, apparently there was a promising decent upward trend which demonstrated our popularity and the need of online shopping in Hong Kong.



All of these key business parameters have reassured us Hong Kong indeed has a proven need and strong growth momentum in online shopping business. The general arguments such as Hong Kong is too small or too convenient, and there is no demand for online shopping could be a fallacy, it's just probably a "supply" issue — there was no committed large scale online shopping mall existed in Hong Kong before, until HKTVmall stepped into this market 2 years ago. With the experience and track records in the past two years, we shall continue to expand our footprint aggressively in the online shopping space and undoubtedly, we are dedicated to be the dominant and largest online shopping mall in Hong Kong.

This remarkable 2016 was full of important developments in the e-commerce segment, we continues to solidify our foundation for HKTVmall's long term business growth. Our growth strategy targets opportunities to expand addressable market in Hong Kong as well as to grow the number of order intake and order value. To sustain for this continuous expansion, during the year, the Group has achieved the following:

1. **Our first concept store**

   With the objective to be the most dominant and largest online shopping mall in Hong Kong, we always look for different ways to enhance the O2O synergy. In this regard, we are undergoing an experiment to find out the most applicable O2O retail model to the Hong Kong market, such as using a 400–500 square feet concept store to serve customers better than a 20,000 square feet retailers, in terms of product variety, product categories, convenience or even pricing. In October 2016, HKTVmall opened its first concept store at North Point. Instead of operating like a traditional brick and mortar store for product display and selling, our concept store is indeed a marketing tool to increase our market presence and to establish connection and relationship with consumers at the local neighbourhood. Aided with regular promotion and marketing campaign to attract patronage to our concept store, we could push for online conversion, to provide customer service and as an order pick-up point for our customers. Whenever the consumers around have an impulse to shop for whatever products they want, the first place in their mind is HKTVmall.

We have entered into another tenancy in December 2016 to set up the second store in Mariana Square, South Horizons which was opened before the 2017 Chinese New Year as our second experimental store. We aim to find out the most applicable retail O2O model to maximize our value to the consumers in Hong Kong.

2. **Aggressive marketing campaign**

   Apart from placing year-round digital advertisements at various popular social platforms and holding different event marketing campaigns along the year, we are also keen on large scale promotional activities to increase HKTVmall's brand awareness and presence in the local market, such as in January 2016, as a new year start, we launched the "HK$99 Crazy Meat Sets" campaign to introduce the new frozen meat product line. Along selected MTR stations and bus shelters, we put up different advertising panels with 8 different cloze quizzes related to the current affairs in humorous ways to introduce the great value frozen packs offering at HK$99. This was a successful campaign which not only increased our brand exposure to the mass market but was also an effective drive for repeated purchases.

   In October 2016, we launched a "Win HK$4 Million to Buy a Home!" lucky draw campaign welcoming all Hong Kong residents to participate simply by downloading the HKTVmall app and registering with certain basic personal information (without the need to spend a dollar!), then would have a chance to win an exclusive HK$4 million to buy a home. This campaign was a ground-breaking news to the market in particular when the sky-high property price has discouraged a lot of Hong Kong residents to have their own home. We have expanded our registered member base after this campaign.

3. **Expanding logistics and fulfilment centre**

   In July 2016, we expanded our logistics fulfilment centre from about 63,000 square feet to about 200,000 square feet hosting more than 500 logistic and warehousing professionals including our full time talents, part-time resources and outsourced partnership for running the order fulfilment facility and the logistics functions. We were also expanding our logistics car fleet from 30 plus in 2015 to 90 plus owned vehicles by January 2017 including cold trucks to ensure fresh and hygienic delivery of frozen and chilled products. Our cold trucks are designed in a very unique way which has a three different temperatures compartment for delivery of room temperature, 0–4 degree Celsius and -18 degree Celsius products. This design enables us to deliver any order with products at all three different temperatures in a single delivery, which not only benefit our customers who only need to receive the order in one-go but also allow us to run the logistic operation in a more efficient way.

4. **Automation migration**

   In June 2016, to cope with the exponentially growth in order intake and to significantly increase our fulfilment efficiency, the Group has entered into a contract for implementing an automatic picking and conveying system from Germany consisting of a conveying system, an automatic picking system, an automatic storage and retrieval system and tote handling systems. In the past 6 months, we have invested tremendous resources to adjust and fine-tune the operational design and functionality of this system to best fit the changing operational requirements so as to maximise the efficiency level upon its launch. In this regard, we expect there will be a slight delay for the launch which is now expected to be in the third quarter of 2017, we believe the newly refined design will in fact enable us to maintain a stable operation environment in a much enhanced efficiency without the reliance on too much labour resources. We expect this automated system will be able to increase our picking capacity significantly and enable us to re-designate our resources to focusing on packing, inventory management and order fulfilment.

5. **Introduction of "Hot Deal" street**
   In March 2016, on top of providing products from "Supermarket", "Fashion and Beauty" and "Home and Family" categories at competitive pricing with Mall Dollar rebate, a new category — "Hot Deals" offering was added to the portfolio, and a team of expertise in Hot Deals was recruited aiming to search for great value offer in town to maximise customers' purchasing power and to expand the product spectrum.

With all the efforts we made in the past two years since formal launch in February 2015, we have successfully established solid fundamentals for HKTVmall as a unique marketplace in Hong Kong, and together with the expanding member base at approximately 2.3 million registered email IDs, we are making good progress to expand to a larger addressable market and to capture business growth on the online shopping space in Hong Kong.

Apart from operating online shopping business under HKTVmall, during the year under review, the Company continues its business including the offer of free television programming through its Over-The-Top (OTT) platform, international and local content distribution, provision of artiste management services and independent content production, while the TV programme production remains suspended.

The construction of the multimedia production and distribution centre ("Multimedia Centre") in Tseung Kwan O Industrial Estate was in its final stage as at 31 December 2016 and the occupation permit was subsequently obtained on 17 March 2017.

FINANCIAL REVIEW

During the year under review, the Company mainly operates its Multimedia Business including the E-commerce online shopping and delivery services, OTT platform, and corporate functions. The Group's main focus was on online shopping business during the year and embraced by the marketing and operational effort invested in the past two years, HKTVmall was getting more popular and top-of-the-mind on the online shopping space, which has brought direct benefit to our direct merchandise sales and income from concessionaire sales. During 2016, due to the suspension of TV programme production, only minimal related income and costs was recorded.

The Group incurred a loss of HK$257.1 million for the year ended 31 December 2016 ("2016"), an improvement of HK$555.5 million from the loss of HK$812.6 million for the corresponding period of 2015 ("2015"). The financial performance was improved mainly due to the business growth on online shopping business, costs avoided due to suspension on TV Programme production and no further impairment loss on Media Cash Generating Unit ("CGU") incurred in 2016 (2015: a loss of HK$327.8 million).

On turnover, the Group has HK$187.1 million for 2016 (2015: HK$112.8 million) and 99.3% (2015: 32.3%) was from online shopping business. Turnover was composed of HK$157.3 million from direct merchandise sales (2015: HK$25.3 million), HK$28.5 million from income from concessionaire sales and other service income (2015: HK$11.1 million), HK$1.2 million from licensing of programme rights and net advertising income (2015: HK$76.1 million) and HK$0.3 million from artiste management services for 2015 but nil in 2016.

The increase in direct merchandise sales and income from concessionaire sales and other service income by HK$149.4 million was due to the full scale operation of online shopping platform in 2016 while in 2015, it was just a very early start-up formally launched in February 2015. Various sales and marketing efforts such as the "HK$100 Mall dollar" promotional campaign for the grand launch in February 2015, "Mega MTR Advertising Campaign" in August 2015, "HK$99 Crazy Meal Set" in January 2016, "Win HK$4 million to Buy a Home" Lucky Draw campaign in October 2016, different seasonal product catalogues with 400,000 to 800,000 distributions, on-street promotors — "Jetsoer" for road shows in different region in Hong Kong, to the very recent HKTVmall concept store set up, have strengthened the association between "Shopping" and HKTVmall in Hong Kong people's mind which has in turn boosted up the order intake and order value in 2016.

On the turnover from licensing of programme rights and net advertising income, there was a decrease of HK$74.9 million to HK$1.2 million in 2016 mainly because the suspension of TV programme production remained in 2016.

Programme costs of HK$320.7 million was charged to profit or loss in 2015 mainly included programme costs of self-produced programmes and purchased content charged to the profit or loss over the showing period and talent and other production costs for content production for third party customers. No programme costs was charged to profit or loss in 2016 as all fresh programme contents were fully broadcasted or impaired during 2015.

Cost of inventories amounted to HK$140.3 million for 2016 (2015: HK$23.1 million) represented the full year cost of inventories delivered to customers for the fulfilment of the Group's direct merchandise sales, while for 2015, the direct merchandise sales was only a tiny operation.

Other operating expenses increased by HK$50.7 million to HK$380.5 million in 2016 relative to the HK$329.8 million incurred in 2015. The increase was mainly due to the below major items:

1. Talent costs increased by HK$52.6 million to HK$189.1 million in 2016. During 2016, to cope with the business growth on online shopping business, the workforce on the logistics and warehouse functions, direct sales and merchant relations increased significantly; and

2. Operating lease charges increased by HK$15.4 million in 2016 mainly for the expansion of logistics fulfilment centre. Moreover, operating costs also increased due to expansion of owned car fleet and scalable sub-contracted labour resources to cope with business growth on direct merchandise sale; partially offset by

3. Advertising and marketing expenses decreased by HK$14.2 million, benefited from the two large scale above-the-line brand awareness campaigns in 2015, this year, we were more focused on digital advertisement, event marketing and activity-based promotional campaigns to boost sales. Hence, less was spent in large scale brand awareness activities in 2016; and

4. Depreciation and amortisation of intangible assets decreased by HK$6.3 million and HK$19.7 million respectively in 2016 caused by the impairment losses in relation to the Group's Media CGU in 2015.

In 2016, there was a valuation gains on investment properties of HK$6.7 million, a decrease of HK$5.2 million relative to a valuation gain of HK$11.9 million in 2015, based on the valuation carried out by an independent firm of surveyors.

Management's Discussion and Analysis

Other income, net, of HK$70.9 million was earned in 2016 (2015: HK$67.5 million), mainly composed of investment income generated from available-for-sale securities, bank interest income, and rental income from investment properties, net of net exchange loss. The increase of HK$3.4 million was mainly due to the decrease in exchange loss by HK$27.2 million, partially offset by decrease in bank interest income by HK$14.4 million and decrease in interest income from available-for-sale debt securities by HK$12.3 million caused by the realisation of a portion of the investment portfolio to support the capital expenditures and operating activities of the Group.

Finance costs, net decreased by HK$2.2 million mainly due to the decrease in average bank loans during 2016.

In 2015, the Group recognised impairment losses on certain intangible assets, property, plant and equipment, programme costs and other assets with an aggregated amount of HK$327.8 million in relation to the Media CGU primarily as a result of the uncertainty in the regulatory and technical feasibility in the provision of mobile television services. The Group assessed the recoverable amounts of these assets in 2016 and no further impairment was required in 2016. The impairment losses did not have a material adverse impact on the cash flow position of the Group in 2015 and 2016.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2016, the Group had total cash position of HK$44.4 million represented cash at bank and in hand (31 December 2015: HK$174.8 million) and outstanding borrowings of HK$184.1 million (31 December 2015: HK$71.8 million) drawn for investment yield enhancement purpose. The decrease in total cash position was due to the purchases of property, plant and equipment of HK$372.5 million mainly for the construction of the Multimedia Centre, and the resources utilised for operating activities of HK$207.7 million, partially net off by net bank loan of HK$112.2 million, net realisation from investment portfolio of HK$260.3 million and net investment income received of HK$78.0 million.

On investment in available-for-sale securities, the Group has invested, at fair value, of HK$1,183.4 million as at 31 December 2016 (31 December 2015: HK$1,445.8 million) and the decrease was mainly caused by the use of certain matured or realised available-for-sale debt securities to fund the capital expenditure and operating activities of the Group. As at 31 December 2016, there was a deficit of HK$18.4 million being recorded in fair value reserve (31 December 2015: a revaluation deficit of HK$33.6 million). Among the available-for-sale securities, about 96.6% (31 December 2015: 97.3%) are invested in fixed income products or other debt securities which substantially will be repaid at par upon maturity.

Consistent with the overall treasury objectives and policy, the Group undertakes treasury management activities with respect to its surplus cash assets. The criteria for selection of investments include the relative risk profile involved, the liquidity of an investment, the after tax equivalent yield of an investment and, not speculative in nature. In line with its liquidity objectives, the Group invests mostly in liquid instruments, products or equities, such as investment grade products, constituent stocks of defined world indices or state owned or controlled companies. Investment in fixed income products are structured in different maturity profile to cater for ongoing business development and expansion need. Moreover, as and when additional cash is expected to be required to fund the business, the investments can be realised as appropriate.

As at 31 December 2016, the Group has utilised HK$184.1 million (31 December 2015: HK$71.8 million) uncommitted banking facilities mainly for investment yield enhancement purpose, leaving HK$998.6 million (31 December 2015: HK$1,114.1 million) uncommitted banking facilities available for future utilisation.

Our total cash and cash equivalents consisted of cash at bank and in hand and term deposits within three months of maturity, if any. There is no pledged bank deposit as at 31 December 2016 and 31 December 2015.

The debt maturity profiles of the Group as of 31 December 2016 and 31 December 2015 were as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Repayable within one year	**184,144**	71,793

As at 31 December 2016, our outstanding borrowings bore fixed interest rate and denominated in Hong Kong dollars. After considering the cash and cash equivalents and term deposits, if any, held by the Group, the gearing ratio of the Group as of 31 December 2016 was 0.07 times. The Group was in a net cash position as of 31 December 2015 and hence no gearing ratio was presented. The Group is of the opinion that, after taking into consideration of the internal available financial resources and the current banking facilities, the Group has sufficient funds to finance its operations and to meet the financial obligations of its business when they fall due.

	31 December 2016 HK$'000	31 December 2015 HK$'000
Net Debt (*note (a)*)	**139,747**	-
Net Asset	**1,996,663**	2,238,617
Gearing (*times*)	**0.07**	N/A

note (a) : Total bank borrowing net of cash and cash equivalents and term deposits, if any.

During 2016, the Group invested HK$384.6 million on capital expenditure versus HK$99.2 million in 2015. The capital expenditure was mainly incurred for the construction of the Multimedia Centre, the renovation and fixtures of the expanded logistics fulfilment centre and for the expansion of our logistic fleet. For the upcoming capital expenditure requirements for the business, we will remain cautious and it is expected to be funded by internal resources within the Group and available banking facilities. Overall, the Group's financial position remains sound for continuous business expansion.

On 29 December 2016, the Company filed a Form 15F with the United States Securities and Exchange Commission ("SEC") to deregister and terminate its reporting obligations under the Exchange Act. The Company's reporting obligation under the Exchange Act has been suspended immediately upon such filing, and the deregistration is expected to become effective 90 days after the filing, unless withdrawn by the Company or denied by the SEC earlier. Following the deregistration, the Company's American Depositary Shares ("ADSs") evidenced by American Depositary Receipts ("ADR"), each representing the right to receive 20 ordinary shares of the Company, will continue to be traded in the over-the-counter markets, and The Bank of New York Mellon Corporation will continue to act as the Company's ADR depositary. The decision to deregister was reached in view of the limited holdings and trading volume of the ADSs and the time and costs of maintaining the listing of the ADSs in the United States.

Charge on Group Assets

As of 31 December 2016, the Group's bank loans of HK$184.1 million (31 December 2015: HK$71.8 million) were secured by an equivalent amount of available-for-sale securities held by various banks.

Exchange Rates

All the Group's monetary assets and liabilities are primarily denominated in Hong Kong dollars, United States dollars or Renminbi. Given the exchange rate of the Hong Kong dollar to the United States dollar has remained close to the current pegged rate of HKD7.80 = USD1.00 since 1983, management does not expect significant foreign exchange gains or losses between the two currencies.

Management's Discussion and Analysis

The Group is also exposed to a certain amount of exchange rate risk due to the fluctuations between the Hong Kong dollars and the Renminbi arising from its investments mainly in Renminbi fixed income products or term deposits. In order to limit this exchange rate risk, the Group closely monitors Renminbi exposure to an acceptable level by buying or selling foreign currencies at spot rates where necessary.

Contingent Liabilities

As of 31 December 2016 and 31 December 2015, the Group had no material contingent liabilities or off-balance-sheet obligations.

Principal Risks and Uncertainties

Our Group's financial condition, results of operations, and business prospects may be affected by a number of principal risks and uncertainties directly or indirectly pertaining to our Group's business. There may be other risks and uncertainties in addition to those shown below which are not presently known to our Group or currently deem immaterial but may adversely affect us in future.

1. **Risks relating to our business and operations**

   Performance of our Group's core business will be affected by various factors, including but not limited to the marco and local economic conditions, performance of the consumer market in Hong Kong, the attractiveness and effectiveness of our product offerings, pricing and promotional strategies to generate new and recurring purchases through our online shopping platform, effectiveness of the operational cost and quality control, our judgement on future customer demand and preferences, which could not be fully mitigated even with careful and prudent investment strategy and business plan. Our business plans and strategies are formulated based on a number of assumptions, including successful cooperation with our business partners, and are expected to place substantial demands on our managerial, operational, financial and other resources. The failure to achieve any of the assumptions and to achieve at an efficient manner could increase our costs of operation and investment. Besides, we may incur substantial expenditure to develop the business before we can generate significant revenue from our online shopping and OTT businesses. As a result, our business may not be able to become profitable in the future.

   Moreover, we launched our OTT platform under HKTVmall in November 2014 and our online shopping business in February 2015, the limited operating history made us difficult to evaluate our business, financial performance and prospects and may not be indicative of our future performance.

   Operational risk is the risk of loss resulting from default on the Group's suppliers, service providers and ineffective, inadequate or failure of internal processes, people and systems or from external factors which may cause various level of adverse impact on the results of operations. As our business is operating online through our website or app and customer payments are made through our website by collaborating with third-party online payment processing service providers, proper functioning of our technology platform and the third party's payment platform are essential to our business. Any failure to maintain the satisfactory performance of these website and systems could materially and adversely affect our business and reputation.

   Moreover, as the customer order completion for the online shopping business is highly relied on the successful product delivery to our customers, any interruption in our logistics operation, including the warehousing and delivery services for an extended period, or if we cannot run the logistics and warehousing function in an effective and efficient model which are human-capital intensive, our business could be materially and adversely affected.

   We may incur liability or become subject to penalties for counterfeit or unauthorised products sold on our website, or for products sold on our website or content posted on our website that infringe on third-party intellectual property rights, or for other misconduct. Although we have adopted measures to verify the authenticity and authorisation of products sold on our website and avoid potential in the course of sourcing and selling products, we may not always be successful. Our official emblems, HKTV and HKTV mall, with distinctive character, are well known to be the trademarks of the Group. Whilst we are actively defending ourselves against a third-party challenge to one of our registered trademarks and a number of trademark applications, there can be no assurance that we will be successful. If we are not successful in maintaining our rights to use the trademarks, our reputation could be adversely affected.

The occupation permit for the Multimedia Centre was issued on 17 March 2017. According to its undertakings, a wholly owned subsidiary of the Group, Hong Kong Media Production Company Limited ("HKMP") will have to complete purchase and installation of the new machinery with a minimum value of HK$221 million and commence operations on or before 30 June 2017, failing which would result in breach of the agreement for lease entered into between HKMP and Hong Kong Science and Technology Parks Corporation ("HKSTP") and could have an adverse impact on the business. Over and above, upon the application on the part of HKMP in December 2016, it was approved by HKSTP that the stipulated use of the Multimedia Centre would be modified for an additional use of 5,080 square metres as an e-Commerce Fulfilment Centre for the integration of e-Commerce business with multimedia content production as described in its application, subject to certain terms and conditions, amongst other things, HKMP is required to pay a consent fee of HK$62,125,217 to HKSTP upon execution of the modification of agreement for lease and the modification of proposal form on or before 6 May 2017. HKMP accepted HKSTP's offer on 3 March 2017. Failure to satisfy the said condition, HKMP may be held liable for breach of agreement.

2. **Risks relating to the legal, regulatory and compliance**

   Our business is subject to Hong Kong laws and regulations, including telecommunications and broadcasting, sale of goods and services, trade descriptions, intellectual property, product safety, food safety, data privacy, competition, listing and disclosure, and corporate governance. Whilst we manage compliance proactively and procure to obtain first-rate independent legal services to ensure the highest standards in compliance, any failure to comply with laws and regulations may result in legal proceedings being filed against us and could expose us to civil and/or criminal liability and sanctions. In any event, dealing with complaints, investigations, or legal proceedings, regardless of their outcome, could be costly and time-consuming and could divert management attention. More importantly, the long-term sustainability of our business is largely dependent on a steady and balanced regulatory environment. Unanticipated changes in policies or regulatory practices by the relevant authorities may require us to change our business strategies and practices, and consequently, could materially adversely affect our business.

3. **Financial risk management policies and practices**

   The financial risk management policies and practices of the Group are shown in note 24 to the financial statements.

PROSPECTS

HKTVmall has planted the seeds in the online shopping business two years ago with a clear objective to become the most dominant and largest online shopping mall in Hong Kong. We aim to expand the current HK$436.6 billion[2] retail business and in 5 years' time, to gain a significant share of this market. It is inevitable that the retail business is migrating to online in a moderate to fast pace in particular when the rental and maintenance costs in operating a physical retail outlet in Hong Kong is getting higher and higher, and the digitalised generations, who are highly adapted to the mobile and internet browsing and purchases, are quickly expanding over time.

Online conversion is a revolution process which is always not an easy path, but we believe HKTVmall are fully embraced by this changing environment given the tremendous efforts and resources we invested in

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[2] 2016 annual retail sales value extracted from Report on Monthly Survey of Retail Sales (December 2016) published by the Census and Statistics Department of Hong Kong Special Administrative Region

Management's Discussion and Analysis

the past two years starting to bring us promising and rewarding results — our number of order intake has reached average daily of about 3,000 orders with average order value over HK$600 per order in the most recent first half of March 2017. To continue to grow our online shopping business aggressively in a way that will benefit both the consumers and suppliers in Hong Kong, in 2017, apart from continuing our experiment in bringing more "mini" concept stores to different geographic locations to find the most applicable O2O synergy, HKTVmall, as a unique online marketplace, will make use of its capability and data history to develop "personalized shopping" concept pushing the right products to the right customers at their desired timing — this is all about Big Data analysis. From all the browsing history including product browsing behaviour and shopping history, from grocery, skin care, electronics to dining restaurant, etc., this Big Data analysis can provide unrivalled insight to our merchants in different industries, such as discovery of previously unrecognised patterns of behaviour and act on it instantly in a more relevant, timely and targeted way. The ultimate benefit is to deliver a more personalised shopping experience to our people in Hong Kong. The growing popularity and increasing browsing and shopping information at HKTVmall shall made us becoming an unparalleled online shopping platform bringing shopping happiness and commercial effectiveness to all consumers in Hong Kong and to all our merchant partners.

With the above strategic direction set, looking forward to 2017, while we are in good progress to penetrate into the local retail market and to strengthen the association between "Shopping" and "HKTVmall" in people's mind, our next step is to aggressively expand our addressable market and to increase the number of order intake in 2017 so as to enhance the value of the Big Data analysis and to become a creditable partner to our customers and our merchant partners. On organic growth, we shall continue to increase HKTVmall's market presence and to invest in our IT system, and logistics and fulfilment infrastructure for capacity and efficiency optimisation. With the anticipation that the new automated picking and conveying system to be launched in the third quarter of 2017, we expect we can turn the current loss-making "highly manual fulfilment process" into a profitable "highly automated system process" so as to maintain a stable operating environment for enhanced effectiveness and efficiency on fulfilment. And in fact, the growing number of order intake could in turn bring us efficiency and cost effectiveness on our last mile door-to-door delivery service, and bring us more and more happy and return customers over time. All of these are critical for our sustainable long term business growth on online shopping segment.

Apart from organic growth, we also explore different acquisition and partnership opportunities to accelerate the expansion in the industry of online marketplaces and to maximise the O2O synergy. Recently on 20 February 2017, we announced the acquisition of Shift Media Group Limited ("Groupon HK"), which provides local e-commerce marketplace offering deals at discount primarily in e-voucher format for redemption of goods and services provided by merchants. This acquisition represents a strategic step for the Group to expand its meaningful presence to the e-voucher selling market and to strengthen its leading position in the online shopping space. In 2016, Groupon HK has generated a GMV of about HK$400 million and has an active customer base in the past 365 days of approximately 280,000. We expect there will be synergy and collaboration between HKTVmall and Groupon HK such as exchanging product/hot deal offerings between the two platforms which currently expose to a substantially different customer base. We expect this collaboration will make 1 + 1 = 3 by expanding our addressable market and widening our product portfolio for accelerated business growth. While we are in the good progress to become the dominant and largest online shopping mall in Hong Kong, we are prepared to maximum our value to the Hong Kong consumers and other stakeholders in long term.

The construction work of our Multimedia Centre in Tseung Kwan O Industrial Estate is completed and the occupation permit was obtained on 17 March 2017. While we shall relocate to this new building as our headquarter, to further strengthen our foundation in the e-commerce space, on 3 March 2017, HKMP accepted the offer of HKSTP in relation to its application for an additional use to incorporate an e-Commerce Fulfilment Centre of 5,080 square metres in the Multimedia Centre subject to the payment of a consent fee and the fulfilment of certain conditions (for details, please refer to Non-adjustment events after the reporting period). We believe the additional use shall enable the Group to accelerate the integration of its multimedia and e-commerce capabilities by leveraging the Multimedia Centre, to improve the operational efficiency of the entire e-commerce fulfilment process, to provide space for expansion and to reduce the reliance on leased facilities in the long run. All of these shall be beneficial to the sustainable development in the online shopping business of the Group.

Going forward, further improvement on financial and operational performance on the online shopping business will be captured by improving margins by increasing purchase volume, expanding order intake and output capacity, and continuously enhancing the backend customer service and logistics system.

On media business, the Company is still in discussions with the Office of the Communications Authority ("OFCA") about one of our subsidiary's proposal of adopting Digital Video Broadcasting — Terrestrial 2 as the transmission standard for the provision of mobile television service. The Company is also waiting for the results from the government of the second application of the Free TV licence. We shall further refine our business development plan on Multimedia Business upon the outcome of the above cases.

NON-ADJUSTING EVENETS AFTER THE REPORTING PERIOD

On 20 February 2017, Talent Ascent Limited ("Talent Ascent"), a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement ("Agreement") with Groupon, Inc. and Groupon Holdings B.V., an indirectly wholly owned subsidiary of Groupon Inc. ("Groupon") to acquire 100% of the issued share capital of Groupon HK at a consideration of US$0.671 million (equivalent to approximately HK$5.21 million) in cash, which is subject to adjustment for the net working capital as at the date of completion (the "Transaction"), as defined in the Agreement. The Transaction was completed on 3 March 2017 and Talent Ascent entered into a Master Transition Services and License Agreement with Groupon HK and Groupon pursuant to which Groupon will provide or cause to be provided to Groupon HK (a) a limited and temporary license to access to certain systems, application tools, and trademarks, and (b) other support services, including merchant payment and customer support for a period of 6 to 12 months from the effective date of the Master Transition Services and License Agreement.

On 3 March 2017, HKMP accepted the offer of HKSTP in relation to its application for an additional use to incorporate an e-Commerce Fulfilment Centre of 5,080 square metres in the Multimedia Centre. The additional use shall enable the Company to accelerate the integration of e-Commerce business with multimedia content production, subject to the payment of a consent fee of HK$62,125,217 upon execution of the modification of agreement for lease and the modification of proposal form on or before 6 May 2017 and the fulfilment of certain other conditions.

TALENT REMUNERATION

Including the Directors, as at 31 December 2016, the Company had 618 permanent full-time employees versus 555 as of 31 December 2015. The Company provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Company's and individual performances. The Company also provides comprehensive medical insurance coverage, competitive retirement benefits schemes, staff training programs and operates share option schemes.

Profile of Directors and Senior Management

Mr. MAK Wing Sum, Alvin | Mr. PEH Jefferson Tun Lu | Ms. WONG Nga Lai, Alice | Mr. WONG Wai Kay, Ricky | Mr. CHEUNG Chi Kin, Paul | Ms. TO Wai Bing | Mr. LEE Hon Ying, John

EXECUTIVE DIRECTORS

Mr. WONG Wai Kay, Ricky

Chairman

aged 55, is the co-founder and Chairman of the Group and is also a director of certain subsidiaries of the Group. Mr. Wong is responsible for overall strategic planning and management of the Group. Mr. Wong has extensive experience in the telecommunications and computer industries as well as in corporate management. He had worked at a major US-listed computer company as a marketing representative and was responsible for marketing and distribution of computer products in Hong Kong from 1985 to 1989. He was also a co-founder and director of a company principally engaged in import and distribution of computer systems in Canada prior to co-founding of the Group. Mr. Wong holds a Bachelor's Degree in Science and a Master of Business Administration Degree (Executive MBA Programme) from The Chinese University of Hong Kong. He is a first cousin of Mr. Cheung Chi Kin, Paul, the Vice Chairman and Chief Executive Officer of the Group. Currently, Mr. Wong is a member of the Board of Trustees, United College, The Chinese University of Hong Kong.

Mr. CHEUNG Chi Kin, Paul

Vice Chairman & Chief Executive Officer

aged 59, is the co-founder, Vice Chairman and Chief Executive Officer of the Group. He is also a director of certain subsidiaries of the Group. Mr. Cheung is responsible for overall strategic planning and management of the Group. He is also responsible for the day-to-day management of the Group as well as the coordination of overall business operations. Mr. Cheung has extensive experience in the telecommunications and computer industries as well as in corporate management. He had worked in several companies engaged in application software development and computer consultancy prior to co-founding of the Group. Mr. Cheung graduated with a Diploma of Advanced Programming and System Concepts Design from Herzing Institute, Canada. Mr. Cheung is a first cousin of Mr. Wong Wai Kay, Ricky, the Chairman of the Group.

Ms. WONG Nga Lai, Alice

Chief Financial Officer & Company Secretary

aged 42, was appointed as the Executive Director, Chief Financial Officer and Company Secretary of the Group in May 2012 and is also a director of certain subsidiaries of the Group. Ms. Wong has extensive experience in financial management, corporate finance and global investor relations, in particular on the telecommunications, multimedia and e-commerce industries. She has overall responsibility for the Group's finance, treasury, procurement, administration and investor engagement functions. Prior to that, Ms. Wong was the Financial Controller of the Group. Ms. Wong holds a Bachelor of Commerce degree from the University of Queensland, a Master of Business Administration degree from the Hong Kong University of Science and Technology and a Postgraduate Diploma in Corporate Governance. She is a qualified member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and Association of Chartered Certified Accountants (ACCA). She has been a member of the Student Affairs Sub-committee of ACCA Hong Kong since 2010. Before joining the Group, Ms. Wong had worked for PricewaterhouseCoopers in Hong Kong primarily focusing on the technology, info-communications and entertainment sectors.

NON-EXECUTIVE DIRECTOR

Ms. TO Wai Bing

Non-Executive Director

aged 55, has been the Non-executive Director of the Company since December 2016. Ms. To was the Executive Director and Chief Executive Officer of the Company from May 2012 to November 2016. Ms. To has extensive experience in multimedia production, telecommunications, business management as well as retail business. Ms. To re-joined the Group in May 2007 after her previous service with the Group from September 1998 to July 2006. Before joining the Group, Ms. To had served with Hong Kong Telecom (now known as PCCW) for 16 years. Ms. To holds a Diploma in Electronic Engineering and a Higher Certificate in Electronic Engineering from The Hong Kong Polytechnic University.

Profile of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEE Hon Ying, John

aged 70, is the managing director of Cyber Networks Consultants Company in Hong Kong. He was the Regional Director, Asia Pacific of Northrop Grumman-Canada, Ltd. He was previously the director of network services of Digital Equipment (HK) Limited and prior to that, worked for Cable and Wireless (HK) Limited and Hong Kong Telecom. He is a chartered engineer and a member of Institution of Engineering and Technology, the United Kingdom, the Hong Kong Institution of Engineers and the Hong Kong Computer Society. He received a Master's Degree in Information System from The Hong Kong Polytechnic University in 1992. In addition, he is the Member of the Commission of International Aids and Development of St. Vincent de Paul, Council General, which is an international charity body with its head office in Paris, France. He is the Vice President of Parish Council of St. Anthony Church in Hong Kong. Mr. Lee has been a Director of the Group since June 1997. Mr. Lee has also been appointed as the chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee of the Company.

Mr. PEH Jefferson Tun Lu

aged 57, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia. Mr. Peh holds a Master Degree in Business from the University of Technology, Sydney. He has over 34 years of experience in finance, accounting and management from listed and private companies in Hong Kong and Australia. Mr. Peh has been a Director of the Group since September 2004. Mr. Peh has also been appointed as a member of the Audit Committee and Remuneration Committee as well as the chairman of the Nomination Committee of the Company.

Mr. MAK Wing Sum, Alvin

aged 64, was appointed as an Independent Non-executive Director of the Group in September 2013. Mr. Mak has also been appointed as a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He is a Chartered Accountant and is a member of the Canadian Institute of Chartered Accountants as well as a member of the Hong Kong Institute of Certified Public Accountants. Mr. Mak is currently an independent non-executive director of Goldpac Group Limited, I.T Limited, Lai Fung Holdings Limited and Luk Fook Holdings (International) Limited, all companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Mak is a member of Hong Kong Housing Society and is currently a member of its Audit Committee and Special Committee on Investment. After working in Citibank for over 26 years, Mr. Mak retired in May 2012. He last served as the Head of Markets and Banking for Citibank Hong Kong, being the country business manager for corporate and investment banking business. In Citibank, he had held various senior positions including Head of Global Banking responsible for managing all the coverage bankers. Prior to that, he also managed the Hong Kong's corporate finance business, regional asset management business and was the Chief Financial Officer of North Asia. Before joining Citibank in 1985, Mr. Mak was an audit group manager at Coopers & Lybrand (now known as PricewaterhouseCoopers). He worked for Coopers & Lybrand for eight years, five of which was in Toronto, Canada. He graduated from University of Toronto with Bachelor of Commerce in 1976.

SENIOR MANAGEMENT

The Executive Directors of the Company are also members of senior management of the Group.

Corporate Governance Report

The board of directors (the "Board") of the Company is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of corporate governance and is committed to the maintenance of a high corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group.

Throughout the year ended 31 December 2016, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors of the Company (the "Company Code").

Having made specific enquiry with the Directors, all of them have confirmed that they have fully complied with the required standard set out in the Model Code and the Company Code throughout the year ended 31 December 2016.

THE BOARD

(i) Responsibilities

The Board steers and oversees the management of the Company including establishing the strategic direction of the Company, setting the long-term objectives of the Company, monitoring the performance of management, protecting and maximising the interests of the Company and its shareholders, reviewing, considering and approving the annual budget, management results and performance update against annual budget, together with business reports from the management.

The Board has delegated an executive committee comprising all Executive Directors, with authority and responsibility for day-to-day operations and administration of the Company.

All Directors have full and timely access to all relevant information as well as advice and services of the Company Secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations, are followed. Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions.

The Company has arranged appropriate directors' and officers' liability insurance cover in respect of legal action against the Directors.

(ii) Board Composition

The Board currently comprises seven Directors with three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. During the year under review, Ms. To Wai Bing was re-designed as a Non-executive Director from an Executive Director on 1 December 2016. The composition of the Board is set out as follows:

Executive Directors
Mr. Wong Wai Kay, Ricky (Chairman)
Mr. Cheung Chi Kin, Paul (Vice Chairman and Chief Executive Officer)
Ms. Wong Nga Lai, Alice (Chief Financial Officer)

Non-executive Director
Ms. To Wai Bing

Independent Non-executive Directors
Mr. Lee Hon Ying, John
Mr. Peh Jefferson Tun Lu
Mr. Mak Wing Sum, Alvin

THE BOARD (continued)

(ii) Board Composition (continued)

The Board believes that the balance between Executive and Non-executive Directors (including the Independent Non-executive Directors) is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Company.

Mr. Wong Wai Kay, Ricky is a first cousin of Mr. Cheung Chi Kin, Paul. Save as disclosed above, there are no financial, business, family, other material and relevant relationships among members of the Board as at the date of this annual report.

The Company has maintained on the websites of the Stock Exchange and the Company (www.hktv.com.hk) an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors. Independent non-executive directors are also identified as such in all corporate communications that disclose the names of directors of the Company.

The biographical information of the Directors is set out in the section of "Profile of Directors and Senior Management" on pages 24 to 26 of this annual report.

(iii) Appointment, Re-election and Removal of Directors

The Company follows formal procedures for the appointment of new Directors. Appointments are first considered by the Nomination Committee and the nomination is then submitted to the Board for decision with reference to criteria that include professional knowledge and industrial experience, personal ethics, integrity and personal skills of the candidates. Thereafter, all Directors are subject to re-election by the Shareholders at the general meetings in their first year of appointment.

In accordance with the Company's Articles of Association (the "Articles"), the Board may from time to time appoint a director either to fill a casual vacancy or as an addition to the existing Board. Any such new director shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the following annual general meeting of the Company (in the case of an addition to the existing Board), and shall then be eligible for re-election. Every director, including non-executive and independent non-executive directors, is subject to retirement by rotation at least once every three years. One-third of the directors must retire from office at each annual general meeting and their re-election is subject to the approval of shareholders of the Company.

In accordance with Articles 96 and 99 of the Articles, Mr. Cheung Chi Kin, Paul, Ms. To Wai Bing and Mr. Peh Jefferson Tun Lu will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

(iv) Chairman and Chief Executive Officer

Mr. Wong Wai Kay, Ricky served as the Chairman of the Board and is responsible for the leadership and management of the Board. Mr. Cheung Chi Kin, Paul, the Chief Executive Officer, is responsible for the Company's operations and business development under the direction of the Board. The positions of the Chairman and the Chief Executive Officer are currently held by separate individuals for the purpose of ensuring an effective segregation of duties and a balance of power and authority.

(v) Non-executive Director and Independent Non-executive Directors

The term of office of all Non-executive Directors (including the Independent Non-executive Directors) has been fixed for a specific term of one year. They are subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with the Articles.

Pursuant to Rule 3.13 of the Listing Rules, each of the Independent Non-executive Directors has made a written confirmation of independence and the Company considers all Independent Non-executive Directors are independent.

THE BOARD (continued)

(vi) Number of Meetings and Directors' Attendance

The Board meets from time to time, and on no less than four times a year, to discuss and exchange ideas on the Company's affairs. During the year ended 31 December 2016, the Board held five meetings to deliberate the interim and final results announcements, financial reports, to recommend or declare dividends and to discuss significant issues and general operation of the Company.

During the year under review, the attendance records of the Directors at the Board meetings are set out below:

Name of Directors	Meetings attended/held
Executive Directors	
Mr. Wong Wai Kay, Ricky	5/5
Mr. Cheung Chi Kin, Paul	5/5
Ms. Wong Nga Lai, Alice	5/5
Non-executive Director	
Ms. To Wai Bing*	5/5
Independent Non-executive Directors	
Mr. Lee Hon Ying, John	5/5
Mr. Peh Jefferson Tun Lu	5/5
Mr. Mak Wing Sum, Alvin	5/5

* Ms. To was re-designed as a Non-executive Director from an Executive Director on 1 December 2016

(vii) Practices and Conduct of Meetings

Notices of regular Board meetings together with all relevant information and reports prepared by management are given to all Directors at least 14 days before the meetings. For other Board and committees meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are generally sent to all Directors at least 3 days before each regular Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

The Company Secretary is responsible to keep minutes of all Board and committees meetings. Draft minutes are circulated to all Directors or committee members for comment in a timely manner and final version for their records. The minutes/resolutions of the Board and the committees are open for inspection by Directors.

(viii) Board Diversity Policy

The Board adopted a Board Diversity Policy (the "Policy") in August 2013 which to comply with the code provision in the Code on board diversity. The Policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills.

At the Nomination Committee Meeting held on 22 March 2017, having taken into account the Company's corporate strategy and the skills, knowledge and experience of the Board members of the Company, the Nomination Committee considered the structure, size and composition of the Board was satisfactory.

THE BOARD (continued)

(ix) Training and Support for Directors

Each newly appointed director is provided with necessary induction on appointment to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statues, laws, rules and regulations. The Directors are provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development activities at the Company's expense to develop and refresh their knowledge and skills. To summarise, the Directors received trainings on the following areas to update and develop their skills and knowledge during the year under review:

Name of Directors	Training on corporate governance, legal and regulatory requirements and other relevant topics
Executive Directors	
Mr. Wong Wai Kay, Ricky	✓
Mr. Cheung Chi Kin, Paul	✓
Ms. Wong Nga Lai, Alice	✓
Non-executive Director	
Ms. To Wai Bing	✓
Independent Non-executive Directors	
Mr. Lee Hon Ying, John	✓
Mr. Peh Jefferson Tun Lu	✓
Mr. Mak Wing Sum, Alvin	✓

BOARD COMMITTEES

In order to oversee various aspects of the Company's affairs, the Board has set up Audit Committee, Nomination Committee and Remuneration Committee (collectively the "Board Committees"). The majority of the members of the Board Committees are Independent Non-executive Directors.

Members of the Board Committees have been advised that they may seek independent professional advice at the Company's expenses in appropriate circumstances.

(i) Audit Committee

The Board established its Audit Committee in March 1999 with specific terms of reference setting out the committee's authority and duties.

The Audit Committee currently comprises three members, namely, Mr. Lee Hon Ying, John, Mr. Peh Jefferson Tun Lu and Mr. Mak Wing Sum, Alvin, who are all Independent Non-executive Directors and two of whom possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Mr. Lee Hon Ying, John is the Chairman of the Audit Committee. The Audit Committee is provided with sufficient resources to discharge its duties.

BOARD COMMITTEES (continued)

(i) Audit Committee (continued)

The major roles and functions of the Audit Committee are set out in the Audit Committee Charter which is made available on the websites of the Stock Exchange and the Company (www.hktv.com.hk). The Audit Committee is responsible for, inter alia, overseeing the accounting and financial reporting processes of the Group including the audits of the Group's financial statements on behalf of the Board; the appointment of the external auditor and its fees; and reviewing and discussing the internal audit plans and reports of the audit activities, examinations and results thereof of the Internal Audit Department of the Company.

The Audit Committee held four meetings during the year ended 31 December 2016. Executive Directors, representatives from the Internal Audit Department of the Company and the external auditor of the Company were invited to join the discussions at the relevant meetings.

Following is a summary of works performed by the Audit Committee during the year under review:

(i) reviewed of the Company's financial statements for the year ended 31 December 2015 and for the six months ended 30 June 2016;

(ii) reviewed of the internal audit progress and the framework and policy of risk management;

(iii) reviewed of the external auditor's report on the review of the Company's audited consolidated financial statements for the year ended 31 December 2015 and the Company's interim financial report for the six months ended 30 June 2016; and

(iv) pre-approved of the audit and non-audit services provided by the Company's external auditor.

The audit committee chairman and other committee members also meet in separate private session with the external auditor at least once during the year under review.

During the year under review, the attendance records of the members of the Audit Committee are set out below:

Attendance of individual members at Audit Committee meetings

Name of Directors	Meetings attended/held
Independent Non-executive Directors	
Mr. Lee Hon Ying, John (Chairman)	4/4
Mr. Peh Jefferson Tun Lu	4/4
Mr. Mak Wing Sum, Alvin	4/4

BOARD COMMITTEES (continued)

(ii) Nomination Committee

The Board established its Nomination Committee in February 2012 with specific terms of reference setting out the committee's authority and duties.

The Nomination Committee currently comprises three members, namely, Mr. Lee Hon Ying, John, Mr. Peh Jefferson Tun Lu and Mr. Mak Wing Sum, Alvin. Mr. Peh Jefferson Tun Lu is the Chairman of the Nomination Committee. The Nomination Committee is provided with sufficient resources to discharge its duties. The Nomination Committee's objectives are as follows:

(i) review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to implement the Company's corporate strategy;

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

(iii) assess the independence of Independent Non-executive Directors; and

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

The role and authorities of the Nomination Committee, including those set out in code provision A.5.2 of the Code, were set out in its terms of reference which is made available on the websites of the Stock Exchange and the Company (www.hktv.com.hk).

The Nomination Committee held one meeting during the year under review. Following is a summary of works performed by the Nomination Committee during the year under review:

- reviewed the structure, size and composition of the Board and made recommendations to the Board;
- reviewed the independence of Independent Non-executive Directors; and
- made recommendations to the Board about the retirement and re-appointment of Directors by rotation at the forthcoming annual general meeting for the Company.

During the year under review, the attendance records of the members of the Nomination Committee are set out below:

Attendance of individual members at Nomination Committee meeting

Name of Directors	Meeting attended/held
Independent Non-executive Directors	
Mr. Peh Jefferson Tun Lu (Chairman)	1/1
Mr. Lee Hon Ying, John	1/1
Mr. Mak Wing Sum, Alvin	1/1

BOARD COMMITTEES (continued)

(iii) Remuneration Committee

The Board established its Remuneration Committee in August 2001 with specific terms of reference setting out the committee's authority and duties.

During the year ender review and up to the date of this annual report, Ms. Choy Mei Yuk, Mimi resigned as the member of the Remuneration Committee with effect from 31 January 2017.

The Remuneration Committee currently comprises three members, namely, Mr. Lee Hon Ying, John, Mr. Peh Jefferson Tun Lu, and Mr. Mak Wing Sum, Alvin. Mr. Lee Hon Ying, John is the Chairman of the Remuneration Committee. The Remuneration Committee is provided with sufficient resources to discharge its duties. The Remuneration Committee's objectives are as follows:

(i) establish a formal, fair and transparent procedures for developing policy and structure of all remuneration of directors and senior management;

(ii) review and consider the Company's policy for remuneration of directors and senior management;

(iii) determine the remuneration packages of executive directors and senior management; and

(iv) recommend the remuneration packages of Non-executive Directors (including Independent Non-executive Directors).

The role and authorities of the Remuneration Committee, including those set out in code provision B.1.2 of the Code, were set out in its terms of reference which is made available on the websites of the Stock Exchange and the Company (www.hktv.com.hk).

The Remuneration Committee held one meeting during the year under review. Following is a summary of works performed by the Remuneration Committee during the year under review:

(i) reviewed and approved of the discretionary performance bonus for the Executive Directors; and

(ii) reviewed and approved of the remuneration packages of the Directors.

During the year under review, the attendance records of the members of the Remuneration Committee are set out below:

Attendance of individual members at Remuneration Committee meeting

Name of Directors	Meetings attended/held
Independent Non-executive Directors	
Mr. Lee Hon Ying, John (Chairman)	1/1
Mr. Peh Jefferson Tun Lu	1/1
Mr. Mak Wing Sum, Alvin	1/1
Director, Talent Management	
Ms. Choy Mei Yuk, Mimi (resigned on 31 January 2017)	1/1

CORPORATE GOVERNANCE FUNCTIONS

The Board is also responsible for performing the corporate governance duties as required under the Code:

a. to develop and review the Company's policies and practices on corporate governance;

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 applicable to employees and Directors; and

e. to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility, with the support from the Finance Department of the Company, for preparing the financial statements of the Group for the year ended 31 December 2016. The Board shall ensure that the financial statements of the Group are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

The statement by the auditor of the Company and the Group regarding its reporting responsibilities and opinion on the financial statements of the Company and the Group for the year ended 31 December 2016 is set out in the "Independent Auditor's Report" on pages 46 to 51 of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the total fee paid to the Company's external auditor, KPMG, in relation to audit related services of the Group amounted to approximately HK$2,230,000. Details are set out below:

Type of Services	**FY2016 HK$'000**	FY2015 HK$'000
Audit services	**2,230**	2,395
Total	**2,230**	2,395

COMPANY SECRETARY

The Company Secretary, Ms. Wong Nga Lai, Alice is an employee of the Company and she is also the Executive Director and Chief Financial Officer of the Company, who has day-to-day knowledge of the Company's affairs. The biographical information of Ms. Wong is set out in the section of "Profile of Directors and Senior Management" on page 25 of this annual report.

During the year under review, Ms. Wong has undertaken not less than 15 hours of relevant professional training.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to maintain a sound and effective risk management and internal control system. Such systems have been designed to safeguard the Group's assets, maintain proper accounting records and to ensure that transactions are executed in accordance with established policies and procedures as well as appropriate authorisation. Company policies and procedures are designed to manage rather than eliminate risk of failure to achieve business objectives and to provide a reasonable, but not absolute, assurance against material misstatement, loss or fraud.

For the year under review, the Board confirmed that the Group's risk management and internal control systems are reasonably effective and adequate.

Risk management process involves operation management's input to the risk identification, evaluation and management of significant risks. Operation management makes decisions regarding which risks are acceptable and how to address those that are not. The Group periodic reviewed Company policies and procedures, Code of business conduct, Corruption & conflicts of interest policy and Whistleblower policy. These policies are in place to facilitate employees of the Group to understand the acceptable and non-acceptable behaviors, as well as the escalation procedures on any suspected misconduct/malpractice within the Group, so as to protect, enhance and improve the ethical and integrity value of the Group. Furthermore, departmental operating procedures/internal control memorandum for key workflows are established by operation management. Controls procedures are set up to mitigate risks.

A key risk register is maintained by the Group in which Key risks primarily include areas of strategic, operational, financial, compliance and external. Internal Audit Department compiled operation management's responses, assessed and obtained evidence to ensure the identified risk mitigation plans are implemented and carried out on an on-going basis. The updated key risk register is presented and reviewed by the Audit Committee semi-annually.

The Internal Audit Department of the Group also plays an impartial role which is independent to the Group's management in assessing and monitoring of the internal controls. Internal Audit Department directly reports to the Chairman of the Group and the Audit Committee on findings related to material controls, including financial, operational and compliance risks and the respective risk mitigation activities.

Internal Audit Reports are presented to the Group's management and operational teams for attention and appropriate actions. Remediation actions have been developed collaboratively by the Group's management and operational teams to rectify the control weaknesses identified. As a final stage of the review, follow up reviews are conducted by the Internal Audit Department to ensure that these action plans have been successfully and timely implemented.

The activities performed by the Internal Audit Department included but not limited to end-to-end process audits, follow up reviews, warehouse visits and investigation on an ad hoc basis as directed by the Board or Audit Committee.

During the year, Internal Audit Department worked closely with Executive Directors and operation management to ensure that internal control procedures have been properly set up to safeguard the Group's assets and to prevent fraud from occurring.

INSIDE INFORMATION POLICY

The Board has adopted an Inside Information Policy setting out the guidelines to the Directors and all employees of the Group to ensure that inside information can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to safeguard shareholders' interests and believes that effective communication with shareholders and other stakeholders is essential for enhancing investor relations and investor understanding of the business performance and strategies of the Group.

The Board adopted a Shareholders Communication Policy which aims to set out the provisions with the objective of ensuring that the shareholders of the Company and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders of the Company to exercise their rights in an informed manner, and to allow shareholders of the Company and potential investors to engage actively with the Company.

Information Disclosure on the Company's Website

The Company endeavours to disclose all material information about the Group to all interested parties on a timely basis. All such publications together with additional information of the Group are timely updated on the Company's website at www.hktv.com.hk.

General Meetings with Shareholders

The annual general meeting of the Company held on 19 May 2016 was attended by, among others, the Chairman, Chief Executive Officer, Chief Financial Officer, chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, and representatives of KPMG, the external auditor of the Company to answer questions raised by shareholders at the meeting.

During the year under review, the attendance records of the Directors at the general meeting are set out below:

Name of Directors	Annual General Meeting attended/held
Executive Directors	
Mr. Wong Wai Kay, Ricky	1/1
Mr. Cheung Chi Kin, Paul	1/1
Ms. Wong Nga Lai, Alice	1/1
Non-executive Director	
Ms. To Wai Bing	1/1
Independent Non-executive Directors	
Mr. Lee Hon Ying, John	1/1
Mr. Peh Jefferson Tun Lu	1/1
Mr. Mak Wing Sum, Alvin	1/1

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the Shareholders as required to be disclosed pursuant to the mandatory disclosure requirement under Paragraph O of the Code:

Convening of general meeting on requisition by shareholders

Sections 566 of Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) provides that shareholder(s) holding at the date of the deposit of the requisition not less than 5% of the total voting rights of all the shareholders of the Company and carrying the right of voting at general meeting of the Company, may request the Board of the Company, to convene a general meeting. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request must be authenticated by the relevant shareholder(s) and sent to the Company in hard copy form or in electronic form.

Procedures for putting forward proposals at general meetings by shareholders

Section 615 of Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company who have a right to vote on the resolution at the annual general meeting or (ii) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting may request the Company to circulate a notice of a resolution for consideration at the annual general meeting.

The request must identify the resolution to be moved at the annual general meeting and must be authenticated by the relevant shareholder(s) and sent to the Company in hardcopy form or in electronic form not later than six 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.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary by writing at the registered office of the Company. Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2016, there is no significant change in the Company's constitutional documents.

Report of the Directors

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2016.

REGISTERED OFFICE

Hong Kong Television Network Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office at 13th Floor, Trans Asia Centre, 18 Kin Hong Street, Kwai Chung, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the provision of multimedia production and contents distribution and other multimedia related activities as well as operating a 24-hour "e-Shopping Mall" providing a "one-stop shop" platform including entertainment, online shopping, delivery service and impressive customer experience. The principal activities of its major subsidiaries are detailed in note 14 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the sections headed "Chairman's Statement" and "Management's Discussion and Analysis" from pages 9 to 11 and pages 13 to 23 of this annual report respectively. Description of the principal risks and uncertainties facing the Company is set out in the section "Principal Risks and Uncertainties" from pages 20 and 21 of this annual report.

RELATIONSHIPS WITH STAKEHOLDERS

The Group understands that it is important to maintain good relationship with business partners, customers, suppliers and merchants to achieve its long-term goals. Accordingly, our management have kept good communication and shared business update with them when appropriate. This communication provides valuable feedback for our business and assists us to understand stakeholders' needs and assess the best way to leverage our resources and expertise to contribute to future business and community development.

An account of the Company's relationships with employees is set out in the section headed "Management's Discussion and Analysis" from pages 13 to 23 of this annual report.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

The Group recognizes its corporate responsibility to promote environmental and social sustainability and has therefore taken the initiatives with a view to reducing energy consumption, food and paper waste. Through the initiative taken to control electricity consumption by using energy-efficient retrofits and air-conditioning and lighting control measures in workplaces, we have seen continued improvement in reducing the use of electricity.

Going forward, the Group will review its environmental practices form time to time and will consider implementing further eco-friendly measures and practices in the Group's daily operation of the Group's business and also continue to promote environmental and social sustainability through various initiatives consistent with its policies and relevant laws and regulations.

The Company's Environmental, Social and Governance Report, regarding the same period covered in this annual report, will be posted on the websites of the Stock Exchange and the Company within three months from the publication of this annual report.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2016 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements from pages 52 to 103 of this annual report.

ANALYSIS ON FINANCIAL PERFORMANCE

An analysis of the Group's performance during the year ended 31 December 2016 is set out in the sections headed "Financial Highlights" and "Management's Discussion and Analysis" on page 3 and from pages 13 to 23 of this annual report.

DIVIDENDS

No interim dividend was declared during the year ended 31 December 2016 and the year ended 31 December 2015.

The Board does not recommend the payment of final dividend for the year ended 31 December 2016. No final dividend was declared for the year ended 31 December 2015.

DONATIONS

No charitable and other donations were made by the Group during the year (HK$11,000 for the year ended 31 December 2015).

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set out in note 21 to the financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" as set out on pages 43 and 44 of this annual report, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2016, calculated in accordance with the provision of Part 6 of Companies Ordinances (Cap.622) of the laws of Hong Kong, amounted to approximately HK$1,459,783,000 (2015: HK$1,446,681,000).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results of the assets and liabilities of the Group for the last five financial years is set out on pages 104 and 105 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities during the year ended 31 December 2016.

GROUP'S BORROWINGS

The Group's borrowings as at 31 December 2016 are repayable in the following periods:

	2016 HK$'000	2015 HK$'000
On demand or not exceeding one year	**184,144**	71,793

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Wong Wai Kay, Ricky
Mr. Cheung Chi Kin, Paul
Ms. Wong Nga Lai, Alice

Non-executive Director

Ms. To Wai Bing

Independent Non-executive Directors

Mr. Lee Hon Ying, John
Mr. Peh Jefferson Tun Lu
Mr. Mak Wing Sum, Alvin

During the year, Ms. To Wai Bing was re-designed as a Non-executive Director from an Executive Director on 1 December 2016.

Furthermore, in accordance with Articles 96 and 99 of the Articles, Mr. Cheung Chi Kin, Paul, Ms. To Wai Bing and Mr. Peh Jefferson Tun Lu will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS OF SUBSIDIARIES

The list of names of all directors who have served on the boards of the Company's subsidiaries during the year and up to the date of this annual report is available on the Company's website at www.hktv.com.hk.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 24 to 26 of this annual report.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' emoluments during the year ended 31 December 2016 are set out in note 10 to the financial statements.

PERMITTED INDEMNITY PROVISION

The Articles provides that subject to the provisions of the Companies Ordinance every Director may be indemnified out of the assets of the Company against any liability incurred by him/her as a director in defending any proceedings. The permitted indemnity provision made by the Company for the benefit of the Directors is in force.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

Directors' interests or short positions in shares and in share options

At 31 December 2016, the interests or short positions of the Company's Directors, chief executive and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in ordinary shares and underlying shares of the Company

	Interest in shares						
Name of Directors	Personal interests	Corporate interests	Family interests	Total interest in shares	Interests in underlying shares pursuant to share options	Aggregate interests	Approximate percentage interests in the Company's issued share capital Note (1)
Mr. Wong Wai Kay, Ricky	15,236,893	339,814,284 Note (2)(i)	–	355,051,177	–	355,051,177	43.89%
Mr. Cheung Chi Kin, Paul	25,453,424	24,924,339 Note (2)(ii)	–	50,377,763	–	50,377,763	6.23%
Ms. Wong Nga Lai, Alice	50,000	–	–	50,000	–	50,000	0.01%
Ms. To Wai Bing	95,239	–	–	95,239	–	95,239	0.01%

Notes:

(1) This percentage is based on 809,016,643 ordinary shares of the Company issued as at 31 December 2016.

(2) The corporate interests of Mr. Wong Wai Kay, Ricky and Mr. Cheung Chi Kin, Paul arise through their respective interests in the following companies:

(i) 339,814,284 shares are held by Top Group International Limited which is 42.12% owned by Mr. Wong Wai Kay, Ricky; the interests of Top Group International Limited in the Company is also disclosed under the section "Substantial Shareholder" of this annual report.

(ii) 24,924,339 shares are held by Worship Limited which is 50% owned by Mr. Cheung Chi Kin, Paul.

Save as disclosed above, as at 31 December 2016, none of the Directors nor chief executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares and derivative to ordinary shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "2012 Share Option Scheme") which was adopted by shareholders of the Company on 31 December 2012 which the directors may, at their discretion, invite eligible participants to take up options to subscribe for shares subject to the terms and conditions stipulated therein.

A summary of the 2012 Share Option Scheme operated by the Company is as follows:

(1) Purpose

To grant share options to the eligible participants as incentives and rewards for their contribution to the Company or its subsidiaries.

(2) Eligible participants

Eligible participants include employee, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries, suppliers and professional advisers of the Group.

(3) The total number of shares available for issue

The total number of shares which may be issued upon exercise of options to be granted under the scheme shall not exceed 10% of the total number of shares in issue as at the date of adoption of the 2012 Share Option Scheme on 31 December 2012 (i.e. 80,901,664 shares). As at the date of this annual report, the number of shares available for issue in respect thereof is 62,401,664 shares, representing approximately 7.71% of the issued share of the Company.

The shares which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the 2012 Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

(4) The maximum entitlement of each participant under the 2012 Share Option Scheme

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2012 Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each participant in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares in issue as at the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders of the Company in general meeting with such grantee and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

(5) The period within which the shares must be taken up under an option

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

(6) The minimum period for which an option must be held before it can be exercised

The Board is empowered to impose, at its discretion, any minimum period that an option must be held at the time of the grant of any particular option.

(7) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid

Acceptance of the option must be made within 30 days after the date of offer and HK$1.00 must be paid as a consideration for the grant of option.

(8) The basis of determining the exercise price

The Board shall determine the exercise price of each option granted but in any event shall not be less than the higher of: (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant; and (b) the average of the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant.

(9) The remaining life of the 2012 Share Option Scheme

The 2012 Share Option Scheme will remain in force for a period of 10 years commencing on 31 December 2012 up to 30 December 2022.

(10) Details of the share options granted under the 2012 Share Option Scheme

During the year ended 31 December 2016, no share options have been granted under the 2012 Share Option Scheme by the Company.

On 21 February 2017, the Company granted a total of 18,500,000 share options to subscribe for ordinary shares of the Company to certain eligible persons under the 2012 Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme" as set out on pages 43 and 44 of this annual report, at no time during the year ended 31 December 2016 was the Company or any of its subsidiaries a party to any arrangements to enable the directors and/or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDER

At 31 December 2016, the interests or short positions of the persons, other than the directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company required to be kept under Section 336 of the SFO were as follows:

Name	Interests in shares in long positions	Approximate percentage interests (Note)
Top Group International Limited	339,814,284	42.00%

Note: This percentage is based on 809,016,643 ordinary shares of the Company issued as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, the Company had not been notified of any persons (other than directors and chief executive of the Company) having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentage of turnover and purchase for the year attributable to the Group's five largest customers and suppliers is less than 30% of total turnover and purchase for the year and therefore no disclosures with regard to major customers and suppliers are made.

SUFFICIENCY OF PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this annual report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules during the year ended 31 December 2016.

INDEPENDENCE CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2016, the Company has complied with the applicable code provisions as set out in the Code.

Corporate governance practices adopted by the Company are set out in the Corporate Governance Report from pages 27 to 37 of this annual report.

RETIREMENT SCHEME

The Group operates a defined contribution retirement scheme and a Mandatory Provident Fund scheme. Particulars of these retirement schemes are set out in note 9 in the financial statements.

AUDITOR

The financial statements have been audited by KPMG who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board
Wong Wai Kay, Ricky
Chairman

Hong Kong, 22 March 2017

Independent Auditor's Report

KPMG

Independent auditor's report to the members of Hong Kong Television Network Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Hong Kong Television Network Limited ("the Company") and its subsidiaries ("the Group") set out on pages 52 to 103, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of 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 31 December 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 FOR 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.

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.

Assessing potential impairment of construction in progress relating to the Media business

Refer to note 4 to the consolidated financial statements and the accounting policies in note 1(k).

The Key Audit Matter

The Group comprises two businesses, namely "the Media business" and "the E-commerce business". Both businesses utilise property, plant and equipment and intangible assets. During the year ended 31 December 2015, the Group recognised an impairment loss of HK$327.8 million primarily in respect of property, plant and equipment and intangible assets relating to the Media business ("the Media assets"). As at 31 December 2016, the carrying amount of the Media assets, which principally comprised the costs of constructing a multimedia and distribution centre which was still in progress at that date ("CIP"), totalled HK$562.1 million.

As at 31 December 2016, management identified indicators of further impairment of the Group's Media assets, primarily as a result of the uncertainties in relation to obtaining the necessary regulatory approvals for the provision of mobile television services.

Management assessed potential impairment of CIP by estimating its recoverable amount based on the fair value less costs of disposal of CIP using the market comparison approach. Management engaged an independent firm of surveyors to assist in the estimation of the recoverable amount of CIP as at 31 December 2016. The assessment of the fair value less costs of disposal of CIP involved the exercise of significant judgement, in particular in determining appropriate recent market transactions and in taking into account adjustments for the quality and location of CIP. Management concluded that no further impairment is required.

We identified assessing potential impairment of CIP relating to the Media business as a key audit matter because assessing the fair value less costs of disposal of CIP involves the exercise of significant judgement in determining the appropriate recent market transactions and adjustments for the quality and location of CIP, which may be inherently uncertain.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of construction in progress relating to the Media business included the following:

- obtaining and inspecting the valuation report prepared by the independent firm of surveyors ("surveyors") engaged by management and on which directors' assessment of the fair value less costs of disposal of CIP was based;
- evaluating the surveyors' independence, experience, competence, capabilities and objectivity;
- engaging our internal valuation specialists to assist us in evaluating the methodology adopted by the surveyors in the assessment of the fair value less costs of disposal of CIP with reference to the requirements of the prevailing accounting standards;
- engaging our internal valuation specialists to assist us in assessing the major assumptions adopted by the surveyors, in particular the selection of recent market transactions and the adjustments in respect of the quality and location of CIP, with reference to their understanding of the market and industry practice and based on research into recent market transactions; and
- comparing the estimated construction costs to complete CIP with the Group's budget and signed contracts.

Assessing potential impairment of non-current assets relating to the E-commerce business

Refer to note 4 to the consolidated financial statements and the accounting policies in note 1(k).

The Key Audit Matter

As at 31 December 2016, management identified indicators of impairment of the Group's E-commerce business which has sustained operating losses since its commencement in 2015.

As at 31 December 2016, the carrying amount of non-current assets relating to the E-commerce business ("the E-commerce assets"), which principally comprised leasehold land and buildings, the indefeasible right of use of telecommunications capacity and the right of use of telecommunications services, totalled HK$219.7 million.

Management performed an impairment assessment of the E-commerce assets in which an assessment of the estimated recoverable amounts of these assets was made by considering the value in use of these assets by preparing a discounted cash flow forecast and concluded that no impairment is required.

The preparation of a discounted cash flow forecast involves the exercise of significant management judgement, particularly in forecasting the revenue growth rate and the net profit margin and in determining the discount rate applied.

We identified assessing potential impairment of non-current assets relating to the E-commerce business as a key audit matter because the impairment assessment prepared by management contains certain judgemental assumptions, which may be inherently uncertain and which could be subject to management bias in their selection.

How the matter was addressed in our audit

Our audit procedures to assess the potential impairment of non-current assets relating to the E-commerce business included the following:

- evaluating management's identification of the E-commerce business cash generating unit ("CGU") and the allocation of assets to that CGU and assessing the methodology adopted by management in its preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards;
- comparing data in the discounted cash flow forecast with the relevant data, including forecast revenue, forecast cost of sales and forecast other operating expenses, included in the annual financial budget which was approved by the Board of Directors;
- comparing the revenue growth rate and net profit margin adopted in the discounted cash flow forecast with past growth rates and the net profit margin achieved by the E-commerce business as well as with those of comparable companies and other available external market data, taking into account recent developments in the E-commerce industry and the Group's future operating plans;
- 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 industry;
- comparing the revenue, cost of sales and other operating expenses included in the discounted cash flow forecast prepared in the prior year with the current year's performance to assess the reliability of management's budgeting and forecasting processes and making enquiries of management as to the reasons for any significant variations identified; and
- obtaining from management sensitivity analyses of the key assumptions adopted in the discounted cash flow forecast and assessing the impact of changes in the key assumptions, including the revenue growth rate, the net profit margin and the discount rate applied, to the conclusions reached in the impairment assessment and considering whether there were any indicators of management bias in their selection.

Revenue recognition from the E-commerce business

Refer to note 2 to the consolidated financial statements and the accounting policies in note 1(t)(i).

The Key Audit Matter

The Group's E-commerce income, which totalled HK$185.8 million for the year ended 31 December 2016, principally comprises revenue from direct merchandise sales (where the Group acts as principal) and commission income from concession sales to customers (where the Group acts as agent), whereby payments from customers are made through an on-line payment processing service provider.

E-commerce income comprises a high volume of individually low value transactions. Revenue is recognised when the customer acknowledges the receipt of the goods.

The Group's information technology systems are complex and process a large volume of transaction, including details of the date and time of delivery of the goods sold, the combination of products sold together, commission rates for each merchant and price updates applied during the year. The completeness and accuracy of revenue from the Group's E-commerce business is highly reliant on the information technology systems.

We identified the recognition of revenue from the E-commerce business as a key audit matter because revenue is one of the key performance indicators of the Group and involves complicated information technology systems, both of which give rise to an inherent risk that revenue could be incorrectly calculated or recorded in the incorrect period.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue from the E-commerce business included the following:

- inspecting a sample of agreements with merchants to assess the Group's revenue recognition policies based on the terms and conditions as set out in the agreements with merchants, with reference to the requirements of the prevailing accounting standards;
- engaging our internal information technology specialists to evaluate the design, implementation and operating effectiveness of key internal controls over the capturing and processing of revenue transactions, including the completeness and accuracy of the transaction details contained within the Group's information technology systems;
- assessing the design, implementation and operating effectiveness of key manual internal controls over the reconciliation of transaction details captured by the Group's information technology systems with receipts from the on-line payment processing service provider;
- comparing settlements received from customers with the relevant details in merchant transaction reports received by the Group from the processing bank and bank statements, on a sample basis;
- comparing the transaction details captured by the Group's information technology systems with customers' signed acknowledgement of receipt of the goods sold, on a sample basis; and
- comparing the amount of commission income captured by the Group's information technology systems with corresponding details as set out in merchants' statements and recalculating the commission income recorded by the Group by inspecting agreements with merchants and relevant transaction details, on a sample basis.

Independent Auditor's Report

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 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.

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 reasonably 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 Lee Wai Shun Wilson.

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

22 March 2017

Consolidated Income Statement

For the year ended 31 December 2016 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Turnover	2	**187,071**	112,810
Programme costs		**–**	(320,740)
Cost of inventories		**(140,289)**	(23,113)
Valuation gains on investment properties	12	**6,700**	11,900
Other operating expenses	3(a)	**(380,454)**	(329,816)
Other income, net	3(b)	**70,947**	67,537
Finance costs, net	3(c)	**(1,017)**	(3,234)
Impairment losses	4	**–**	(327,810)
Loss before taxation		**(257,042)**	(812,466)
Income tax expense	5	**(74)**	(93)
Loss for the year		**(257,116)**	(812,559)
Basic and diluted loss per ordinary share (in Hong Kong dollars)	8	**HK$(0.32)**	HK$(1.00)

The notes on pages 58 to 103 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Loss for the year		**(257,116)**	(812,559)
Other comprehensive income	7		
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of an overseas subsidiary		**20**	(2)
Available-for-sale securities: net movement in fair value reserve		**15,142**	(3,983)
Other comprehensive income		**15,162**	(3,985)
Total comprehensive income for the year		**(241,954)**	(816,544)

The notes on pages 58 to 103 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016 (Expressed in Hong Kong dollars)

	Note	31 December 2016 HK$'000	31 December 2015 HK$'000
Non-current assets			
Property, plant and equipment	12	**917,048**	560,335
Intangible assets	13	**112,248**	125,410
Long term receivables, deposits and prepayments		**8,209**	31,445
Other financial assets	16	**828,019**	1,219,043
		1,865,524	1,936,233
Current assets			
Accounts receivable	17	**–**	29,731
Other receivables, deposits and prepayments	17	**39,201**	36,048
Inventories	15	**17,833**	15,352
Other current financial assets	16	**355,406**	226,709
Cash at bank and in hand	18	**44,397**	174,808
		456,837	482,648
Current liabilities			
Accounts payable	19	**22,714**	12,995
Other payables and accrued charges	19	**115,942**	92,652
Deposits received		**1,905**	1,905
Bank loans	20	**184,144**	71,793
		324,705	179,345
Net current assets		**132,132**	303,303
Total assets less current liabilities		**1,997,656**	2,239,536

	Note	31 December 2016 HK$'000	31 December 2015 HK$'000
Non-current liabilities			
Deferred tax liabilities	22	**993**	919
		993	919
NET ASSETS		**1,996,663**	2,238,617
Capital and reserves	21		
Share capital		**1,268,914**	1,268,914
Other reserves		**727,749**	969,703
TOTAL EQUITY		**1,996,663**	2,238,617

Approved and authorised for issue by the board of directors on 22 March 2017.

Wong Wai Kay, Ricky
Director

Cheung Chi Kin, Paul
Director

The notes on pages 58 to 103 form part of these financial statements.

Consolidated Statement Of Changes in Equity

For the year ended 31 December 2016 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company						
	Note	Share capital HK$'000	Retained profits HK$'000	Revaluation reserve HK$'000	Fair value reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Total HK$'000
At 1 January 2016		**1,268,914**	**845,323**	**159,759**	**(33,552)**	**(1)**	**(1,826)**	**2,238,617**
Loss for the year		**–**	**(257,116)**	**–**	**–**	**–**	**–**	**(257,116)**
Other comprehensive income	7	**–**	**–**	**–**	**15,142**	**20**	**–**	**15,162**
Total comprehensive income for the year		**–**	**(257,116)**	**–**	**15,142**	**20**	**–**	**(241,954)**
At 31 December 2016		**1,268,914**	**588,207**	**159,759**	**(18,410)**	**19**	**(1,826)**	**1,996,663**
At 1 January 2015		1,268,914	1,657,882	159,759	(29,569)	1	(1,826)	3,055,161
Loss for the year		–	(812,559)	–	–	–	–	(812,559)
Other comprehensive income	7	–	–	–	(3,983)	(2)	–	(3,985)
Total comprehensive income for the year		–	(812,559)	–	(3,983)	(2)	–	(816,544)
At 31 December 2015		1,268,914	845,323	159,759	(33,552)	(1)	(1,826)	2,238,617

The notes on pages 58 to 103 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Net cash outflow from operating activities	23	**(207,729)**	(218,451)
Investing activities			
Additions of available-for-sale securities		**(65,034)**	(159,399)
Proceeds from disposal of available-for-sale securities		**106,628**	165,972
Proceeds from maturity of available-for-sale securities		**218,715**	289,423
Interest received		**76,260**	104,349
Dividend received		**1,693**	1,667
Purchases of property, plant and equipment		**(372,539)**	(89,553)
Proceeds from disposal of property, plant and equipment		**313**	93
Net cash (outflow)/inflow from investing activities		**(33,964)**	312,552
Net cash (outflow)/inflow before financing activities		**(241,693)**	94,101
Financing activities			
Net proceeds from/(repayments of) bank loans		**112,153**	(730,139)
Interest paid on bank loans		**(688)**	(3,037)
Net cash inflow/(outflow) from financing activities		**111,465**	(733,176)
Decrease in cash and cash equivalents		**(130,228)**	(639,075)
Cash and cash equivalents at beginning of the year		**174,808**	819,186
Effect of foreign exchange rate changes		**(183)**	(5,303)
Cash and cash equivalents at end of the year		**44,397**	174,808

The notes on pages 58 to 103 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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 Hong Kong Companies Ordinance. 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 and the Company.

Note 1(c) provides information on any changes in accounting policies resulting from initial application of those 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 31 December 2016 comprise Hong Kong Television Network Limited and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments in available-for-sale securities, investment properties and certain financial assets and liabilities are stated at their fair values or amortised costs as explained in the accounting policies set out below (see notes 1(f), 1(g), 1(m), 1(r) and 1(s)).

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 but are inherently uncertain and unpredictable, the results of which form the basis of making the judgements about the 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 4, 12, 16 and 24.

(c) Change 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 not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and controlled entities

Subsidiaries are 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Group accounting

(i) Consolidation

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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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 and 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 or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)), unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale.

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the statement of financial position date. Exchange differences arising in these cases are dealt with 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 an average rate for the year. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the statement of financial position date. 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 relative to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the statement of financial position date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(t)(iv) and (vi).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 1(k)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the statement of financial position date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(k)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(t)(iv) and 1(t)(vi) respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Investment properties

Investment properties are land and/or buildings which are owned and held to earn rental income and/or for capital appreciation.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the statement of financial position date and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(t)(v).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(j).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment

(i) Construction in progress

Construction in progress is carried at cost, which includes development and construction expenditure incurred and interest and direct costs attributable to the development less any accumulated impairment loss (see note 1(k)) as considered necessary by the directors. No depreciation is provided for construction in progress. On completion, the associated costs are transferred to leasehold land and buildings.

(ii) Other property, plant and equipment

Other property, plant and equipment, comprising buildings, leasehold improvements, broadcasting and production equipment, network, computer and office equipment, furniture, fixtures and fittings and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses (see note 1(k)).

Depreciation is calculated to write off the cost 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:

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives of 50 years

— Furniture, fixtures and fittings	4 years
— Broadcasting and production equipment	2–10 years
— Network, computer and office equipment	4–15 years
— Motor vehicles	4 years

— Leasehold improvements are depreciated over the shorter of the unexpired term of the leases and their estimated useful lives

— Leasehold land classified as held under finance leases is depreciated over the unexpired term of leases

Where the 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.

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to profit or loss. Major improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net disposal proceeds and the carrying amount of the relevant item, and is recognised in profit or loss on the date of disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Indefeasible right of use ("IRU") of telecommunications capacity	20 years
— Right to use of telecommunications services	10 years
— Mobile television broadcast spectrum	12 years

Both the period and method of amortisation are reviewed annually.

(j) Assets held under leases

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, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)); and

— land held for own use under an operating lease for which its fair value cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) 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 included in property, plant and equipment with the corresponding liabilities, net of finance charges, recorded as obligations under finance leases. Depreciation and impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h) and note 1(k). 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.

(iii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Receipts and payments made under operating leases net of any incentives received by/from the lessor are credited/charged to profit or loss on a straight-line basis over the lease periods.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets

(i) Impairment of investments in debt and equity securities and accounts and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the statement of financial position date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

— For trade and other current receivables and other financial assets 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 financial 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 financial assets carried at amortised cost 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.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit and loss.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and accounts and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors, 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 statement of financial position date 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;

— intangible assets; and

— investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— *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 pretax discount rate that reflects current market assessments of 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 whenever 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 other 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 to disposal (if measurable), or value in use (if determinable).

— *Reversals of impairment losses*

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(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(k)(i) and 1(k)(ii)).

Impairment losses recognised in an interim period in respect of available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or losses.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Accounts receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(k)(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 (see note 1(k)(i)).

(n) 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 flow statement.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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 in accordance with note 1(o)(ii) 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) Other 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.

(p) Talent benefits

(i) Leave entitlements

Entitlements to annual leave and long service leave are recognised when they accrue to individuals employed by the Group hereinafter (referred to as "Talents"), including directors of the Company. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by Talents up to the statement of financial position date. Entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

Provisions for profit sharing and bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by Talents and a reliable estimate of the obligation can be made.

(iii) Retirement benefit costs

The Group contributes to defined contribution retirement schemes which are available to certain Talents. Contributions to the schemes by the Group are calculated as a percentage of Talents' basic salaries and charged to profit or loss. The Group's contributions are reduced by contributions forfeited by those Talents who leave the scheme prior to vesting fully in the contributions.

The assets of the scheme are held in an independently administered fund that is separated from the Group's assets.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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 or 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 statement of financial position date, 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 goodwill not deductible for tax purposes, 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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the statement of financial position date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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 statement of financial position date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each statement of financial position date 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

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:

— 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

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  — the same taxable entity; or

  — 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.

(r) Interest-bearing borrowings

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

(s) 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(o), 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.

(t) Revenue recognition

(i) E-commerce income primarily comprised of commission income and revenue from merchandise sales. Commission income are recognised for transactions where the Group is not the primary obligor, is not subject to inventory risk, and does not have latitude in establishing prices and selecting suppliers. Commission income are recognised on a net basis which is based on a fixed percentage of the sales amount. Revenue from merchandise sales and related costs are recognised on a gross basis when the Group acts as a principal.

Commission income and revenue from merchandise sales are recognised when the customer has accepted the goods and the related risks and rewards of ownership.

(ii) Revenue for licensing of programme rights is recognised over the contract period or upon delivery of the programmes concerned in accordance with the terms of the contracts.

(iii) Advertising income, net of agency deductions, is recognised when the advertisements are delivered through the Group's Over-The-Top ("OTT") platform.

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

(v) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the platform of benefits to be derived from the leased assets. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(vi) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that 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.

All other borrowing costs are charged to profit or loss in the year in which they are incurred.

(v) 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 lines of business.

Geographical information is not presented as majority of the Group's operations are conducted in Hong Kong and majority of the assets are located in Hong Kong.

(w) 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 entity.

(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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2 TURNOVER AND SEGMENT INFORMATION

Turnover

The Group is principally engaged in the provision of multimedia business, including but not limited to the online shopping mall operation, multimedia and drama production and other related services ("Multimedia Business").

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Direct merchandise sales	**157,295**	25,349
Income from concessionaire sales and other service income	**28,531**	11,055
Licensing of programme rights and net advertising income	**1,245**	76,111
Artiste management services	**–**	295
	187,071	112,810

Segment information

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resources allocation and performance assessment, the Group has only identified one business segment i.e. Multimedia Business. In addition, the majority of the Group's operations are conducted in Hong Kong and majority of the assets are located in Hong Kong. Accordingly, no operating or geographical segment information is presented.

3 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/crediting the following:

		Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
(a)	**Other operating expenses**		
	Depreciation	**34,230**	40,521
	Advertising and marketing expenses	**29,290**	43,463
	Auditor's remuneration	**2,230**	2,395
	Operating lease charges in respect of land and buildings	**28,429**	13,051
	Loss/(gain) on disposal of property, plant and equipment	**92**	(19)
	Write down of inventories	**588**	339
	Impairment for available-for-sale securities (note 16)	**–**	7,020
	Talent costs (note 3(d))	**189,100**	136,471
	Amortisation of intangible assets (note 13)	**13,162**	32,851
	Write off of artiste prepayments	**–**	4,636
	Reversal of provision for committed artiste payments	**–**	(3,841)
	Others	**83,333**	52,929
		380,454	329,816
(b)	**Other income, net**		
	Bank interest income	**634**	15,020
	Dividend income from available-for-sale equity securities	**1,693**	1,667
	Interest income from available-for-sale debt securities	**68,182**	80,520
	Gain on disposal of available-for-sale securities	**2,057**	2,079
	Rentals from investment properties	**11,428**	11,428
	Net exchange loss	**(16,593)**	(43,776)
	Others	**3,546**	599
		70,947	67,537
(c)	**Finance costs, net**		
	Interest on bank loans	**828**	2,974
	Bank charges	**189**	260
		1,017	3,234
(d)	**Talent costs**		
	Wages and salaries	**180,990**	137,125
	Retirement benefit costs — defined contribution plans (note 9)	**8,110**	6,011
		189,100	143,136
	Less: Talent costs charged to programme costs	**–**	(6,665)
	Talent costs included in other operating expenses	**189,100**	136,471

Talent costs include all compensation and benefits paid to and accrued for all individuals employed by the Group, including Directors.

4 IMPAIRMENT LOSSES

The Group's Multimedia Business comprised of two cash generating units ("CGU"), namely "Media", which operates the multimedia and drama production and contents distribution business, and "E-commerce", which operates the online shopping business of the Group.

(a) Media CGU

During the year ended 31 December 2015, the Group recognised impairment loss on property, plant and equipment, intangible assets and programme costs with an aggregated amount of HK$327,810,000 in relation to the Media CGU. The impairment loss was considered by writing down the carrying value of Media CGU assets to their estimated recoverable amount of HK$213,267,000 which was the fair value less costs of disposal. The respective impairment loss recognised on property, plant and equipment, intangible assets, programme costs and other assets were HK$60,331,000, HK$232,937,000, HK$32,489,000 and HK$2,053,000.

As at 31 December 2016, the Group identified indications of further impairment of its Media CGU assets, primarily as a result of the uncertainty in relation to obtaining the necessary regulatory approvals for the provision of mobile television services. The Group assessed the recoverable amounts of these assets and no further impairment loss was recognised for the year ended 31 December 2016. The recoverable amounts of these assets were assessed based on their estimated fair value less costs of disposal, using market comparison approach mainly by reference to recent market transactions, quoted selling price of similar assets, acquisition costs and estimated replacement cost of these assets and the availability of active market of relevant or similar assets. The fair value on which the recoverable amount is based on is categorized as a level 3 measurement.

(b) E-commerce CGU

As of 31 December 2016, the Group identified indication of impairments and conducted an impairment testing in respect of its property, plant and equipment and intangible assets relating to E-commerce CGU. The recoverable amounts of these assets were based on the value in use of the E-commerce CGU, determined by discounting future cash flows to be generated from the continuing use of these assets. Key assumptions used in the estimation of value in use included discount rate, revenue growth rate and net profit margin. The estimated recoverable amounts of these assets exceeded their respective carrying amounts as of 31 December 2016. As such, the Group concluded that no impairment loss was required to be provided on the Group's property, plant and equipment and intangible assets for E-commerce CGU with aggregate carrying value of HK$219,718,000.

5 INCOME TAX EXPENSE

The provision for Hong Kong Profits Tax for the year is calculated at 16.5% (16.5% for the year ended 31 December 2015) of the estimated assessable profits for the year.

The amount of income tax expense in the consolidated income statement represents:

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Current taxation		
Hong Kong		
— Provision for the year	–	–
Deferred taxation		
Origination and reversal of temporary differences (note 22)	(74)	(93)
	(74)	(93)

The Group's income tax expense differs from the theoretical amount that would arise using the loss before taxation at applicable tax rates as follows:

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Loss before taxation	(257,042)	(812,466)
Notional tax on loss before taxation, calculated at the prevailing tax rates applicable to profit in the jurisdiction concerned	42,412	134,057
Effect of non-taxable income	11,783	16,292
Effect of non-deductible expenses	(5,012)	(68,285)
Effect of unused tax losses not recognised	(53,405)	(83,490)
Others	4,148	1,333
Income tax expense	(74)	(93)

6 DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the year ended 31 December 2016 (Year ended 31 December 2015: Nil).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

7 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	Year ended 31 December 2016			Year ended 31 December 2015		
	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000
Exchange difference on translation of financial statements of an overseas subsidiary	20	–	20	(2)	–	(2)
Available-for-sale securities: net movement in fair value reserve	15,142	–	15,142	(3,983)	–	(3,983)
Other comprehensive income	15,162	–	15,162	(3,985)	–	(3,985)

(b) Components of other comprehensive income, including reclassification adjustments

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Available-for-sale securities: net movement in fair value reserve		
— Changes in fair value recognised during the year	17,199	(8,924)
— Reclassified to profit or loss upon disposal	(2,057)	(2,079)
— Impairment loss charged to profit or loss	–	7,020
	15,142	(3,983)

8 LOSS PER SHARE

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Loss attributable to equity shareholders	**257,116**	812,559

The calculation of basic loss per share for the year ended 31 December 2016 and 31 December 2015 are based on the loss for the respective year and the weighted average of 809,017,000 ordinary shares in issue.

The diluted loss per share for the year ended 31 December 2016 and 31 December 2015 are the same as the basic loss per share as no potential dilutive ordinary shares were outstanding during the respective year.

9 RETIREMENT BENEFIT COSTS

The Group contributes to an Occupational Retirement Scheme (the "ORSO Scheme"), a defined contribution retirement scheme, which is available to some of its Talents in Hong Kong. Under the ORSO Scheme, the Talents are required to contribute 5% of their monthly salaries, while the Group's contributions are calculated at 10% and 5% of the monthly salaries of senior management Talents and all other Talents respectively. The Talents are entitled to 100% of the employer's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years' service. Contributions to the ORSO Scheme are reduced by contributions forfeited by those Talents who leave the ORSO Scheme prior to vesting fully in the Group's contributions.

A mandatory provident fund scheme (the "MPF Scheme") has been established under the Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000 and the prevailing Talents of the Group in Hong Kong could elect to join the MPF Scheme, while all new Talents joining the Group in Hong Kong from then onwards are required to join the MPF Scheme. Both the Group and the Talents are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,500 per month, as a mandatory contribution. Employer's mandatory contributions are 100% vested in the Talents as soon as they are paid to the MPF Scheme. Senior Talents may also elect to join a Mutual Voluntary Plan (the "Mutual Plan") in which both the Group and the Talent, on top of the MPF Scheme mandatory contributions, make a voluntary contribution to the extent of contributions that would have been made under the ORSO Scheme.

The aggregate employer's contributions, net of forfeited contributions (if any), which have been dealt with in the consolidated income statement during the year are as follows:

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Gross contributions	**8,110**	6,011

During the year ended 31 December 2016, there was no forfeited contribution available to offset future contributions by the Group to the ORSO Scheme (Year ended 31 December 2015: HK$Nil).

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(Expressed in Hong Kong dollars)

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

For the year ended 31 December 2016:

Name of director	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to defined contribution scheme HK$'000	Total HK$'000
Wong Wai Kay, Ricky	–	2,879	–	287	3,166
Cheung Chi Kin, Paul	–	3,469	–	345	3,814
To Wai Bing (note a)	17	1,742	1,500	167	3,426
Wong Nga Lai, Alice	–	1,803	150	180	2,133
Lee Hon Ying, John	223	–	–	–	223
Peh Jefferson Tun Lu	209	–	–	–	209
Mak Wing Sum, Alvin	209	–	–	–	209
Total	658	9,893	1,650	979	13,180

For the year ended 31 December 2015:

Name of director	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to defined contribution scheme HK$'000	Total HK$'000
Wong Wai Kay, Ricky	–	4,320	–	427	4,747
Cheung Chi Kin, Paul	–	4,320	–	427	4,747
To Wai Bing	–	1,924	–	191	2,115
Wong Nga Lai, Alice	–	1,939	–	191	2,130
Lee Hon Ying, John	223	–	–	–	223
Peh Jefferson Tun Lu	209	–	–	–	209
Mak Wing Sum, Alvin	209	–	–	–	209
Total	641	12,503	–	1,236	14,380

No director waived any emoluments in respect of the years ended 31 December 2016 and 31 December 2015.

Note:

(a) Ms. To Wai Bing was re-designated as Non-executive Director with effect from 1 December 2016.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (Year ended 31 December 2015: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual are as follows:

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Basis salaries, other allowances and benefits in kind	**1,329**	1,134
Discretionary bonuses	**–**	96
Retirement benefit costs — defined contribution plans	**83**	113
	1,412	1,343

11 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company operates a share option scheme (the "2012 Share Option Scheme") which was adopted by shareholders of the Company on 31 December 2012 whereby the directors may, at their discretion, invite eligible participants to receive options to subscribe for shares subject to the terms and conditions stipulated therein.

Under the 2012 Share Option Scheme, the Company may grant options to Talents (including executive, non-executive and independent non-executive directors), suppliers and professional advisers to subscribe for shares of the Company. The maximum number of options authorised under the 2012 Share Option Scheme may not, when aggregated with any shares subject to any other executive and talent share option scheme, exceed 10% of the Company's issued share capital on the date of adoption. The exercise price of the option is determined by the Company's board of directors at a price not less than the higher of (a) the average closing price of the Company's shares for five trading days preceding the grant date; and (b) the closing price of the Company's shares on the date of grant. The 2012 Share Option Scheme is valid and effective for a ten year period up to 30 December 2022 subject to earlier termination by the Company by resolution in general meeting or by the board of directors. The period during which the option may be exercised will be determined by the board of directors at its discretion, save that no option may be exercised after more than ten years from the date of grant.

During the year ended 31 December 2016, no share options have been granted under the 2012 Share Option Scheme by the Company (Year ended 31 December 2015: Nil).

As at 31 December 2016 and 31 December 2015, there were no options outstanding.

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(Expressed in Hong Kong dollars)

12 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and fittings HK$'000	Network, computer and office equipment HK$'000	Motor vehicles HK$'000	Broadcasting and production equipment HK$'000	Total HK$'000
Cost and valuation:									
At 1 January 2016	222,336	240,800	57,866	16,571	3,916	81,726	19,686	83,641	726,542
Additions	358,816	–	–	9,986	1,934	9,871	4,026	15	384,648
Disposals	–	–	–	–	(294)	(38)	(364)	–	(696)
Fair value adjustment	–	6,700	–	–	–	–	–	–	6,700
At 31 December 2016	581,152	247,500	57,866	26,557	5,556	91,559	23,348	83,656	1,117,194
Representing:									
Cost	581,152	–	57,866	26,557	5,556	91,559	23,348	83,656	869,694
Valuation	–	247,500	–	–	–	–	–	–	247,500
	581,152	247,500	57,866	26,557	5,556	91,559	23,348	83,656	1,117,194
Accumulated depreciation and impairment losses:									
At 1 January 2016	43,487	–	5,502	7,509	2,777	52,170	5,539	49,223	166,207
Charge for the year	–	–	1,662	4,056	597	12,929	4,966	10,020	34,230
Disposal	–	–	–	–	(243)	(25)	(23)	–	(291)
At 31 December 2016	43,487	–	7,164	11,565	3,131	65,074	10,482	59,243	200,146
Net book value:									
At 31 December 2016	537,665	247,500	50,702	14,992	2,425	26,485	12,866	24,413	917,048

12 PROPERTY, PLANT AND EQUIPMENT (continued)

	Construction in progress HK$'000	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and fittings HK$'000	Network, computer and office equipment HK$'000	Motor vehicles HK$'000	Broadcasting and production equipment HK$'000	Total HK$'000
Cost and valuation:									
At 1 January 2015	144,720	228,900	57,866	22,033	3,305	74,467	10,243	82,771	624,305
Additions	77,616	–	–	2,976	644	7,269	9,697	1,000	99,202
Disposals	–	–	–	(8,438)	(33)	(10)	(254)	(130)	(8,865)
Fair value adjustment	–	11,900	–	–	–	–	–	–	11,900
At 31 December 2015	222,336	240,800	57,866	16,571	3,916	81,726	19,686	83,641	726,542
Representing:									
Cost	222,336	–	57,866	16,571	3,916	81,726	19,686	83,641	485,742
Valuation	–	240,800	–	–	–	–	–	–	240,800
	222,336	240,800	57,866	16,571	3,916	81,726	19,686	83,641	726,542
Accumulated depreciation and impairment losses:									
At 1 January 2015	487	–	3,840	13,808	2,113	22,338	3,515	28,045	74,146
Charge for the year	–	–	1,662	2,108	687	19,102	2,278	14,684	40,521
Impairment losses (note 4)	43,000	–	–	–	–	10,736	–	6,595	60,331
Disposal	–	–	–	(8,407)	(23)	(6)	(254)	(101)	(8,791)
At 31 December 2015	43,487	–	5,502	7,509	2,777	52,170	5,539	49,223	166,207
Net book value:									
At 31 December 2015	178,849	240,800	52,364	9,062	1,139	29,556	14,147	34,418	560,335

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at statement of financial position date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements categorised into			
	Fair value HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurements				
Investment properties:				
— 31 December 2016	**247,500**	**–**	**247,500**	**–**
— 31 December 2015	240,800	–	240,800	–

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the statement of financial position date in which they occur.

All of the Group's investment properties were revalued as at 31 December 2016. The valuations were carried out by an independent firm of surveyors, CBRE Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of investment properties located in Hong Kong is determined using direct comparison approach by reference to recent sales price of comparable properties.

Fair value adjustment of investment properties is recognised in the line item "valuation gains on investment properties" on the face of the consolidated income statement.

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) The Group's total future aggregate lease income receivable under non-cancellable operating lease are as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Leases in respect of investment properties which are receivable:		
Within 1 year	**4,761**	11,428
After 1 year but within 5 years	**–**	4,761
	4,761	16,189

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 5 years, with an option to renew the lease at which time all terms are negotiated. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

(c) The net book value of interests in construction in progress, leasehold land and buildings and investment properties situated in Hong Kong are analysed as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Medium term lease	**835,867**	472,013
Representing:		
Construction in progress carried at cost less impairment loss	**537,665**	178,849
Leasehold land and buildings carried at cost less accumulated depreciation	**50,702**	52,364
Investment properties stated at fair value	**247,500**	240,800
	835,867	472,013

(d) The cost of construction in progress comprises premium paid for the land registered in Hong Kong with a lease term of about 36 years and expenditure incurred on the development of buildings not yet completed at the year end.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(e) Further particulars of the Group's leasehold land and properties interest at 31 December 2016 are as follows:

Location	Use	Lease term	Attributable interest of the Group
12/F,14/F-15/F and Roof on 17/F, Trans Asia Centre, No. 18 Kin Hong Street, Kwai Chung, New Territories	Leasing for rental income	Medium term lease	100%
13/F and 16/F, Trans Asia Centre, No. 18 Kin Hong Street, Kwai Chung, New Territories	Self-use	Medium term lease	100%
The whole of 14/F and Lorry Parking Space No. L13 on 1/F, Mita Centre, Nos.552-566 Castle Peak Road, Kwai Chung, New Territories	Leasing for rental income	Medium term lease	100%
The remaining portion of section S of Tseung Kwan O Town Lot No. 39, Tseung Kwan O, Sai Kung, New Territories	Self-use	Medium term lease	100%

13 INTANGIBLE ASSETS

	Mobile television broadcast spectrum HK$'000	IRU of the tele-communications capacity HK$'000	Right to use of tele-communications services HK$'000	Total HK$'000
Cost				
1 January 2016 and 31 December 2016	146,591	226,700	90,243	463,534
Accumulated amortisation and impairment losses				
1 January 2016	146,591	159,145	32,388	338,124
Amortisation for the year	–	4,123	9,039	13,162
31 December 2016	146,591	163,268	41,427	351,286
Net book value				
31 December 2016	–	63,432	48,816	112,248

13 INTANGIBLE ASSETS (continued)

	Mobile television broadcast spectrum HK$'000	IRU of the tele– communications capacity HK$'000	Right to use of tele – communications services HK$'000	Total HK$'000
Cost				
1 January 2015 and 31 December 2015	146,591	226,700	90,243	463,534
Accumulated amortisation and impairment losses				
1 January 2015	15,151	32,683	24,502	72,336
Amortisation for the year	12,525	11,316	9,010	32,851
Impairment losses/reclassification of impairment losses (note 4)	118,915	115,146	(1,124)	232,937
31 December 2015	146,591	159,145	32,388	338,124
Net book value				
31 December 2015	–	67,555	57,855	125,410

Intangible assets included the indefeasible right of use in certain capacity of the telecommunications network of the former subsidiary for a term of 20 years, right to use of the telecommunications services from the former subsidiary for a term of 10 years, and an intangible asset relating to the spectrum with frequency at 678-686 MHz and microwave link at the frequency range of 7910-7920 MHz for the provision of broadcast-type mobile television services for a period of about 12 years.

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(Expressed in Hong Kong dollars)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	Percentage of interest held
Attitude Holdings Limited	British Virgin Islands	Inactive	Ordinary US$1	100
Best Intellect Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100
City Telecom (H.K.) Limited	Hong Kong	Inactive	Ordinary HK$2	100
Cosmo True Limited	British Virgin Islands	Property investment in Hong Kong	Ordinary US$1	* 100
Excel Billion Profits Limited	Hong Kong	Inactive	Ordinary HK$10,000	100
Fortune Land Leasing Limited	Hong Kong	Inactive	Ordinary HK$1	100
Golden Trinity Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100
HKTV Japan Company Limited	Japan	Provision of trading service in Japan	Ordinary JPY10,000	100
Hong Kong Broadband Digital TV Limited	Hong Kong	Inactive	Ordinary HK$10,000	100
Hong Kong Broadband Television Company Limited	Hong Kong	Inactive	Ordinary HK$2	100
Hong Kong Media Production Company Limited	Hong Kong	Provision of multimedia production and distribution services in Hong Kong	Ordinary HK$10,000	100
Hong Kong Mobile Television Network Limited	Hong Kong	Provision of Mobile Television Service in Hong Kong	Ordinary HK$37,452,120	100
Hong Kong TV Logistics Network Company Limited (formerly known as Hong Kong Mobile Television (Leasing) Limited)	Hong Kong	Provision of Logistics Services in Hong Kong	Ordinary HK$1	100
Hong Kong Music Network Limited	Hong Kong	Producing, publishing and licensing of musical works in Hong Kong	Ordinary HK$1	100
Hong Kong TV Shopping Network Company Limited	Hong Kong	E-commerce business and TV programming through OTT platform in Hong Kong	Ordinary HK$1	100

14 INVESTMENTS IN SUBSIDIARIES (continued)

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. (continued)

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	Percentage of interest held
Leader Artiste Management Company Limited	Hong Kong	Provision of management and agency services to artistes in Hong Kong	Ordinary HK$100	100
Multi Talent Enterprise Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100
Talent Ascent Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100

* Shares held directly by the Company.

15 INVENTORIES

The inventories are mainly merchandise purchased for the Group's E-commerce business.

16 OTHER FINANCIAL ASSETS

	31 December 2016 HK$'000	31 December 2015 HK$'000
Available-for-sale debt securities		
— Maturity dates within 1 year	355,406	226,709
— Maturity dates over 1 year	788,310	1,180,408
	1,143,716	1,407,117
Available-for-sale equity securities		
— Listed	28,538	27,525
— Unlisted	11,171	11,110
	39,709	38,635
	1,183,425	1,445,752

16 OTHER FINANCIAL ASSETS (continued)

The available-for-sale securities were carried at fair value as at 31 December 2016 and 31 December 2015.

	31 December 2016 HK$'000	31 December 2015 HK$'000
Fair value of individually impaired financial assets		
— Available-for-sale debt securities	–	5,348
— Available-for-sale equity securities	3,212	2,680

At 31 December 2016 and 2015, certain available-for-sale debt and equity securities were individually determined to be impaired on the basis of a material decline in their fair value below cost, which indicated that the cost of the Group's investments in them may not be recovered. During the year ended 31 December 2015, impairment losses of HK$7,020,000 on these investments were recognised in profit or loss in accordance with the policy set out in note 1(k)(i) (see note 3(a)). No further impairment losses were charged to consolidated income statement during the year ended 31 December 2016.

17 ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 December 2016 HK$'000	31 December 2015 HK$'000
Accounts receivable	–	29,731
Less: Allowance for doubtful debts	–	–
	–	29,731
Other receivables, deposits and prepayments	39,201	36,048
	39,201	65,779

17 ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(a) Aging analysis

The aging analysis of accounts receivable is as follows:

	31 December 2015 HK$'000
Current–30 days	2,493
31–60 days	14
61–90 days	252
Over 90 days	26,972
	29,731

For E-commerce CGU, receipts in advance from customers are required before the goods are delivered.

For Media CGU, majority of the Group's accounts receivable are due within 30 days from the date of billing. Customers with receivable that are more than 3 months overdue are requested to settle all outstanding balance before further credit is granted.

There was no outstanding accounts receivable as at 31 December 2016.

(b) Impairment of accounts receivable

Impairment losses in respect of accounts receivable 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 directly (see note 1(k)(i)).

The movement in the allowance for doubtful debts during the year ended 31 December 2015 was as follows:

	31 December 2015 HK$'000
Balance as at the beginning of the year	100
Uncollectible amounts written off	(100)
Balance as at the end of the year	–

17 ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(c) Accounts receivable that are not impaired

The aging analysis of accounts receivable that are neither individually nor collectively considered to be impaired are as follows:

	31 December 2015 HK$'000
Neither past due nor impaired	2,493
1-30 days past due but not impaired	14
31-60 days past due but not impaired	252
Over 60 days past due but not impaired	26,972
	29,731

As at 31 December 2015, accounts receivable that were neither past due nor impaired relate to customers for whom there was no recent history of default. Other accounts receivable that were past due but not impaired relate to independent customers that have a good track record of payment or a reputable corporate with sound financial conditions. 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 collateral over these balances.

(d) Other receivables, deposits and prepayments

Other receivables, deposits and prepayments consist of rental deposit, interest receivable, prepayment and other receivables. All of the other receivables, except rental deposits and others amounting to HK$8,658,000 (31 December 2015: HK$3,217,000), are expected to be recovered within one year.

18 CASH AT BANK AND IN HAND

	31 December 2016 HK$'000	31 December 2015 HK$'000
Time deposits with banks within three months of original maturity	**2,605**	90,136
Cash at bank and in hand	**41,792**	84,672
Cash at bank and in hand in the consolidated statement of financial position	**44,397**	174,808

19 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	31 December 2016 HK$'000	31 December 2015 HK$'000
Accounts payable	**22,714**	12,995
Other payables and accrued charges	**115,942**	92,652
	138,656	105,647

(a) The aging analysis of the accounts payable is as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Current–30 days	**18,985**	9,181
31–60 days	**766**	669
61–90 days	**220**	581
Over 90 days	**2,743**	2,564
	22,714	12,995

(b) Other payables and accrued charges

Other payables primarily consist of accrual for Talent salaries and bonus, deferred revenue for unearned e-commerce income, payable for purchase of property, plant and equipment and advertising and promotional expenses.

20 BANK LOANS

The bank loans were repayable as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Within 1 year	**184,144**	71,793

At 31 December 2016, the uncommitted banking facilities of the Group amounted to HK$1,182,763,000 (31 December 2015: HK$1,185,856,000). The facilities were utilised to the extent of bank loans of HK$184,144,000 (31 December 2015: HK$71,793,000).

All of the Group's banking facilities are subject to the fulfilment of covenants as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 24(b). As at 31 December 2016 and 2015, none of the covenants relating to drawn down facilities had been breached.

At 31 December 2016, the bank loans of HK$184,144,000 bore fixed interest rates from 1.0% to 1.2% per annum (31 December 2015: 0.9%). At 31 December 2016 and 2015, all bank loans were secured by certain of the Group's available-for-sale securities with an equivalent amount to the bank loans.

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21 CAPITAL AND RESERVES

(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:

The Company

	Share capital HK$'000	Fair value reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2016	**1,268,914**	**(33,552)**	**1,446,681**	**2,682,043**
Profit attributable to equity shareholders	**–**	**–**	**13,102**	**13,102**
Other comprehensive income	**–**	**15,142**	**–**	**15,142**
Total comprehensive income for the year	**–**	**15,142**	**13,102**	**28,244**
At 31 December 2016	**1,268,914**	**(18,410)**	**1,459,783**	**2,710,287**

	Share capital HK$'000	Fair value reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2015	1,268,914	(29,569)	2,193,073	3,432,418
Loss attributable to equity shareholders	–	–	(746,392)	(746,392)
Other comprehensive income	–	(3,983)	–	(3,983)
Total comprehensive income for the year	–	(3,983)	(746,392)	(750,375)
At 31 December 2015	1,268,914	(33,552)	1,446,681	2,682,043

(b) Share capital

	31 December 2016		31 December 2015	
	No. of shares	**Amount HK$'000**	No. of shares	Amount HK$'000
Issued and fully paid:				
Ordinary shares				
At the beginning of the year	**809,016,643**	**1,268,914**	809,016,643	1,268,914
At the end of the year	**809,016,643**	**1,268,914**	809,016,643	1,268,914

21 CAPITAL AND RESERVES (continued)

(b) Share capital (continued)

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

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(e)(ii).

(d) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the statement of financial position date and is dealt with in accordance with the accounting policies in notes 1(f) and 1(k)(i).

(e) Capital management

The Group's primary objectives when managing capital are to maintain a reasonable capital structure, safeguard the Group's ability to continue as a going concern, and to provide returns for shareholders.

The Group manages the amount of capital in proportion to risk, and makes adjustments to its capital structure through the amount of dividend payment to shareholders, issuance of scrip and new shares, and managing its debt portfolio in conjunction with cash flow requirements, taking into account its future financial obligations and commitments.

The Group monitors its capital structure by reviewing its net debt to net asset gearing ratio. For this purpose, the Group defines net debt as total borrowing less cash at bank and in hand.

The net debt to net asset gearing ratio as at 31 December 2016 and 2015 are as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Bank loans	**(184,144)**	(71,793)
Less: Cash at bank and in hand	**44,397**	174,808
Net (debt)/cash	**(139,747)**	103,015
Net assets	**1,996,663**	2,238,617
Net debt to net asset gearing ratio (times)	**0.07**	N/A

Neither the Company nor any of its subsidiaries are currently subject to externally imposed capital requirements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

22 DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised

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

Deferred tax arising from:	**Depreciation allowances in excess of the related depreciation** HK$'000	**Tax losses carried forward** HK$'000	**Total** HK$'000
At 1 January 2015	(25,622)	24,796	(826)
Credited/(charged) to consolidated income statement	6,739	(6,832)	(93)
At 31 December 2015	(18,883)	17,964	(919)
At 1 January 2016	**(18,883)**	**17,964**	**(919)**
(Charged)/credited to consolidated income statement	**(9,194)**	**9,120**	**(74)**
At 31 December 2016	**(28,077)**	**27,084**	**(993)**

(ii) Reconciliation to the consolidated statement of financial position

	31 December 2016 HK$'000	31 December 2015 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(993)**	(919)

(b) Deferred tax assets not recognised

As at 31 December 2016, the Group did not recognise deferred tax assets in respect of unused tax losses of HK$1,395,674,000 (31 December 2015: HK$1,072,006,000) as it was not probable that future taxable profits against which the losses could be utilised would be available in the relevant tax jurisdictions. The tax losses do not expire under the current tax legislation.

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of loss before taxation to net cash outflow from operations

	31 December 2016 HK$'000	31 December 2015 HK$'000
Loss before taxation	(257,042)	(812,466)
Depreciation of property, plant and equipment	34,230	40,521
Amortisation of programme cost	–	310,931
Bank interest income	(634)	(15,020)
Interest income from available-for-sale debt securities	(68,182)	(80,520)
Dividend income from available-for-sale equity securities	(1,693)	(1,667)
Gain on disposal of available-for-sale securities	(2,057)	(2,079)
Loss/(gain) on disposal of property, plant and equipment	92	(19)
Valuation gains on investment properties	(6,700)	(11,900)
Amortisation of intangible assets	13,162	32,851
Interest expenses on bank loans	828	2,974
Impairment for available-for-sale securities	–	7,020
Write down of inventories	588	339
Impairment losses	–	327,810
Exchange loss	16,186	34,410
Net cash outflow before working capital changes	(271,222)	(166,815)
Decrease/(increase) in long term receivables, deposits and prepayments	371	(87)
Decrease/(increase) in accounts receivable, other receivables, deposits and prepayments	22,551	(24,824)
Increase in inventories	(3,069)	(14,973)
Decrease in programme costs	–	668
Increase/(decrease) in accounts payable, other payables, accrued charges and deposits received	43,640	(12,420)
Net cash outflow from operating activities	(207,729)	(218,451)

24 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is mainly arose from trade and other receivables, cash at bank and available-for-sale debt securities. Management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis.

No significant credit risk was identified for e-commerce business as receipts in advance are required before the relevant goods are delivered.

For other business, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and its financial condition. These receivables are due generally within 30 days from the date of billing. Customers with receivables that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. The Group generally does not obtain collateral from customers.

Available-for-sale debt securities and bank deposits are invested or placed with counterparties and financial institutions with sound credit quality. To mitigate the risk of non-recovery of investments in available-for sale debt securities and their related concentration risk, the Group maintains portfolio which comprises mainly of investment grade products, constituents of defined world indices and instruments issued by state owned or controlled enterprises. The Group closely monitors the credit quality and financial positions of counterparties and consider appropriate action if the market value of the securities decline by a pre-determined threshold. As at 31 December 2016, there was no significant concentration risk, as the portfolio of the Group's available-for-sale debt securities was diversified and comprised of a number of counterparties and no individual counterparty accounted for more than 10% of the portfolio. All deposits were placed with financial institutions with credit rating of investment grade.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset after deducting any impairment allowance, in the statement of financial position. At 31 December 2016, the Group does not provide any financial guarantees which expose the Group to credit risk.

(b) Liquidity risk

The Group has a cash management policy, which includes investment of cash surpluses and the raising of loans and other borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient free cash and readily realisable marketable securities and credit facilities from major financial institutions to meet its liquidity requirements in the short and long term.

The Group determines that there is no significant liquidity risk in view of our adequate funds and unutilised banking facilities.

24 FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the statement of financial position date of the Group's financial liabilities, which are based on undiscounted cash flows (including interest) and the earliest date the Group can be required to pay.

	31 December 2016			31 December 2015		
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
Current liabilities						
Bank loans	**184,144**	**184,399**	**184,399**	71,793	71,805	71,805
Accounts payable	**22,714**	**22,714**	**22,714**	12,995	12,995	12,995
Other payables and accrued charges	**115,942**	**115,942**	**115,942**	92,652	92,652	92,652
Deposits received	**1,905**	**1,905**	**1,905**	1,905	1,905	1,905
	324,705	**324,960**	**324,960**	179,345	179,357	179,357

(c) Interest rate risk

Interest rate risk arose principally from available-for-sale debt securities and bank loans. Financial instruments with fixed and variable interest rates expose the Group to fair value and cash flow interest rate risk respectively due to fluctuations of market interest rates. The Group actively manages available-for-sale debt securities and bank loans by comparing investment yields and quotations from the market, with a view to select terms which are most favorable to the Group.

Interest-bearing financial instruments of the Group were as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Fixed rate instruments		
— Other financial assets: available-for-sale debt securities	**1,143,716**	1,407,117
— Bank loans	**(184,144)**	(71,793)
	959,572	1,335,324

Fair value sensitivity analysis for fixed rate instruments

The Group accounts for the investment in debt securities as available-for-sale securities with any change in fair value recognised in other comprehensive income and accumulated in equity. With other variable held constant, a decrease or increase of 100 basis-points in interest rates at statement of financial position date would have increased or decreased equity by HK$22,130,000 (31 December 2015: HK$29,248,000).

The Group accounts for the bank loans at amortised cost, therefore a change in interest rates at statement of financial position date would not affect profit or loss and equity.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

24 FINANCIAL INSTRUMENTS (continued)

(d) Foreign currency risk

The Group is exposed to currency risk, due to the fluctuations between the Hong Kong dollars and the Renminbi arising from its investments in Renminbi available-for-sale securities and cash at bank. In order to limit this currency risk, the Group closely monitors Renminbi exposure to an acceptable difference by buying or selling Renminbi at spot rates where necessary.

The following table details the Group's exposure at the statement of financial position date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the statement of financial position date.

	Exposure to foreign currencies (expressed in HKD)			
	31 December 2016		31 December 2015	
	USD	**RMB**	USD	RMB
	HK$'000	**HK$'000**	HK$'000	HK$'000
Cash at bank and in hand	**7,514**	**3,068**	35,168	92,206
Other financial assets:				
— Available-for-sale debt securities	**882,329**	**213,760**	899,932	451,870
— Available-for-sale equity securities	**11,171**	**–**	11,110	–
Bank loans	**–**	**–**	(71,793)	–
	901,014	**216,828**	874,417	544,076

Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss for the year and other components of equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the statement of financial position date. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. Other components of consolidated equity would not be affected by the changes in the foreign exchange rates.

	Increase/ (decrease) in foreign exchange rate HK$'000	**Decrease/ (increase) in loss for the year** HK$'000	**Increase/ (decrease) in other components of equity** HK$'000
31 December 2016			
RMB	**5%**	**11,497**	**(656)**
	(5%)	**(11,497)**	**656**
31 December 2015			
RMB	5%	28,161	(957)
	(5%)	(28,161)	957

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those assets or liabilities denominated in foreign currency held by the Group which expose the Group to foreign currency risk at the statement of financial position date. The analysis is performed on the same basis as at 31 December 2015.

24 FINANCIAL INSTRUMENTS (continued)

(e) Equity price risk

The Group is exposed to equity price changes from available-for-sale equity securities.

Available-for-sale equity securities portfolio have been chosen based on their long term growth potential and returns and are monitored regularly for performance against expectations. With other variable held constant, an increase or decrease of 10% in market value of the Group's available-for-sale equity securities at statement of financial position date would have increased or decreased equity by HK$3,971,000 (31 December 2015: HK$3,864,000). Any increase or decrease in the market value of the Group's available-for-sale equity securities would not affect the Group's loss for the year unless they are impaired or disposed.

(f) Fair values

(i) Financial assets and liabilities carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the statement of financial position date on a recurring basis, categorised into the three-level fair value hierarchy defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified as determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical financial assets or liabilities at the measurement date

— Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair values measured using significant unobservable inputs

	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2016				
Assets				
— Available-for-sale debt securities	**–**	**1,143,716**	**–**	**1,143,716**
— Available-for-sale equity securities	**28,538**	**11,171**	**–**	**39,709**
31 December 2015				
Assets				
— Available-for-sale debt securities	–	1,407,117	–	1,407,117
— Available-for-sale equity securities	27,525	11,110	–	38,635

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the statement of financial position date in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of available-for-sale securities are based on quoted market prices for identical financial instruments at the statement of financial position date.

24 FINANCIAL INSTRUMENTS (continued)

(f) Fair values (continued)

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 31 December 2016 and 2015.

25 COMMITMENTS

(a) Capital commitments

	31 December 2016 HK$'000	31 December 2015 HK$'000
Purchase of computer and office equipment		
Contracted but not provided for	**42,636**	19
Construction of Multimedia Production and Distribution Centre		
Contracted but not provided for	**26,937**	385,526

(b) Commitments under operating leases

At 31 December 2016 and 2015, the Group has future aggregate minimum lease payments under non-cancellable operating leases as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Within 1 year	**29,676**	10,445
After 1 year but within 5 years	**38,924**	6,102
	68,600	16,547

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 2 to 3 years. None of the leases includes contingent rental.

25 COMMITMENTS (continued)

(c) Production cost commitments

The Group entered into several long-term agreements with certain production-related Talents and artistes for future production in the Group's Multimedia Business. Minimum amounts of production costs to be paid by the Group are analysed as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Production costs		
Within 1 year	612	1,732
After 1 year but within 5 years	–	612
	612	2,344

26 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.

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in note 10(a) is as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Short-term Talent benefits	12,201	13,144
Post-employment benefits	979	1,236
	13,180	14,380

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

27 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2016 HK$'000	31 December 2015 HK$'000
Non-current assets			
Property, plant and equipment		734	2,489
Intangible assets		112,248	125,410
Investment in subsidiaries		1,577,348	1,042,912
Long term receivable and prepayment		–	66
Other financial assets		828,019	1,219,043
		2,518,349	2,389,920
Current assets			
Other receivables, deposits and prepayments		19,190	23,722
Other current financial assets		355,406	226,709
Cash at bank and in hand		29,903	137,965
		404,499	388,396
Current liabilities			
Other payables and accrued charges		26,799	22,002
Bank loans		184,144	71,793
Amounts due to subsidiaries		1,618	2,478
		212,561	96,273
Net current assets		191,938	292,123
NET ASSETS		2,710,287	2,682,043
Capital and reserves	21		
Share capital		1,268,914	1,268,914
Other reserves		1,441,373	1,413,129
TOTAL EQUITY		2,710,287	2,682,043

Approved and authorised for issue by the board of directors on 22 March 2017

Wong Wai Kay, Ricky
Director

Cheung Chi Kin, Paul
Director

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 20 February 2017, Talent Ascent Limited ("Talent Ascent"), a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement ("Agreement") with Groupon, Inc. and Groupon Holdings B.V., an indirectly wholly owned subsidiary of Groupon Inc. ("Groupon") to acquire 100% of the issued share capital of Shift Media Group Limited ("Groupon HK"), at a consideration of US$0.671 million (equivalent to approximately HK$5.21 million) in cash, which is subject to adjustment for the net working capital as at the date of completion (the "Transaction"), as defined in the Agreement. The Transaction was completed on 3 March 2017 and Talent Ascent entered into a Master Transition Services and License Agreement with Groupon HK and Groupon pursuant to which Groupon will provide or cause to be provided to Groupon HK (a) a limited and temporary license to access to certain systems, application tools, and trademarks, and (b) other support services, including merchant payment and customer support for a period of 6 to 12 months from the effective date of the Master Transition Services and License Agreement.

(b) On 3 March 2017, Hong Kong Media Production Company Limited, accepted the offer of Hong Kong Science and Technology Parks Corporation in relation to its application for an additional use to incorporate an e-Commerce Fulfilment Centre of 5,080 square metres in the Multimedia Centre. The additional use shall enable the Company to accelerate the integration of e-Commerce business with multimedia content production, subject to the payment of a consent fee of HK$62.1 million upon execution of the modification of agreement for lease and the modification of proposal form on or before 6 May 2017 and the fulfilment of certain other conditions.

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

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 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	1 January 2017
Amendments to HKAS 12	Income taxes: *Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 2	Share-based payment: *Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 16	Leases	1 January 2019

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

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 an impact on the financial statements but yet in a position to state whether they would have a significant impact. 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 9, Financial instruments

HKFRS 9 will 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. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI). The classification is determined based on the contractual cash flow characteristics of the financial assets and the entity's business model for managing the financial assets.

Based on a preliminary assessment, the Group expects that the new classification and measurement requirements will not have a material impact on its accounting for financial assets, except for its investments in equity securities which are currently classified as "available-for-sale". Under HKFRS 9, equity securities are classified as FVTPL unless the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. The Group has not yet decided whether it will irrevocably designate its available-for-sale investments in equity securities as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy compared to the Group's policy set out in note 1(f) in respect of whether to recognise fair value changes, impairment losses and gains or losses on disposal in other comprehensive income or in profit or loss. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact the Group's reported profit.

(b) Impairment

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 and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

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

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. 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 may be affected.

The Group's revenue recognition policies are disclosed in note 1(t). Currently, commission income and revenue from merchandise sales are recognised when the customer has accepted the goods and the related risks and rewards of ownership.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. At contract inception, an entity evaluates whether it transfers the control to the customer over time and therefore revenue should be recognised over time — if not, then it transfers control at a point in time and revenue will be recognised at that single point in time.

Based on a preliminary assessment, the Group expects that commission income and revenue from merchandise sales will continue to be recognised at a point in time. 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(j), 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, the Group will no longer distinguish between finance leases and operating leases when it is the lessee under the lease. Instead, subject to practical expedients, the Group will be required to account for all leases of more than 12 months in a similar way to current finance lease accounting.

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. As disclosed in note 25(b), at 31 December 2016 the Group's future minimum lease payment under non-cancellable operating leases amount to HK$68,600,000 for properties, the majority of which is payable between 1 and 5 years after the reporting date. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is not expected to impact significantly on the way that the Group accounts for its rights and obligations under a lease when it is the lessor under the lease.

Five-year Financial Summary

(Expressed in Hong Kong dollars)

RESULTS, ASSETS AND LIABILITIES

The following table summarises the consolidated results, assets and liabilities of the Group for the year ended 31 December 2016, 31 December 2015, sixteen months ended 31 December 2014, and two years ended 31 August 2013:

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000	Sixteen months ended 31 December 2014 HK$'000	Year ended 31 August 2013 HK$'000	Year ended 31 August 2012 HK$'000
Results					
Turnover					
— Continuing operations	**187,071**	112,810	23,027	7,802	3,762
— Discontinued operations	**–**	–	–	–	1,433,775
	187,071	112,810	23,027	7,802	1,437,537
(Loss)/profit after taxation					
— Continuing operations	**(257,116)**	(812,559)	(237,002)	(40,310)	(73,820)
— Discontinued operations	**–**	–	–	–	251,606
	(257,116)	(812,559)	(237,002)	(40,310)	177,786
Gain on sale of discontinued operations	**–**	–	–	–	3,520,088
(Loss)/profit for the year					
— Continuing operations	**(257,116)**	(812,559)	(237,002)	(40,310)	(73,820)
— Discontinued operations	**–**	–	–	–	3,771,694
	(257,116)	(812,559)	(237,002)	(40,310)	3,697,874

RESULTS, ASSETS AND LIABILITIES (continued)

The following table summarises the consolidated results, assets and liabilities of the Group for the year ended 31 December 2016, 31 December 2015, sixteen months ended 31 December 2014, and two years ended 31 August 2013: (continued)

	31 December 2016 HK$'000	31 December 2015 HK$'000	31 December 2014 HK$'000	31 August 2013 HK$'000	31 August 2012 HK$'000
Assets					
Goodwill	–	–	–	–	–
Property, plant and equipment	917,048	560,335	550,159	531,277	477,141
Intangible assets	112,248	125,410	391,198	291,366	311,726
Long term receivable and prepayment	8,209	31,445	285	133	284
Deferred expenditure	–	–	–	–	–
Other financial assets	1,183,425	1,445,752	1,784,363	1,961,614	–
Current assets	101,431	255,939	1,212,432	1,048,657	2,748,205
Total assets	2,322,361	2,418,881	3,938,437	3,833,047	3,537,356
Liabilities					
Current liabilities	324,705	179,345	882,450	576,947	42,794
Non-current liabilities	993	919	826	5,478	11,169
Total liabilities	325,698	180,264	883,276	582,425	53,963
Net assets	1,996,663	2,238,617	3,055,161	3,250,622	3,483,393

Corporate Information

FINANCIAL CALENDAR

Financial year ended:
31 December 2016

Annual results announced on:
22 March 2017

Closure of register of members for Annual General Meeting:
24 to 26 May 2017

Annual General Meeting:
26 May 2017

LISTING

The ordinary shares of Hong Kong Television Network Limited (the "Company") are listed on The Stock Exchange of Hong Kong Limited. In addition, the Company's American Depositary Shares (ADSs), each representing 20 ordinary shares. On 8 December 2015, the Company filed the Form 25 with the U.S. Securities and Exchange Commission ("SEC") to effect the delisting of the ADSs. On 29 December 2016, the Company filed the Form 15F with the SEC to deregister and terminate its reporting obligations under the U.S. Securities Exchange Act. Since 21 December 2015, our ADSs are eligible for trading in the United States in the over-the-counter (OTC) market.

Executive Directors

Mr. WONG Wai Kay, Ricky [3,4] (Chairman)
Mr. CHEUNG Chi Kin, Paul [3,5] (Vice Chairman and Chief Executive Officer)
Ms. WONG Nga Lai, Alice [3,5] (Chief Financial Officer)

Non-executive Director

Ms. TO Wai Bing

Independent Non-executive Directors

Mr. LEE Hon Ying, John [1,7,8]
Mr. PEH Jefferson Tun Lu [2,5,6,9]
Mr. MAK Wing Sum, Alvin [2,7,9]

1 Chairman of Audit Committee
2 Members of Audit Committee
3 Members of Executive Committee
4 Chairman of Investment Committee
5 Members of Investment Committee
6 Chairman of Nomination Committee
7 Members of Nomination Committee
8 Chairman of Remuneration Committee
9 Members of Remuneration Committee

Company Secretary

Ms. WONG Nga Lai, Alice

Authorised Representatives

Mr. WONG Wai Kay, Ricky
Mr. CHEUNG Chi Kin, Paul

Registered Office

13th Floor
Trans Asia Centre
18 Kin Hong Street
Kwai Chung, New Territories
Hong Kong

Auditor

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

Share Registrar

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

American Depositary Bank

The Bank of New York Mellon Corporation
101 Barclay Street, 22nd Floor
New York, NY 10286 USA

Principal Bankers

Citibank, N.A.
The Hongkong and Shanghai Banking Corporation Limited

Website

www.hktv.com.hk

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