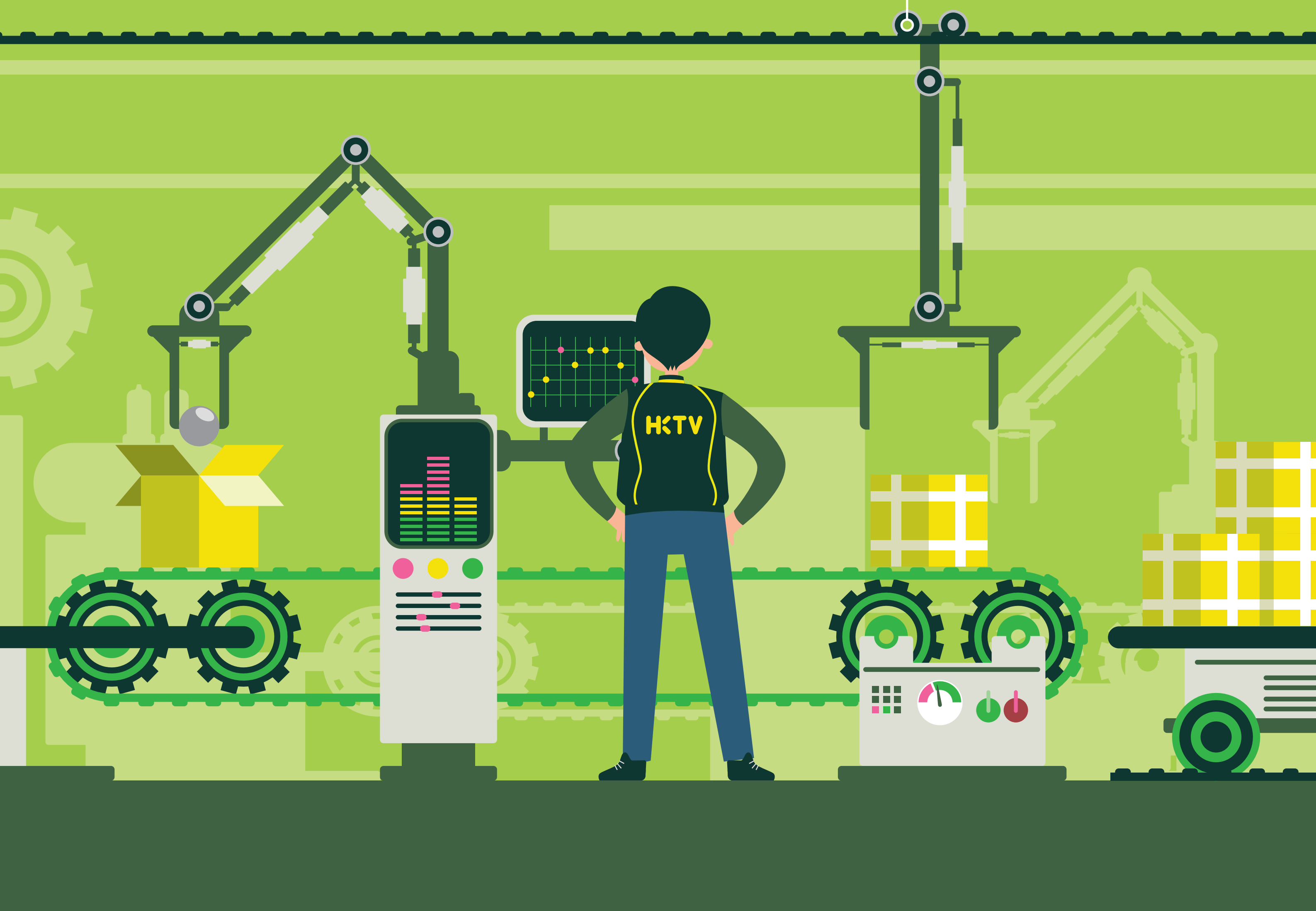
HONG KONG TELEVISION NETWORK LIMITED
香港電視網絡有限公司
SEHK 香港交易所股份編號: 1137

ANNUAL REPORT 2017 年報

Building Blocks For the Future



Big Data
and Digital
Advertising
大數據及數碼廣告
Mobile
Wallet
電子錢包
Automatic
Warehousing
and Logistics
自動倉存及物流
Electrical
Appliances
電器
Furniture
傢俬
Cosmetics,
Supplements, etc.
化妝品、健康食品等
Supermarket
and Groceries
超市雜貨
Mobile
Technology
流動技術

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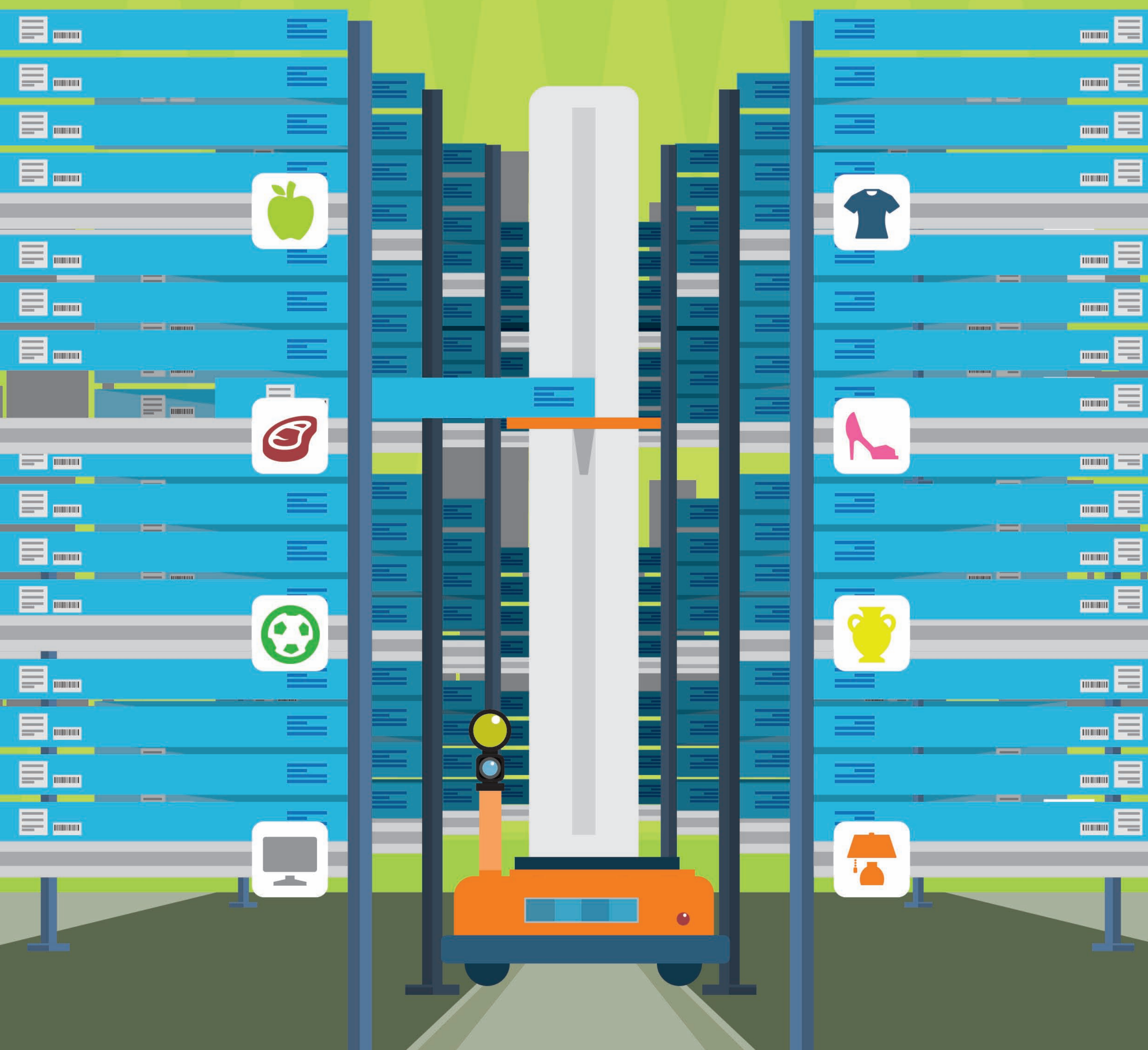
Financial Information

AUTONOMY

Nowadays, e-commerce is one of the growth momentum of the global economy. Hong Kong, praised as Shoppers' 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.

ROBOTIC WAREHOUSING and logistics system



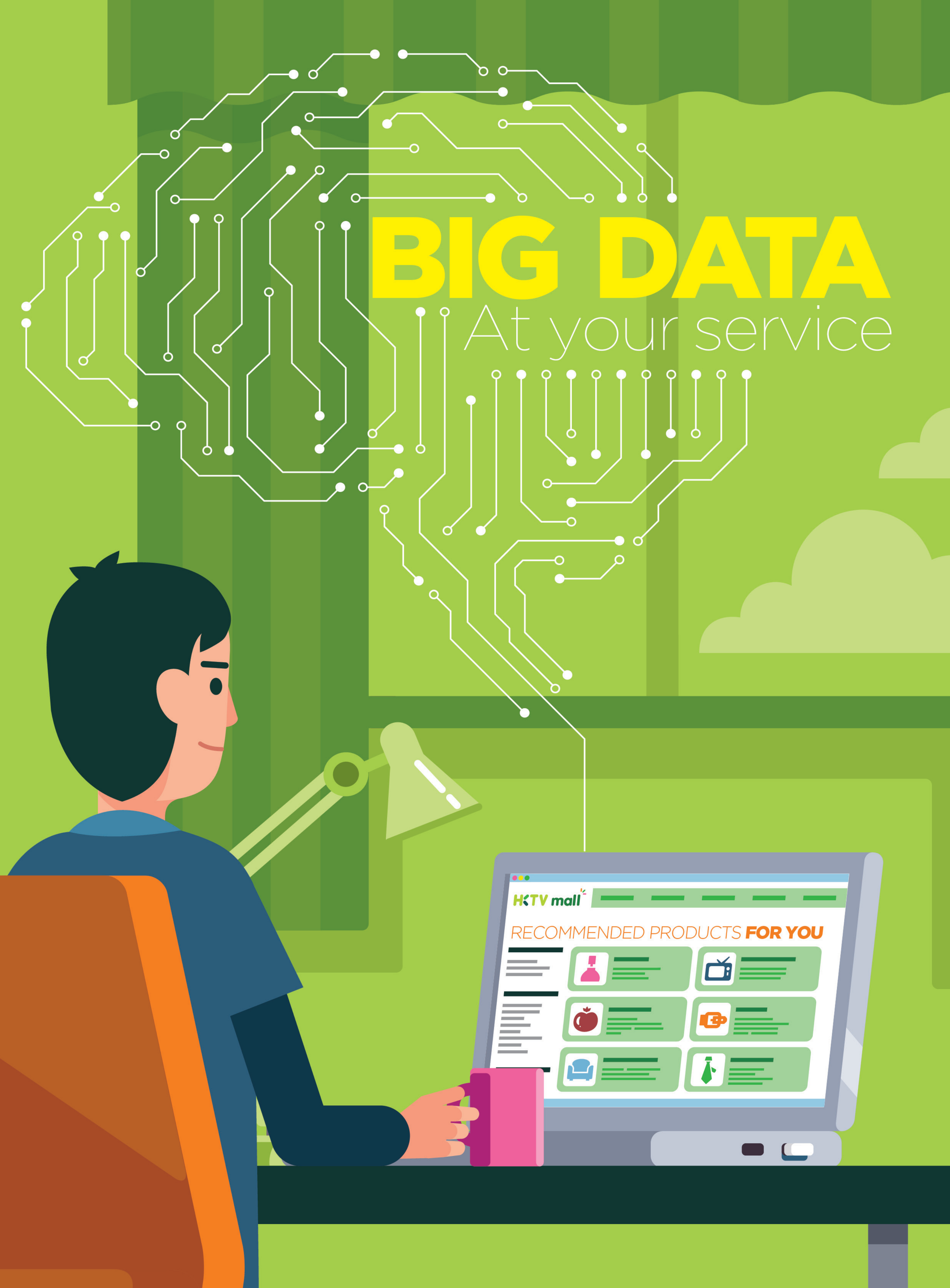
Operational
Highlights

In thousands of Hong Kong dollars unless specified

On Order Intake	**For the year ended 31 December 2017**	For the year ended 31 December 2016
Gross Merchandise Value ("GMV")[1]	**1,070,359**	336,260
Average Daily Order Number (rounded to the nearest hundred)	**5,900**	1,700
Average Order Value (HK$) (rounded to the nearest dollar)	**496**	542
Combined Unique Customers (rounded to the nearest thousand)	**477,000**	163,000

On Order Intake	**For the month ended 31 December 2017**	For the month ended 31 December 2016
Gross Merchandise Value ("GMV")	**126,517**	47,043
Average Daily Order Number (rounded to the nearest hundred)	**7,600**	2,500
Average Order Value (HK$) (rounded to the nearest dollar)	**537**	607

[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, cancellation and returns of merchandise sold.


BIG DATA
At your service
HKTV mall
RECOMMENDED PRODUCTS FOR YOU

Financial Highlights

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

	For the year ended 31 December 2017	For the year ended 31 December 2016
Turnover	**487,257**	187,071
Loss attributable to shareholders	**(204,920)**	(257,116)
Loss per share		
— Basic and diluted (HK dollars)	**(0.25)**	(0.32)
Capital expenditures	**(182,128)**	(384,648)
Blended gross margin and commission rate[2]	**21.3%**	20%

	As at 31 December 2017	As at 31 December 2016
Cash position[3]	**100,199**	44,397
Available-for-sale securities	**876,165**	1,183,425
Total outstanding borrowings	**219,623**	184,144
Total equity attributable to equity shareholders	**1,862,632**	1,996,663
Shares in issue (in thousands)	**809,017**	809,017
Net asset per share (HK$)	**2.30**	2.47
Gearing ratio (times)	**0.06**	0.07

2 The blended gross margin and commission rate is defined as GMV on completed orders after deduction of any discounts offered by the marketplace, cancellation and returns of merchandise, cost of inventories and payment to merchant after deduction of commission on concessionaire sales, and include delivery and other E-commerce related income, divided by GMV on completed orders after deduction of any discounts offered by the marketplace, cancellation and returns of merchandise.

3 Cash position means cash at bank and in hand and term deposits, if any

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

MAY — 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 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

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

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	Groundbreaking of City Telecom's Multimedia Production and Distribution Centre
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
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

Major Milestones
and Events

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

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

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

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

2017

JAN Opened the second concept store in South Horizons

FEB HKTVmall delivered seafood directly from Japan, bringing hairy crabs from Hokkaido

OCT Opened the 10th O2O Concept Store at Shatin CityOne

2018

JAN "THE BASE – Ecommerce Incubation Programme" officially launches

MAR Robotic & automatic picking & warehousing system at Tsing Yi logistics centre in full operation


PAYMENT RECEIVED
LOADING ORDER
CONVENIENCE
from anywhere with
eWallet
SEND

Dear Shareholders,

Hong Kong is best known as a Shoppers' Paradise for years. This tiny city has more than 300 shopping malls, which means that a shopping mall in any size exists in every 20,000+ population. Unlike other places, shopping is highly convenient in Hong Kong, and therefore many people firmly believe that "online shopping" has no development potential here. When HKTVmall had its official launch in February 2015, the public was pessimistic about our future development.

After 3 years' operation, consumers' response and sales data all point to the fact that Hong Kong consumers are advancing and changing even faster than the retailers. Regardless of age groups, consumers are changing in the ways they obtain product information and their shopping habits. They would search product information from the Internet, and would trust the review and information shared by real consumers more than the persuasion from TV commercials and offline salespersons. More importantly, they are not satisfied with the limited product choices offered by shopping malls and physical stores.

At the same time, we found that more and more consumers are buying groceries, personal care products, electrical appliances and household products online, as most of these are branded items whereby similar products can be offered from different sales channels. Consumers are looking for shopping channels which are more reliable, convenient, cost-saving, and which offer more diversified product choices.

Although HKTVmall has yet to achieve breakeven on each individual order, we have already figured out the way, which will consist of the following 3 elements:

1. Increasing gross profit margin

Taking reference from the annual reports of other supermarkets, department stores, retailers of snacks and household groceries, if we can increase our turnover by 3 to 4 times, we will be able to increase gross profit margin by an additional 6 to 12% (from the current about 21% up to 27% to 33%). This is basically a volume game, similar to our callback IDD business 25 years ago — the higher the transaction volume, the greater your leverage to lower the cost of goods.

2. Lowering the costs for warehousing, pick and pack with the adoption of automatic and robotic system

In the first 3 years of operation, our warehouse was in full manual operation mode, whereby all the goods were placed on racks within the 144,000 square feet warehouse, and the pickers picked each goods item from these racks according to customer orders. We once tried to group the goods by picking batches to enhance efficiency, but the cost efficiency was still low with high error rate.

Since 2018, the first phase of the robotic system has been officially launched such that picking cost is expected to be reduced significantly. We have entered into agreement with the supplier from Germany, and will start the second and third phases soon. They will be launched for operation by end-2018 and mid-2019 respectively.

Phase	1	2	3
Estimated Launch Date	1Q 2018 (Officially launched)	4Q 2018	2Q 2019
Investment Amount	HK$29,000,000	HK$92,000,000	HK$52,000,000
Estimated Daily Capacity	8,000 to 10,000 orders	20,000 orders	30,000 orders

The above order capacity and launch dates are based on our best estimation, and the actual outcome may vary. I believe that this should be the first automatic and robotic system of its kind in Hong Kong. Our engineering team is working closely with the German supplier to make it happen.

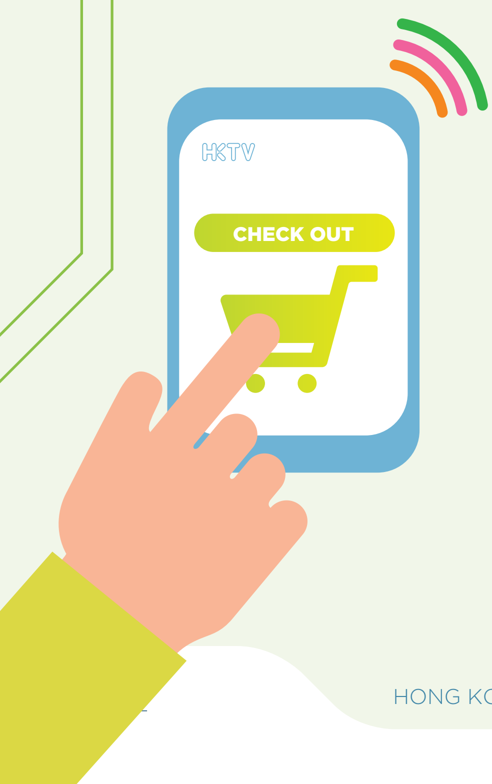
3. Lowering delivery cost through promoting customer pickup from O2O shop and enhancing usage of delivery trucks

Hong Kong is one of the cities with the highest population density. Therefore, the delivery cost in Hong Kong is far below anywhere in the world, especially compared with North America and European countries.

Delivery cost is also a volume game. The more orders in the same district, the shorter the transportation time between the delivery points, the lower the delivery cost. For example, if we have 75 to 85 customer orders in Taikoo Shing, we only need 1 driver, 1 delivery assistant and 1 truck to handle all these orders. In this way, delivery cost can be significantly reduced to below HK$40 each time.

Currently, there are around 180 to 200 delivery trucks in operation daily. We anticipate that the number of trucks will be increased to 300, 400 and 500 in the coming 3 years to cope with our business expansion needs.

We are now evaluating and revising our expansion plan for O2O concept shops, as they are having pivotal influence on our online business development. On the one hand, wherever we open a new O2O shop, the revenue generated from the neighborhood area will increase prominently. We see this as an effective marketing tool. On the other hand, having a physical location will attract customers to pick up their orders from O2O shops. In some regions, the number of orders for customer pickup has exceeded the number of orders for delivery. Our target is to lower the delivery cost and cost for customer pickup to around 6% to 8% of Gross Merchandise Value.



If we can achieve the above 3 items in 2 to 3 years, HKTVmall may become the first large scale and profitable online shopping mall in Hong Kong.

I was also asked why we did not consider outsourcing the delivery team. This is a strategic and customer service consideration.

The delivery service for local residential areas is underdeveloped, as all the courier agencies with certain scale tend to focus on commercial and industrial areas only. (Coincidently, this situation is similar to the development of fixed telecommunications network 20 years ago. At that time new operators such as Hutchison Telecommunications, New World Telephone and Wharf T&T focused on expansion in commercial and industrial areas, whereas only HKBN eyed on residential areas.) If we put our delivery services in the hands of third parties, this will in turn prompt these third parties to develop delivery business in residential areas, thus paving the way for others to develop online shopping platforms with our own resources and costs.

In order to succeed in Hong Kong, the design for website and app is important; effective marketing promotion is important; variety of products is also important. However, according to the experience over the past 3 years, we think that the critical factor for success or failure, is whether we are able to develop a low cost and yet effective warehousing, picking and packing system as well as delivery team.

Right now, we are devoting tremendous resources to develop and train our own delivery team, as this is the main customer contact point apart from shop front and customer service. In fact, all our customers have contact with our delivery team, while not all of them will contact our customer service or visit our shops. If we do not have our own delivery team, and all the online shopping operators are employing those 2 to 3 courier agencies, then we are unable to differentiate ourselves, and as a result we can only compete on pricing. Of course, running hundreds of HKTVmall delivery trucks in residential areas daily also has the advantage of being a good marketing tool to increase the public's brand awareness on HKTVmall.

We are confident about the future of online shopping business in Hong Kong. We are not worried about any lack of demand. The challenge is to build a loyal team with digital DNA. What we have learned from the past 3 years is that, even if online shopping is not totally different from traditional retailing, there are huge divergences between the two. The longer a company enjoys success in traditional retailing, the more challenging it becomes when it tries to develop online shopping.

In a few years' time, when other large retailers realise the demand potential for online shopping, they will headhunt our talents who are experienced in digital promotion and online shopping operations. To counter this, we will invest more on talent development plans in the coming years.

If we look at the development of online shopping globally, once the business foundation is established, 3 business opportunities may arise:

1. Big Data and Digital Advertising

We are one of the few companies in Hong Kong embracing such big amount of data on consumer behavior. The information we possessed enables us to know which shops consumers have patronised, we also know what items and what brands they have bought. We also know which customers start to be interested in baby products, which customers have switched from one brand to another. With these big and unique data, we can assist our suppliers and any advertisers to search for the right target customers, so that they can enhance the effectiveness and Return on Investment (ROI) for their digital advertising.

2. Automatic Warehousing and Logistics

The core for online shopping is delivery, which is the same as one of the purposes of setting up physical stores, i.e. to deliver goods to the neighborhood consumers.

In Hong Kong, most warehousing and logistics operations are working on Business-to-Business (B2B), which focuses on the routes between warehouse to stores only. The product variety, picking quantity and complexity cannot be compared to Business-to-Consumer (B2C). Therefore, we are working closely with a worldclass supplier from Germany, to introduce their automatic and robotic warehousing and picking system into Hong Kong.

We will also work with other technology companies in Hong Kong to improve management efficiency so as to enhance the productivity of our delivery team.

We believe that HKTVmall will become the largest delivery company in the residential areas of Hong Kong in the coming 3 years. In view of the surging number of consumers for online shopping, developing delivery business in residential areas is promising.

3. Electronic Wallet

Right now, millions of devices have downloaded the HKTVmall app. Obviously, our customers are early adoptors in terms of consumer technologies compared to other customer segments. If we have sufficient resources and the required licence, we can include an e-wallet function into the HKTVmall app easily. Then our customers can pay online or offline with the HKTVmall app.

Technology, especially mobile technology, is changing and shaping our lifestyles whether you like it or not. Fundamental changes are taking place from consumer behaviour, entertainment, advertising, cross-border transactions to banking regulations. The HKTVmall team is positioning ourselves as a technology application pioneer, to integrate different technologies from different business areas so as to establish Hong Kong as the top leading city in our country.

Wong Wai Kay, Ricky
Chairman

Hong Kong, 27 March 2018

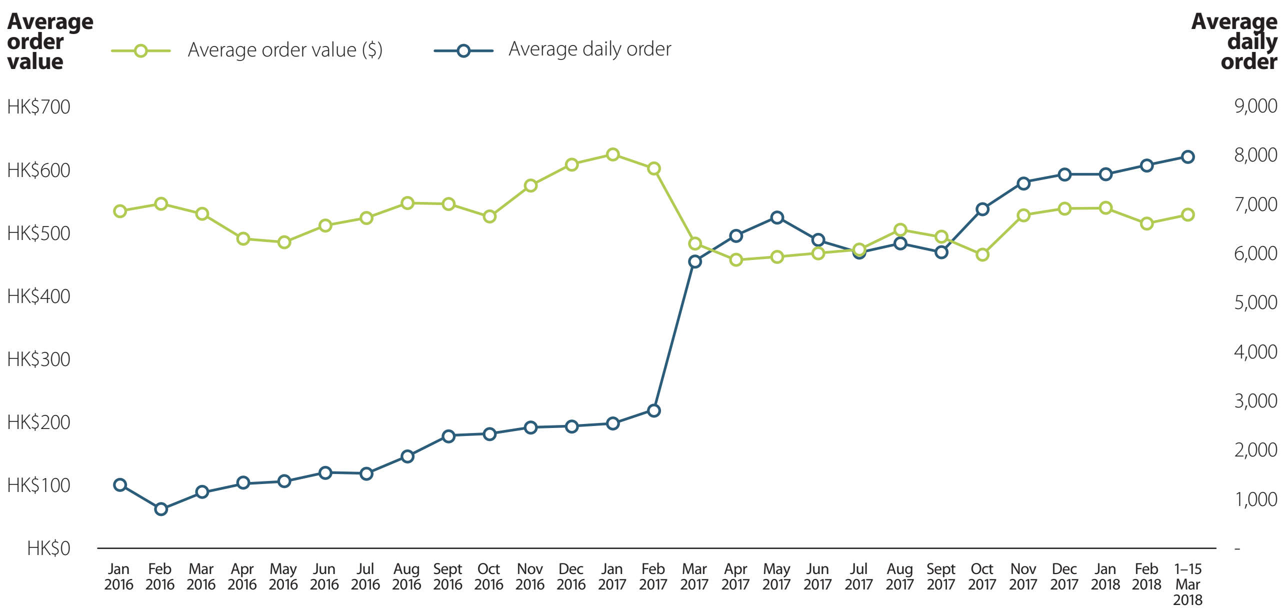
valuing the community's EXPERIENCE

Management's Discussion and Analysis

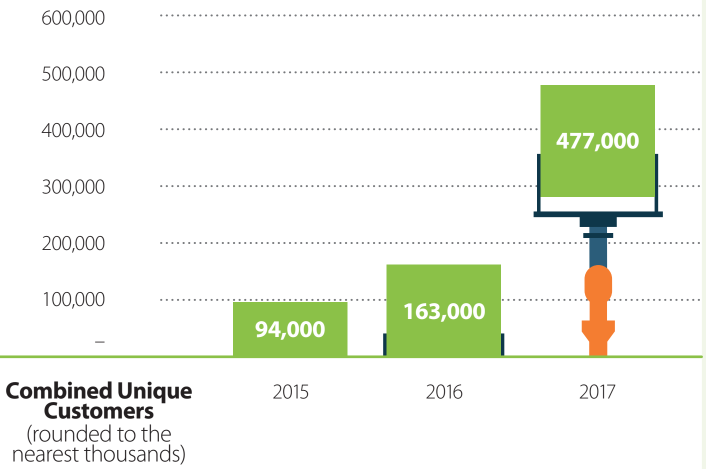
BUSINESS REVIEW

O2O convergence is an irresistible global trend in the retail market no matter you are operating physical stores or pioneering in the online market. This trend is further accelerated by the infrastructure investment in expanding digital capacity, in particular on predictive intelligence and e-wallet development, which in turn increases digitalisation on consumer wallet. While Amazon announced to buy Whole Foods, a grocery chain best known for organic foods in June 2017 and Alibaba acquired 36.16% stake in Sun Art Retail, a leading retailer of hypermarket operator in China in November 2017, we are also executing this "New Retail" strategy in Hong Kong aggressively in order to provide a seamless online and offline experience to all consumers in Hong Kong. Given the success in our first two O2O shops opened in North Point and South Horizons, by end of 2017, together with HoKoBuy concept store in Causeway Bay, we have a total of 15 shops in different areas in Hong Kong which has largely enhanced our presence to the local neighbourhood around each shop. This offline-to-online interactivity offered three key benefits to HKTV (1) Brand presence and marketing "tools" for converting physical "visitors" to online "customers", as well as for experiential consumption; (2) Education centre to expand digitalisation to different generation; and (3) Order pick up points to cope with different customers' fulfilment preference. This Bricks to Clicks conversion set up has been proven to be an effective tool to groom our online penetration especially in the selected geographic areas.

Our focus for the year is to boost our online market share in Hong Kong, not only through digital marketing, varieties of product and O2O shops, but also accelerated our expansion through acquisition of Groupon HK in March 2017, which is rebranded as "HoKoBuy" in June 2017, to complement our e-voucher segment. Moreover, during the year, we partnered with various tier one international banks for different credit card promotional campaigns, such as HSBC buy $200 get $200 free and red hot reward campaigns from November to December 2017, the HKTVmall x HoKoBuy cross-selling promotional campaign with Standard Chartered Bank from September to November 2017, etc. The promotional campaigns have extended our reach to new customers under various credit card bases. Aided with our strength in product sourcing to offer more than 174,000 products to consumers, we have successfully boosted up our GMV and order intake significantly during the year. Relative to 2016, our GMV on order intake increased by 218% to HK$1.1 billion and our average daily order intake increased by 247% to about 5,900, with an average order value at HK$496 in 2017. In December 2017, our average daily order intake even increased to 7,600 with average order value at HK$537. By annualising the performance of December 2017, we are building a growing HK$1.5 billion online marketplace. Below is a trend analysis for the monthly performance from January 2016 to the latest available data from 1–15 March 2018, which clearly demonstrates our strong uptrend over the period.



Combined Unique Customers



With the strong growth momentum in 2017, on combined basis of HKTVmall and HoKoBuy, we had about 477,000 unique customers making purchases on HKTVmall and/or HoKoBuy platforms during 2017. This was a remarkable growth and encouraging progress in increasing our penetration to the eCommerce market.

Apart from this, according to our internal system, in the month of December 2017, in aggregate we had about 1,129,000 unique devices[4] landing on the product detail page or performing search at HKTVmall and HoKoBuy platform. This active user base has formed a growing foundation for us to monetise from our product offerings. Moreover, from the user behaviour we collected over the past 3 years which represents our strong digital capabilities — with gradual deployment of different predictive and analytical tools, we will be able to enhance the preciseness in predicting consumer needs so as to build stickiness, create demand and be able to capture the time of need. This could also bring in a win-win situation by assisting our suppliers and merchant partners for a more cost effective digital advertising.

While a lot of people might still thinking HKTV is running an "Online Supermarket", we indeed has successfully evolved into an "Online Shopping Mall" — in December 2017, we had about 37% of our GMV contributed by supermarket and grocery products and the rest were contributed by other product categories, in particular on e-vouchers, electronics and household products. Consumers' digital baskets are enriched by increasing product categories and this 37% supermarket and grocery products sales have secured regular frequency of purchases at HKTVmall. We are gradually building our HKTV New Retail Ecosystem — which is formed by our two online platforms — HKTVmall and HoKoBuy, our O2O shops, our digital capabilities supported by growing data on consumer behaviour, our self-run car fleet having total over 180 vehicles in operation for the end-to-end residential and commercial delivery, as well as operating three logistics centres with floor area over 224,000 square feet at Tsing Yi, Tseung Kwan O and Kwai Chung. Our investments into these logistics infrastructure enable us to provide fresh, frozen, chilled or bulky delivery to consumers in Hong Kong.

[4] Data on unique device is extracted from our internal system and rounded to the nearest thousand. The data is collected based on the tracking cookies for web browser and the device advertising ID for app, which could be overlapping if (a) same device is used to browse the online shopping web-page through different browsers; (b) same device is used to open online shopping app and to browse online shopping web-page; and (c) the user amends the advertising ID of its device. These data are unaudited and are not indicative of the Company's business performance, financial condition or growth prospect. Readers should not place reliance on these data.

香港電視 HKTV

Building an eCommerce Ecosystem

2015 February

Formally launched HKTV mall

2016 October

Opened the first 020 shop at North Point, HK Island.

2017 March

Acquired 100% Groupon (HK) and rebranded into HOKOBUY

2018 January

Opened the 16th 020 shop at Hang Fa Chuen, HK Island.

Building the largest self-run residential logistics fleet and operating 3 logistic centers at Tsing Yi, Kwai Chung & Tseung Kwan O.

Empowered by the Big Data collected from **HKTVMall** and **HoKoBuy**, we start the targeted digital advertising service.

Being a technology company embracing innovation and technological advancement, we understand manual workflow would not bring us to a comparable scale as the successful eCommerce showcases in Asia Pacific region. We are not satisfied with what we are doing now and the standard we are currently serving our customers. It is crystal clear to us that we need to make use of technology to have a complete revolution on the end-to-end process including warehousing and logistics, return and refund process and customer service. Hence, during 2017, we invested tremendous efforts in developing various systems internally and also with professional vendors, such as Salesforce for marketing and customer service, point of sales system for O2O shop operation, courier app, merchant management system and especially the robotic system (phase I) for automatic picking and storage functions from Germany. While at the date of this report, the robotic system (phase I) has been launched officially, most of other items are still under development or in the final testing and commissioning stage, we expect substantial progress of these systems will be gradually launched by the third quarter of 2018 for efficiency gain and better servicing to our customers.

Apart from operating online shopping business under HKTVmall and HoKoBuy, during 2017, the Company continues its business including the offer of free television programming through its Over-The-Top (OTT) platform, international and local content distribution and independent content production. We continue to act as digital solution partner to our suppliers and merchant partners, including content creation, multimedia and digital production and marketing functions. Together with our Big Data capabilities and expertise in digital marketing, we are providing a real end-to-end "Future Retail" solution to our partners.

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 consolidated results include HoKoBuy's financials since 4 March 2017 after the completion of acquisition.

The Group incurred a loss of HK$204.9 million for the year ended 31 December 2017 ("2017"), an improvement of HK$52.2 million from the loss of HK$257.1 million for the corresponding year of 2016 ("2016"). Overall, the decrease in loss for the year under review was mainly due to the following:

1. Strong growth in revenue of the Group to HK$487.3 million for 2017 (2016: HK$187.1 million), partially net off by the increase in costs of inventories by HK$154.9 million to HK$295.2 million. The Group's blended gross margin and commission rate on GMV was 21.3% in 2017, increased from 20.0% in 2016.

2. Increase in valuation gains on investment properties by HK$73.8 million to reach a gain of HK$80.5 million for 2017 (2016: HK$6.7 million) based on the valuation carried out by an independent firm of surveyors; net off by

3. Increase in operating expenses by HK$188.1 million to HK$568.6 million mainly caused by the continued expansion on logistics and warehouse functions, increase in talent costs and the inclusion of HoKoBuy's operating costs since the completion of acquisition in March 2017.

On turnover, the Group achieved HK$487.3 million for 2017 (2016: HK$187.1 million), a growth by 160% relative to 2016, which mainly composed of HK$346.2 million from direct merchandise sales (2016: HK$157.3 million), HK$139.1 million from income from concessionaire sales and other service income (2016: HK$28.5 million), HK$2.0 million from licensing of programme rights and net advertising income (2016: HK$1.2 million).

Cost of inventories increased by HK$154.9 million to HK$295.2 million for 2017 (2016: HK$140.3 million) which was caused by the increase in direct merchandise sales. Given the increasing purchasing power, the volume discount benefit has brought in a higher margin to direct merchandise sales during the year under review.

Other operating expenses increased by HK$188.1 million to HK$568.6 million for 2017 versus HK$380.5 million incurred for 2016. The increase mainly due to the below major items:

1. Talent costs increased by HK$70.4 million to HK$259.5 million. During 2017, to cope with continued growth in number of order intake, the workforce on the logistics and warehouse functions and O2O shop operation increased significantly.

2. Operating lease charges was increased by HK$13.4 million mainly for the full year impact of expanded logistics and warehouse centre in mid-2016, the opening of additional 13 O2O shops in various districts during second half of 2017 and additional office space for HoKoBuy operations.

3. Advertising and marketing expenses increased by HK$10.9 million, in 2017, we focused more on digital advertisement, event marketing and activity-based promotional campaigns to boost sales but less on brand awareness activities.

4. Depreciation on property, plant and equipment increased by HK$12.6 million mainly due to the completion of construction of HKTV Multimedia and Ecommerce Centre (the "Centre") with our headquarters officially relocated since August 2017, and the renovation, furniture and equipment cost for O2O shops.

5. Other than the above, operating costs for owned car fleet, scalable sub-contracted logistics and labour resources, and payment processing charges were also increased to cope with business growth on order intake and GMV.

Other income, net, of HK$94.2 million was earned in 2017 (2016: HK$70.9 million), mainly composed of investment income generated from available-for-sale securities, bank interest income, rental income from investment properties, and net exchange gain. The increase of HK$23.3 million was mainly caused by the increase in exchange gain by HK$35.3 million, from net exchange loss of HK$16.6 million in 2016 to net exchange gain of HK$18.7 million in 2017, HK$6.9 million increase in rental income from investment properties to HK$18.3 million, net off by decrease in returns from investment in available-for-sale securities of HK$17.5 million due to the realisation of a portion of the investment portfolio to support the capital expenditures and operating activities of the Group.

Finance costs increased by HK$1.0 million mainly due to the increase in bank loan during 2017 for investment yield enhancement purpose.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2017, the Group had cash position, which represented cash at bank and in hand, of HK$100.2 million (31 December 2016: HK$44.4 million) and outstanding borrowings of HK$219.6 million (31 December 2016: HK$184.1 million) drawn for investment yield enhancement purpose. The increase in total cash position was due to the net bank borrowing of HK$35.5 million, net realisation from investment portfolio of HK$342.0 million, net cash inflow on acquisition of subsidiary of HK$11.0 million, net investment income received of HK$59.0 million and proceeds from disposal of plant and equipment of HK$1.0 million, partially net off by purchases of property, plant and equipment of HK$189.5 million, increase in pledged bank deposit of HK$3.9 million, interest paid on bank loans of HK$1.5 million and the resources utilised for operating activities of HK$198.0 million.

On investment in available-for-sale securities, the Group has invested, at fair value, of HK$876.2 million as at 31 December 2017 (31 December 2016: HK$1,183.4 million). 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 2017, there was a surplus of HK$0.1 million being recorded in fair value reserve (31 December 2016: a fair value deficit of HK$18.4 million). Among the available-for-sale securities, about 94.2% (as at 31 December 2016: 96.6%) 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. Investments 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 2017, the Group has utilised HK$219.6 million (31 December 2016: HK$184.1 million) uncommitted banking facilities mainly for investment yield enhancement purpose, leaving HK$957.4 million (31 December 2016: HK$998.6 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 a pledged bank deposit as at 31 December 2017 with amount of US$0.5 million (equivalent to HK$3.9 million) as security for a banking facility of US$0.5 million (equivalent to HK$3.9 million) granted by a bank for certain short term credit facility arrangement and there was no pledged bank deposit as at 31 December 2016.

The debt maturity profiles of the Group as of 31 December 2017 and 31 December 2016 were as follows:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Repayable within one year	**219,623**	184,144

As at 31 December 2017, our outstanding borrowings bore fixed interest rate and denominated in Hong Kong dollars. After considering the cash, bank balances and term deposits, if any, held by the Group, the gearing ratio of the Group as of 31 December 2017 and 31 December 2016 were 0.06 times and 0.07 times respectively. 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 2017 HK$'000	31 December 2016 HK$'000
Net Debt (note (a))	**119,424**	139,747
Net Asset	**1,862,632**	1,996,663
Gearing (times)	**0.06**	0.07

Note (a): Total bank borrowing net of cash at bank and in hand and term deposits, if any.

During 2017, the Group invested HK$182.1 million on capital expenditure versus HK$384.6 million in 2016. The capital expenditure was mainly incurred for the construction and renovation costs of the Centre, the expansion of logistics fleet and O2O shops, and the set-up of the robotic system (Phase I) at our Tsing Yi logistics centre. In addition, in March 2017, we accepted the offer of Hong Kong Science and Technology Parks Corporation in relation to the application for an additional use to incorporate an Ecommerce Fulfilment Centre of 5,080 square meters at the Centre by paying a consent fee of HK$62.1 million and fulfilling certain conditions. This consent fee has been paid during the year.

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 the available banking facilities. Overall, the Group's financial position remains sound for continuous business expansion.

Charge on Group Assets

As of 31 December 2017, the Group's bank loans of HK$219.6 million (31 December 2016: HK$184.1 million) were secured by an equivalent amount of available-for-sale securities held by various banks. Moreover, there is a banking facility of US$0.5 million (equivalent to HK$3.9 million) granted by a bank for certain short term credit facility arrangement which is pledged by an equivalent amount of bank deposit (2016: Nil).

Exchange Rates

All the Group's monetary assets and liabilities are primarily denominated in Hong Kong dollars, United States dollars, Renminbi and Euro. 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 these two currencies.

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, and between the Hong Kong dollars and Euro arising from Euro bank deposits. In order to limit this exchange rate risk, the Group closely monitors Renminbi and Euro exposure to an acceptable level by buying or selling foreign currencies at spot rates where necessary.

Contingent Liabilities

As of 31 December 2017 and 31 December 2016, 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, technological stability and advancement, 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 and profit 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 platforms 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 and system, including the warehousing and delivery services, the operating of the robotic system for an extended period, or if we cannot run the logistics and warehousing function in an effective and efficient model which are still 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.

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

In Hong Kong, while it is always claimed to have a high Internet penetration on eCommerce development, we are in fact one of the "Laggards" among the Asia Pacific region. While the largest eCommerce players in China and South Korea are regarded as "Pioneer" and the O2O convergence is the hot topic in the New Retail world accelerating different merger and acquisitions happening around the world, we still do not see much committed eCommerce activities happening in Hong Kong. Being probably the largest growing self-run eCommerce marketplace in Hong Kong, we always proactively look for ways of innovation to bring ourselves to catch up with the world market. While there is no single "Gateway" App in the local market, we see this indeed is an opportunity for HKTV being the "One App to provide a One-Stop-Shop" solution to all consumers in Hong Kong. We know our future is counted on "Technology".

Hence, given our business model providing end-to-end solution to local consumers is being proven with exponential growth in particular during 2017, we continue to make committed investment to expand our infrastructure — in September 2017, we entered into the second contract of approximately HK$140.9 million with a Germany supplier to set up the phase II and phase III of the robotic system comprising a conveying system, an automatic picking system, an automatic storage and retrieval system and tote handling systems including the software for the material flow control and automatic management. It is expected that phase II will be completed by 2018 and phase III will be completed in Q2 of 2019. Upon completion of all phases, our pick/pack output capacity is estimated to be increased to about 30,000 orders daily. Apart from this mechanical development, we are in the process of reengineering different workflow or implementing automation to minimise the existing operational obstacles and to enhance efficiency, including customer service, merchant acquisition and timely delivery service. We are not only aiming to substantially reduce our reliance on human workforce, but also looking forward to having a more stable, efficient and scalable operating environment to better serve the consumers in Hong Kong. Apart from internal infrastructure for better customer experience, our growing business scale will continue to kick in more benefit on costing perspective. All together with the estimated cost effectiveness from order fulfilment and last mile delivery service, and the lower costs of inventories, we hope our operating margin will be improved in the near future. By capitalising on capacity expansion and merchandising competitiveness, we look forward to monetising from our growing orders and customer base.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 27 March 2018, the Company informed the Communication Authority ("the Authority") that the Company would not continue to pursue the application for a domestic free television programme service licence, and that its application submitted to the Authority on 11 April 2014 would be withdrawn. The Group would also surrender the Unified Carrier Licence (No. 041) together with the radio spectrum of 678–686 MHz to the Authority and cease the provision of the broadcast-type mobile TV service on 31 March 2018 or such other date as the Authority might reasonably direct.

TALENT REMUNERATION

Including the Directors, as at 31 December 2017, the Company had 825 permanent full-time employees versus 618 as of 31 December 2016. 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.

Environmental, Social and Governance Report

INTRODUCTION

This report covers the environmental, social and governance ("ESG") initiatives of Hong Kong Television Network Limited (the "Company", together with its subsidiaries, the "Group") for the period between 1 January 2017 and 31 December 2017.

The content of this report is focused on the Group's business in online shopping mall. This report demonstrates the ESG performance of the Group's business operations in achieving sustainable development for the future.

This report is prepared in accordance with the "Comply or Explain" provisions as set forth in the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The initiatives of the Group in implementing environment and social-related policies are as follows:

(1) To optimise efficient use of resources in efforts to minimize our environmental impacts;

(2) To encourage employees and business stakeholders to be environmentally conscientious; and

(3) To encourage our employees to take part in social or charitable events.

ENVIRONMENTAL

The Group recognises its corporate responsibility to promote environmental sustainability. We are working to integrate various environmental friendly initiatives into our operational processes with a view to reducing energy consumption, food and paper waste. Through these initiatives, we wish to see the continued improvement in reducing emission of greenhouse gas and the use of resources in our operations.

(a) Emissions

The Group is committed to reducing its carbon footprint and waste through efficient operations with a view to minimising its environmental impacts. To this end, we are working to become a simpler business, reducing complexity and increasing operations efficiency.

We operate a logistics fleet with over 180 vehicles including cold trucks. Aiming to reduce exhaust emissions, we manage to reengineer the routing and loading for the cold trucks. Our cold trucks are designed in a very unique way capable of carrying products under room temperature, 0-4 degree Celsius, and -18 degree Celsius. Through the effective use of cold trucks, we will be able to maximise the utilisation of our logistics fleet by delivering orders with products under different temperatures all together.

We make every effort to optimize the use of energy and resources to reduce air and greenhouse gas emissions. We take energy efficiency and emission performance into consideration when selecting and purchasing vehicles.

Greenhouse gas emissions	5,019,785 kg CO_2–eq

Note: The greenhouse gas produced by the Group is mainly due to emissions from petrol consumption and purchased electricity for operational needs.

The Group does not produce any hazardous wastes in its business activities.

(b) Use of Resources

The Group is committed to reducing energy, water consumption, and packing material, for example, through the use of energy-efficient retrofits, air-conditioning, lighting, and water control measures, and recycle use of paper and cardboard in its operations.

We continue to promote the use of various environmental-friendly measures such as the use of energy efficient air-conditioning systems, low-energy LED lighting, and the use of eco-friendly freezers and refrigerants. As part of our ongoing strategy, we will seek to implement the above measures across our Multimedia Production and Distribution Centre, e-Commerce Fulfilment Centre at Tseung Kwan O Industrial Estate, and O2O shops.

The following table highlights the direct/indirect energy consumption by the Group as at 31 December 2017:

a. Electricity Consumption

The total electricity consumption was 2,960,096 Kilowatt-hour (kWh). The Group is actively seeking for more energy efficient equipment to reduce electricity consumption.

b. Petrol Consumption

The Group consumed a total of approximately 627,519 litres of fuel-oil were used for the Group's motor vehicles.

c. Water Consumption

The total water consumption was 9,105 m^3 as derived from the logistic centres and the Group's headquarter. As some O2O shops are in shopping malls, water usage was included in the management fee and therefore the figures were not available for the greenhouse gas calculation.

d. Total Packaging Material Used

The following summarised the use of paper and packaging material. There was an increase in the total weight of packaging material, advertisement material and overall paper used during the reporting period.

Paper used in total (kg)	26,875
Advertising material used in total (kg)	56,118

Packaging material is another source of resources consumed in our operations. In the year, the Group distributed paper shopping bags and plastic shopping bags and packing materials of 139,213 kg to our customers.

The Group has used simple packaging on the basis of the products safety being ensured, so as to avoid the wastage of resources caused by over-packaging. Carton boxes are heavily used in packaging for thousands orders a day. We have now gradually replaced the use of carton boxes and paper bags with reusable plastic containers in the delivery process, hoping to significantly reduce the use of packaging materials. To change consumers' mindset, we have been promoting the concept of "bring your own bag" through our O2O shops.

(c) The Environment and Natural Resources

The Group's operations do not involve in production-related air, water and land pollutions which are regulated under related environmental laws and regulations. As part of its commitment to environmental protection, the Group will regularly review and improve its business operations together with its staff members and business stakeholders with the objective to reduce environmental impacts.

SOCIAL

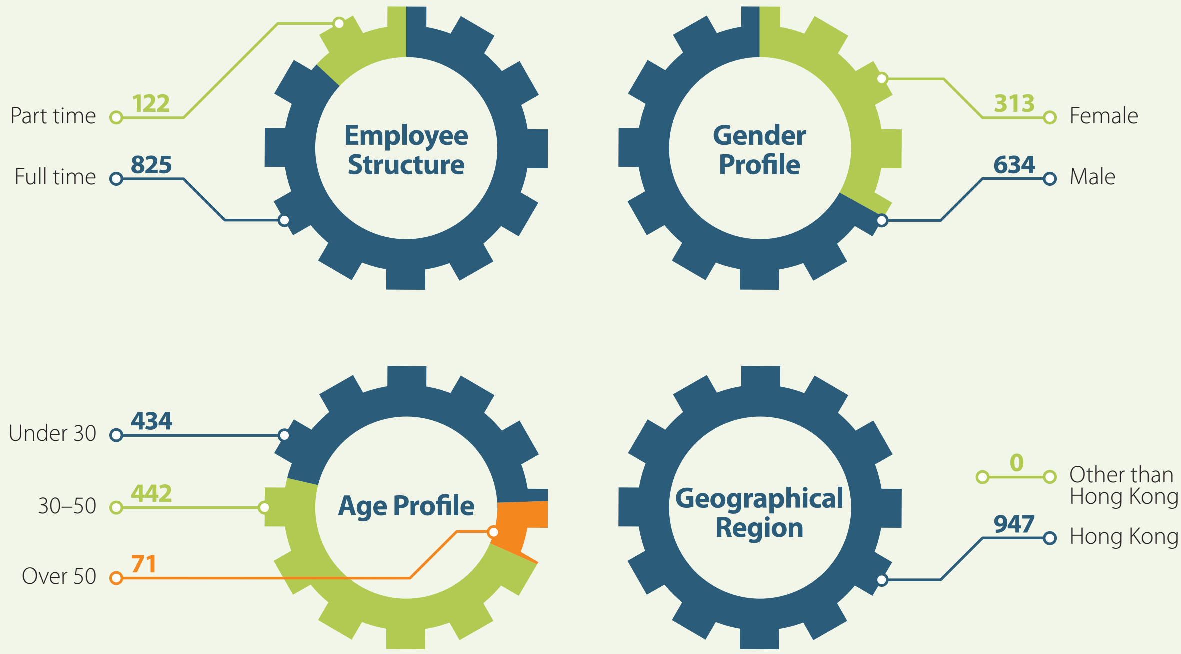
(a) Employment and Labour Practices

(1) Employment

It is the long-standing policy of the Group to ensure that employees' compensation, benefits and welfare are well assured. We are committed to providing equal opportunity in all aspects of employment and will not tolerate discrimination or harassment of any kind. Derogatory comments based on racial or ethnic characteristics, unwelcome sexual advances and similar behaviors are prohibited. The Group has a whistleblower policy in place which provides staff members with an avenue to report improper activities or escalate complaints directly to the Audit Committee Chairman.

The following shows a snapshot of the total workforce by employee structure, gender, age group, and geographical region.

Summary of Employee Data



(2) Health and Safety

The Group is committed to providing a safe and healthful working environment by following safety and health rules and practices and promptly reporting accidents, injuries and unsafe equipment, practices, or conditions to the responsible managers. We also provide our operations personnel with training on occupational safety and addressing risks associated with operations.

The Group maintains its occupational health and safety measures in an effective manner, including holding occupational safety and health seminars for employees on a regular basis.

During the reporting period, the overall lost day rate due to work-related injury was around 1% with no report on work-related fatalities.

(3) Development and Training

The Group recognises that its performance is dependent on the effective performance of employees. We are committed to improving employees' performance through effective coaching, counselling, and on-the job development.

To meet the changing need of the Group, we have provided our staff members with on-the-job training covering essential work-related skills and knowledge. We also sponsor staff members with potential to receive external training for advanced skills and techniques.

(4) Labour Standards

The Group explicitly prohibits the employment of child or forced labour. Our operations are in compliance with the applicable labour laws and regulations.

(b) Operating Practices

(1) Supply Chain Management

The Group is mindful of suppliers' integrity and ability to demonstrate full compliance with the applicable laws and regulations. We do business with integrity and expect the same commitment from our business stakeholders.

Our merchant teams shall abide by the Group's policy to carry out verification checks against the business stakeholders to ensure that the products or services offered by them for sale on our e-commerce platforms are up to reasonable standard and compliant with the applicable laws and regulations.

(2) Product Responsibility

It is essential that all products sold to customers through our e-commerce platforms shall be of merchantable quality and in compliance with applicable safety and labelling standards. All suppliers or merchants doing business with us are required to strictly adhere to the legal requirements. As part of our due diligence process, certain suppliers or merchants are required to ensure compliance with the applicable laws and regulations by submitting to us a declaration of compliance.

We have procedures to select business stakeholders with integrity and ability to demonstrate full compliance with the applicable laws and regulations. In addition, through contractual undertakings, they are required to, inter alia, (i) maintain its business conduct and ethics in the highest standards; (ii) ensure all products for sale are of merchantable quality, and fit for human use or consumption; (iii) maintain a valid product liability insurance where applicable; and (iv) comply with all applicable laws and regulations, including fair trade practices, product safety, and food, nutrition, and safety warning labelling requirements.

As far as food safety is concerned, our business stakeholders are required to ensure that the food products provided by them are fit for human consumption. To closely monitor food safety incidents, we have enrolled to the Rapid Alert System of the Centre for Food Safety. Through this system, we will be able to receive messages by email and fax regarding food safety incidents and take appropriate action including directing suppliers or merchants to stop selling or to recall concerned food products in a timely manner.

We recognise the importance of personal data to our business and the importance of privacy rights to individuals. We have policy in place to regulate the use of personal data and assist our staff members to comply with the data protection principles.

(3) Anti-corruption

The Group explicitly prohibits engaging in bribery and corruption in any form, fraud and money laundering. To ensure all staff members understand well the Group's policies, all new joiners are invited to attend an orientation programme and seminars regularly held for promoting law-abiding awareness. In addition, we keep refreshing their knowledge about the basic legal requirements and clearance procedures for conflict of interest through the circulation of corporate policies.

(c) Community Investment

During the reporting period, the Group engages with numerous non-governmental organizations (NGOs) on a diverse range of issues that are important to communities, consumers and our business. For example, the Company engage with Red Cross to provide support to "Pass-it-On 2017" Campaign and the Company sponsored several charity bazaars for charitable bakery.

During the reporting period, the Company launched "THE BASE — Ecommerce Incubation Programme" which for younger people who are determined to develop their careers in the digital realm, by providing free access to work space, multimedia studios, equipment and workshops.

Furthermore, the Group launched its "No Straw Day" campaign in 2017 to cut down on plastic waste at the Group's canteen.

"Pass-it-On 2017" Campaign


THE BASE

Profile of Directors
and Senior Management

Executive Directors

Mr. WONG Wai Kay, Ricky

Chairman

aged 56, 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 60, 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 43, 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, talent management 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.

Mr. LAU Chi Kong

Chief Operating Officer

aged 36, was appointed as an Executive Director of the Company on 1 December 2017. Mr. Lau is currently the Chief Operating Officer of the Group and is also a director of certain subsidiaries of the Group. He oversees business intelligence, logistics and warehousing operations of the Group. He joined the Group in 2004 as a management trainee. Prior to his current role, Mr. Lau held numerous positions in operations and finance. Mr. Lau holds a Bachelor of Science degree in Actuarial Science from The University of Hong Kong.

Ms. ZHOU Huijing

aged 36, was appointed as an Executive Director of the Company on 1 December 2017. Ms. Zhou is currently the Managing Director — Shopping and E-commerce of the Group and is also a director of certain subsidiaries of the Group. She oversees sales and marketing of the Group's online shopping platforms, namely "HKTVmall" and "HoKoBuy". She joined the Group in 2003 as a management trainee. Prior to current position, she held numerous positions in marketing, business development, customer services, content distribution and partnership, and production administration. Ms. Zhou holds a Master of Business Administration degree from The Hong Kong University of Science and Technology and a Bachelor of Social Science degree from The Chinese University of Hong Kong.

Independent Non-executive Directors

Mr. LEE Hon Ying, John

aged 71, 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 58, 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 extensive 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 65, 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 Crystal International Group Limited, 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, Special Committee on Investment and Remuneration Committee. 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 2017.

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 2017, 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 2017.

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 eight Directors with five Executive Directors and three Independent Non-executive Directors.

The changes to the composition of the Board during the year ended 31 December 2017 were as follows:

— Ms. To Wai Bing resigned as Non-executive Director with effect from 1 December 2017; and

— Mr. Lau Chi Kong and Ms. Zhou Huijing were appointed as Executive Directors both with effect from 1 December 2017.

THE BOARD (continued)

(ii) Board Composition (continued)

The composition of the Board during the year ended 31 December 2017 and up to the date of this report is 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)
Mr. Lau Chi Kong (Chief Operating Officer) (appointed with effect from 1 December 2017)
Ms. Zhou Huijing (appointed with effect from 1 December 2017)

Non-executive Director
Ms. To Wai Bing (resigned with effect from 1 December 2017)

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

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 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 28 to 31 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 Article 92 of the Articles, Mr. Lau Chi Kong and Ms. Zhou Huijing will hold office until the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

In accordance with Articles 96 and 99 of the Articles, Mr. Wong Wai Kay, Ricky and Ms. Wong Nga Lai, Alice will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

THE BOARD (continued)

(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.

(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 2017, the Board held eight 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:

Directors	Meetings attended/held
Executive Directors	
Mr. Wong Wai Kay, Ricky	8/8
Mr. Cheung Chi Kin, Paul	8/8
Ms. Wong Nga Lai, Alice	8/8
Mr. Lau Chi Kong (appointed with effect from 1 December 2017)	0/0
Ms. Zhou Huijing (appointed with effect from 1 December 2017)	0/0
Non-executive Director	
Ms. To Wai Bing (resigned with effect from 1 December 2017)	8/8
Independent Non-executive Directors	
Mr. Lee Hon Ying, John	8/8
Mr. Peh Jefferson Tun Lu	8/8
Mr. Mak Wing Sum, Alvin	8/8

(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 fourteen 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 three 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.

(vii) Practices and Conduct of Meetings (continued)

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 provisions of the Code. 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 26 March 2018, 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.

(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:

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	✓
Mr. Lau Chi Kong (appointed with effect from 1 December 2017)	✓
Ms. Zhou Huijing (appointed with effect from 1 December 2017)	✓
Non-executive Director	
Ms. To Wai Bing (resigned with effect from 1 December 2017)	✓
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.

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 2017. 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 2016 and for the six months ended 30 June 2017;

(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 2016 and the Company's interim financial report for the six months ended 30 June 2017; 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.

BOARD COMMITTEES (continued)

(i) Audit Committee (continued)

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

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

(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 two meetings 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 proposed appointment of new Executive Directors;
- reviewed the independence of Independent Non-executive Directors; and
- made recommendations to the Board on the appointment or re-appointment of Directors by rotation at the forthcoming annual general meeting for the Company.

BOARD COMMITTEES (continued)

(ii) Nomination Committee (continued)

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

Directors	Meeting attended/held
Independent Non-executive Directors	
Mr. Peh Jefferson Tun Lu (Chairman)	2/2
Mr. Lee Hon Ying, John	2/2
Mr. Mak Wing Sum, Alvin	2/2

(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.

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 two meetings 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 and the grant of share options 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

Directors	Meetings attended/held
Independent Non-executive Directors	
Mr. Lee Hon Ying, John (Chairman)	2/2
Mr. Peh Jefferson Tun Lu	2/2
Mr. Mak Wing Sum, Alvin	2/2

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 2017. 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 2017 is set out in the "Independent Auditor's Report" on pages 52 to 56 of this annual report.

AUDITOR'S REMUNERATION

KPMG has been re-appointed as the external auditor of the Company by the shareholders of the Company at the 2017 Annual General Meeting.

For the year ended 31 December 2017, the total fee paid to the Company's external auditor, KPMG, in relation to audit related services and non-audit related services of the Group amounted to approximately HK$2,276,000 and HK$588,000 respectively. Details are set out below:

Type of Services	**FY2017 HK$'000**	FY2016 HK$'000
Audit services	**2,276**	2,230
Non-audit services	**588**	–
Total	**2,864**	2,230

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 29 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.

During the year, the activities performed by the Internal Audit Department included but not limited to end-to-end process audits, 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

Two general meetings of the Company were held during the year ended 31 December 2017. The 2017 annual general meeting (the "AGM") and the extraordinary general meeting (the "EGM") were held on 26 May 2017 and 21 December 2017 respectively.

The AGM was attended by, among others, the Chairman, Chief Executive Officer, Chief Financial Officer, chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, and representatives of KPMG, the external auditor of the Company to answer questions raised by shareholders at the general meetings.

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

Directors	AGM attended/held	EGM attended/held
Executive Directors		
Mr. Wong Wai Kay, Ricky	1/1	1/1
Mr. Cheung Chi Kin, Paul	1/1	1/1
Ms. Wong Nga Lai, Alice	1/1	1/1
Mr. Lau Chi Kong (appointed with effect from 1 December 2017)	0/0	1/1
Ms. Zhou Huijing (appointed with effect from 1 December 2017)	0/0	1/1
Non-executive Director		
Ms. To Wai Bing (resigned with effect from 1 December 2017)	1/1	0/0
Independent Non-executive Directors		
Mr. Lee Hon Ying, John	1/1	1/1
Mr. Peh Jefferson Tun Lu	1/1	1/1
Mr. Mak Wing Sum, Alvin	1/1	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 2017, there are no significant changes in the constitutional documents of the Company.

Report of the Directors

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2017.

REGISTERED OFFICE

Hong Kong Television Network Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office at HKTV Multimedia and Ecommerce Centre, No. 1 Chun Cheong Street, Tseung Kwan O Industrial Estate, 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 operate 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 2017 is set out in the sections headed "Chairman's Statement" and "Management's Discussion and Analysis" from pages 11 to 13 and pages 15 to 22 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" on page 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 merchant 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 15 to 22 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.

In addition, discussion on the Group's environmental policies and performance are contained in the Environmental, Social and Governance Report on pages 23 to 27 of this annual report.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2017 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 57 to 114 of this annual report..

ANALYSIS ON FINANCIAL PERFORMANCE

An analysis of the Group's performance during the year ended 31 December 2017 is set out in the sections headed "Operational Highlights" "Financial Highlights" and "Management's Discussion and Analysis" on page 3, page 5 and from pages 15 to 22 of this annual report.

DIVIDENDS

No interim dividend was declared during the year ended 31 December 2017 and the year ended 31 December 2016.

The Directors does not recommend the payment of final dividend for the year ended 31 December 2017. No final dividend was declared for the year ended 31 December 2016.

DONATIONS

For the year ended 31 December 2017 and 31 December 2016, the Group didn't make charitable and other donations.

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 48 to 49 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 2017, calculated in accordance with the provision of Part 6 of Companies Ordinances (Cap. 622) of the laws of Hong Kong, amounted to approximately HK$1,450,019 (2016: HK$1,459,783,000).

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 page 115 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 2017.

GROUP'S BORROWINGS

The Group's borrowings as at 31 December 2017 are repayable in the following periods:

	2017 **HK$'000**	2016 HK$'000
On demand or not exceeding one year	**219,623**	184,144

DIRECTORS

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

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)*
Mr. Lau Chi Kong *(Chief Operating Officer)* (appointed with effect from 1 December 2017)
Ms. Zhou Huijing (appointed with effect from 1 December 2017)

Non-executive Director

Ms. To Wai Bing (resigned with effect from 1 December 2017)

Independent Non-executive Directors

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

During the year, Mr. Lau Chi Kong and Ms. Zhou Huijing were appointed as Executive Directors of the Company both with effect from 1 December 2017. In addition, Ms. To Wai Bing resigned as a Non-Executive Director with effect from 1 December 2017.

Furthermore, in accordance with Article 92 of the Articles, Mr. Lau Chi Kong and Ms. Zhou Huijing will hold office until the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

In accordance with Articles 96 and 99 of the Articles, Mr. Wong Wai Kay, Ricky and Ms. Wong Nga Lai, Alice will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

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

Brief biographical details of the Directors and senior management are set out on pages 28 to 31 of this annual report.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the directors' information since the disclosure made in the Company's last published interim report is set out as follows:

1. Mr. Mak Wing Sum, Alvin has been appointed an independent non-executive director of Crystal International Group Limited, a company whose shares listed on the Main Board of The Stock Exchange of Hong Kong Limited, since 3 November 2017.

2. Changes in Directors' emoluments during the year ended 31 December 2017 are set out in note 10 to the financial statements.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association 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 2017, 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 of Hong Kong Limited (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			Total	Interests in underlying shares pursuant		Approximate percentage interests in the Company's
Name of director	Personal interests	Corporate interests	Family interests	interest in shares	to share options	Aggregate interests	issued share capital Note (1)
Mr. Wong Wai Kay, Ricky	–	355,051,177 Note (2)(i)	–	355,051,177	10,000,000	365,051,177	45.12%
Mr. Cheung Chi Kin, Paul	25,453,424	24,924,339 Note (2)(ii)	–	50,377,763	10,000,000	60,377,763	7.46%
Ms. Wong Nga Lai, Alice	50,000	–	–	50,000	1,500,000	1,550,000	0.19%
Mr. Lau Chi Kong	–	–	–	–	1,500,000	1,500,000	0.19%
Ms. Zhou Huijing	–	–	–	–	1,000,000	1,000,000	0.12%

Notes:

(1) This percentage is based on 809,016,643 ordinary shares of the Company issued as at 31 December 2017.

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

(i) 355,051,177 shares are held by Top Group International Limited ("Top Group") which is 44.6% owned by Mr. Wong and Mr. Wong's immediate family member; the interests of Top Group 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 2017, 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 43,561,664 shares, representing approximately 5.37% 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 of directors (the "Board") of the Company 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 highest 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 as at 31 December 2017 are as follows:

Participants	Date of grant	Exercise price per share HK$	Balance as at 1 January 2017	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year (Note 1)	Balance as at 31 December 2017	Vesting period	Exercise period
Directors									
Mr. Wong Wai Kay, Ricky	26 May 2017	1.464	–	10,000,000	–	–	10,000,000	26 May 2017 to 28 February 2018	1 March 2018 to 22 March 2027
Mr. Cheung Chi Kin, Paul	26 May 2017	1.464	–	10,000,000	–	–	10,000,000	26 May 2017 to 28 February 2018	1 March 2018 to 22 March 2027
Ms. Wong Nga Lai, Alice	23 March 2017	1.464	–	1,500,000	–	–	1,500,000	23 March 2017 to 28 February 2018	1 March 2018 to 22 March 2027
Mr. Lau Chi Kong	21 February 2017	1.450	–	1,500,000	–	–	1,500,000	21 February 2017 to 28 February 2018	1 March 2018 to 20 February 2027
Ms. Zhou Huijing	21 February 2017	1.450	–	1,000,000	–	–	1,000,000	(Note 2)	(Note 2)
Employees under continuous employment contracts									
Employees	21 February 2017	1.450	–	4,450,000	–	2,150,000	2,300,000	(Note 2)	(Note 2)
	21 February 2017	1.450	–	755,000	–	50,000	705,000	(Note 3)	(Note 3)
	21 February 2017	1.450	–	10,795,000	–	460,000	10,335,000	21 February 2017 to 28 February 2018	1 March 2018 to 20 February 2027
Total			–	40,000,000	–	2,660,000	37,340,000		

Notes:

1. The options lapsed during the period under review upon resignation of certain eligible employees.

2. The exercise of the options is subject to certain conditions that must be achieved by the employees. The options vested on 1 March 2018 and shall be exercised not later than 20 February 2027.

3. The exercise of the share options is subject to certain conditions that must be achieved by the grantee. The proposed amendment to terms of options granted to the grantees was approved by shareholders of the Company on 21 December 2017 and the options vested on 1 March 2018 and shall be exercised not later than 20 February 2027.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme" as set out on pages 48 to 49 of this annual report, at no time during the year ended 31 December 2017 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 2017, 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**	**Percentage interests** (Note)
Top Group International Limited	355,051,177	43.89%

Note: This percentage is based on 809,016,643 ordinary shares of the Company issued as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, 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 2017.

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 2017, 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 on pages 32 to 42 of this annual report.

RETIREMENT SCHEME

During the reporting period, the Group operates a defined contribution retirement scheme and a Mandatory Provident Fund scheme. The Occupational Retirement Scheme, which was a defined contribution retirement scheme, was terminated with effect from 1 December 2017. 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, 27 March 2018

Independent Auditor's Report

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 57 to 114, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017 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 non-current assets relating to the E-commerce business

Refer to the accounting policies in note 1(k).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2017, 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 2017, 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, the right of use of telecommunications services, brand name, merchant relationship and goodwill, totalled HK$319.2 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.	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 management; • 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	How the matter was addressed in our audit
The Group's E-commerce income, which totalled 485.2 million for the year ended 31 December 2017, 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.	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' information technology system 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.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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
27 March 2018

Consolidated Income Statement

For the year ended 31 December 2017 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Turnover	2	**487,257**	187,071
Cost of inventories		**(295,178)**	(140,289)
Valuation gains on investment properties	12	**80,500**	6,700
Other operating expenses	4(a)	**(568,555)**	(380,454)
Other income, net	3	**94,230**	70,947
Finance costs	4(b)	**(2,011)**	(1,017)
Loss before taxation		**(203,757)**	(257,042)
Income tax expense	5	**(1,163)**	(74)
Loss for the year		**(204,920)**	(257,116)
Basic and diluted loss per ordinary share	8	**HK$(0.25)**	HK$(0.32)

The notes on pages 62 to 114 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Loss for the year		**(204,920)**	(257,116)
Other comprehensive income for the year	7		
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of an overseas subsidiary		**(42)**	20
Available-for-sale securities: net movement in fair value reserve		**18,547**	15,142
		18,505	15,162
Item that will not be reclassified to profit or loss:			
Gain on revaluation upon transfer of previously self-occupied property to investment property		**23,579**	–
		23,579	–
Other comprehensive income for the year		**42,084**	15,162
Total comprehensive income for the year		**(162,836)**	(241,954)

The notes on pages 62 to 114 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017 (Expressed in Hong Kong dollars)

	Note	31 December 2017 HK$'000	31 December 2016 HK$'000
Non-current assets			
Property, plant and equipment	12	**1,152,387**	917,048
Intangible assets	13	**99,828**	112,248
Goodwill	27	**897**	–
Long term receivables, deposits and prepayments		**11,912**	8,209
Other financial assets	16	**675,161**	828,019
		1,940,185	1,865,524
Current assets			
Other receivables, deposits and prepayments	17	**63,276**	39,201
Tax recoverable		**1,007**	–
Inventories	15	**26,912**	17,833
Other current financial assets	16	**201,004**	355,406
Pledged bank deposit	29	**3,905**	–
Cash at bank and in hand	18	**100,199**	44,397
		396,303	456,837
Current liabilities			
Accounts payable	19	**92,951**	22,714
Other payables and accrued charges	19	**154,840**	115,942
Deposits received		**4,286**	1,905
Bank loans	20	**219,623**	184,144
		471,700	324,705
Net current (liabilities)/assets		**(75,397)**	132,132
Total assets less current liabilities		**1,864,788**	1,997,656
Non-current liabilities			
Deferred tax liabilities	22	**2,156**	993
		2,156	993
NET ASSETS		**1,862,632**	1,996,663
CAPITAL AND RESERVES			
Share capital	21(b)	**1,268,914**	1,268,914
Reserves		**593,718**	727,749
TOTAL EQUITY		**1,862,632**	1,996,663

Approved and authorised for issue by the board of directors on 27 March 2018.

Wong Wai Kay, Ricky
Director

Cheung Chi Kin, Paul
Director

The notes on pages 62 to 114 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017 (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$'000	Capital reserve HK$'000	Other reserve HK$'000	Total HK$'000
Balance at 1 January 2017		**1,268,914**	**588,207**	**159,759**	**(18,410)**	**19**	**–**	**(1,826)**	**1,996,663**
Changes in equity for 2017:									
Loss for the year		**–**	**(204,920)**	**–**	**–**	**–**	**–**	**–**	**(204,920)**
Other comprehensive income	7	**–**	**–**	**23,579**	**18,547**	**(42)**	**–**	**–**	**42,084**
Total comprehensive income		**–**	**(204,920)**	**23,579**	**18,547**	**(42)**	**–**	**–**	**(162,836)**
Equity-settled share-based transactions	11	**–**	**–**	**–**	**–**	**–**	**28,805**	**–**	**28,805**
Balance at 31 December 2017		**1,268,914**	**383,287**	**183,338**	**137**	**(23)**	**28,805**	**(1,826)**	**1,862,632**
Balance at 1 January 2016		1,268,914	845,323	159,759	(33,552)	(1)	–	(1,826)	2,238,617
Changes in equity for 2016:									
Loss for the year		–	(257,116)	–	–	–	–	–	(257,116)
Other comprehensive income	7	–	–	–	15,142	20	–	–	15,162
Total comprehensive income		–	(257,116)	–	15,142	20	–	–	(241,954)
Balance at 31 December 2016		1,268,914	588,207	159,759	(18,410)	19	–	(1,826)	1,996,663

The notes on pages 62 to 114 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Net cash used in operating activities	23	**(197,958)**	(207,729)
Investing activities			
Additions of available-for-sale securities		**(167,095)**	(65,034)
Increase in pledged bank deposit		**(3,905)**	–
Proceeds from disposal of available-for-sale securities		**201,810**	106,628
Proceeds from maturity of available-for-sale securities		**307,292**	218,715
Interest received		**56,843**	76,260
Dividend received		**2,240**	1,693
Net cash inflow on acquisition of subsidiary	27	**11,042**	–
Purchases of property, plant and equipment		**(189,487)**	(372,539)
Proceeds from disposal of property, plant and equipment		**953**	313
Net cash generated from/(used in) investing activities		**219,693**	(33,964)
Net cash generated/(used) before financing activities		**21,735**	(241,693)
Financing activities			
Net proceeds from bank loans	23(b)	**35,461**	112,153
Interest paid on bank loans	23(b)	**(1,531)**	(688)
Net cash generated from financing activities		**33,930**	111,465
Net increase/(decrease) in cash and bank balances		**55,665**	(130,228)
Cash and bank balances at 1 January		**44,397**	174,808
Effect of foreign exchange rate changes		**137**	(183)
Cash and bank balances at 31 December		**100,199**	44,397

The notes on pages 62 to 114 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the 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. Significant accounting policies adopted by the Group are disclosed 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 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

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 notes 11, 12, 16, 24 and 28.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 23(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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.

(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.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill 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(see note 1(f)) 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).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Group accounting (continued)

(ii) Translation of foreign currencies

Foreign currencies transactions during the year are translated at foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at foreign exchange rates ruling at the end of reporting period. 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 end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(iii) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

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 end of each reporting period 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)(vi) and (iv).

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 end of each reporting period 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)(vi) and 1(t)(iv) 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 end of the reporting period 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, or network, computer and office equipment.

(ii) Other property, plant and equipment

Other property, plant and equipment, comprising leasehold land and 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:

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

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

— 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	4–5 years
—	Network, computer and office equipment	3–15 years
—	Motor vehicles	4–6 years
—	Broadcasting and production equipment	2–10 years

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

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.

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

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in profit or loss.

(i) Intangible assets (other than goodwill)

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:

— Mobile television broadcast spectrum	12 years
— Indefeasible right of use ("IRU") of telecommunications capacity	20 years
— Right to use of telecommunications services	10 years
— Merchant relationship	2 years
— Brand name	1 year

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 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, the fair value of which 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Assets held under leases (continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation 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 charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(g)).

(k) Impairment of assets

(i) Impairment of investments in debt and equity securities 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 end of each reporting period 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

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

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

— For 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 these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— 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 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 or loss.

Impairment losses are written off against the corresponding assets directly.

(ii) Impairment of other assets

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

— property, plant and equipment;

— intangible assets;

— goodwill; and

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

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount for goodwill is estimated annually whether or not there is any indication of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, 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*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities 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 loss.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

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

Cost is calculated using the First-In-First-Out method 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) Other receivables, deposits and prepayments

Other receivables, deposits and prepayments are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less impairment loss (see note 1(k)(i)), except where the effect of discounting would be immaterial. In such case, the receivables are stated at cost less impairment loss (see note 1(k)(i)).

(n) Cash, bank balances and pledged bank deposit

Cash and bank balances 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. Cash that is restricted for use or pledged as security is classified separately in the consolidated statement of financial position, and is not included in the cash and bank balances total in the consolidated statements of cash flows. The pledged bank deposit represented cash maintained at bank as security for bank facility (note 29).

(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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 end of each reporting period. 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.

(iv) Share-based payments

The fair value of share options granted to Talents is recognised as a Talent cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the Talents have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original Talent costs qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(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 except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

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 reporting 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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Interest-bearing borrowings

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

(s) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Revenue recognition

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

(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 online 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 use of 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.

(u) Borrowing costs

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

All other borrowing costs are expensed in the period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

2 TURNOVER AND SEGMENT INFORMATION

Turnover

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

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Direct merchandise sales	**346,173**	157,295
Income from concessionaire sales and other service income	**139,056**	28,531
Licensing of programme rights and net advertising income	**2,028**	1,245
	487,257	187,071

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 OTHER INCOME, NET

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Bank interest income	**44**	634
Dividend income from available-for-sale equity securities	**2,240**	1,693
Interest income from available-for-sale debt securities	**50,537**	68,182
Gain on disposal of available-for-sale securities	**2,201**	2,057
Rentals from investment properties	**18,264**	11,428
Net exchange gain/(loss)	**18,701**	(16,593)
Others	**2,243**	3,546
	94,230	70,947

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
(a) Other operating expenses		
Depreciation of property, plant and equipment (note 12(a))	**46,775**	34,230
Advertising and marketing expenses	**40,209**	29,290
Auditor's remuneration	**2,276**	2,230
Operating lease charges in respect of land and buildings	**41,800**	28,429
Loss on disposal of property, plant and equipment	**3,436**	92
Write down of inventories	**1,609**	588
Talent costs (note 4(c))	**259,453**	189,100
Amortisation of intangible assets (note 13)	**15,060**	13,162
Acquisition-related costs incurred in business combination	**1,068**	–
Provision for onerous contract	**3,300**	–
Total outgoings of investment properties	**1,349**	1,141
Others	**152,220**	82,192
	568,555	380,454
(b) Finance costs		
Interest on bank loans	**1,778**	828
Bank charges	**233**	189
	2,011	1,017
(c) Talent costs		
Wages and salaries	**221,576**	180,990
Retirement benefit costs — defined contribution plans (note 9)	**9,072**	8,110
Equity-settled share-based payment expenses (note 11)	**28,805**	–
Talent costs included in other operating expenses	**259,453**	189,100

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

(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements in current and prior years as the Group sustained a loss for taxation purpose during the year. The provision for Hong Kong Profits Tax for the year is calculated at 16.5% (16.5% for the year ended 31 December 2016) of the estimated assessable profits for the year.

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

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Current taxation		
Hong Kong		
— Provision for the year	**–**	–
Deferred taxation		
Origination and reversal of temporary differences (note 22)	**(1,163)**	(74)
	(1,163)	(74)

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 2017 HK$'000	Year ended 31 December 2016 HK$'000
Loss before taxation	**(203,757)**	(257,042)
Notional tax on loss before taxation, calculated at the prevailing tax rates applicable to profit in the jurisdiction concerned	**33,620**	42,412
Effect of non-taxable income	**22,707**	11,783
Effect of non-deductible expenses	**(4,909)**	(5,012)
Effect of unused tax losses not recognised	**(52,057)**	(53,405)
Others	**(524)**	4,148
Income tax expense	**(1,163)**	(74)

6 DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the year ended 31 December 2017 (31 December 2016: Nil).

7 OTHER COMPREHENSIVE INCOME

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

	Note	Year ended 31 December 2017 Before-tax amount HK$'000	Year ended 31 December 2017 Tax expense HK$'000	Year ended 31 December 2017 Net-of-tax amount HK$'000	Year ended 31 December 2016 Before-tax amount HK$'000	Year ended 31 December 2016 Tax expense HK$'000	Year ended 31 December 2016 Net-of-tax amount HK$'000
Exchange difference on translation of financial statements of an overseas subsidiary		**(42)**	**–**	**(42)**	20	–	20
Available-for-sale securities: net movement in fair value reserve		**18,547**	**–**	**18,547**	15,142	–	15,142
Gain on revaluation upon transfer of previously self-occupied property to investment property	12(b)	**23,579**	**–**	**23,579**	–	–	–
Other comprehensive income		**42,084**	**–**	**42,084**	15,162	–	15,162

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

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Available-for-sale securities:		
— Changes in fair value recognised during the year	**20,748**	17,199
— Reclassified to profit or loss upon disposal	**(2,201)**	(2,057)
Net movement in the fair value reserve during the year recognised in other comprehensive income	**18,547**	15,142

8 LOSS PER SHARE

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Loss attributable to equity shareholders	**204,920**	257,116

The calculation of basic loss per share for the year ended 31 December 2017 and 31 December 2016 are based on the loss for the respective year and the weighted average of 809,017,000 ordinary shares (31 December 2016: 809,017,000 ordinary shares) in issue during the year.

The diluted loss per share for the year ended 31 December 2017 is the same as the basic loss per share, as the Group's share options would result in an anti-dilutive effect on loss per share. The diluted loss per share for the year ended 31 December 2016 is the same as the basic loss per share, as no potential dilutive ordinary shares were outstanding during the 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 2017 HK$'000	Year ended 31 December 2016 HK$'000
Gross contributions	**9,072**	8,110

During the year ended 31 December 2017, there was no forfeited contribution available to offset future contributions by the Group to the ORSO Scheme (Year ended 31 December 2016: HK$Nil). The ORSO Scheme was terminated with effect from 1 December 2017.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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 are as follows:

For the year ended 31 December 2017:

	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Share-based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Chairman						
Wong Wai Kay, Ricky	–	97	–	10,228	–	10,325
Executive directors						
Cheung Chi Kin, Paul	–	86	–	10,228	1	10,315
Wong Nga Lai, Alice	–	1,841	300	685	184	3,010
Lau Chi Kong (note a)	–	111	–	72	11	194
Zhou Huijing (note b)	–	264	–	48	7	319
Non-executive director						
To Wai Bing (note c)	209	–	–	–	–	209
Independent non-executive directors						
Lee Hon Ying, John	223	–	–	–	–	223
Peh Jefferson Tun Lu	209	–	–	–	–	209
Mak Wing Sum, Alvin	209	–	–	–	–	209
Total	850	2,399	300	21,261	203	25,013

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

(a) Directors' emoluments (continued)

For the year ended 31 December 2016:

	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Chairman					
Wong Wai Kay, Ricky	–	2,879	–	287	3,166
Executive directors					
Cheung Chi Kin, Paul	–	3,469	–	345	3,814
Wong Nga Lai, Alice	–	1,803	150	180	2,133
Non-executive director					
To Wai Bing (note c)	17	1,742	1,500	167	3,426
Independent non-executive directors					
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

No director waived any emoluments in respect of the years ended 31 December 2017 and 31 December 2016.

Notes:

(a) Mr. Lau Chi Kong has been appointed as an executive director with effect from 1 December 2017.

(b) Ms. Zhou Huijing has been appointed as an executive director with effect from 1 December 2017.

(c) Ms. To Wai Bing was resigned as a non-executive director with effect from 1 December 2017.

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 2016: four) directors whose emoluments are reflected in the analysis presented above, except for the emoluments to an individual before the appointment of the director on 1 December 2017 for the year ended 31 December 2017. The aggregate of the emoluments in respect of the remaining individuals (year ended 31 December 2016: one) are as follows:

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Basis salaries, other allowances and benefits in kind	**5,177**	1,329
Discretionary bonuses	**197**	–
Retirement benefit costs — defined contribution plans	**106**	83
Equity-settled share-based transactions	**436**	–
	5,916	1,412

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.

On 21 February 2017, the Company granted a total of 18,500,000 share options at exercise price of HK$1.45 per share to certain eligible employees to subscribe for ordinary shares of the Company under the 2012 Share Option Scheme. Such options were granted a 10-year term from the date of grant. Among the 18,500,000 Share Options, the vesting date is as follows:

(i) 12,295,000 of which will vest on 1 March 2018; and

(ii) 6,205,000 of which will vest on 1 March 2018 subject to the achievement of certain performance targets as determined by the Board.

On 23 March 2017, the Company granted a total of 1,500,000 share options to a director of the Company to subscribe for ordinary shares of the Company under the 2012 Share Option Scheme. The share options were granted with exercise price of HK$1.464 per share. Such options will vest on 1 March 2018 and have a 10-year term from the date of grant.

(Expressed in Hong Kong dollars unless otherwise indicated)

11 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

On 23 March 2017, the Company granted, subject to the approval by the independent shareholders at the Annual General Meeting held on 26 May 2017, a total of 20,000,000 share options to two directors of the Company to subscribe for ordinary shares of the Company under the 2012 Share Option Scheme. The grant of the share options were approved by the independent shareholders at the Annual General Meeting on 26 May 2017. The share options were granted with exercise price of HK$1.464 per share. Such options will vest on 1 March 2018 and have a 10-year term from the date of grant.

In determining the value of the share options granted during the year ended 31 December 2017, the Black-Scholes option pricing model (the "Black-Scholes Model") has been used. The Black-Scholes Model is one of the most generally accepted methodologies used to calculate the value of options. The variables of the Black-Scholes Model includes expected life of the options, risk-free interest rate, expected volatility and expected dividend yield of the shares of the Company.

In determining the value of the share options granted during the year, the following variables have been applied to the Black-Scholes Model:

Measurement date	26 May 2017	23 March 2017	21 February 2017
Variables			
— Expected life	3 years	3 years	3 years
— Risk-free rate	0.76%	1.05%	1.14%
— Expected volatility	57.51%	56.41%	58.40%
— Expected dividend yield	–	–	–

The above variables were determined as follows:

(i) The expected life is estimated to be 3 years from the date of grant (the "Measurement date").

(ii) The risk-free rate represents the yield of the Hong Kong Exchange Fund Notes corresponding to the expected life of the option as at the Measurement Date.

(iii) The expected volatility represents the annualised standard deviation of the return on the daily share price of the Company over the period commensurate to the expected life of the options (taking into account the remaining contractual life of the option and the effect of the expected early exercise of the option).

The fair value of the options granted during the year is estimated as below:

Date of grant	26 May 2017	23 March 2017	21 February 2017
Fair value per share option	HK$1.30	HK$0.55	HK$0.58

The Group recognises the fair value of share options as an expense in the income statement over the vesting period, or as an asset, if the cost qualifies for recognition as an asset. The fair value of the share options is measured at the date of grant.

On 21 December 2017, the Company removed a non-market performance target included in certain share options granted on 21 February 2017. The modification of the terms of share options does not have any effect on the fair value of share options at the date of grant.

11 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

The Black-Scholes Model applied for the determination of the estimated value of the options granted under 2012 Share Option Scheme require input of highly subjective assumptions, including the expected stock volatility. As the Company's share options have characteristics significantly different from those of traded options, changes in subjective inputs may materially affect the estimated fair value of the options granted.

Total equity-settled share-based payment expense of HK$28,805,000 was recognised in the consolidated income statement, with the offset in equity reserves, for the year ended 31 December 2017. Particulars and movements of share options during the year ended 31 December 2017 were as follows:

	Year ended 31 December 2017	
	Weighted average exercise price HK$	**Number of options**
2012 Share Option Scheme		
Outstanding at the beginning of the year	–	–
Granted during the year	**1.46**	**40,000,000**
Exercised during the year	–	–
Lapsed during the year	**1.45**	**(2,660,000)**
Outstanding at the end of the year	**1.46**	**37,340,000**
Exercisable at the end of year	–	–

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

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

The options outstanding at 31 December 2017 had a weighted average remaining contractual life of 9.2 years (31 December 2016: Nil).

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Construction in progress HK$'000	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and fittings HK$'000	Network, computers and office equipments HK$'000	Motor vehicles HK$'000	Broadcasting and production equipments HK$'000	Total HK$'000
Cost and valuation:									
At 1 January 2017	581,152	247,500	57,866	26,557	5,556	91,559	23,348	83,656	1,117,194
Additions	97,630	–	–	28,298	3,670	23,331	29,198	1	182,128
Transfer from construction in progress to other assets	(615,822)	–	593,015	–	–	22,807	–	–	–
Additions through acquisition of a subsidiary	–	–	–	–	134	162	–	–	296
Disposals	–	–	–	(16,686)	(196)	(1,365)	(693)	(25)	(18,965)
Transfer from leasehold land and buildings to investment properties (note b)	–	64,500	(47,400)	–	–	–	–	–	17,100
Fair value adjustment	–	80,500	–	–	–	–	–	–	80,500
At 31 December 2017	62,960	392,500	603,481	38,169	9,164	136,494	51,853	83,632	1,378,253
Representing:									
Cost	62,960	–	603,481	38,169	9,164	136,494	51,853	83,632	985,753
Valuation — 2017	–	392,500	–	–	–	–	–	–	392,500
	62,960	392,500	603,481	38,169	9,164	136,494	51,853	83,632	1,378,253
Accumulated depreciation and impairment losses:									
At 1 January 2017	43,487	–	7,164	11,565	3,131	65,074	10,482	59,243	200,146
Charge for the year	–	–	14,663	4,463	944	13,797	5,134	7,774	46,775
Transfer from construction in progress to other assets	(43,487)	–	43,487	–	–	–	–	–	–
Transfer from leasehold land and buildings to investment properties (note b)	–	–	(6,479)	–	–	–	–	–	(6,479)
Written back on disposals	–	–	–	(12,519)	(196)	(1,342)	(496)	(23)	(14,576)
At 31 December 2017	–	–	58,835	3,509	3,879	77,529	15,120	66,994	225,866
Net book value:									
At 31 December 2017	62,960	392,500	544,646	34,660	5,285	58,965	36,733	16,638	1,152,387

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amount (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$'000	Network, computers and office equipments HK$'000	Motor vehicles HK$'000	Broadcasting and production equipments HK$'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 — 2016	–	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
Written back on disposals	–	–	–	–	(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

(b) During the year ended 31 December 2017, the Group leased out a formerly self-occupied property resulting in a change of use from self-use to leasing for rental income, and the Group transferred this property from leasehold land and building to investment property accordingly. The carrying value of the property on the date of transfer amounting to HK$40,921,000 (note 12(a)) and a revaluation surplus of HK$23,579,000, representing the difference between the fair value and carrying value of the property on the date of transfer, was credited to revaluation reserve in equity.

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) 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 the end of the reporting period 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	**Level 1**	**Level 2**	**Level 3**
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements				
Investment properties:				
— 31 December 2017	**392,500**	**–**	**392,500**	**–**
— 31 December 2016	247,500	–	247,500	–

During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 December 2016: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2017. 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 interim and 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)

(d) Assets leased out under operating lease

The Group leases out investment properties under operating lease. The lease typically runs for an initial period of 5 years. None of the lease includes contingent rentals.

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

Total future minimum lease payments under non-cancellable operating lease are as follows:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Leases in respect of investment properties which are receivable:		
Within 1 year	**22,440**	4,761
After 1 year but within 5 years	**75,767**	–
	98,207	4,761

(e) 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 2017 HK$'000	31 December 2016 HK$'000
Medium-term leases	**1,000,106**	835,867
Representing:		
Construction in progress carried at cost less impairment loss	**62,960**	537,665
Leasehold land and buildings carried at cost less accumulated depreciation	**544,646**	50,702
Investment properties carried at fair value	**392,500**	247,500
	1,000,106	835,867

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(f) Further particulars of the Group's leasehold land and properties interest at 31 December 2017 are as follows:

Location	Use	Lease term	Attributable interest of the Group
12/F,14/F–16/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, 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$'000	Merchant relationship HK$'000	Brand name HK$'000	Total HK$'000
Cost:						
At 1 January 2017	**146,591**	**226,700**	**90,243**	**–**	**–**	**463,534**
Acquired in business combination	**–**	**–**	**–**	**163**	**2,477**	**2,640**
At 31 December 2017	**146,591**	**226,700**	**90,243**	**163**	**2,477**	**466,174**
Accumulated amortisation and impairment losses:						
At 1 January 2017	**146,591**	**163,268**	**41,427**	**–**	**–**	**351,286**
Charge for the year	**–**	**4,116**	**9,024**	**61**	**1,859**	**15,060**
At 31 December 2017	**146,591**	**167,384**	**50,451**	**61**	**1,859**	**366,346**
Net book value:						
At 31 December 2017	**–**	**59,316**	**39,792**	**102**	**618**	**99,828**

	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:				
At 1 January 2016 and 31 December 2016	146,591	226,700	90,243	463,534
Accumulated amortisation and impairment losses:				
At 1 January 2016	146,591	159,145	32,388	338,124
Charge for the year	–	4,123	9,039	13,162
At 31 December 2016	146,591	163,268	41,427	351,286
Net book value:				
At 31 December 2016	–	63,432	48,816	112,248

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, merchant relationship and brand name from the acquisition of a subsidiary during the year ended 31 December 2017 for terms of 2 years and 1 year respectively.

(Expressed in Hong Kong dollars unless otherwise indicated)

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 of company	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
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	Hong Kong	Inactive	Ordinary HK$1	100
Hong Kong Music Network Limited	Hong Kong	Inactive	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 of company	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	Percentage of interest held
HoKoBuy Limited (formerly known as Shift Media Group Limited)	Hong Kong	E-commerce business	Ordinary HK$26,509,254	100
Leader Artiste Management Company Limited	Hong Kong	Provision of management and agency services to artistes in Hong Kong	Ordinary HK$100	100
Fortune Land Leasing Limited	Hong Kong	Inactive	Ordinary HK$1	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
Home Talent Limited	Hong Kong	Inactive	Ordinary HK$1	100
Sunny Nice Limited	Hong Kong	Inactive	Ordinary HK$1	100
Crown Goal Limited	Hong Kong	Inactive	Ordinary HK$1	100
Win Joint Limited	Hong Kong	Inactive	Ordinary HK$1	100
City Force Limited	Hong Kong	Inactive	Ordinary HK$1	100
Aqua Line Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100
Profit China Limited	Hong Kong	Inactive	Ordinary HK$1	100
Harbour Choice Limited	Hong Kong	Inactive	Ordinary HK$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 2017 HK$'000	31 December 2016 HK$'000
Available-for-sale debt securities:		
— Maturity dates within 1 year	**201,004**	355,406
— Maturity dates over 1 year	**624,828**	788,310
	825,832	1,143,716
Available-for-sale equity securities:		
— Listed	**35,794**	28,538
— Unlisted	**14,539**	11,171
	50,333	39,709
	876,165	1,183,425

The available-for-sale securities were carried at fair value as at 31 December 2017 and 31 December 2016.

	31 December 2017 HK$'000	31 December 2016 HK$'000
Fair value of individually impaired financial assets:		
— Available-for-sale equity securities	**4,455**	3,212

At 31 December 2017 and 2016, an available-for-sale equity security was individually determined to be impaired on the basis of a material decline in its fair value below cost, which indicated that the cost of the Group's investments in it may not be recovered.

No further impairment losses were charged to consolidated income statement during the year ended 31 December 2017.

17 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 December 2017 HK$'000	31 December 2016 HK$'000
Other receivables, deposits and prepayments	**63,276**	39,201

Other receivables, deposits and prepayments consist of rental deposits, interest receivables, prepayments and other receivables. All of the other receivables, except rental deposits and others amounting to HK$15,464,000 (31 December 2016: HK$8,658,000), are expected to be recovered within one year.

18 CASH AT BANK AND IN HAND

	31 December 2017 HK$'000	31 December 2016 HK$'000
Time deposits with banks within three months of original maturity	**–**	2,605
Cash at bank and in hand	**100,199**	41,792
Cash at bank and in hand in the consolidated statement of financial position	**100,199**	44,397

19 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	31 December 2017 HK$'000	31 December 2016 HK$'000
Accounts payable	**92,951**	22,714
Other payables and accrued charges	**154,840**	115,942
	247,791	138,656

19 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES (continued)

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

	31 December 2017 HK$'000	31 December 2016 HK$'000
Current–30 days	**87,591**	18,985
31–60 days	**882**	766
61–90 days	**882**	220
Over 90 days	**3,596**	2,743
	92,951	22,714

(b) Other payables and accrued charges

Other payables and accrued charges primarily consist of accrual for Talent salaries and bonus, deferred revenue for unearned E-commerce income, payable for purchase of property, plant and equipment, outsourced manpower services expenses and advertising and promotional expenses.

20 BANK LOANS

The bank loans were repayable as follows:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Within 1 year	**219,623**	184,144

At 31 December 2017, the uncommitted banking facilities of the Group amounted to HK$1,177,007,000 (31 December 2016: HK$1,182,763,000). The facilities were utilised to the extent of bank loans of HK$219,623,000 (31 December 2016: HK$184,144,000).

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 2017 and 2016, none of the covenants relating to drawn down facilities had been breached.

At 31 December 2017, the bank loans of HK$219,623,000 bore fixed interest rates from 1.4% to 2.0% per annum (31 December 2016: 1.0% to 1.2%). At 31 December 2017 and 2016, all bank loans were secured by certain of the Group's available-for-sale securities with an equivalent amount to the bank loans.

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:

Company

	Share capital HK$'000	Capital reserve HK$'000	Fair value reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2017	**1,268,914**	**–**	**(18,410)**	**1,459,783**	**2,710,287**
Changes in equity for 2017:					
Loss attributable to equity shareholders	**–**	**–**	**–**	**(9,764)**	**(9,764)**
Other comprehensive income	**–**	**–**	**18,547**	**–**	**18,547**
Total comprehensive income for the year	**–**	**–**	**18,547**	**(9,764)**	**8,783**
Equity-settled share-based transactions	**–**	**28,805**	**–**	**–**	**28,805**
Balance at 31 December 2017	**1,268,914**	**28,805**	**137**	**1,450,019**	**2,747,875**
Balance at 1 January 2016	1,268,914	–	(33,552)	1,446,681	2,682,043
Changes in equity for 2016:					
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
Balance at 31 December 2016	1,268,914	–	(18,410)	1,459,783	2,710,287

21 CAPITAL AND RESERVES (continued)

(b) Issued share capital

	31 December 2017		31 December 2016	
	No. of shares	**Amount HK$'000**	No. of shares	Amount HK$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**809,016,643**	**1,268,914**	809,016,643	1,268,914

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

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

(c) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in note 1(h)(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 end of the reporting period and is dealt with in accordance with the accounting policies in notes 1(f) and 1(k)(i).

(e) Exchange reserve

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

(f) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(p)(iv).

21 CAPITAL AND RESERVES (continued)

(g) 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, but excluded pledged bank deposit.

The net debt to net asset gearing ratio as at 31 December 2017 and 2016 are as follows:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Bank loans	**(219,623)**	(184,144)
Less: Cash at bank and in hand	**100,199**	44,397
Net debt	**(119,424)**	(139,747)
Net assets	**1,862,632**	1,996,663
Net debt to net asset gearing ratio (times)	**0.06**	0.07

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

22 DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax asset and liability

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

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation HK$'000	Tax losses carried forward HK$'000	Total HK$'000
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)
At 1 January 2017	**(28,077)**	**27,084**	**(993)**
(Charged)/credited to consolidated income statement	**(2,310)**	**1,147**	**(1,163)**
At 31 December 2017	**(30,387)**	**28,231**	**(2,156)**

(ii) Reconciliation to the consolidated statement of financial position

	31 December 2017 HK$'000	31 December 2016 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,156)**	(993)

(b) Deferred tax assets not recognised

As at 31 December 2017, the Group did not recognise deferred tax assets in respect of unused tax losses of HK$1,723,527,000 (31 December 2016: HK$1,395,674,000) as it is not probable that future taxable profits against which the losses could be utilised would be available in the relevant tax jurisdictions and entity. The tax losses do not expire under the current tax legislation.

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to cash used in operations:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Loss before taxation	**(203,757)**	(257,042)
Adjustments for:		
Depreciation of property, plant and equipment	**46,775**	34,230
Provision for onerous contract	**3,300**	–
Bank interest income	**(44)**	(634)
Equity-settled share-based payment	**28,805**	–
Interest income from available-for-sale debt securities	**(50,537)**	(68,182)
Dividend income from available-for-sale equity securities	**(2,240)**	(1,693)
Gain on disposal of available-for-sale securities	**(2,201)**	(2,057)
Loss on disposal of property, plant and equipment	**3,436**	92
Valuation gains on investment properties	**(80,500)**	(6,700)
Amortisation of intangible assets	**15,060**	13,162
Interest expenses on bank loans	**1,778**	828
Write down of inventories	**1,609**	588
Exchange (gain)/loss, net	**(16,460)**	16,186
Net cash used before working capital changes	**(254,976)**	(271,222)
Changes in working capital:		
Decrease in long term receivables, deposits and prepayments	**1**	371
(Increase)/decrease in other receivables, deposits and prepayments	**(20,251)**	22,551
Increase in inventories	**(10,688)**	(3,069)
Increase in accounts payable, other payables, accrued charges and deposits received	**87,956**	43,640
Net cash used in operating activities	**(197,958)**	(207,729)

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans HK$'000 (Note 20)	Interests payable HK$'000	Total HK$'000
At 1 January 2017	**184,144**	**141**	**184,285**
Changes from financing cash flows:			
Proceeds from new bank loans	1,813,888	–	1,813,888
Repayments of bank loans	(1,778,427)	–	(1,778,427)
Interests paid on bank loans	–	(1,531)	(1,531)
Total changes from financing cash flows	35,461	(1,531)	33,930
Exchange adjustment	18	–	18
Other change:			
Interest expenses (note 4(b))	–	1,778	1,778
Total other change	–	1,778	1,778
At 31 December 2017	**219,623**	**388**	**220,011**

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

The Group's credit risk is primarily attributable to other receivables, cash at bank and available-for-sale debt securities. Management has a credit policy in place and the exposures to these credit risks are 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.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

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 2017, 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 2017, 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.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay.

	31 December 2017			31 December 2016		
	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	**219,623**	**220,382**	**220,382**	184,144	184,399	184,399
Accounts payable	**92,951**	**92,951**	**92,951**	22,714	22,714	22,714
Other payables and accrued charges	**154,840**	**154,840**	**154,840**	115,942	115,942	115,942
Deposits received	**4,286**	**4,286**	**4,286**	1,905	1,905	1,905
	471,700	**472,459**	**472,459**	324,705	324,960	324,960

(Expressed in Hong Kong dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily 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 2017 HK$'000	31 December 2016 HK$'000
Fixed rate instruments		
— Other financial assets:		
available-for-sale debt securities	**825,832**	1,143,716
— Bank loans	**(219,623)**	(184,144)
	606,209	959,572

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 variables held constant, a decrease or increase of 100 basis-points in interest rates at the end of the reporting period would have increased or decreased equity by HK$17,871,000 (31 December 2016: HK$22,130,000).

The Group accounts for the bank loans at amortised cost, therefore a change in interest rates at the end of the reporting period would not affect profit or loss and equity.

(d) Foreign currency risk

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

The following table details the Group's exposure at the end of the reporting period 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 year end date.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Foreign currency risk (continued)

	Exposure to foreign currencies (expressed in HKD)					
	31 December 2017			31 December 2016		
	USD HK$'000	RMB HK$'000	EUR HK$'000	USD HK$'000	RMB HK$'000	EUR HK$'000
Cash at bank and in hand	**2,361**	**1,641**	**42,777**	7,514	3,068	9,093
Other financial assets:						
— Available-for-sale debt securities	**665,507**	**112,058**	**–**	882,329	213,760	–
— Available-for-sale equity securities	**14,539**	**–**	**–**	11,171	–	–
	682,407	**113,699**	**42,777**	901,014	216,828	9,093

Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss for the year and other components of consolidated equity that would arises if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HKD and the United States dollars ("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 2017			
RMB	**5%**	**6,059**	**(374)**
	(5%)	**(6,059)**	**374**
EUR	**5%**	**2,139**	**–**
	(5%)	**(2,139)**	**–**
31 December 2016			
RMB	5%	11,497	(656)
	(5%)	(11,497)	656
EUR	5%	455	–
	(5%)	(455)	–

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 end of the reporting period. The analysis is performed on the same basis as at 31 December 2016.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Equity price risk

The Group is exposed to equity price changes arising 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 the end of the reporting period would have increased or decreased equity by HK$5,033,000 (31 December 2016: HK$3,971,000). 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 measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period 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 values 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 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 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
31 December 2017				
Assets:				
— Available-for-sale debt securities	**–**	**825,832**	**–**	**825,832**
— Available-for-sale equity securities	**35,794**	**14,539**	**–**	**50,333**
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

During the year ended 31 December 2016 and 2017, 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 end of the reporting period 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 end of the reporting period.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF 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 were not materially different from their fair value as at 31 December 2016 and 2017.

25 COMMITMENTS

(a) Capital commitments

	31 December 2017 HK$'000	31 December 2016 HK$'000
Purchase of computer and office equipment		
Contracted but not provided for	**151,389**	42,636
Construction of Multimedia Production and Distribution Centre		
Contracted but not provided for	**2,581**	26,937

(b) Commitments under operating leases

At 31 December 2017 and 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Within 1 year	**35,438**	29,676
After 1 year but within 5 years	**20,812**	38,924
	56,250	68,600

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 1 to 3 years.

The above commitments represent basic rents only and do not include contingent rents payable in respect of certain retail shops leased by the Group. In general, these contingent rents are calculated based on the relevant retail shops' revenue pursuant to the terms and conditions as set out in the respective rental agreement. It is not possible to estimate in advance the amount of such contingent rent payable.

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 of the Group, including amounts paid to the Company's directors as disclosed in note 10(a), is as follows:

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Short-term Talent benefits	**3,549**	12,201
Post-employment benefits	**203**	979
Equity-settled share-based payment	**21,261**	–
	25,013	13,180

27 BUSINESS COMBINATION

Acquisition of a subsidiary

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 HoKoBuy Limited (formerly known as Shift Media Group Limited) ("HoKoBuy"), at an initial consideration of US$0.67 million (equivalent to approximately HK$5.21 million) in cash, which was subsequently adjusted for the net working capital to US$0.27 million (equivalent to HK$2.07 million) 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 HoKoBuy and Groupon pursuant to which Groupon will provide or cause to provide to HoKoBuy (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.

The financial results of the Group as of and for the year ended 31 December 2017 include HoKoBuy's financial results from 4 March 2017 through 31 December 2017. HoKoBuy contributed HK$47 million of revenue and incurred net loss of HK$9 million (excluding transaction costs used for the acquisition) to the consolidated financial results of the Group for the year ended 31 December 2017.

If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue would have been HK$499 million, and consolidated loss for the period would have been HK$207 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

27 BUSINESS COMBINATION (continued)

Acquisition of a subsidiary (continued)

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date as a allocation of the purchase price.

	Note	Acquiree's fair value at acquisition date HK$'000
Property, plant and equipment		296
Goodwill		897
Merchant relationship	13	163
Brand name	13	2,477
Trade and other receivables		10,353
Cash and bank balances		13,110
Trade and other payables		(25,228)
Net identifiable assets acquired and satisfied by cash consideration		2,068

Net cash flow arising on acquisition:	HK$'000
Purchase consideration for acquisition of a subsidiary, settled in cash	2,068
Cash and bank balances in business acquired	(13,110)
Cash inflow on acquisition of a subsidiary	(11,042)

The entire goodwill is allocated to the E-commerce CGU of the Group.

28 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the estimated useful lives of the assets and their residual values, if any. The useful lives are based on the Group's historical experience with similar assets. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Sources of estimation uncertainty

Notes 11, 12(c) and 24(f) contain information about the assumptions and their risk factors relating to fair value of share options granted, investment properties and financial instruments.

29 PLEDGED BANK DEPOSIT

As at 31 December 2017, the Group has pledged bank deposit of US$0.5 million (equivalent to HK$3.9 million) as security for the banking facilities of US$0.5 million (equivalent to HK$3.9 million) granted by a bank for foreign exchange and interest rate hedging arrangement. As at 31 December 2017, the Group did not enter into any hedging arrangement.

(Expressed in Hong Kong dollars unless otherwise indicated)

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2017 HK$'000	31 December 2016 HK$'000
Non-current assets			
Property, plant and equipment		**3,104**	734
Intangible assets		**99,108**	112,248
Investment in subsidiaries		**1,963,692**	1,577,348
Other financial assets		**675,161**	828,019
		2,741,065	2,518,349
Current assets			
Other receivables, deposits and prepayments		**16,067**	19,190
Other current financial assets		**201,004**	355,406
Pledged bank deposit		**3,905**	–
Cash at bank and in hand		**58,569**	29,903
		279,545	404,499
Current liabilities			
Other payables and accrued charges		**27,976**	26,799
Bank loans		**219,623**	184,144
Amounts due to subsidiaries		**25,136**	1,618
		272,735	212,561
Net current assets		**6,810**	191,938
NET ASSETS		**2,747,875**	2,710,287
CAPITAL AND RESERVES	21		
Share capital		**1,268,914**	1,268,914
Reserves		**1,478,961**	1,441,373
TOTAL EQUITY		**2,747,875**	2,710,287

Approved and authorised for issue by the board of directors on 27 March 2018.

Wong Wai Kay, Ricky
Director

Cheung Chi Kin, Paul
Director

31 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 27 March 2018, the Company informed the Communication Authority ("the Authority") that the Company would not continue to pursue the application for a domestic free television programme service licence, and that its application submitted to the Authority on 11 April 2014 would be withdrawn. The Group would also surrender the Unified Carrier Licence (No. 041) together with the radio spectrum of 678–686 MHz to the Authority and cease the provision of the broadcast-type mobile TV service on 31 March 2018 or such other date as the Authority might reasonably direct.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 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
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
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations 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 consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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 and measurement of financial liabilities. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. 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 for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

— For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at FVTOCI will continue with their respective classification and measurements upon the adoption of HKFRS 9.

(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 either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The application of the expected credit loss model may result in an earlier recognition of credit losses on the Group's other financial assets. Based on a preliminary assessment, the Group has assessed that the expected credit loss model is not likely to have material impact on the accumulated impairment loss, opening balances of net assets and retained profits at 1 January 2018, if the Group was to adopt the new impairment requirement at 31 December 2017.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contract*, which specifies the accounting treatment for revenue from construction contract. Based on the assessment completed to date, the Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises commission income and revenue from merchandise sales.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 15, Revenue from contracts with customers (continued)

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 1(t). Currently, commission income and revenue from merchandise sales are recognised when the customers have 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. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

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

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

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

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

The Group has assessed that its sales' activities do not meet the criteria for recognising revenue over time and therefore commission income and revenue from merchandise sales will continue to be recognised at a point in time, being when the customers has accepted the goods.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears. Currently, the Group does not apply such a policy as payments are received in advance before the relevant goods are delivered for E-commerce business.

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

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 16, Leases (continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the income statement over the period of the lease. As disclosed in note 25(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$56,250,000 for properties, the majority of which is payable either within 1 year or between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. 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 effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

The Group has not yet decided whether it will choose to take advantage of the practical expedient, and which transition approach to be taken.

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 2017, 31 December 2016, 31 December 2015, Sixteen months ended 31 December 2014, and year ended 31 August 2013:

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000	Sixteen months ended 31 December 2014 HK$'000	Year ended 31 August 2013 HK$'000
Results					
Turnover	**487,257**	187,071	112,810	23,027	7,802
Loss before taxation	**(203,757)**	(257,042)	(812,466)	(236,797)	(41,969)
Taxation	**(1,163)**	(74)	(93)	(205)	1,659
Loss after taxation	**(204,920)**	(257,116)	(812,559)	(237,002)	(40,310)
Assets					
Property, plant and equipment	**1,152,387**	917,048	560,335	550,159	531,277
Intangible assets	**99,828**	112,248	125,410	391,198	291,366
Goodwill	**897**	–	–	–	–
Long term receivable and prepayment	**11,912**	8,209	31,445	285	133
Other financial assets	**876,165**	1,183,425	1,445,752	1,784,363	1,961,614
Current assets	**195,299**	101,431	255,939	1,212,432	1,048,657
Total assets	**2,336,488**	2,322,361	2,418,881	3,938,437	3,833,047
Liabilities					
Current liabilities	**471,700**	324,705	179,345	882,450	576,947
Non-current liabilities	**2,156**	993	919	826	5,478
Total liabilities	**473,856**	325,698	180,264	883,276	582,425
Net assets	**1,862,632**	1,996,663	2,238,617	3,055,161	3,250,622

Corporate Information

FINANCIAL CALENDAR

Financial year ended:
31 December 2017

Annual results announced:
27 March 2018

Closure of register of members for Annual General Meeting:
18 May 2018 to 24 May 2018

Annual General Meeting:
24 May 2018

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)
Mr. LAU Chi Kong [3] (Chief Operating Officer)
Ms. ZHOU Huijing [3]

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

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Certified Public Accountants
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Share Registrar

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Wanchai, Hong Kong

American Depositary Bank

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Principal Bankers

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

Website

www.hktv.com.hk

Where the English and the Chinese texts conflict, the English text prevails
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