有線寬頻 i-CABLE

i-CABLE COMMUNICATIONS LIMITED

STOCK CODE: 1097

2017
ANNUAL REPORT

CONTENTS

The English text of this annual report shall prevail over the Chinese text in case of inconsistencies or discrepancies.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Tan Sri Dato' David CHIU *(Chairman)*
Dr. CHENG Kar-Shun, Henry *GBM, GBS (Vice-chairman)*
Dr. CHENG Chi-Kong, Adrian *JP*
Mr. TSANG On Yip, Patrick
Mr. HOONG Cheong Thard

Executive Director

Mr. Andrew Wah Wai CHIU

Independent Non-executive Directors

Mr. LAM Kin-Fung, Jeffrey *GBS, JP*
Mr. HU Shao Ming Herman *SBS, JP*
Mr. LUK Koon Hoo, Roger *BBS, JP*
Mr. TANG Sing Ming Sherman

AUDIT COMMITTEE

Mr. LUK Koon Hoo, Roger *(Chairman)*
Mr. HOONG Cheong Thard
Mr. TANG Sing Ming Sherman

NOMINATION COMMITTEE

Tan Sri Dato' David CHIU *(Chairman)*
Mr. LAM Kin-Fung, Jeffrey
Mr. LUK Koon Hoo, Roger

COMPENSATION COMMITTEE

Mr. LAM Kin-Fung, Jeffrey *(Chairman)*
Tan Sri Dato' David CHIU
Mr. TSANG On Yip, Patrick
Mr. HU Shao Ming Herman
Mr. LUK Koon Hoo, Roger

AUTHORISED REPRESENTATIVES

Mr. Andrew Wah Wai CHIU
Mr. KWOK Chi Kin

COMPANY SECRETARY

Mr. KWOK Chi Kin

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

8th Floor, Cable TV Tower,
9 Hoi Shing Road,
Tsuen Wan,
Hong Kong

AUDITOR

KPMG, Certified Public Accountants

CORPORATE WEBSITE

www.i-cablecomm.com

STOCK CODE

01097

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to announce that, with the relentless effort of our directors, management and employees, i-CABLE Communications Limited (the "Company" or "i-CABLE"), its subsidiaries and consolidated structured entities (collectively "the Group") continues its business operations and Forever Top (Asia) Limited became a controlling shareholder of the Company (the "Shareholder") in September 2017. It is also encouraging that the government granted and Hong Kong Cable Television Limited, a wholly-owned subsidiary of the Company, accepted the offer of the renewal of the domestic pay television programme service licence for a period of 12 years until May 31, 2029. In addition, Fantastic Television Limited ("Fantastic TV"), launched its integrated Cantonese channel under the domestic free television programme service licence in May 2017.

Revenue of the Group for the year ended December 31, 2017 decreased by approximately HK$148 million or 11% to approximately HK$1,258 million. The Group recorded a loss of approximately HK$363 million for the year ended December 31, 2017, representing an increase of approximately 16%, as compared with a loss of approximately HK$313 million for the year ended December 31, 2016. Basic and diluted loss per share for the year ended December 31, 2017 was approximately 10.1 HK cents.

The Group's financial performance in 2017 was affected by the decline of advertising and subscription revenue and recurrent losses in recent years significantly weakened our liquidity and increased the dependency on external financing.

In September 2017, the Company completed an open offer (the "Open Offer") of 3,352,520,666 ordinary shares of the Company (the "Shares") for net proceeds of approximately HK$687 million and completed the conversion of the loan capitalisation amount (the "Loan Capitalisation") of HK$300 million to 841,987,090 Shares. The financial position of the Group was improved. Consolidated net asset value of the Group as at December 31, 2017 was approximately HK$1,130 million, representing an increase of approximately 124%, as compared with approximately HK$505 million as at December 31, 2016. As at December 31, 2017, the Group had net cash, being bank deposits and cash less total interest-bearing borrowings, of approximately HK$90 million, comparing to a net debt of approximately HK$484 million as at December 31, 2016.

As a significant milestone in the Group's history since the launch of pay television services in October 1993, Fantastic TV launched its integrated Cantonese channel in May 2017, and is in preparation for the launch of its integrated English channel. The Group has learned from the market over the years and will continue to stay much closer to the market and to respond to market changes, thereby enabling us to take corresponding actions early on.

With respect to the subscription business, a series of business initiatives were taken to contain customer attrition. FANhub is an enhanced pay television service with a full featured, "video-on-demand", interactive HD (high definition) set top box to enrich customer experience. Along with the Group's aims of offering distinct and premium service to our customers, the enriched HD channels would definitely satisfy different customers' expectations and drive new revenue. Network enhancement to higher-speed broadband Gigabit-capable Passive Optical Networks ("GPON") service was progressing on track and the faster and more reliable broadband service would certainly strengthen our competitiveness.

As to programming, i-CABLE's news has always been well-recognised by the market, as evidenced by the number one ranking in news and finance channel in the Appreciation Index for the first two quarters of 2017. It also received two 37th Annual Telly Awards, five Hang Seng Management College Business Journalism Awards and two 16th Consumer Rights Reporting Awards. The Group's self-produced entertainment programmes focused on local and international entertainment news for the purpose of fostering relationships with different partners in the entertainment industry. The Group also offered a wide range of movie choices with emphasis on local market flavour, providing not only mass appealing but also critically acclaimed movies to subscribers.

Recently, the Group enriched our content by adding new channels relating to sports, entertainment, lifestyle and news to our pay television platform, which serves to perfectly complements i-CABLE's award winning news and creative local production programmes, and provides a range of new genres for our subscribers.

Under the new management, the Group believes that, with continuous self-improvement initiatives and innovative ideas, the media industry will go through major transformations. In order to accommodate to this inevitable trend and to capitalise on the market movement, the Group shall always keep abreast of latest development of the market and related technologies. It is widely believed in the market that the ability of identifying the right path for development is of utmost importance for our sustainable growth in the future.

Also, I would like to take this opportunity to welcome our new Chief Operating Officer, Ms. Leung Shuk Yee Irene for joining us. Ms. Leung is a seasoned senior management with extensive knowledge and experience in the telecommunication industry. I believe, with her expertise, professionalism and experience in driving transformation, Ms. Leung will direct the Group to a right way in the challenging market.

As we are rebuilding the Group for the future, we shall be innovative and courageous enough to take challenges ahead hand in hand. All in all, we are thankful for the patience and continuous support from all of our dedicated employees, the new management, invaluable business partners, shareholders and investors. We look forward to sharing the rewards ahead with you.

Tan Sri Dato' David CHIU
Chairman

Hong Kong, March 22, 2018

BUSINESS REVIEW

OPERATING ENVIRONMENT

The Group's financial performance in 2017 was affected by the decline of advertising and subscription revenue. The decline of the advertising revenue was mainly due to the competition from free television, digital and OTT (over-the-top) platforms. On the subscription business front, contraction of customer base remained. Fantastic TV launched its integrated Cantonese channel in May 2017 and is in preparation for the launch of its integrated English channel.

Business

Keen competition in the market has continued to contract the subscription customer base of pay television ("Pay TV") service and broadband service, however, the subscription average revenue per user was only slightly affected.

Customers ('000)	**December 2017**	December 2016
Television	**850**	909
Broadband	**149**	156
Telephony	**90**	95

FANhub with enhanced content viewing features combined with our mobile app served as a major proposition to facilitate the acquisition and retention of Pay TV subscription customers. The viewing experience was enriched with multi-screen function, allowing our subscribers to watch our content more conveniently.

As the Group continues to upgrade our network to provide high speed GPON services our subscribers are able to enjoy more stable and faster internet access. The Group will continue to enhance the FANhub platform to support our enhanced and interactive services.

Impacted by the continuous down trend in the retail sector and cut-throat competition, airtime sales business of Pay TV underperformed in 2017 although flexible pricing and other value-added services have been deployed during the period.

With the launch of the integrated Cantonese channel by Fantastic TV in May 2017, the Group expected airtime sales to pick up. However, in view of the emergence and remarkable growth of digital platforms (e.g. OTT), and the lack of signature local programmes to attract eyeballs during the year, airtime sales business of Pay TV and Fantastic TV remained sluggish.

The Group is under-going the evaluation of various new initiatives, aiming to accelerate revenue growth in 2018.

Programming

i-CABLE's news has always been well-recognised by the market, as evidenced by the number one ranking in news and finance channel in the Appreciation Index for the first two quarters of 2017. It also received two 37th Annual Telly Awards, five Hang Seng Management College Business Journalism Awards and two 16th Consumer Rights Reporting Awards. The Group's self-produced entertainment programmes focused on local and international entertainment news for the purpose of fostering relationships with different partners in the entertainment industry. The Group also offered a wide range of movie choices with emphasis on local market flavour, providing not only mass appealing but also critically acclaimed movies to subscribers.

Self-productions continued to embrace originality and local flavours. It comprised a rich and diversified 'family viewing' genre ranging from health, food, pets, celebrity talkshow, infotainment, music to travel and family relationship. Programme highlights include "Chapmanology" (杜汶澤食住上), "Trips with Mom" (帶阿媽去旅行), "Health-fie" (身 • 醫 • 管), "Hong Kong is..." (香港事 • 香港是), "Francis & Friends" (天下第一Friend), "Entrapment" (中伏), "PAPA Go" (冇大冇細), "The Canine Coach" (煉狗術師), "Golden Melody" (歲月如歌), etc.

In 2017, the Group continued to offer major soccer events such as UEFA Champion League, German Bundesliga, J.League, etc. We also cover horse racing and carry various top non-soccer sports events like FIBA Men's Basketball World 2019 Qualifiers, CBA, ASEAN Basketball League, FIVB World Grand Prix Volleyball, BWF World Badminton Championships, etc.

Recently, the Group enriched our content by adding new channels relating to sports, entertainment, lifestyle and news to our pay television platform, which serves to perfectly complements i-CABLE's award winning news and creative local production programmes, and provides a range of new genres for our subscribers.

Principal Risks and Uncertainties Facing the Group

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

The television segment is experiencing intense competition in a crowded marketplace with a super dominant operator and changing user behavior. A wider range of contents is available on new platforms and various mobile devices for users to select and view anytime and anywhere. An abundant supply of contents intensified competition, which further weakened the demand for our subscription content. At the same time, the much keener competition for content has raised costs. They combine to weaken the Group's operating results. Nevertheless, the Group will make prudent and necessary investment in content and infrastructure to strengthen our competitiveness.

The internet and multimedia segment is faced with fast changing technology and customers are constantly demanding for better quality and higher-speed internet service. The Group's operations depend on its ability to innovate and the successful deployment of new technologies. The Group will continue to enhance its network and bring better quality service to the customers. The enhancement would strengthen our competitiveness and bring in revenue growth potential.

Recurrent losses have weakened the Group's financial position and increased its dependency on external financing.

The Group also exposed to certain financial risks which are set out in Note 27 to the consolidated financial statements.

BUSINESS MODEL

The Group is an integrated communications services provider in Hong Kong, commanding a large and influential television viewer and communications service user base in town.

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

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

BUSINESS STRATEGY

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

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(A) ABOUT THIS REPORT

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

This is the third report for the Group to demonstrate our continued commitment to environmental, social and governance ("ESG") responsibilities. The Group places greater emphasis on ESG issues relating to product responsibility, employee safety, supply chain management and environmental protection, as we believe these are the primal concerns of our stakeholders and the community.

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

For the financial year ended December 31, 2017 as covered by this report, the Company has complied with the "comply or explain" provisions in respect of general disclosures set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(B) SOCIAL

1. Community

1.1 Community Investment

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

Volunteer Service

Established in 2003, our staff volunteering team continued to grow. Leading charitable organisations that we worked with include The Lok Sin Tong Benevolent Society, Kowloon, Youth Outreach, Tsing Yi (South) Integrated Family Service Centre, The Salvation Army and Tai Po Geoheritage Centre. Activities and events included visits to elderly homes, collection of books and stationeries for donation to needy children, improvement projects for wildlife habitats, as well as fundraising initiatives.

(B) SOCIAL (Continued)

1. Community (Continued)

1.1 Community Investment (Continued)

Community Support

The Group offers care and opportunities for less-privileged students since we are concerned about the development of our community. We partnered with Buddhist Wong Wan Tin College to provide assistance to students in terms of learning, personal and moral development as well as career planning.

Community Engagement

Our news team has undertaken to produce the programme "Making a Difference" covering over 600 touching stories in town by exploring encouraging stories with non-profit-making organisations, individuals or organisations with a passion for life; turning these into news segments and "Making a Difference" a reality. We hope to bring more positive energy to Hong Kong and raise public awareness of minority groups and people in need.

2. Employment and Labour Practices

2.1 Employment

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

The following Hong Kong laws in relation to the employment and labour policies are relevant to the Group:

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

Employee Statistics

2017 Total Workforce			2016 Total Workforce		
Number of employee			Number of employee		
Male	**Female**	**Total**	Male	Female	Total
1,298	**578**	**1,876**	1,469	668	2,137

(B) SOCIAL (Continued)

2. Employment and Labour Practices (Continued)

2.1 Employment (Continued)

Employee Statistics (Continued)

2017 New Hires and Employee Turnover

	Below 30		30-50		Above 50		Total	Rate
	Male	Female	Male	Female	Male	Female		
New Hires	161	100	113	53	21	3	451	0.240[(1)]
Employee Turnover	187	115	230	125	49	6	712	0.380[(2)]

2016 New Hires and Employee Turnover

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

Notes:

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

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

2.2 Health and Safety

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

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

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

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

(B) SOCIAL (Continued)

2. Employment and Labour Practices (Continued)

2.2 Health and Safety (Continued)

During the year ended December 31, 2017 there was no incidence of non-compliance with the Occupational Safety and Health Ordinance that has a significant impact on the business operations of the Group.

2017 Occupational Health and Safety Data

Fatality number	Fatality rate(1)	Injury rate(2)	Lost days rate(3)	Absentee rate(4)
–	**–**	**0.0119**	**0.0012**	**0.0105**

2016 Occupational Health and Safety Data

Fatality number	Fatality rate(1)	Injury rate(2)	Lost days rate(3)	Absentee rate(4)
–	–	0.0106	0.0008	0.0124

Notes:

(1) *Fatality rate = Total fatality number/Total number of employees*

(2) *Injury rate = Total staff affected/Total number of employees*

(3) *Lost days rate = Total number of lost days/Total days worked*

(4) *Absentee rate = Total number of absentee days/Total days worked*

2.3 Development and Training

The Company encourages vocational education and training activities, including:

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

The Company conducted around 56 corporate training events (2016: 60 corporate training events) involving 3,679 participants (2016: 7,791 participants) with a total of 42,659 training hours (2016: 79,826 training hours) to enhance work knowledge, safety compliance, service quality as well as compliance of anti-corruption during the year.

Employee Training and Development Data

2017 Average hours of training

By employment category			
Management Staff (hour)	**Senior Staff (hour)**	**General Staff (hour)**	**Total (hour)**
3.9	**19.2**	**23.8**	**22.7**

2016 Average hours of training

By employment category			
Management Staff (hour)	Senior Staff (hour)	General Staff (hour)	Total (hour)
24	22.7	41.6	37.4

(B) SOCIAL (Continued)

2. Employment and Labour Practices (Continued)

2.4 Labour Standards

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

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

The Group has received the "Good MPF Employer Award", "e-Contribution Award" and "Support for MPF Management Award" in 2016/17 from The Mandatory Provident Fund Schemes Authority for our full compliance with employers' statutory obligations and provision of better retirement for employees.

During the year ended December 31, 2017, there was no incidence of non-compliance with relevant laws and regulations relating to labour standards that has a significant impact on the business operations of the Group.

3. Operating Practices

3.1 Supply Chain Management

The Group sources from trustworthy suppliers and contractors for quality and sustainable products and services, under well-defined procurement policy. We encourage suppliers and contractors to take green measures and products that fulfill the 4Rs Rule: "Reduce, Recycle, Reuse and Replace".

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

3.2 Product Responsibility

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

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

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

(B) SOCIAL (Continued)

3. Operating Practices (Continued)

3.2 Product Responsibility (Continued)

Service Commitment

We were awarded ISO 9001:2008 Quality Management System certification & ISO 10002:2014 Quality Management — Customer Satisfaction certification, covering after-sales services and customer cases management, by SGS Hong Kong Limited in March 2016 which continues to be well maintained in 2017.

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

Intellectual Property Rights

We have Corporate General IT Control Policies and Procedures in place to manage, protect and monitor information technology (IT) systems and data. The use of unauthorised software or copying of copyrights works is not allowed under our policy.

Personal Data Policy

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

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

No substantiated complaints regarding breach of the Personal Data (Privacy) Ordinance were received in both years ended December 31, 2017 and 2016.

3.3 Anti-corruption

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

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

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

There was no legal case brought against our employees in corruption practices in both the years ended December 31, 2017 and 2016.

Whistle Blowing

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

(C) ENVIRONMENTAL

The Group recognised the importance of maintaining good environmental protection behavior across the Group by integrating environmental considerations into the business processes of the Group. The board (the "Board") of directors (the "Directors") of the Company believes that the Group is responsible for the protection of the environment and adheres to create a sustainable future for the stakeholders as well as the community in which the Group operates by the continuous contributions from our experienced management and employees. To this end, the Group focuses on three main areas which include emissions, use of resources, and the environment and natural resources.

1. Emissions

The Group works strategically and collaboratively to identify solutions for reducing greenhouse gas emissions, reducing waste production as well as reducing energy consumption by identifying rooms for improvement. During the year ended December 31, 2017, there was no incidence of non-compliance with relevant laws and regulations relating to air and greenhouse gas emissions and waste management that have a significant impact on the business operations of the Group.

1.1 Air and Greenhouse Gas Emissions

The Group promotes the minimisation of greenhouse gas emissions generated by the Group and encourages the environmental care in its working environment. The Group continuously takes the following measures to reduce the air and greenhouse gas emissions:

Fuel consumption

- reduce the number of vehicles and optimise vehicle utilisation;
- phase out pre-euro IV diesel vehicles;
- regular maintenance to reduce carbon emission;
- provide guidelines on good driving practice; and
- Green driving workshops conducted for our drivers.

Air Emissions

	2017 (in tonne)	2016 (in tonne)
NO_x emissions	**2.2**	2.5
SO_x emissions	**0.0046**	0.0054
PM emissions	**0.2**	0.2

Greenhouse Gas Emissions

	2017 (in tonne)	2016 (in tonne)
CO_2 emissions — scope 1 *(Note 1)*	**824**	843
CO_2 emissions — scope 2 *(Note 2)*	**11,517**	11,465
Total	**12,341**	12,308

Notes:

1. *Direct emissions (scope 1) includes greenhouse gas emissions from combustion of fuels in company vehicle fleet.*
2. *Energy indirectly emissions (scope 2) includes greenhouse gas emissions from consumption of electricity purchased from power companies.*

(C) ENVIRONMENTAL (Continued)

1. Emissions (Continued)

1.2. Waste Management

The Group has devoted substantial efforts to waste management by minimising solid waste to landfills through waste reducing, waste reusing and waste recycling. One of the essential measurements is through promoting the importance of waste reduction among the employees of the Group through training and education. Going paperless is always our key message passed to the employees of the Group and they are encouraged to use electronic copies for filling purpose and use of recycle papers for printing in order to reduce waste. Our efforts to reduce paper usage include implementing paperless e-Leave and e-Payroll systems.

The Group is not aware of any significant generation of hazardous waste and adopted suitable waste handling and reduction measures in accordance with local laws and regulations.

Types and amount of waste recycled in 2017

Paper and Paper Product (tonne)	**Production Equipment (piece)**	**Plastics (Video Tape) (piece)**	**Cartridge (piece)**	**Office Equipment and Computers (piece)**	**Batteries and Charger Accessories (piece)**
27	**2,314**	**22,401**	**510**	**1,513**	**238**

Types and amount of waste recycled in 2016

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

2. Use of Resources

Being a responsible corporation to the environment and the society, the Group focuses on exploring opportunities to minimise the use of energy or natural resources among the Group and with the new technologies and by improving efficiency of the operation procedures that provide the best use of production and office equipment, the management of the Group believes that the Group can improve the efficiency of the use of energy and natural resources from time to time.

Energy Management

The Group endeavours to make use of energy efficiently and to encourage employees of the Group to use energy smartly. The consumption of energy is monitored regularly and measures were taken to identify any rooms for improvement. Another key focus by the Group on how to minimise the use of resources and how to use wisely is through education and training:

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

(C) ENVIRONMENTAL (Continued)

2. Use of Resources (Continued)

Water Management

Much of the water consumption of the Group is for water-cooled air conditioning system, basic cleaning and sanitation. The Group promotes the use of water smartly by training and education. The management of the Group continuously monitors the consumption of water and explores ways to further reduce our water consumption.

Energy and Resources Consumption

	2017	2016
Electricity (kilowatt-hour)	**17,994,843**	17,913,312
Water consumption (cubic meter)	**4,396**	5,054
Diesel (litre)	**149,118**	160,202
Unleaded petrol (litre)	**152,215**	179,740
Electricity intensity (kilowatt-hour/employee)	**9,592**	8,382
Water consumption intensity (cubic meter/employee)	**2**	2
Diesel per vehicle (litre/vehicle)	**2,868**	2,913
Unleaded petrol per vehicle (litre/vehicle)	**2,114**	2,365

Note: Use of packaging material for finished product is not a material aspect of the business operations of the Group.

3. The Environment and Natural Resources

The Group explores the possibility of the usage of clean energy or reusable resources and the opportunities to minimise the use of energy or natural resources in every department in different business operations of the Group. The Group continuously adhere the principle of minimising the impact on the environment and natural resources. During the year ended December 31, 2017, the Group is not aware of any significant impacts of activities arising from the business operations of the Group on the environment and natural resources.

Environmental Friendly Programme was implemented to the Group throughout these years to bring the employees together with the management of the Company to contribute to our society. The Group takes great emphasis in the future development of our environment. In order to enhance the awareness of environmental conservation, we encouraged our staff to participate in various environmental programmes. Our volunteer team engaged in Ma Shi Chau Coastal Cleaning Programme, and the Group joined the programmes of Earth Hour 2017 and Hong Kong No Air Con Night 2017. Through the collaboration with environmental organisations including Tai Po Geoheritage Centre, Worldwide Fund and Green Sense, we believe our commitment will contribute to the betterment of our community.

(A) REVIEW OF 2017 RESULTS

Revenue of the Group for the year ended December 31, 2017 decreased by approximately HK$148 million or 11% to approximately HK$1,258 million (2016: HK$1,406 million).

Operating costs of the Group before depreciation for the year ended December 31, 2017, including selling, general and administrative and other operating expenses, cost of sales, network expenses and programming costs, decreased by approximately HK$6 million to approximately HK$1,498 million (2016: HK$1,504 million). Selling, general and administrative and other operating expenses of the Group decreased by approximately 9%, cost of sales of the Group decreased by approximately 7%, while network expenses of the Group increased by approximately 5% and programming costs of the Group increased by approximately 2%.

During the year ended December 31, 2017, the Group recorded a gain of approximately HK$72 million on disposal of subsidiaries, which were property holding companies.

EBITDA(Note) of the Group for the year ended December 31, 2017 was a loss of approximately HK$239 million (2016: a loss of approximately HK$98 million). Net loss of the Group for the year ended December 31, 2017 was approximately HK$363 million (2016: HK$313 million). Basic and diluted loss per share for the year ended December 31, 2017 was approximately HK$0.10 (2016 restated: HK$0.13).

Note: *"EBITDA" represents earnings before interest income, finance costs, impairment losses on investments, non-operating income/expenses, provision for income tax, depreciation of property, plant and equipment but after amortisation of programming library.*

(B) SEGMENTAL INFORMATION

The principal activities of the Group include Television, and Internet and Multimedia operations.

Television

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

Revenue derived from the television segment for the year ended December 31, 2017 decreased by approximately 12% to approximately HK$914 million (2016: HK$1,043 million) on lower subscription and advertising revenue. Operating costs before depreciation incurred by the television segment for the year ended December 31, 2017 decreased by approximately 1% to approximately HK$1,176 million (2016: HK$1,185 million). EBITDA for the year ended December 31, 2017 was a loss of approximately HK$262 million (2016: a loss of approximately HK$142 million).

Internet and Multimedia

The internet and multimedia segment includes operations related to broadband internet access services, portal operation, mobile content licensing, telephony services as well as other internet access related businesses.

Revenue derived from the internet and multimedia segment for the year ended December 31, 2017 decreased by approximately 4% to approximately HK$321 million (2016: HK$336 million). Operating costs before depreciation incurred by the internet and multimedia segment for the year ended December 31, 2017 increased by approximately 3% to approximately HK$204 million (2016: HK$198 million). EBITDA for the year ended December 31, 2017 decreased by approximately 15% to approximately HK$117 million (2016: HK$138 million).

(C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at December 31, 2017, the Group had net cash, being bank deposits and cash less total interest-bearing borrowings, of approximately HK$90 million (after the completion of the Open Offer and the Loan Capitalisation in September 2017), as compared to net debt of approximately HK$484 million as at December 31, 2016. The gearing ratio, measured in terms of the total interest-bearing borrowings divided by total equity, was approximately 43.8% (2016: 116.7%).

Consolidated net asset value of the Group as at December 31, 2017 was approximately HK$1,130 million, representing an increase of approximately 124%, as compared with consolidated net asset value of the Group as at December 31, 2016 of approximately HK$505 million.

The carrying amount of interest-bearing borrowings denominated in Hong Kong Dollar ("HK$") as at December 31, 2017 was HK$495 million (2016: HK$590 million), which carries interest at variable rates, of which HK$395 million was repayable on demand and HK$100 million would become due after one year but not more than two years. The committed borrowing facilities available to the Group but not drawn as at December 31, 2017 amounted to HK$11 million.

In September 2017, the Company completed the open offer of 3,352,520,666 Shares at the offer price of HK$0.21 per Share for net proceeds of approximately HK$687 million and completed the conversion of the loan capitalisation amount of HK$300 million to 841,987,090 Shares in accordance with the loan capitalisation agreement among the Company, a subsidiary of the Company and Wharf Finance Limited. Subsequent to the completion of the Open Offer, as at December 31, 2017, net proceeds of approximately HK$24 million has been used for investments in network related capital expenditure; approximately HK$17 million has been used for investments in television related capital expenditure; approximately HK$15 million has been used for investments in other capital expenditure; and approximately HK$108 million has been used as funding required for operating requirements of the Group.

The Group's assets and liabilities are mainly denominated in HK$ and United States Dollars ("US$") and it earns its revenue and incurs costs and expenses mainly in HK$ and US$. As HK$ is pegged to US$, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the US$/HK$ or HK$/US$ exchange rates.

Capital expenditure on property, plant and equipment during the year ended December 31, 2017 amounted to approximately HK$208 million (2016: HK$238 million) and the additions to programming library during the year ended December 31, 2017 was approximately HK$115 million (2016: HK$123 million).

The Group financed its operations generally with internally generated cash flows, the available credit facilities and the proceeds from the Open Offer.

(D) CONTINGENT LIABILITIES

As at December 31, 2017, there were contingent liabilities in respect of guarantees and indemnities provided by the Company to a bank and Wharf Finance Limited totally of HK$500 million (2016: HK$806 million) in respect of overdraft and guarantee facilities of borrowings up to HK$500 million (2016: HK$806 million) to the wholly-owned subsidiaries of the Company, of which HK$495 million (2016: HK$590 million) was utilised by the subsidiaries of the Company.

The maximum exposure of the Company at the end of the reporting period under the guarantees and indemnities was the amount of facilities drawn down by the wholly-owned subsidiaries of the Company amounted to HK$495,000,000 (2016: HK$590,000,000).

(E) HUMAN RESOURCES

The Group had 1,876 employees as at December 31, 2017 (2016: 2,137). Total gross salaries and related costs before capitalisation and incurred for the year ended December 31, 2017 amounted to approximately HK$651 million (2016: HK$700 million). The remuneration of the Directors and the employees of the Group are determined with reference to their qualifications, experience, duties and responsibilities with the Group, as well as the Group's performance and the prevailing market conditions. Besides, the Group regularly provides training courses for the employees of the Group to meet their needs.

(F) OPERATING ENVIRONMENT

The Group's financial performance in 2017 was affected by the decline of advertising and subscription revenue. The decline of the advertising revenue was mainly due to the competition from free television, digital and OTT platforms. On the subscription business front, the customer base was contracted as compared to 2016.

(G) CHARGE ON GROUP ASSETS

As at December 31, 2017, security deposits of approximately HK$16.7 million (2016: HK$20.0 million) made by the Group to secure certain banking facilities granted to the Group.

(H) MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

There was no material acquisition or disposal of subsidiary and associated company or significant investments of the Group, which would have been required to be disclosed under the Listing Rules, for the year ended December 31, 2017.

(I) FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to invest in property, plant and equipment and programming library as required by its business operations, and explore the market and identify any business opportunities which may provide its growth and development potential, enhance the profitability, and strive for better return to the shareholders of the Company (the "Shareholders").

The Group's ongoing capital expenditure will be funded by internal cash flows generated from operations, the available credit facilities and the proceeds from the Open Offer.

(J) OUTLOOK

The Group will continue to focus on its existing business operations and will explore new opportunities in the market.

In May 2017, Hong Kong Cable Television Limited accepted the offer of the renewal of the domestic pay television programme service licence for a period of 12 years until May 31, 2029. In addition, Fantastic TV launched its integrated Cantonese channel in May 2017 and is in preparation for the launch of its integrated English channel.

The Group will strive to make good use of available cash on hand for its operations and continue to exercise additional prudence to invest in programming library, content enrichment, HD/OTT upgrades, customer service improvement, GPON for higher spend broadband service and new businesses, as well as marketing and media initiatives to sharpen the competitiveness of the Group.

(K) SUBSEQUENT EVENTS

The Group does not have any important events affecting the Group's financial performance and/or financial position significantly that have occurred since the end of the financial year December 31, 2017.

(L) COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended December 31, 2017, there was no incidence of non-compliance with the relevant laws and regulations of the place in which the Group operates that has a significant impact on the business operations of the Group.

(A) CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices, and procedures and to complying with the statutory and regulatory requirements with an aim to maximising the Shareholders' values and interests as well as to enhancing the stakeholders' transparency and accountability. During the financial year ended December 31, 2017, the Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, with the exception of the deviation as set out under section (D) below.

(B) MODEL CODE FOR 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. The Company, having made specific enquiries of all the Directors, was not aware of any non-compliance with the required standard set out in the Model Code during the financial year ended December 31, 2017.

The Company has also applied the principles of the Model Code for securities transactions by the employees of the Group.

(C) BOARD OF DIRECTORS

The Board is responsible for the leadership and management of the Group as well as promoting the success of the Group with the objective of acting for the best of the interests of the Group and the Shareholders as a whole by directing and supervising its affairs in a responsible and effective manner. The key responsibilities of the Board include formulation of the overall strategies of the Group, monitoring the performance of the management, and ensuring the duties delegated to respective board committees of the Company are effectively performed.

I. Composition of the Board

As at the date of this annual report, the Board comprises ten Directors, of whom one is executive Director, five are non-executive Directors and four are independent non-executive Directors. The composition of the Board is set out below:

Non-executive Directors	
Tan Sri Dato' David CHIU *(Chairman)*	(appointed as non-executive Director and Chairman with effect from September 15, 2017)
Dr. CHENG Kar-Shun, Henry *(Vice-chairman)*	(appointed as non-executive Director and Vice-chairman with effect from September 15, 2017)
Dr. CHENG Chi-Kong, Adrian	(appointed with effect from September 15, 2017)
Mr. TSANG On Yip, Patrick	(appointed with effect from September 15, 2017)
Mr. HOONG Cheong Thard	(appointed with effect from September 15, 2017)
Mr. TSUI Yiu Cheung, Paul	(resigned with effect from September 15, 2017)
Executive Directors	
Mr. Andrew Wah Wai CHIU	(appointed with effect from September 15, 2017)
Mr. KWAN Jut Ho, William	(resigned as executive Director and Chief Strategy and Administration Officer with effect from March 1, 2018)
Mr. NG Tin Hoi Stephen	(resigned as executive Director, Chairman and Chief Executive Officer with effect from September 15, 2017)
Independent Non-executive Directors	
Mr. LAM Kin-Fung, Jeffrey	(appointed with effect from September 15, 2017)
Mr. HU Shao Ming Herman	
Mr. LUK Koon Hoo, Roger	
Mr. TANG Sing Ming Sherman	
Mr. WU Yung Wei Patrick	(resigned with effect from September 15, 2017)

(C) BOARD OF DIRECTORS (Continued)

I. Composition of the Board (Continued)

Biographical information of the Directors and the relationship among the members of the Board are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 49 to 56 of this annual report. Each Director has been appointed on the strength of his calibre, experience and stature, and his potential to contribute to the proper guidance of the Group and its businesses.

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors are independent.

II. Operation of the Board

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

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

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical Board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates (as defined under the Listing Rules), have no material interest in the transaction should be present at that Board meeting.

(C) BOARD OF DIRECTORS (Continued)

III. Number of Board/general meetings and Directors' attendance

The Board has a balance of skills and experience and a balanced composition of executive and non-executive Directors with diversity of skills and experience appropriate to the requirements of the Group's business. Twelve Board meetings and two general meetings of the Company were held during the financial year ended December 31, 2017. Notice of not less than 14 days was given to all the Directors for the regular Board meetings and the Directors were given an opportunity to include matters in the agenda for the regular Board meetings. The composition of the Board and attendance records of the Directors are set out below:

	Attendance/Number of Meeting(s)		
Directors	**Board Meetings**	**Annual General Meeting**	**Extraordinary General Meeting**
Non-executive Directors			
Tan Sri Dato' David CHIU *(Note 1)*	1/1	–/–	–/–
Dr. CHENG Kar-Shun, Henry *(Note 2)*	0/1	–/–	–/–
Dr. CHENG Chi-Kong, Adrian *(Note 3)*	1/1	–/–	–/–
Mr. TSANG On Yip, Patrick *(Note 3)*	1/1	–/–	–/–
Mr. HOONG Cheong Thard *(Note 3)*	1/1	–/–	–/–
Mr. TSUI Yiu Cheung, Paul *(Note 6)*	10/11	1/1	1/1
Executive Directors			
Mr. Andrew Wah Wai CHIU *(Note 4)*	1/1	–/–	–/–
Mr. KWAN Jut Ho, William *(Note 9)*	12/12	1/1	1/1
Mr. NG Tin Hoi Stephen *(Note 7)*	11/11	1/1	1/1
Independent non-executive Directors			
Mr. LAM Kin-Fung, Jeffrey *(Note 5)*	1/1	–/–	–/–
Mr. HU Shao Ming Herman	11/12	1/1	1/1
Mr. LUK Koon Hoo, Roger	12/12	1/1	1/1
Mr. TANG Sing Ming Sherman	12/12	1/1	1/1
Mr. WU Yung Wei Patrick *(Note 8)*	11/11	1/1	1/1

Notes:

(1) Tan Sri Dato' David Chiu was appointed as the Chairman and a non-executive Director with effect from September 15, 2017.

(2) Dr. Cheng Kar-Shun, Henry was appointed as the Vice-chairman and a non-executive Director with effect from September 15, 2017.

(3) Dr. Cheng Chi-Kong, Adrian, Mr. Tsang On Yip, Patrick and Mr. Hoong Cheong Thard were appointed as non-executive Directors with effect from September 15, 2017.

(4) Mr. Andrew Wah Wai Chiu was appointed as an executive Director with effect from September 15, 2017.

(5) Mr. Lam Kin-Fung, Jeffrey was appointed as an independent non-executive Director with effect from September 15, 2017.

(6) Mr. Tsui Yiu Cheung, Paul resigned as a non-executive Director with effect from September 15, 2017.

(7) Mr. Ng Tin Hoi Stephen resigned as an executive Director, the Chairman and Chief Executive Officer with effect from September 15, 2017.

(8) Mr. Wu Yung Wei Patrick resigned as an independent non-executive Director with effect from September 15, 2017.

(9) Mr. Kwan Jut Ho, William resigned as an executive Director and the Chief Strategy and Administration Officer with effect from March 1, 2018.

(C) BOARD OF DIRECTORS (Continued)

III. Number of Board/general meetings and Directors' attendance (Continued)

The external auditor attended the annual general meeting of the Company on April 26, 2017 to answer questions about the conduct of the audit, the preparation and content of the independent auditor's report, the accounting policies and auditor independence and the Chairman also held a meeting with the independent non-executive Directors without the presence of the executive Directors during the year.

The Directors are subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company (the "Articles") and the Listing Rules. The non-executive Directors are subject to the aforesaid retirement requirements and are appointed for a specific term, subject to re-election. The retiring Directors shall be eligible for re-election at the annual general meeting of the Company. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

Each of Tan Sri Dato' David Chiu, Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Tsang On Yip, Patrick and Mr. Hoong Cheong Thard, who were appointed as non-executive Directors with effect from September 15, 2017, Mr. Andrew Wah Wai Chiu who was appointed as an executive Director with effect from September 15, 2017 and Mr. Lam Kin-Fung, Jeffrey who was appointed as an independent non-executive Director with effect from September 15, 2017, signed an appointment letter with the Company for an initial term of three years and renewable automatically for successive terms of three years upon expiry of the then current term of appointment, unless terminated in accordance with the terms of his appointment letter. They are also subject to retirement by rotation and re-election in accordance with the Articles and the Listing Rules.

(C) BOARD OF DIRECTORS (Continued)

IV. Director's Induction and Continuous Professional Development

Newly appointed Directors are provided with induction training. Each of them shall receive the information on the duties and responsibilities of directors under statutory regulations and the Listing Rules, and other information on corporate governance matters. The newly appointed Directors shall meet the fellow Directors and the Senior Management to ensure they have an understanding on the Group's operations and business. They shall also receive materials relating to on the operations and business of the Group.

The Company has arranged for Directors to attend training sessions and forums which place emphasis on the roles, functions and duties of a listed company director, as well as the development of regulatory updates and issues. The Company also provided the Directors the latest development of the Listing Rules, and the relevant laws, rules and regulations relating to the Director's duties and responsibilities. All Directors have provided their training records to the Company for the financial year ended December 31, 2017 and the training records are maintained by the company secretary of the Company (the "Company Secretary").

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

	Type of continuous professional development	
Directors	**Reading journals, updates and articles and/or materials, etc.**	**Attending seminars and/or conferences and/or forums**
Non-executive Directors		
Tan Sri Dato' David CHIU	√	–
Dr. CHENG Kar-Shun, Henry	√	–
Dr. CHENG Chi-Kong, Adrian	√	–
Mr. TSANG On Yip, Patrick	√	–
Mr. HOONG Cheong Thard	√	–
Mr. TSUI Yiu Cheung, Paul	√	√
Executive Directors		
Mr. Andrew Wah Wai CHIU	√	–
Mr. KWAN Jut Ho, William	√	√
Mr. NG Tin Hoi Stephen	√	√
Independent non-executive Directors		
Mr. LAM Kin-Fung, Jeffrey	√	–
Mr. HU Shao Ming Herman	√	–
Mr. LUK Koon Hoo, Roger	√	√
Mr. TANG Sing Ming Sherman	√	√
Mr. WU Yung Wei Patrick	√	√

(D) CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1. of the CG Code as set out in Appendix 14 to the Listing Rules stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Ng Tin Hoi Stephen served as the Chairman and Chief Executive Officer until his resignation with effect from September 15, 2017. The relevant arrangement was deemed appropriate as it was considered to be more efficient to have one single person to be the Chairman as well as to discharge the executive functions of a chief executive.

Immediately after Mr. Ng's resignation, Tan Sri Dato' David Chiu was appointed as the Chairman with effect from September 15, 2017 and the Company does not have any chief executive officer since then. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals.

(E) APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

Appropriate liability insurance for the Directors has been arranged for indemnifying their liabilities arising out of corporate activities.

(F) BOARD COMMITTEES

(I) Audit Committee

The Company has set up an audit committee (the "AC") with majority of the members being independent non-executive Directors. As at the date of this annual report, the AC comprises Mr. Luk Koon Hoo, Roger (an independent non-executive Director and the chairman of the AC), Mr. Hoong Cheong Thard (a non-executive Director) and Mr. Tang Sing Ming Sherman (an independent non-executive Director).

No member of the AC is a former partner of the existing audit firm of the Company during the one year after he ceases to be a partner of the audit firm. All AC members have sufficient experience in reviewing audited financial statements as aided by the auditor of the Group whenever required. In addition, at least one of the member of the AC has the appropriate professional qualifications or experience in financial matters as required under the Listing Rules.

Three AC meetings were held during the financial year ended December 31, 2017. Attendance records of the AC members are set out below:

Committee Members	**Attendance/ Number of Meetings**
Mr. LUK Koon Hoo, Roger *(Chairman)*	3/3
Mr. HOONG Cheong Thard *(Note 1)*	1/1
Mr. TANG Sing Ming Sherman *(Note 1)*	1/1
Mr. TSUI Yiu Cheung, Paul *(Note 2)*	2/2
Mr. WU Yung Wei Patrick *(Note 2)*	2/2

Notes:

(1) Mr. Hoong Cheong Thard and Mr. Tang Sing Ming Sherman were appointed as the members of the AC with effect from September 15, 2017.

(2) Mr. Tsui Yiu Cheung, Paul and Mr. Wu Yung Wei Patrick resigned as the members of the AC with effect from September 15, 2017.

(F) BOARD COMMITTEES (Continued)

(I) Audit Committee (Continued)

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

(A) Relationship with the Company's external auditor

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

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

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

(B) Review of financial information of the Company

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

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

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

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

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

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

(F) BOARD COMMITTEES (Continued)

(I) Audit Committee (Continued)

(i) (Continued)

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

(a) to review the Company's risk management and internal control systems covering all controls; including financial, operational and compliance controls;

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

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

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

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

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

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

(h) to report to the Board on the matters in the code provisions as set out in the Listing Rules;

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

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

(F) BOARD COMMITTEES (Continued)

(I) Audit Committee (Continued)

(i) (Continued)

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

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

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

(D) Review and reassessment of these terms of reference

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

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

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

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

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

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

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report as set out in the annual report of the Company; and

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

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

(iii) The work performed by the AC for the financial year ended December 31, 2017 is summarised below:

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

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

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

(F) BOARD COMMITTEES (Continued)

(I) Audit Committee (Continued)

(iii) (Continued)

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

(e) review of the internal audit report and annual audit plan of the internal audit function carried out by an independent professionals;

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

(g) meeting with the external auditor without executive Directors present;

(h) review of the corporate governance matters of the Group;

(i) review of the terms of reference of the AC; and

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

(II) Compensation Committee

The Company has set up a Compensation Committee (the "CC") consisting of five members of which three of them are the independent non-executive Directors. As at the date of this annual report, the CC comprises Mr. Lam Kin-Fung, Jeffrey (an independent non-executive Director and the Chairman of the CC), Tan Sri Dato' David Chiu (a non-executive Director), Mr. Tsang On Yip, Patrick (a non-executive Director), Mr. Hu Shao Ming Herman (an independent non-executive Director) and Mr. Luk Koon Hoo, Roger (an independent non-executive Director).

One CC meeting was held during the financial year ended December 31, 2017. Attendance records of the CC members are set out below:

Committee Members	**Attendance/ Number of Meeting**
Mr. LAM Kin-Fung, Jeffrey *(Chairman) (Note 1)*	1/1
Tan Sri Dato' David CHIU *(Note 2)*	1/1
Mr. TSANG On Yip, Patrick *(Note 2)*	1/1
Mr. HU Shao Ming Herman *(Note 2)*	1/1
Mr. LUK Koon Hoo, Roger	1/1
Mr. WU Yung Wei Patrick *(Note 3)*	–/–

Notes:

(1) Mr. Lam Kin-Fung, Jeffrey was appointed as the chairman and a member of the CC with effect from September 15, 2017.

(2) Tan Sri Dato' David Chiu, Mr. Tsang On Yip, Patrick and Mr. Hu Shao Ming Herman were appointed as the members of the CC with effect from September 15, 2017.

(3) Mr. Wu Yung Wei Patrick resigned as the chairman and a member of the CC with effect from September 15, 2017.

(F) BOARD COMMITTEES (Continued)

(II) Compensation Committee (Continued)

(i) The terms of reference of the CC, which are available on the websites of the Stock Exchange and the Company, are aligned with the provisions set out in the CG Code. Given below are the main duties of the CC:

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

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

(c) either:

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

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

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

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

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

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

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

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

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

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

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

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

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

(iv) the Subscription Price; and

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

(F) BOARD COMMITTEES (Continued)

(II) Compensation Committee (Continued)

(ii) The work performed by the CC, which has the delegated authority and responsibility, for the financial year ended December 31, 2017 is summarised below:

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

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

(c) review of the terms of reference of CC.

The basis of determining the emoluments payable to its Directors and the Senior Management is with reference to the qualifications, experience, duties and responsibilities with the Company, as well as the Group's performance and the prevailing market conditions.

(III) Nomination Committee

The Company has set up a Nomination Committee (the "NC") with the majority of its members being the independent non-executive Directors. As at the date of this annual report, the NC comprises Tan Sri Dato' David Chiu (a non-executive Director and the Chairman of the NC), Mr. Lam Kin-Fung, Jeffrey (an independent non-executive Director) and Mr. Luk Koon Hoo, Roger (an independent non-executive Director).

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

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

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

(F) BOARD COMMITTEES (Continued)

(III) Nomination Committee (Continued)

(i) The terms of reference of the NC, which are available on the websites of the Stock Exchange and the Company, are aligned with the provisions set out in the CG Code. Given below are the main duties of the NC:

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

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

(c) to assess the independence of the independent non-executive Directors; and

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

(ii) The work performed by the NC, which has the delegated authority and responsibility, for the financial year ended December 31, 2017 is summarised below:

(a) review of the Board Diversity Policy;

(b) review of the terms of reference of NC;

(c) review of the structure, size and composition of the Board taking into account the Board Diversity Policy and make recommendations on any proposed changes to the Board;

(d) assess the independence of the independent non-executive Directors; and

(e) make recommendations to the Board for the proposed appointment and re-appointment of Directors.

During the financial year ended December 31, 2017, no physical meeting of the NC was held and nomination matters, if any, requiring NC's approval and/or recommendation were arranged by means of circulation of written resolutions.

(IV) Corporate Governance Functions

While the Board is and remains to be principally responsible for the corporate governance functions of the Company, it has delegated the relevant duties to the AC to ensure the proper performance of corporate governance functions of the Company. In this connection, the terms of reference of the AC include various duties relating to corporate governance matters which are set out in paragraph "(E) Oversight of the Company's Corporate Governance Matters" on page 30 under sub-section "(I) Audit Committee" of section "(F) BOARD COMMITTEES" above.

(G) AUDITOR'S REMUNERATION

The fees in relation to the audit services for the financial year ended December 31, 2017 provided by KPMG, the external auditor of the Company, amounted to approximately HK$2,410,000 and the remuneration in relation to non-audit services paid or payable to KPMG amounted to approximately HK$482,000.

(H) RISK MANAGEMENT AND INTERNAL CONTROLS

(I) Risk Governance

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

The Board acknowledges its ultimate responsibility for oversees internal control systems as well as evaluating and determining the nature and extent of the risks it is willing to take in achieving strategic objectives and for maintaining the RM&IC Systems as well as monitoring their effectiveness. Management is tasked with the design, implementation and monitoring of the systems. The AC has been delegated by the Board to oversee the systems and is supported by independent professionals to perform the internal audit function, which provides assessment and assurance on risk and internal control oversight.

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

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

(H) RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

(II) Risk Management Processes and Practices

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

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

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

(III) Periodical Reviews

During the year ended December 31, 2017, the AC through the independent professionals to perform the internal audit function, has on behalf of the Board, conducted review of the RM&IC Systems, including the adequacy of, inter alia, resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. Written management confirmation on the effectiveness of the RM&IC Systems has been received.

The results of the review were reported by the AC to the Board, based on which the Directors concluded that, for the financial year ended December 31, 2017, the RM&IC Systems and procedures of the Group were effective and adequate and the Group has complied with the provisions in the CG Code regarding risk management and internal control systems.

(I) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the consolidated financial statements of the Group for the financial year ended December 31, 2017, which give a true and fair view of the financial position of the Group as a whole as at the end of the financial year and of the Group's financial performance and cash flows for the year then ended and in compliance with the requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "CO") and the applicable disclosure provisions of the Listing Rules.

The reporting responsibilities of the auditor of the Company in the Independent Auditor's Report are set out on pages 57 to 64 of this annual report.

(J) COMPANY SECRETARY

The Company Secretary, Mr. Kwok Chi Kin, is an employee of the Group and has day-to-day knowledge of the Company's affairs. He reports to the Chairman and is responsible for advising the Board on corporate governance matters and facilitating induction and professional development of the Directors. He also supports the Board by ensuring good information flow and that the policies and procedures adopted by the Board are followed. During the financial year ended December 31, 2017, he had taken no less than 15 hours of relevant professional training. The biographical details of Mr. Kwok are set out in the section headed "Biographical Details of Directors and Senior Management" section of this annual report.

(K) COMMUNICATION WITH SHAREHOLDERS

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

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are published/printed and printed copies of such reports or notifications of publication thereof on the Company's website are sent to all Shareholders. Such reports and press releases are posted and are available for download at the Company's corporate website www.i-cablecomm.com. In addition, the Company makes full use of the internet to make information broadly available to the Shareholders. The Company's website provides the relevant contact information by which enquiries may be put to the Board. Constantly being updated in a timely manner, the website also contains a wide range of additional information on the Group's business activities.

The Company encourages its Shareholders to attend the annual general meetings of the Company to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The Directors and the external auditor are also available to answer the Shareholders' questions at the meetings.

(L) SHAREHOLDERS' RIGHTS

(I) Convene a General Meeting

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

(II) Send Enquiries to the Board

The Company's corporate website (www.i-cablecomm.com) provides the relevant contact information (for enquiry purpose only) by which Shareholders may at any time address their enquiries to the Board.

(III) Make Proposals at General Meetings

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

(ii) The procedures for proposing resolution(s) to be moved at the Company's annual general meeting(s) are as follows:

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

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

The relevant written requisition must:

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

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

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

Any written requisitions from the Shareholders to the Company pursuant to Sections 566 and 615 of the CO must be deposited at the Company's registered office.

(M) AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the financial year. The consolidated version of the Articles is available on the websites of the Stock Exchange and the Company.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the financial year ended December 31, 2017.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the business of the Group during the year is provided in the "Chairman's Statement" on pages 3 to 4 of this annual report, "Business Review" on pages 5 to 6 of this annual report and "Management Discussion and Analysis" on pages 17 to 20 of this annual report. The principal risks and uncertainties facing the Group are contained in "Business Review" on page 6 of this annual report and Note 27 to the consolidated financial statements. The future development of the business of the Group is provided in the "Future Plans for Material Investments or Capital Assets" and "Outlook" sections of Management Discussion and Analysis on page 19 of this annual report.

In addition, discussions on the Group's environmental policies and performance, compliance with the relevant laws and regulations and an account of the Group's key relationship with its employees, customers and suppliers are contained under the section "Environmental, Social and Governance Report" on pages 8 to 16 of this annual report.

RESULTS

The results of the Group for the financial year ended December 31, 2017 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 65 to 66 of this annual report.

DIVIDEND

The Board does not recommend the payment of any dividend for the financial year ended December 31, 2017 (for the financial year ended December 31, 2016: HK$Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended December 31, 2017:

The aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue.

The percentage of purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 22% and 45% respectively of the Group's total purchases for the year.

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

DONATIONS

The Group made donations during the financial year ended December 31, 2017 amounting to approximately HK$3,000 (2016: HK$59,190).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 124 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 10 to the consolidated financial statements.

BANK LOAN AND OTHER BORROWING

Details of the bank loan and other borrowing of the Group as at December 31, 2017 are set out in Note 21 to the consolidated financial statements.

SHARE CAPITAL

During the year, the Company has issued shares as follows:

In September 2017, the Company completed an open offer of 3,352,520,666 ordinary shares of the Company for net proceeds of approximately HK$687 million for investments in capital expenditure and as funding required for operating requirements of the Group; and completed the conversion of the loan capitalisation amount of HK$300 million to 841,987,090 ordinary shares of the Company in accordance with the loan capitalisation agreement among the Company, a subsidiary of the Company and Wharf Finance Limited.

Details of the shares of the Company issued and the movements in the share capital of the Company during the year are set out in Note 25(c) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At December 31, 2017, the aggregate amount of reserves of the Company available for distribution to equity Shareholders, as calculated under the provisions of Part 6 of the CO, was HK$Nil (2016: HK$Nil).

DIRECTORS OF THE COMPANY

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

Non-executive Directors

Tan Sri Dato' David CHIU	(appointed as non-executive Director and Chairman with effect from September 15, 2017)
Dr. CHENG Kar-Shun, Henry	(appointed as non-executive Director and Vice-chairman with effect from September 15, 2017)
Dr. CHENG Chi-Kong, Adrian	(appointed with effect from September 15, 2017)
Mr. TSANG On Yip, Patrick	(appointed with effect from September 15, 2017)
Mr. HOONG Cheong Thard	(appointed with effect from September 15, 2017)
Mr. TSUI Yiu Cheung, Paul	(resigned with effect from September 15, 2017)

Executive Directors

Mr. Andrew Wah Wai CHIU	(appointed with effect from September 15, 2017)
Mr. KWAN Jut Ho, William	(resigned as executive Director and Chief Strategy and Administration Officer with effect from March 1, 2018)
Mr. NG Tin Hoi Stephen	(resigned as executive Director, Chairman and Chief Executive Officer with effect from September 15, 2017)

Independent Non-executive Directors

Mr. LAM Kin-Fung, Jeffrey	(appointed with effect from September 15, 2017)
Mr. HU Shao Ming Herman	
Mr. LUK Koon Hoo, Roger	
Mr. TANG Sing Ming Sherman	
Mr. WU Yung Wei Patrick	(resigned with effect from September 15, 2017)

In accordance with article 97 of the Articles, Tan Sri Dato' David Chiu, Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian, Mr. Tsang On Yip, Patrick, Mr. Hoong Cheong Thard, Mr. Andrew Wah Wai Chiu, Mr. Lam Kin-Fung, Jeffrey, all being the newly appointed Directors, shall hold office until the forthcoming annual general meeting of the Company (the "AGM") to be held on Thursday, May 24, 2018. All the newly appointed Directors, being eligible, offer themselves for re-election at the forthcoming AGM. In accordance with article 106(A) of the Articles, Mr. Hu Shao Ming Herman will retire from the Board by rotation and being eligible offer himself for re-election at the forthcoming AGM. None of the retiring Directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Mr. Ng Tin Hoi Stephen, Mr. Tsui Yiu Cheung, Paul, and Mr. Wu Yung Wei Patrick resigned from directorship as a result of the change in controlling Shareholder following the completion of the open offer on September 15, 2017. Mr. Kwan Jut Ho, William resigned from the office as executive Director and the Chief Strategy and Administration Officer in order to devote more time to his personal development and business commitment with effect from March 1, 2018. Each of the resigning Directors has confirmed that (a) he has no disagreement with the Board and (b) there is no matter relating to his resignation that needs to be brought to the attention of the Shareholders.

Biographical information of the Directors is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 49 to 56 of this annual report.

DIRECTORS OF SUBSIDIARIES OF THE COMPANY

The names of all persons who, during the financial year and up to the date of this report, serve as directors of the companies included as subsidiaries of the Company for the financial year ended December 31, 2017 are set out below:

Andrea Limited
Mr. Andrew Wah Wai CHIU
Ms. CHAN Doi Lei Dorothy
Mr. CHAN King Chuen Lourice
Mr. CHAN Wai Man
Mr. CHENG Sai Ho
Mr. CHIU Ying Chun Ronald
Mr. FU Wai Hung
Mr. HUI Chung Ying Kevin
Mr. KWAN Jut Ho, William
Mr. KWOK Chi Kin
Ms. LEUNG Shuk Yee Irene
Ms. NG Ching Man, Carman
Mr. NG Tin Hoi Stephen
Ms. OON Hock Neo
Mr. TSANG Chin Cheung Samuel
Mr. TSUI Yiu Cheung, Paul
Ms. WONG Pui Chee Gigi
Mr. YU Ka Kai
Ms. YUNG Pik Yan

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company received from each of Mr. Lam Kin-Fung, Jeffrey, Mr. Hu Shao Ming Herman, Mr. Luk Koon Hoo, Roger and Mr. Tang Sing Ming Sherman a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors are independent.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At December 31, 2017, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at December 31, 2017, so far as is known to the Directors or chief executives of the Company, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions in the shares of the Company (the "Shares")

	Number of Shares					
Name of Shareholder	Beneficial owner	Spouse Interest	Interest of a controlled corporation	Other interest	Total	Approximate percentage of the number of issued Shares
Forever Top (Asia) Limited	2,682,362,480	–	–	–	2,682,362,480	43.22%
HSBC Trustee (C.I.) Limited	–	–	–	698,953,533 *(Note 1)*	698,953,533	11.26%
Ng Hung Sang	106,504,000	54,870,000 *(Note 2)*	212,942,000 *(Note 3)*	–	374,316,000	6.03%
Ng Lai King Pamela	54,870,000	319,446,000 *(Note 4)*	–	–	374,316,000	6.03%

Notes:

1. *HSBC Trustee (C.I.) Limited was deemed to be interested in 698,953,533 Shares by virtue of being the trustee of a discretionary trust.*

2. *Ng Hung Sang, the spouse of Ng Lai King Pamela, was deemed to be interested in 54,870,000 Shares which Ng Lai King Pamela is interested in under the SFO.*

3. *Ng Hung Sang was deemed to be interested in 212,942,000 Shares which his controlled corporations are interested in under the SFO. South China Finance and Management Limited held 212,942,000 Shares. South China Financial Holdings Limited held 100% control in South China Finance and Management Limited. Ng Hung Sang, through his 100% controlled corporations, held 25.66% control in South China Financial Holdings Limited.*

4. *Ng Lai King Pamela, the spouse of Ng Hung Sang, was deemed to be interested in 319,446,000 Shares which Ng Hung Sang is interested in under the SFO.*

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

MANAGEMENT CONTRACT

There was in existence during the year ended December 31, 2017 a management services agreement dated November 1, 1999 being signed between the Company and Wharf Limited (a wholly-owned subsidiary of The Wharf (Holdings) Limited ("Wharf")), as revised by supplemental agreements, whereby Wharf Limited agreed to provide or procure the provision of services including corporate secretarial services, treasury services, provision of management personnel and other general corporate services to the Group for a term expiring on December 31, 2017. Mr. Ng Tin Hoi Stephen and Mr. Tsui Yiu Cheung, Paul are directors of Wharf and/or Wharf Limited and are accordingly regarded as interested in the said agreements. However, Mr. Ng Tin Hoi Stephen and Mr. Tsui Yiu Cheung, Paul resigned as Directors with effect from September 15, 2017.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed in the section headed "Connected Transactions" below and the material related party transactions disclosed in Note 30 to the consolidated financial statements, there were no other contracts of significance between the Company, or any of its subsidiaries, and a controlling Shareholder or any its subsidiaries subsisting at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

During the period from January 1, 2017 to September 14, 2017 (Mr. Ng Tin Hoi Stephen and Mr. Tsui Yiu Cheung, Paul resigned as Director with effect from September 15, 2017), 2,000,000 ordinary shares of Wharf were allotted and issued to Mr. Ng Tin Hoi Stephen on his exercises of options under the abovementioned share option scheme. 300,000 ordinary shares of Wharf and 1,500,000 ordinary shares of Wheelock were allotted and issued to Mr. Tsui Yiu Cheung, Paul on his exercises of options under the abovementioned share option schemes respectively.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors (other than Independent Non-executive Directors) are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly with the business of the Group pursuant to the Listing Rules.

EQUITY-LINKED AGREEMENT

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

PERMITTED INDEMNITY PROVISION

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

The Company has maintained director's liability insurance throughout the year, which provides appropriate cover for the Directors and the directors of the subsidiaries of the Company for indemnifying their liabilities arising out of corporate activities.

RETIREMENT SCHEME AND MANDATORY PROVIDENT FUND

The principal retirement scheme operated by the Group is a defined contribution retirement scheme for its employees, established under a trust deed.

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

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

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

For the retirement scheme operated by the Group, retirement scheme costs before capitalisation during the financial year ended December 31, 2017 amounted to approximately HK$19,153,000 (2016: HK$19,894,000) which were incurred after utilisation of forfeitures to reduce the Group's contributions of approximately HK$109,000 (2016: HK$231,000).

CONNECTED TRANSACTIONS

The Group had the following connected transactions during the financial year ended December 31, 2017.

Master Tenancy Agreement

The master tenancy agreement (the "Master Tenancy Agreement") dated December 14, 2012, as supplemented by three supplemental agreements signed thereafter between the Company and Wharf regulating the tenancy and licence agreements entered into between the Company and/or its subsidiaries and Wharf and/or its subsidiaries or affiliates (the "Wharf Group"). According to the third supplemental agreement, the term has been further extended for one-year period commencing on January 1, 2017 and expiring at the end of December 31, 2017.

Wharf is an associate of a substantial Shareholder and therefore Wharf is a connected person of the Company under Chapter 14A of the Listing Rules.

The aggregate annual value paid and payable by the Group to Wharf Group for the transactions contemplated under the Master Tenancy Agreement for the year ended December 31, 2017 was approximately HK$41.8 million, which did not exceed the annual cap of HK$70.0 million. Details of Master Tenancy Agreement have been set out in the announcement of the Company dated December 19, 2014.

Master Services Agreement

The master services agreement (the "Master Services Agreement") dated December 14, 2012, as supplemented by a supplemental agreement signed thereafter between the Company and Wharf regulating, among other things, various services provided by the Group to Wharf Group. According to the supplemental agreement, the term has been further extended for two-year period commencing on January 1, 2016 and expiring at the end of December 31, 2017.

Wharf is an associate of a substantial Shareholder and therefore Wharf is a connected person of the Company under Chapter 14A of the Listing Rules.

The aggregate annual value received or receivable by the Group from Wharf Group for the transactions contemplated under the Master Services Agreement for the financial year ended December 31, 2017 was approximately HK$0.2 million, which did not exceed the annual cap of HK$40.0 million. Details of Master Services Agreement have been set out in the announcement of the Company dated December 19, 2014.

Management Service Agreement

The management service agreement (the "Management Service Agreement") dated November 1, 1999, as supplemented by five supplemental agreements signed thereafter between the Company and Wharf Limited, a wholly-owned subsidiary of Wharf, to provide the Group with certain management services, including corporate secretarial services, treasury services, provision of management personnel and other general corporate services. According to the fifth supplemental agreement, the term has been further extended for two-year period commencing on January 1, 2016 and expiring at the end of December 31, 2017.

Wharf Limited is an associate of a substantial Shareholder and therefore Wharf Limited is a connected person of the Company under Chapter 14A of the Listing Rules.

The aggregate annual value paid and payable by the Company to Wharf Limited for the transactions contemplated under the Management Service Agreement for the year ended December 31, 2017 was approximately HK$6.0 million, which did not exceed the annual cap of HK$15.0 million. Details of Management Service Agreement have been set out in the announcement of the Company dated December 19, 2014.

CONNECTED TRANSACTIONS (Continued)

Tenancy Agreement and Licence Agreements

Three legally-binding memoranda of understanding (the "MOUs") dated April 14, 2017 were entered between Cable Network Communications Limited, a wholly-owned subsidiary of the Company, and New Tech Centre Limited ("New Tech"), a wholly-owned subsidiary of Wharf, pursuant to which certain properties were leased/licensed to Cable Network Communications Limited for a period of three years commencing on January 1, 2018 to December 31, 2020 with two options to renew, each for a three-year term. The MOUs were approved by the independent Shareholders at the extraordinary general meeting of the Company held on May 29, 2017. Based on the MOUs, a tenancy agreement and two licence agreements dated September 15, 2017 were entered by the parties during the year ended December 31, 2017. New Tech is an associate of a substantial Shareholder and therefore New Tech is a connected person of the Company under Chapter 14A of the Listing Rules. Details of the MOUs have been set out in the circular of the Company dated May 12, 2017.

Facility Term Extension Agreement

In April 2017, a subsidiary of the Company and Wharf Finance Limited entered into a facility term extension agreement (the "Facility Term Extension Agreement") and pursuant to which, among other things, the final maturity was revised to December 31, 2019 with effect from the completion of the Loan Capitalisation, and the principal loan amount under a revolving loan facility provided by Wharf Finance Limited to a subsidiary of the Company (the "Wharf Facility") was revised from HK$400 million to HK$100 million. The Facility Term Extension Agreement was approved by the independent Shareholders at the extraordinary general meeting of the Company held on May 29, 2017. Wharf Finance Limited is an associate of a substantial Shareholder and therefore Wharf Finance Limited is a connected person of the Company under Chapter 14A of the Listing Rules. Details of the Facility Term Extension Agreement have been set out in the circular of the Company dated May 12, 2017.

Loan Capitalisation Agreement

In April 2017, the Company, a subsidiary of the Company and Wharf Finance Limited entered into the loan capitalization agreement (the "Loan Capitalisation Agreement") and pursuant to which, among other things, the sum of HK$300 million, being part of the outstanding principal loan owed by a subsidiary of the Company to Wharf Finance Limited under the Wharf Facility, was capitalised into 841,987,090 Shares in accordance with the Loan Capitalisation Agreement. The Loan Capitalisation Agreement was approved by the independent Shareholders at the extraordinary general meeting of the Company held on May 29, 2017 and the Loan Capitalisation completed in September 2017. Wharf Finance Limited is an associate of a substantial Shareholder and therefore Wharf Finance Limited is a connected person of the Company under Chapter 14A of the Listing Rules. Details of the Loan Capitalisation Agreement have been set out in the circular of the Company dated May 12, 2017.

CONNECTED TRANSACTIONS (Continued)

Annual Review of Continuing Connected Transactions

The independent non-executive Directors have reviewed the continuing connected transactions as contemplated under the Master Tenancy Agreement, the Master Service Agreement and the Management Service Agreement and confirmed that the transactions thereunder have been entered into:

(a) In the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing such the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued its unqualified letter containing its findings and conclusions that the Group's continuing connected transactions as disclosed above are in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The related party transactions entered into by the Group during the financial year ended December 31, 2017 are disclosed in Note 30 to the consolidated financial statements. These transactions include amounts which fall under the definition of "connected transaction" or "continuing connected transaction" in accordance with Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the financial year ended December 31, 2017.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the financial year ended December 31, 2017.

SUFFICIENCY OF PUBLIC FLOAT

At the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the Shares which are in the hands of the public exceeds 25.0% of the Company's total number of issued Shares.

AUDITOR

The consolidated financial statements of the Group now presented have been audited by KPMG, Certified Public Accountants.

On behalf of the Board

Tan Sri Dato' David CHIU
Chairman

Hong Kong, March 22, 2018

SUPPLEMENTARY CORPORATE INFORMATION

(A) Biographical Details of Directors and Senior Management

(i) Directors

Tan Sri Dato' David CHIU *(Age: 63)*

Tan Sri Dato' David Chiu, *B.Sc.*, was appointed as the chairman and a non-executive director of the Company in September 2017. He is also the chairman and a member of the nomination committee of the Company and a member of the compensation committee of the Company.

Tan Sri Dato' David Chiu holds a double degree of Bachelor of Science in Business Administration and Economics at the University of Sophia, Japan. He is a prominent businessman with over 30 years' experience in the property development and extensive experience in the hotel development. Since 1978, Tan Sri Dato' David Chiu had been the managing director of Far East Consortium Limited, the predecessor of Far East Consortium International Limited ("FECIL"), which is mainly engaged in property development and investment, hotel operation and management, car park operation as well as property management services, adopting geographical diversification and "Chinese Wallet" strategy, with business covering Hong Kong, Mainland China, Australia, Malaysia, Singapore, the United Kingdom and New Zealand. He was appointed as the deputy chairman and chief executive officer of FECIL on December 8, 1994 and October 8, 1997 respectively. On September 8, 2011, Tan Sri Dato' David Chiu has been appointed as the chairman of FECIL. He was formerly a non-executive director (up to the withdrawal of listing) and is currently a director of Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited, a subsidiary of FECIL, which withdrew from listing on the Main Board of the Stock Exchange in October 2015). He was the chairman of the board of directors of AGORA Hospitality Group Co., Ltd., a company listed on the Tokyo Stock Exchange, until March 31, 2015. He is also a director of Forever Top (Asia) Limited, a controlling shareholder of the Company.

He was appointed as the member of the 12th and 13th Chinese People's Political Consultative Conference and the chairman of Mid-Autumn Festival Celebration-People and Forces' Committee in 2008. Currently, he is the vice chairman of All-China Federation of Industry and Commerce, a trustee member of The Better Hong Kong Foundation, an honorary chairman of Mid-Autumn Festival Celebration-People and Forces' Committee, a director and a member of Concerted Efforts Resource Centre, a counsellor of China-United States Exchange Foundation, an honorary chairman of Guangdong Chamber of Foreign Investors, a member of Hong Kong General Chamber of Commerce, a member of the Constitutional Reform Synergy, a member of The Real Estate Developers Association of Hong Kong, a member of Friends of Hong Kong Association Limited, a member of Pacific Basin Economic Council and a director of three Ju Ching Chu Schools in Hong Kong. In Malaysia, Tan Sri Dato' David Chiu was awarded an honorary award which carried the title "Dato" and a more senior honorary title of "Tan Sri" by His Majesty, King of Malaysia in 1997 and 2005 respectively. He was also awarded the WCEF Lifetime Achievement Awards by Asian Strategy & Leadership Institute in 2013.

Tan Sri Dato' David Chiu is the father of Mr. Andrew Wah Wai Chiu, an executive director of the Company, and the brother of the brother-in-law of Mr. Tang Sing Ming Sherman, an independent non-executive director of the Company.

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(A) Biographical Details of Directors and Senior Management (Continued)

(i) Directors (Continued)

Dr. CHENG Kar-Shun, Henry *GBM, GBS (Age: 71)*

Dr. Cheng was appointed as the vice-chairman and a non-executive director of the Company in September 2017. Dr. Cheng is the chairman and executive director of New World Development Company Limited, NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, the chairman and non-executive director of New World Department Store China Limited, Newton Resources Ltd and FSE Engineering Holdings Limited, an independent non-executive director of HKR International Limited and Hang Seng Bank Limited, and a non-executive director of SJM Holdings Limited, all of them are listed public companies in Hong Kong. He was the chairman and managing director of New World China Land Limited, a listed public company in Hong Kong until its delisting on August 4, 2016. He was the chairman and executive director of International Entertainment Corporation, a listed public company in Hong Kong, up to his resignation on June 10, 2017, and a non-executive director of Lifestyle International Holdings Limited, a listed public company in Hong Kong, up to his retirement on May 4, 2015. He is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited. Dr. Cheng is also a director of Forever Top (Asia) Limited, a controlling shareholder of the Company.

Dr. Cheng is the chairman of the Advisory Council of The Better Hong Kong Foundation and a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the Hong Kong Special Administrative Region.

Dr. Cheng is the father of Dr. Cheng Chi-Kong, Adrian, a non-executive director of the Company, and the uncle of the spouse of Mr. Tsang On Yip, Patrick, a non-executive director of the Company.

Dr. CHENG Chi-Kong, Adrian *JP (Age: 38)*

Dr. Adrian Cheng was appointed as a non-executive director of the Company in September 2017. Dr. Adrian Cheng is the executive vice-chairman and general manager of New World Development Company Limited, an executive director of New World Department Store China Limited and Chow Tai Fook Jewellery Group Limited, and a non-executive director of Giordano International Limited, all being listed public companies in Hong Kong. He is an executive director of New World China Land Limited, a listed public company in Hong Kong until its delisting on August 4, 2016. He was an executive director of International Entertainment Corporation up to his resignation on June 10, 2017 and a non-executive director and vice chairman of Modern Media Holdings Limited up to his resignation on August 26, 2017, both being listed public companies in Hong Kong. He is a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited. He is also the chairman of New World Group Charity Foundation Limited and a director of certain subsidiaries of New World Development Company Limited. Dr. Adrian Cheng worked in a major international bank prior to joining the New World Development Group in September 2006 and has substantial experience in corporate finance.

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(A) Biographical Details of Directors and Senior Management (Continued)

(i) Directors (Continued)

Dr. Adrian Cheng holds a Bachelor of Arts Degree (cum laude) from Harvard University, and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design. He is the vice-chairman of All-China Youth Federation, a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, the chairman of China Young Leaders Foundation, the Honorary chairman of K11 Art Foundation Limited and a member of Board of the West Kowloon Cultural District Authority.

He is the son of Dr. Cheng Kar-Shun, Henry, a non-executive director of the Company, and the cousin of the spouse of Mr. Tsang On Yip, Patrick, a non-executive director of the Company.

Mr. TSANG On Yip, Patrick *(Age: 46)*
Mr. Tsang was appointed as a non-executive director of the Company in September 2017. He is also a member of the compensation committee of the Company.

Mr. Tsang is a director and chief executive officer of Chow Tai Fook Enterprises Limited. Mr. Tsang is an executive director of Melbourne Enterprise Limited and UMP Healthcare Holdings Limited, a non-executive director of Greenheart Group Limited and Integrated Waste Solutions Group Holdings Limited, all of which are listed public companies in Hong Kong. Mr. Tsang is also a director of Cheng Yu Tung Foundation Limited and Chow Tai Fook (Holding) Limited and the governor of Chow Tai Fook Charity Foundation Limited. He obtained a bachelor of arts degree in Economics from Columbia College of Columbia University in New York, USA.

Mr. Tsang's spouse is a niece of Dr. Cheng Kar-Shun, Henry, a non-executive director of the Company, and a cousin of Dr. Cheng Chi-Kong, Adrian, a non-executive director of the Company.

Mr. HOONG Cheong Thard *(Age: 49)*
Mr. Hoong, *B.Eng., ACA*, was appointed as a non-executive director of the Company in September 2017. He is also a member of the audit committee of the Company. He is an executive director of FECIL, a listed public company in Hong Kong, since August 2012. He joined FECIL in September 2008 as the managing director. He is responsible for the formulation and implementation of FECIL's overall strategies for development.

Prior to joining FECIL, Mr. Hoong was the chief executive officer of China LotSynergy Holdings Limited, a listed public company in Hong Kong, where he retired as a non-executive director of the company with effect from June 1, 2017.

Mr. Hoong was an investment banker for over 12 years and had held senior positions at Deutsche Bank and UBS where he was responsible for corporate finance business in Asia. He was formerly a non-executive director (up to the withdrawal of listing) and is currently a director of Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited and withdrew from listing on the Main Board of the Stock Exchange, a subsidiary of FECIL in October 2015), was a director of AGORA Hospitality Group Co., Ltd., a company listed on the Tokyo Stock Exchange, until March 2017 and is a non-independent non-executive director of Land & General Berhad, a company listed on the Bursa Malaysia. Mr. Hoong is also a director of Forever Top (Asia) Limited, which is a controlling shareholder of the Company.

Mr. Hoong is a member of the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in Mechanical Engineering from Imperial College, University of London.

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(A) Biographical Details of Directors and Senior Management (Continued)

(i) Directors (Continued)

Mr. Andrew Wah Wai CHIU *(Age: 29)*

Mr. Chiu was appointed as an executive director of the Company in September 2017. He is also the authorised representative of the Company and a director of certain subsidiaries of the Company. He is the founder and the executive chairman of Land Pacific Limited, Deacon House International Limited and Ariana Social Community Limited. Land Pacific Limited was formed in 2013 is a property development company focusing on residential and commercial developments in South East Asia. Deacon House International Limited formed in 2015 is a hotel company based on Chinese contemporary designs and influences, exemplifying Chinese cultures and traditions with a modern twist. Ariana Social Community Limited formed in 2016 is a community based student housing company with its flagship property in Farringdon, London and projects pipelined in England, Australia and North America.

Mr. Chiu started his career with DTZ Hong Kong in 2008, he joined FECIL in 2009 and was appointed as the business development manager of FECIL in 2012. He is responsible for property investment and development for FECIL. From 2015, Mr. Chiu serves as the assistant to the chairman of FECIL. He is also a director of Malaysia Land Properties Sdn Bhd, and a non-independent non-executive director of Land & General Berhad, a company listed on the Bursa Malaysia. He is a member of Hong Kong General Chamber of Commerce and a member of The Real Estate Developers Association of Hong Kong.

Mr. Chiu is the son of Tan Sri Dato' David Chiu, a non-executive director of the Company, and the nephew of the brother-in-law of Mr. Tang Sing Ming Sherman, an independent non-executive director of the Company.

Mr. LAM Kin-Fung, Jeffrey *GBS, JP (Age: 66)*

Mr. Lam was appointed as an independent non-executive director of the Company in September 2017. He is also the chairman and a member of the compensation committee of the Company and a member of the nomination committee of the Company. Mr. Lam holds a bachelor degree in mechanical engineering from Tufts University in the United States. He has over 30 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing.

Mr. Lam is an independent non-executive director of Chow Tai Fook Jewellery Group Limited, C C Land Holdings Limited, China Overseas Grand Oceans Group Limited, Wynn Macau, Limited and CWT International Limited (formerly known as HNA Holding Group Company Limited), all of which are listed public companies in Hong Kong. He was also an independent non-executive director of Hsin Chong Group Holdings Limited until his resignation on May 10, 2014 and Bracell Limited until his resignation on November 1, 2016 after its delisting on the Main Board of the Stock Exchange on October 24, 2016.

Mr. Lam is a member of the National Committee of the Chinese People's Political Consultative Conference. He also holds a number of other public and community service positions including being a non-official member of the Executive Council and a member of the Legislative Council in Hong Kong, a member of the board of Airport Authority Hong Kong, a general committee member of the Hong Kong General Chamber of Commerce, the chairman of Independent Commission Against Corruption (ICAC) Complaints Committee, a member of Fight Crime Committee, a director of the Hong Kong Mortgage Corporation Limited and a member of the board of directors of Heifer International-Hong Kong.

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(A) Biographical Details of Directors and Senior Management (Continued)

(i) Directors (Continued)

Mr. HU Shao Ming Herman *SBS, JP (Age: 64)*

Mr. Hu, *BSc, FCIBSE, FHKIE, MIEEE. C. Eng.*, has been an independent non-executive director of the Company since 2012. He is also a member of the compensation committee of the Company. He is the chairman of Ryoden Development Limited. Mr. Hu has been re-elected as a Deputy to the 13th National People's Congress of the People's Republic of China. He is also a general committee member, executive committee member and chairman of Mainland China Committee of the Employers' Federation of Hong Kong, the Vice-President of the Sports Federation & Olympic Committee of Hong Kong, China, an Honorary Court Member of Hong Kong University of Science & Technology, a member of the Election Committee of the Government of the HKSAR and the Vice Patron of The Community Chest of Hong Kong. He was awarded the Honour of Silver Bauhinia Star (SBS) by the Government of the Hong Kong Special Administrative Region of the People's Republic of China on June 30, 2017.

Mr. LUK Koon Hoo, Roger *BBS, JP (Age: 66)*

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

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

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(A) Biographical Details of Directors and Senior Management (Continued)

(i) Directors (Continued)

Mr. TANG Sing Ming Sherman *(Age: 60)*

Mr. Tang has been appointed an independent non-executive director of the Company since 2014. He is also a member of the audit committee of the Company. He holds a Master degree in Electrical Engineering and a degree of Doctor in Medicine from the University of Southern California, the United States of America. Mr. Tang is a seasoned entrepreneur in the hospitality industry and has over 20 years of experience in investment and operation of restaurants, cafes and bars. He is the founder and owner of the Epicurean Group and also served as the chairman and chief executive officer of Epicurean and Company, Limited (now known as New Wisdom Holding Company Limited), a listed public company in Hong Kong, until his resignation in November 2016.

Mr. Tang is the brother of the sister-in-law of Tan Sri Dato' David Chiu, a non-executive director of the Company, and the brother of the aunt of Mr. Andrew Wah Wai Chiu, an executive director of the Company.

(ii) Senior Management

Ms. LEUNG Shuk Yee Irene, *Chief Operating Officer (Age: 48)*

Ms. Leung joined the Group in February 2018 and is the Chief Operating Officer of the Company. She is also a director of certain subsidiaries of the Company. She was an experienced senior management in the telecommunications industry, having developed her expertise in fixed and mobile telecom services. She was the executive vice president of a market leading mobile service operator in Hong Kong for commercial customer segments as well as mass consumer market, and was responsible for the leadership and strategic development of the leading mobile service operator's multi- brand business and services which included the world's first commercial launch of 4G mobile service and applications. In 2012, Ms. Leung devoted herself into the social service sector and promoted the application of information technology by joining the Senior Citizen Home Safety Association (''SCHSA''), a well-known social enterprise and charitable organisation in Hong Kong, as the chief executive officer. During her service and leadership in SCHSA, SCHSA had gone through a major transformation and is being recognised as a role model of social innovations in the social service sector in Hong Kong.

Mr. KWOK Chi Kin, *Chief Financial Officer and Company Secretary (Age: 41)*

Mr. Kwok joined the Group in September 2017 and he is the Chief Financial Officer and the company secretary of the Company. He is also the authorised representative of the Company and a director of certain subsidiaries of the Company. He is responsible for the accounting and financial management, company secretarial matters and corporate governance functions of the Group. Mr. Kwok obtained his Bachelor of Business Administration in Finance with First Class Honours from Hong Kong University of Science and Technology. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 15 years of experience in auditing, accounting and financial management, company secretarial practice, and corporate governance. Prior to joining the Group, he worked for an international accounting firm and was the chief financial officer and the company secretary of International Entertainment Corporation, a company listed on the Main Board of the Stock Exchange, from May 2004 to June 2017.

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(A) Biographical Details of Directors and Senior Management (Continued)

(ii) Senior Management (Continued)

Mr. CHIU Ying Chun Ronald, *Executive Director, i-CABLE News Limited and i-CABLE Sports Limited (Age: 65)*
Mr. Chiu was appointed Assistant News Controller in June 1993 and was instrumental in the launch of the first 24-hour Cantonese language News Channel in the world. Mr. Chiu was promoted to News Controller in 1994 and appointed as Vice President, News & Sports in 2002. He became an executive director of i-CABLE News Limited and i-CABLE Sports Limited in September 2005 responsible for operating channels of the Sports and News platform. Prior to joining the Company, Mr. Chiu held various senior news positions in the television industry. His experience spans from reporting, editing, news anchoring; to planning and execution of news coverage as well as management of news operation. He was made Honorary University Fellow of the Hong Kong Baptist University in 2012 in recognition of his contributions to broadcasting news.

Mr. CHAN Wai Man, *Senior Vice President, Network Operations (Age: 52)*
Mr. Chan joined the Group in September 1993 and is Senior Vice President, Network Operations. He is also a director of certain subsidiaries of the Company. At the time that he joined the Group in 1993, he was responsible for the operations and technical support of TV broadcasting system. Throughout his career with the Group, he gained extensive experience in TV broadcasting, telecommunication and data communication engineering. He was appointed Vice President, Network Operations in July 2014, responsible for the development and operation of the Company's TV and broadband distribution networks, as well as the New Media and Management Information Systems. In March 2018, Mr. Chan was appointed as Senior Vice President, Network Operations. Mr. Chan holds a Bachelor of Engineering degree (First Class Honours) and a Master of Science degree in Electronic Engineering.

Mr. CHEUNG Chi Shing, Vincent, *Senior Vice President, Subscription Marketing and Sales (Age: 49)*
Mr. Cheung re-joined the Group as Senior Vice President, Subscription Marketing and Sales in November 2017 and spearhead the subscription business of Pay TV, Broadband and Telephony business. He has been a member of the Hong Kong Cable Television management team for nearly 20 years, beginning in 1993 as marketing and sales executive for subscription. Over the years, he has played an integral role for the Group's subscription revenue for both residential and commercial sectors in a highly competitive environment.

In January 2004, he was appointed Controller to oversee the Marketing and Sales of subscription business. In January 2009, Mr. Cheung was appointed as Vice President. He helped to quickly build the subscriber and revenue base in 2009 and was further promoted as Senior Vice President, Subscription Services in January 2010.

He has over 25 years of experience in business reinvention under the new economy marketing landscape. Mr. Cheung holds a Bachelor's degree in Mechanical Engineering from University of Ottawa, Canada and Master's degree of Business Administration from University of Hull, England.

SUPPLEMENTARY CORPORATE INFORMATION (Continued)

(A) Biographical Details of Directors and Senior Management (Continued)

(ii) Senior Management (Continued)

Ms. NG Ching Man Carman, *Senior Vice President, Media Business (Age: 47)*

Ms. Ng joined the Group in January 2018 as Senior Vice President, Media Business. She is also a director of certain subsidiaries of the Company. She is responsible for the overall business performance of television and other media advertising business where she leads and formulates strategy to drive for business growth. In addition, she oversees the development of programming, programme development and promotions, programme planning and production, production support.

Ms. Ng has over 20 years of experience in HK's media industry spanning from free-TV to pay-TV, OTT (Over-The-Top), OOH (Out-Of-Home), digital, social and integrated marketing solutions. Prior to joining the Company, she has held various senior management positions in PCCW Media Group, Le Corporation Limited, RoadShow Media Limited and Sina.com. Ms Ng holds an EMBA degree of the Chinese University of Hong Kong.

INDEPENDENT AUDITOR'S REPORT

KPMG

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

OPINION

We have audited the consolidated financial statements of i-CABLE Communications Limited (the "Company"), its subsidiaries and consolidated structured entities (the "Group") set out on pages 65 to 123, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 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 OF OPINION

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

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.

KEY AUDIT MATTERS (Continued)

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

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

The Key Audit Matter	How the matter was addressed in our audit
The carrying values of property, plant and equipment ("PP&E") and the programming library as at December 31, 2017 were HK$889 million and HK$152 million, respectively. The Group sustained a loss for the year ended December 31, 2017 of HK$363 million. Accordingly, management considered that there were indicators of potential impairment of PP&E and the programming library. Management performs an impairment assessment when indicators of impairment are identified. When performing an impairment assessment management uses the value in use model and compares the aggregate carrying values of PP&E and the programming library with the value in use of the cash-generating units ("CGUs") to which these assets are allocated, to determine the impairment loss which should be recognised for the year, if any. Value in use is calculated by preparing discounted cash flows for each CGU. The determination of value in use requires the exercise of significant management judgement in determining the assumptions adopted in the cash flow forecasts, in particular in relation to compound annual growth rates, long term growth rates and the discount rates applied. We identified the assessment of potential impairment of PP&E and the programming library as a key audit matter because the impairment assessments prepared by management are complex and contain certain judgemental and subjective assumptions which may be inherently uncertain and could be subject to management bias.	Our audit procedures to assess potential impairment of PP&E and programming library included the following: • evaluating management's identification of CGUs and the allocation of PP&E and the programming library to the corresponding CGUs; • engaging our internal valuation specialists to assist us in evaluating management's impairment assessment methodology and calculations contained within the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards; • comparing data in the discounted cash flow forecasts with the relevant data, including forecast revenue, forecast programming costs, forecast network expenses and forecast other expenses, in the financial budgets prepared by management; • comparing the compound annual growth rates and long term growth rates adopted in the discounted cash flow forecasts with historical performance and those of comparable companies and external market data; • engaging our internal valuation specialists to assist us in assessing the discount rates applied in the discounted cash flow forecasts with reference to the range adopted by other companies in the same industry; • comparing the revenue and operating costs included in the prior year's discounted cash flow forecasts with the current year's performance to assess the historical accuracy of management's forecasting process and considering the nature of any significant differences; • performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions on the conclusions reached by management and whether there were any indicators of management bias.

KEY AUDIT MATTERS (Continued)

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

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

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of amounts due from subsidiaries as at December 31, 2017 was HK$2,460 million, as reflected in the company level statement of financial position. As the carrying value of amounts due from subsidiaries was significantly greater than the Group's net assets as at December 31, 2017, which totalled HK$1,130 million, management considered that there was an indicator of potential impairment of amounts due from subsidiaries. Management performs an impairment assessment when indicators of impairment are identified. When performing an impairment assessment, management compares the aggregate carrying values of amounts due from subsidiaries with the equity values of the subsidiaries to determine the impairment loss which should be recognised for the year, if any. Equity values were estimated by preparing a discounted cash flow forecast for the operations of the subsidiaries considered in aggregate. The determination of equity values requires the exercise of significant management judgement in determining the assumptions in the discounted cash flow forecast, in particular in relation to the compound annual growth rate, the long term growth rate and the discount rate applied. We identified assessing potential impairment of amounts due from subsidiaries as a key audit matter because of its potential significance to the financial position of the Company and the calculation of the distributable reserves of the Company and because the impairment assessments prepared by management are complex and contain certain judgemental assumptions which can be inherently uncertain and could be subject to management bias.	Our audit procedures to assess potential impairment of amounts due from subsidiaries included the following: • engaging our internal valuation specialists to assist us in evaluating management's impairment assessment methodology and calculations contained within the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards; • assessing the key assumptions and data adopted in the cash flow forecast by: ➢ comparing data in the discounted cash flow forecast with the relevant data, including forecast revenue, forecast programming costs, forecast network expenses and forecast other expenses, in the financial budget prepared by management; ➢ engaging our internal valuation specialists to assist us in assessing whether the discount rate applied in the discounted cash flow forecast was within the range adopted by other companies in the same industries; ➢ comparing the compound annual growth rates and long term growth rate adopted in the discounted cash flow forecast with historical performance and those of comparable companies and external market data; • comparing the revenue and operating costs included in the prior year's discounted cash flow forecast with the current year's performance to assess the accuracy and reliability of management's budget and forecasting processes and considering the nature of any significant differences; • performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecast and assessing the impact of changes in the key assumptions on the conclusions reached by management in its impairment assessment and whether there were any indicators of management bias.

KEY AUDIT MATTERS (Continued)

Assessment of recoverability of recognised deferred tax assets

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

The Key Audit Matter	How the matter was addressed in our audit
As at December 31, 2017 the Group had recognised deferred tax assets in respect of the future benefit of unutilised tax losses of HK$356 million. For the year ended December 31, 2017, the Group sustained a consolidated loss before taxation of HK$366 million which may indicate that the recognised deferred tax assets may not be recoverable, in whole or in part. Management recognises deferred tax assets in respect of the future benefit of unutilised tax losses for individual entities, to the extent that it is considered probable that future taxable profits will be available against which the tax losses can be utilised. The determination of the recoverability of deferred tax assets is complex as it requires the exercise of management judgement in estimating future taxable profits and the timing of utilisation of the tax losses. We identified assessing the recoverability of recognised deferred tax assets as a key audit matter because the assessment of recoverability by management is complex and contains certain judgemental assumptions about future taxable profits which may be inherently uncertain and could be subject to management bias.	Our audit procedures to assess recoverability of recognised deferred tax assets included the following: • evaluating the availability of tax losses recognised, taking into account any unsettled disputes or queries raised by the relevant taxation authorities; • evaluating historical profitability and loss utilisation trends for the entities for which tax losses have been recognised; • challenging management's assessment of the recoverability of recognised deferred tax assets in respect of forecast results and the period over which management expects the losses to be utilised by assessing the relevant subsidiaries' abilities to generate sufficient future taxable income to utilise the available tax losses, which included: ➢ comparing key assumptions in the forecasts of taxable income of the related subsidiaries with those used in the Group's cash flow forecast prepared by management and investigating any inconsistencies between the two forecasts; ➢ comparing the revenue and operating costs included in the prior year's forecast with the current year's actual results to assess the reliability of management's budget and forecasting processes and investigating any significant differences; ➢ performing sensitivity analyses of the key assumptions adopted in the forecasts and assessing the impact of changes in the key assumptions on the conclusions reached by management in its assessment and whether there were any indicators of management bias; • comparing the actual tax losses utilised during the current year with the prior year's forecast for tax loss utilisation to assess the accuracy and the reliability of management's forecasting process and considering the nature of any significant variations identified.

KEY AUDIT MATTERS (Continued)

Assessment of going concern assumption

Refer to the accounting policy in note 1(b)

The Key Audit Matter	How the matter was addressed in our audit
As at December 31, 2017 the Group had net current liabilities of HK$130 million and the Group sustained a loss of HK$363 million for the year then ended. Notwithstanding the above, the consolidated financial statements have been prepared by management on a going concern basis as, in the opinion of the directors, the Group will have sufficient working capital and recourse to financing to sustain its operations and continue to operate as a going concern for the foreseeable future. The directors of the Company evaluated the Group's ability to continue as a going concern based upon an assessment of the Group's cash position, a free cash flow forecast and its recourse to various financing facilities. The preparation of a free cash flow forecast requires the exercise of significant management judgement in assessing the relevant businesses, particularly in relation to both qualitative and quantitative factors about the sustainability of the businesses, the macroeconomic environment and overall health of the industry, technology changes and specific forecasts of the Group's revenue, operating expenses and capital expenditure. We identified management's use of the going concern assumption in preparing the consolidated financial statements as a key audit matter because the factors considered by the directors of the Company in their evaluation on the Group's ability to continue as a going concern are complex and contain certain judgemental assumptions which may be inherently uncertain and could be subject to management bias.	Our audit procedures to assess the appropriateness of management's preparation of the consolidated financial statements on a going concern basis, included the following: • evaluating management's future plans for the businesses of the Group and making inquiries of management as to the availability of loans and financing facilities for a period of at least 12 months from the end of the reporting period; • inspecting the relevant facility agreements in respect of the loans granted by a bank and another lender to identify key terms and assess the impact of these terms, including repayment terms and restrictive covenants, on the Group's free cash flow forecast and the consolidated financial statements; • confirming the terms of the loans and financing facilities with the relevant bank and the other lender; • comparing data in management's free cash flow forecast with the relevant data, including forecast revenue, forecast operating expenses and forecast capital expenditure, in the financial budget which was prepared by management; • comparing the revenue, operating costs and capital expenditure included in the prior year's free cash flow forecast with the current year's performance of the Group to assess the accuracy and reliability of management's budget and forecasting processes and considering the nature of any significant differences; • performing sensitivity analyses of the key assumptions adopted in the free cash flow forecast and assessing the impact of changes in the key assumptions on the conclusions reached and whether there were any indicators of management bias.

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.

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

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.

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

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

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

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

March 22, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	*3,4*	**1,258,430**	1,406,368
Programming costs		**(889,343)**	(869,949)
Network expenses		**(219,492)**	(209,392)
Selling, general and administrative and other operating expenses		**(309,844)**	(339,869)
Cost of sales		**(79,014)**	(84,697)
Loss from operations before depreciation		**(239,263)**	(97,539)
Depreciation	*5*	**(204,678)**	(214,324)
Loss from operations		**(443,941)**	(311,863)
Interest income	*5*	**776**	40
Finance costs	*5*	**(9,315)**	(5,489)
Non-operating income/(expenses)	*5*	**86,268**	(556)
Loss before taxation	*5*	**(366,212)**	(317,868)
Income tax credit	*6(a)*	**3,385**	5,078
Loss for the year		**(362,827)**	(312,790)
Attributable to:			
Equity shareholders of the Company		**(362,827)**	(312,790)
Loss per share	*9*		(Restated)
Basic		**(10.1) HK cents**	(12.6) HK cents
Diluted		**(10.1) HK cents**	(12.6) HK cents

The notes on pages 72 to 123 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	2017 HK$'000	2016 HK$'000
Loss for the year	**(362,827)**	(312,790)
Other comprehensive income for the year (after reclassification adjustment):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**403**	(785)
Total comprehensive income for the year	**(362,424)**	(313,575)
Attributable to:		
Equity shareholders of the Company	**(362,424)**	(313,575)

The notes on pages 72 to 123 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	*10*	**888,775**	894,039
Programming library	*11*	**151,577**	169,307
Intangible assets	*12*	**1,218**	2,062
Interest in associate	*13*	**–**	–
Deferred tax assets	*26(b)*	**303,472**	306,467
Other non-current assets	*14*	**39,006**	43,254
		1,384,048	1,415,129
Current assets			
Inventories	*16*	**13,981**	18,076
Trade receivables	*17*	**43,822**	51,385
Deposits, prepayments and other receivables	*17*	**38,187**	34,926
Amounts due from fellow subsidiaries	*18*	**–**	204
Bank deposits and cash	*19*	**584,744**	105,814
		680,734	210,405
Current liabilities			
Trade payables	*20*	**17,150**	59,135
Accrued expenses and other payables	*20*	**235,771**	239,758
Receipts in advance and customers' deposits	*20*	**162,494**	183,821
Interest-bearing borrowings	*21*	**395,000**	590,000
Current taxation	*26(a)*	**86**	113
Amounts due to fellow subsidiaries	*22*	**–**	26,129
Amount due to immediate holding company	*23*	**–**	3,229
		810,501	1,102,185
Net current liabilities		**(129,767)**	(891,780)
Total assets less current liabilities		**1,254,281**	523,349

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at December 31, 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Interest-bearing borrowing	*21*	**100,000**	–
Deferred tax liabilities	*26(b)*	**2,447**	9,210
Other non-current liabilities	*24*	**21,987**	8,741
		124,434	17,951
NET ASSETS		**1,129,847**	505,398
CAPITAL AND RESERVES			
Share capital	*25(c)*	**7,844,472**	6,857,599
Reserves		**(6,714,625)**	(6,352,201)
TOTAL EQUITY		**1,129,847**	505,398

The notes on pages 72 to 123 form part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on March 22, 2018.

Tan Sri Dato' David Chiu
Director

Dr. Cheng Kar-Shun, Henry
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

		Attributable to equity shareholders of the Company					
	Note	Share capital HK$'000	Special capital reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000	Total equity HK$'000
Balance at January 1, 2016		6,857,599	13,985	3,643	(6,056,254)	(6,038,626)	818,973
Changes in equity for 2016:							
Loss for the year		–	–	–	(312,790)	(312,790)	(312,790)
Other comprehensive income		–	–	(785)	–	(785)	(785)
Total comprehensive income		–	–	(785)	(312,790)	(313,575)	(313,575)
Balance at December 31, 2016 and January 1, 2017		**6,857,599**	**13,985**	**2,858**	**(6,369,044)**	**(6,352,201)**	**505,398**
Changes in equity for 2017:							
Loss for the year		**–**	**–**	**–**	**(362,827)**	**(362,827)**	**(362,827)**
Other comprehensive income		**–**	**–**	**403**	**–**	**403**	**403**
Total comprehensive income		**–**	**–**	**403**	**(362,827)**	**(362,424)**	**(362,424)**
Shares issued under open offer	*25(c)(ii)*	**704,029**	**–**	**–**	**–**	**–**	**704,029**
Shares issued under loan capitalisation	*25(c)(iii)*	**300,000**	**–**	**–**	**–**	**–**	**300,000**
Transaction costs incurred in respect of open offer		**(17,156)**	**–**	**–**	**–**	**–**	**(17,156)**
Balance at December 31, 2017		**7,844,472**	**13,985**	**3,261**	**(6,731,871)**	**(6,714,625)**	**1,129,847**

The notes on pages 72 to 123 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2017

	Note	2017 HK$'000	2016 HK$'000
Operating activities			
Loss before taxation		**(366,212)**	(317,868)
Adjustments for:			
Finance costs		**9,315**	5,489
Interest income		**(776)**	(40)
Depreciation		**204,678**	214,324
Amortisation of programming library		**128,647**	109,579
Impairment losses on programming library		**3,691**	209
Impairment losses on property, plant and equipment		**387**	892
Net (gain)/loss on disposal of property, plant and equipment		**(14,760)**	556
Gain on disposal of subsidiaries		**(71,508)**	–
Operating cash flows before changes in working capital		**(106,538)**	13,141
Decrease/(increase) in inventories		**4,132**	(3,035)
Decrease in trade receivables		**7,563**	17,596
(Increase)/decrease in deposits, prepayments and other receivables		**(12,402)**	11,626
Decrease in amounts due from fellow subsidiaries		**13,993**	711
(Decrease)/increase in trade payables		**(39,407)**	24,693
(Decrease)/increase in accrued expenses and other payables		**(23,005)**	19,537
(Decrease)/increase in receipts in advance and customers' deposits		**(21,081)**	12,516
Decrease in amounts due to fellow subsidiaries		**(26,129)**	(8,180)
(Decrease)/increase in amount due to immediate holding company		**(3,229)**	1,614
Cash (used in)/generated from operations		**(206,103)**	90,219
Overseas tax paid		**(410)**	(571)
Net cash (used in)/generated from operating activities		**(206,513)**	89,648
Investing activities			
Purchase of property, plant and equipment		**(176,257)**	(233,646)
Additions to programming library		**(117,642)**	(119,421)
Proceeds from disposal of subsidiaries	*15(b)*	**77,850**	–
Proceeds from disposal of intangible assets		**844**	1,705
Proceeds from disposal of property, plant and equipment		**17,651**	680
Release/(placement) of security deposits with bank		**3,290**	(20,000)
Interest received		**391**	14
Net cash used in investing activities		**(193,873)**	(370,668)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended December 31, 2017

	Note	2017 HK$'000	2016 HK$'000
Financing activities			
Proceeds from issue of shares upon open offer	*25(c)*	**704,029**	–
Transaction costs upon issue of shares under open offer	*25(c)*	**(17,156)**	–
Net movements of interest-bearing borrowings	*19(b)*	**205,000**	290,000
Finance costs paid		**(9,315)**	(5,489)
Net cash generated from financing activities		**882,558**	284,511
Net increase in cash and cash equivalents		**482,172**	3,491
Effect of foreign exchange rates changes		**48**	(104)
Cash and cash equivalents at January 1		**85,814**	82,427
Cash and cash equivalents at December 31	*19(a)*	**568,034**	85,814

Material non-cash transaction

During the year ended December 31, 2017, the loan from a former fellow subsidiary (the "Wharf Facility") of HK$300 million was settled through the issue of 841,987,090 loan capitalisation shares of the Company. Further details of which are set out in Note 25(c)(iii).

The notes on pages 72 to 123 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements of the Group 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. The consolidated financial statements of the Group 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. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Group for the year ended December 31, 2017, comprise i-CABLE Communications Limited (the "Company"), its subsidiaries and consolidated structured entities (together referred to as the "Group") and the Group's interest in associate. The measurement basis used in the preparation of the consolidated financial statements of the Group is the historical cost basis.

As at December 31, 2017, the Group had net current liabilities of approximately HK$130 million (2016: HK$892 million). The net current liabilities included an interest-bearing borrowing of HK$395 million which was drawn from a banking facility of HK$400 million and is repayable on demand and such banking facility is subject to review. The Group also had an interest-bearing borrowing of HK$100 million which was drawn from a revolving loan facility of HK$100 million given by Wharf Finance Limited ("Wharf Finance") and is due on December 31, 2019.

In the opinion of the directors of the Company (the "Directors"), after taking into account, among other things, the financial resources available to the Group, the banking facilities from the bank, the current level of operations of the Group, and the bank deposits and cash balances, the Directors are satisfied that the Group will have sufficient working capital to fund its operations and commitments and remain as a going concern in the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis. Management is not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries

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

An investment in a subsidiary is consolidated into the consolidated financial statements of the Group 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 of the Group. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

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

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

(d) Associates

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates (Continued)

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

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

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

(e) Property, plant and equipment and depreciation

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

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

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

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

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

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

* *This represents units in industrial and commercial buildings which the management considers impracticable to split the cost into land and buildings. Thus, depreciation is provided at 2.5% to write off the cost of the properties held by the Group.*

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

(g) Programming costs

(i) Programming library

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Programming costs (Continued)

(i) Programming library (Continued)

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

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

(ii) Live programmes

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

(iii) In-house developed programmes

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

(h) Intangible assets

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

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

(i) Club debentures

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

(i) Inventories

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

(iii) Derecognition

Financial assets

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

Financial liabilities

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

(iv) Offsetting

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

(k) Cash and cash equivalents

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Revenue recognition

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

(i) Revenue from the provision of subscription television services, internet access services, and telephony services is recognised at the time when the services are provided.

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

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

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

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

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

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

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

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

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

(m) Borrowing costs

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax (Continued)

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

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

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

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

(o) Translation of foreign currency

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Related parties

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

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

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

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

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

(q) Impairment of assets

(i) Impairment of financial assets

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of assets (Continued)

(i) Impairment of financial assets (Continued)

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

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

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

— financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

— financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

— undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

— financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

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

Write-off

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of assets (Continued)

(ii) Impairment of other assets

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

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

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

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Segment reporting

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

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

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Provisions and contingent liabilities

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group, except to the extent that they are included in the cost of property, plant and equipment and programming library not yet recognised as an expense. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2. 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 19(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which requires entities to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Except for the early adoption of HKFRS 9 (2014), *Financial Instruments*, in last year, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

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

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

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

4. SEGMENT INFORMATION

The Group manages its businesses according to the nature of services provided. The Group's chief operating decision maker has determined two reportable operating segments for measuring performance and allocating resources. The segments are television, and internet and multimedia.

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

The internet and multimedia segment includes operations related to broadband internet access services, portal operation, mobile content licensing, telephony services as well as other internet access related businesses.

The Group's chief operating decision maker evaluates performance primarily based on earnings before interest, taxation, depreciation and amortisation ("EBITDA") and segment results. The Group's chief operating decision maker defines EBITDA to mean earnings before interest income, finance costs, impairment losses on investments, non-operating income/expenses, provision for income tax, depreciation of property, plant and equipment but after amortisation of programming library.

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

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

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

4. SEGMENT INFORMATION (Continued)

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2017 and 2016 is set out below:

Business segments

	Television		Internet and Multimedia		Unallocated		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**905,157**	1,028,390	**321,086**	335,449	**32,187**	42,529	**1,258,430**	1,406,368
Inter-segment revenue	**8,627**	14,440	**208**	204	**9,582**	9,486	**18,417**	24,130
Reportable segment revenue	**913,784**	1,042,830	**321,294**	335,653	**41,769**	52,015	**1,276,847**	1,430,498
Reportable segment EBITDA before inter-segment elimination	**(261,763)**	(142,321)	**117,046**	138,457	**(88,391)**	(87,117)	**(233,108)**	(90,981)
Reportable segment results before inter-segment elimination	**(389,971)**	(277,215)	**43,182**	61,506	**(90,997)**	(89,596)	**(437,786)**	(305,305)
Inter-segment elimination							**(6,155)**	(6,558)
Loss from operations							**(443,941)**	(311,863)
Interest income							**776**	40
Finance costs							**(9,315)**	(5,489)
Non-operating income/(expenses)							**86,268**	(556)
Income tax credit							**3,385**	5,078
Loss for the year							**(362,827)**	(312,790)

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

	2017	2016
	HK$'000	HK$'000
Reportable segment EBITDA before inter-segment elimination	**(233,108)**	(90,981)
Depreciation	**(204,678)**	(214,324)
Reportable segment results before inter-segment elimination	**(437,786)**	(305,305)
Inter-segment elimination	**(6,155)**	(6,558)
Interest income	**776**	40
Finance costs	**(9,315)**	(5,489)
Non-operating income/(expenses)	**86,268**	(556)
Loss before taxation	**(366,212)**	(317,868)

4. SEGMENT INFORMATION (Continued)

Segment assets	**2017** **HK$'000**	2016 HK$'000
Television	**1,190,625**	847,929
Internet and Multimedia	**484,062**	351,290
Unallocated assets	**86,623**	119,848
	1,761,310	1,319,067
Interest in associate	**–**	–
Deferred tax assets	**303,472**	306,467
	2,064,782	1,625,534

Segment liabilities	**2017** **HK$'000**	2016 HK$'000
Television	**627,138**	766,132
Internet and Multimedia	**230,711**	241,915
Unallocated liabilities	**74,553**	102,766
	932,402	1,110,813
Current taxation	**86**	113
Deferred tax liabilities	**2,447**	9,210
	934,935	1,120,136

Geographical segments

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

5. LOSS BEFORE TAXATION

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

	2017 HK$'000	2016 HK$'000
Interest income		
Interest income from deposits with banks	(776)	(40)
Finance costs		
Interest expenses on borrowings	9,315	5,489
Staff costs, including Directors' emoluments		
Salaries, wages and other benefits	584,007	627,746
Contributions to defined contribution retirement plans	34,230	35,181
Other items		
Depreciation		
— assets held for use under operating leases	26,341	27,247
— other assets	178,337	187,077
Amortisation of programming library*	128,647	109,579
Impairment losses		
— trade and other receivables	6,533	2,800
— property, plant and equipment	387	892
— programming library	3,691	209
Reversal of impairment losses on trade and other receivables	(213)	(248)
Carrying amount of inventories consumed and sold	7,100	7,440
Write down of inventories	2,960	389
Rentals payable under operating leases in respect of land and buildings	55,582	61,631
Auditor's remuneration		
— audit services	2,410	3,141
— other services	482	80
Net foreign exchange loss/(gain)	378	(726)
Rentals receivable under operating leases in respect of		
— subleased land and buildings	(1,756)	(7,842)
— owned plant and machinery	(41,825)	(34,046)
Non-operating (income)/expenses		
— gain on disposal of subsidiaries *(Note 15(b))*	(71,508)	–
— net (gain)/loss on disposal of property, plant and equipment	(14,760)	556

* *Amortisation of programming library is included within programming costs in the consolidated statement of profit or loss of the Group.*

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

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

	2017 HK$'000	2016 HK$'000
Current tax — Overseas		
Provision for the year	383	542
	383	542
Deferred tax *(Note 26(b))*		
Utilisation of prior years' tax losses recognised	3,909	3,953
Benefit of previously unrecognised tax losses now recognised	(8,607)	(10,070)
Origination and reversal of temporary differences	930	497
	(3,768)	(5,620)
Income tax credit	(3,385)	(5,078)

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year ended December 31, 2017. Taxation for overseas subsidiaries of the Company is charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2017 %	2016 %
Statutory income tax rate	(16.5)	(16.5)
Tax effect of non-deductible expenses	0.3	–
Tax effect of unused tax losses not recognised	16.5	16.8
Tax effect of previously recognised tax losses utilised	1.1	1.2
Tax effect of previously unrecognised tax losses now recognised	(2.4)	(3.2)
Differential tax rate on subsidiaries' income	0.1	0.1
Effective income tax rate	(0.9)	(1.6)

7. 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 follow:

Name of directors	Fees HK$'000	Salaries and other benefits HK$'000	Retirement scheme contributions HK$'000	Discretionary bonuses and/or performance related bonuses HK$'000	Total emoluments HK$'000
2017:					
Non-executive Directors					
Tan Sri Dato' David Chiu					
(Chairman) (Note (i))	18	–	–	–	18
Dr. Cheng Kar-Shun, Henry					
(Vice-chairman) (Note (i))	18	–	–	–	18
Dr. Cheng Chi-Kong, Adrian *(Note (i))*	18	–	–	–	18
Mr. Tsang On Yip, Patrick *(Note (i))*	18	–	–	–	18
Mr. Hoong Cheong Thard *(Note (i))*	18	–	–	–	18
Executive Directors					
Mr. Andrew Wah Wai Chiu *(Note (ii))*	18	–	–	–	18
Mr. Kwan Jut Ho, William *(Note (iii))*	60	2,232	223	1,153	3,668
Independent Non-executive Directors					
Mr. Lam Kin-Fung, Jeffrey *(Note (iv))*	18	–	–	–	18
Mr. Hu Shao Ming Herman	60	–	–	–	60
Mr. Luk Koon Hoo, Roger	80	–	–	–	80
Mr. Tang Sing Ming Sherman	65	–	–	–	65
Resigned Directors					
Mr. Ng Tin Hoi Stephen					
(resigned w.e.f. September 15, 2017)	42	1,376	4	2,032	3,454
Mr. Tsui Yiu Cheung, Paul					
(resigned w.e.f. September 15, 2017)	56	–	–	–	56
Mr. Wu Yung Wei Patrick					
(resigned w.e.f. September 15, 2017)	56	–	–	–	56
	545	3,608	227	3,185	7,565

Notes:

(i) These non-executive directors of the Company were appointed with effect from September 15, 2017.

(ii) Mr. Andrew Wah Wai Chiu was appointed as an executive director of the Company with effect from September 15, 2017.

(iii) Mr. Kwan Jut Ho, William resigned as an executive director of the Company with effect from March 1, 2018.

(iv) Mr. Lam Kin-Fung, Jeffrey was appointed as an independent non-executive director of the Company with effect from September 15, 2017.

7. DIRECTORS' EMOLUMENTS (Continued)

Name of directors	Fees HK$'000	Salaries and other benefits HK$'000	Retirement scheme contributions HK$'000	Discretionary bonuses and/or performance related bonuses HK$'000	Total emoluments HK$'000
2016:					
Executive Directors					
Mr. Ng Tin Hoi Stephen	60	1,947	5	2,875	4,887
Mr. Kwan Jut Ho, William	60	2,234	223	930	3,447
Non-executive Director					
Mr. Tsui Yiu Cheung, Paul	80	–	–	–	80
Independent Non-executive Directors					
Mr. Luk Koon Hoo, Roger	80	–	–	–	80
Mr. Wu Yung Wei Patrick	80	–	–	–	80
Mr. Hu Shao Ming Herman	60	–	–	–	60
Mr. Tang Sing Ming Sherman	60	–	–	–	60
	480	4,181	228	3,805	8,694

There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the directors of the Company in respect of the years ended December 31, 2017 and December 31, 2016.

Certain Director's emoluments disclosed above were paid directly by the Company's former intermediate holding company, The Wharf (Holdings) Limited ("Wharf"), (or its wholly-owned subsidiaries) to the relevant Director. Wharf recovered such costs from the Group by charging management fees (see Note 30(iv)).

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND EMOLUMENTS OF SENIOR MANAGEMENT

(a) Five highest paid individuals

Of the five individuals with the highest emoluments, two (2016: two) were Directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other three (2016: three) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**5,820**	6,354
Retirement scheme contributions	**156**	234
Discretionary bonuses and/or performance related bonuses	**1,668**	2,109
	7,644	8,697

The emoluments of the three (2016: three) individuals with the highest emoluments are within the following bands:

HK$	**2017 Number of individuals**	2016 Number of individuals
1,500,001–2,000,000	**1**	–
2,000,001–2,500,000	**–**	1
2,500,001–3,000,000	**1**	–
3,000,001–3,500,000	**1**	2
	3	3

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND EMOLUMENTS OF SENIOR MANAGEMENT (Continued)

(b) Emoluments of senior management

The emoluments of the senior management of the Group, whose biographical details are set out in the "Biographical Details of Directors and Senior Management" section of this annual report and including Mr. Ng Tin Hoi Stephen and Mr. Kwan Jut Ho, William, were within following bands:

HK$	**2017 Number of individuals**	2016 Number of individuals
Nil–1,000,000	**2**	–
1,500,001–2,000,000	**1**	2
2,000,001–2,500,000	**–**	1
3,000,001–3,500,000	**2**	3
3,500,001–4,000,000	**1**	–
4,500,001–5,000,000	**–**	1
	6	7

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of approximately HK$362,827,000 (2016: HK$312,790,000) and the weighted average number of ordinary shares of 3,585,393,489 (2016 restated: 2,474,160,252) at the end of the reporting period, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares at January 1	**2,011,512,400**	2,011,512,400
Effect of open offer *(Note 25(c)(ii))*	**1,324,793,242**	462,647,852
Effect of loan capitalisation *(Note 25(c)(iii))*	**249,087,847**	–
Weighted average number of ordinary shares at December 31	**3,585,393,489**	2,474,160,252

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company of approximately HK$362,827,000 (2016: HK$312,790,000) and the weighted average number of ordinary shares of 3,585,393,489 (2016 restated: 2,474,160,252) after adjusting for the effects of all dilutive potential ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

	Network, decoders, cable modems and television production systems	Furniture, fixtures, other equipment and motor vehicles	Leasehold land and buildings in Hong Kong and the People's Republic of China		Leasehold improvements	Total
			Long leases	Medium leases		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At January 1, 2016	5,893,366	657,615	8,119	46,531	337,582	6,943,213
Additions	227,697	7,747	–	–	2,839	238,283
Disposals	(99,199)	(3,904)	–	–	(1,078)	(104,181)
Reclassification to inventories	(537)	–	–	–	–	(537)
Exchange reserve	–	(1,212)	–	(1,984)	(579)	(3,775)
At December 31, 2016	6,021,327	660,246	8,119	44,547	338,764	7,073,003
At January 1, 2017	**6,021,327**	**660,246**	**8,119**	**44,547**	**338,764**	**7,073,003**
Additions	**188,253**	**4,051**	**–**	**–**	**15,996**	**208,300**
Disposals	**(134,603)**	**(4,486)**	**–**	**(2,014)**	**(3,894)**	**(144,997)**
Disposal of subsidiaries *(Note 15(b))*	**–**	**–**	**(8,119)**	**(736)**	**–**	**(8,855)**
Reclassification to inventories	**(282)**	**–**	**–**	**–**	**–**	**(282)**
Exchange reserve	**–**	**715**	**–**	**1,185**	**346**	**2,246**
At December 31, 2017	**6,074,695**	**660,526**	**–**	**42,982**	**351,212**	**7,129,415**
Accumulated depreciation						
At January 1, 2016	5,112,552	628,926	1,998	14,157	311,777	6,069,410
Charge for the year	194,665	12,805	203	1,521	5,130	214,324
Impairment loss	892	–	–	–	–	892
Written back on disposals	(97,995)	(3,872)	–	–	(1,078)	(102,945)
Reclassification to inventories	(388)	–	–	–	–	(388)
Exchange reserve	–	(1,184)	–	(723)	(422)	(2,329)
At December 31, 2016	5,209,726	636,675	2,201	14,955	315,407	6,178,964
At January 1, 2017	**5,209,726**	**636,675**	**2,201**	**14,955**	**315,407**	**6,178,964**
Charge for the year	**187,041**	**10,265**	**50**	**1,445**	**5,877**	**204,678**
Impairment loss	**387**	**–**	**–**	**–**	**–**	**387**
Written back on disposals	**(134,042)**	**(4,482)**	**–**	**(484)**	**(3,098)**	**(142,106)**
Disposal of subsidiaries *(Note 15(b))*	**–**	**–**	**(2,251)**	**(262)**	**–**	**(2,513)**
Reclassification to inventories	**(245)**	**–**	**–**	**–**	**–**	**(245)**
Exchange reserve	**–**	**712**	**–**	**481**	**282**	**1,475**
At December 31, 2017	**5,262,867**	**643,170**	**–**	**16,135**	**318,468**	**6,240,640**
Net book value						
At December 31, 2017	**811,828**	**17,356**	**–**	**26,847**	**32,744**	**888,775**
At December 31, 2016	811,601	23,571	5,918	29,592	23,357	894,039

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment loss results from loss recognised on abandonment of lost or damaged property, plant and equipment. In 2017, an impairment loss of approximately HK$387,000 (2016: HK$892,000) was recorded for decoders and cable modems which had become obsolete during normal usage or were leased to subscribers in the ordinary course of the television subscription and broadband internet access business, and had not been returned after the services were terminated.

As at December 31, 2017, the net book value of property, plant and equipment of the Group held for use in operating leases were approximately HK$51,918,000 (2016: HK$45,661,000).

11. PROGRAMMING LIBRARY

	2017 HK$'000	2016 HK$'000
Cost		
At January 1	748,975	694,998
Additions	114,608	122,564
Written off	(91,196)	(68,587)
At December 31	772,387	748,975
Accumulated amortisation		
At January 1	579,668	538,467
Charge for the year	128,647	109,579
Impairment loss	3,691	209
Written off	(91,196)	(68,587)
At December 31	620,810	579,668
Net book value		
At December 31	151,577	169,307

The management of the Group undertook a review of its programming library to assess the recoverability of film rights. As a result of the assessment, an impairment loss of approximately HK$3,691,000 (2016: HK$209,000) was made for the year.

12. INTANGIBLE ASSETS

	2017 HK$'000	2016 HK$'000
Cost		
At January 1	2,062	3,767
Disposal	(844)	(1,705)
At December 31	1,218	2,062

The useful lives of the club debentures are indefinite. Accordingly, no amortisation is charged to the consolidated statement of profit or loss of the Group during the current and the prior years. The Group completed its annual impairment test for the club debentures by comparing the fair values less costs of disposal of the club debentures to their carrying amounts as at the end of the reporting period. No impairment loss was recognised during the year (2016: HK$Nil).

13. INTEREST IN ASSOCIATE

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

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

In respect of the year ended December 31, 2017, the Group has not taken into account the effect of transactions or events of the associate as the associate was inactive during the current year. Since the Group's share of losses has already exceeded its interest in associate, the Group's interest was recorded at HK$Nil (2016: HK$Nil) and no recognition of future losses is expected as the Group has no legal or constructive obligation in respect of such losses.

14. OTHER NON-CURRENT ASSETS

	2017 HK$'000	2016 HK$'000
Deposits, prepayments and other receivables	**39,006**	29,465
Amounts due from fellow subsidiaries *(Note 18)*	**–**	13,789
	39,006	43,254

15. INVESTMENTS IN SUBSIDIARIES

(a) The following list contains only the particulars of the Company's principal subsidiaries and consolidated structured entities.

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued capital, all fully paid	Proportion of ownership interest Directly	Proportion of ownership interest Indirectly
Hong Kong Cable Enterprises Limited	Hong Kong	Advertising airtime and programme licensing	HK$2 divided into 2 ordinary shares	–	100%
Hong Kong Cable News Express Limited	Hong Kong	Advertising airtime	HK$20 divided into 2 ordinary shares	–	100%
Hong Kong Cable Television Limited ("HKC")	Hong Kong	Television and Internet and Multimedia	HK$750,000,000 divided into 750,000,000 ordinary shares	–	100%
i-CABLE Entertainment Limited	Hong Kong	Programme production and channel operation	HK$10,000,000 divided into 10,000,000 ordinary shares	–	100%
i-CABLE Network Limited	Hong Kong	Network operation	HK$102 divided into 100 ordinary shares	–	100%
			and 2 non-voting deferred share	–	100%
i-CABLE Network Operations Limited	Hong Kong	Network operation	HK$500,000 divided into 500,000 ordinary shares	–	100%
i-CABLE News Limited	Hong Kong	Programme production and channel operation	HK$10,000,000 divided into 10,000,000 ordinary shares	–	100%
i-CABLE Sports Limited	Hong Kong	Programme production and channel operation	HK$10,000,000 divided into 10,000,000 ordinary shares	–	100%

15. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) (Continued)

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued capital, all fully paid	Proportion of ownership interest Directly	Proportion of ownership interest Indirectly
i-CABLE Telecom Limited	Hong Kong	Telephony	HK$1 divided into 1 ordinary share	–	100%
廣州市寬訊技術服務有限公司 *	The People's Republic of China	Technical services	HK$34,600,000	–	100%
Fantastic Television Limited ("FTL")**	Hong Kong	Free television broadcasting	HK$10,000 divided into 9,999 ordinary shares and 1 non-voting preference share	14.9%	–
Fantastic Entertainment Limited ("FEL")**	Hong Kong	Programme production and acquisition	HK$1 divided into 1 ordinary share	–	14.9%
International Distribution Limited ("IDL")**	Hong Kong	Programme licensing and distribution	HK$2 divided into 2 ordinary shares	–	14.9%
Sundream Motion Pictures Limited ("SMPL")**	Hong Kong	Film production, distribution and licensing	HK$300,000,000 divided into 300,000,000 ordinary shares	–	14.9%

* *This entity is registered as a wholly foreign owned enterprise under the People's Republic of China law and is not audited by KPMG.*

** *The Company holds 1 non-voting preference share and 1,489 class "A" ordinary shares of FTL, which wholly owns the equity interests in FEL, IDL and SMPL, while the remaining 4,255 class "B" ordinary shares of FTL and 4,255 class "C" ordinary shares of FTL are held by two independent trustees respectively. The entities are consolidated by the Group in accordance with HKFRSs and the significant accounting policies adopted by the Group as disclosed in Note 1. During the year, no non-controlling interests is recognised as the entities' distributable profits did not surpass the threshold for the other shareholders.*

None of the Company's subsidiaries or consolidated structured entities had issued any debt securities at the end of the year or during the year.

The above table lists the Company's subsidiaries and consolidated structured entities which, in the opinion of the Directors, principally affected the results of the year or formed a material portion of assets or liabilities of the Group.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Disposal of subsidiaries

During the year ended December 31, 2017, the Group disposed of its entire equity interests in certain subsidiaries of the Company to third parties. The cash flows and the net assets of those subsidiaries were as follows:

	HK$'000
Property, plant and equipment *(Note 10)*	6,342
Net assets disposed of	6,342
Consideration received	77,850
Carrying amount of net assets disposed of	(6,342)
Gain on disposal of subsidiaries *(Note 5)*	71,508
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:	
Consideration received	77,850
Net inflow of cash and cash equivalents on disposal of subsidiaries	77,850

16. INVENTORIES

	2017 HK$'000	2016 HK$'000
Spare parts and consumables	**13,981**	18,076

17. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise:

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**54,296**	56,686
Less: allowance for doubtful debts *(Note 17(b))*	**(10,474)**	(5,301)
	43,822	51,385
Deposits, prepayments and other receivables	**38,187**	34,926
	82,009	86,311

(a) An ageing analysis of trade receivables (net of allowance for doubtful debts), based on the invoice date is set out as follows:

	2017 **HK$'000**	2016 HK$'000
0 to 30 days	**14,673**	16,530
31 to 60 days	**11,352**	15,421
61 to 90 days	**7,606**	8,524
Over 90 days	**10,191**	10,910
	43,822	51,385

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

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

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

	2017 **HK$'000**	2016 HK$'000
Balance at beginning of the year	**5,301**	5,450
Impairment loss for the year	**6,533**	2,800
Reversal of impairment losses in prior year	**(213)**	(248)
Written off	**(1,147)**	(2,701)
Balance at end of the year	**10,474**	5,301

17. TRADE AND OTHER RECEIVABLES (Continued)

(c) (i) 26% (2016: 11%) of the gross trade receivables related to the television and internet and multimedia access subscription businesses. There was no significant concentration of credit risk with respect to these trade receivables as the customer bases were widely dispersed in different sectors. The Group has given a credit term of 30 days to these customers. Impairment losses in respect of receivables arising from these subscription businesses are recognised once the receivable is overdue for more than 90 days.

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

	2017 **HK$'000**	2016 HK$'000
Not yet due	**5,241**	9,552
Less than 1 month past due	**11,118**	15,684
1 to 3 months past due	**16,592**	17,463
3 to 6 months past due	**2,707**	3,945
Over 6 months past due	**10**	449
	30,427	37,541
	35,668	47,093

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

18. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

At December 31, 2016, the amounts due from fellow subsidiaries were unsecured, interest-free and recoverable on demand, and were arisen in the ordinary and usual course of business of the Group.

19. BANK DEPOSITS AND CASH AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2017 HK$'000	2016 HK$'000
Bank deposits and cash in the consolidated statement of financial position	**584,744**	105,814
Less: Security deposits with a bank*	**(16,710)**	(20,000)
Cash and cash equivalents in the consolidated cash flow statement	**568,034**	85,814

* *The security deposits represent deposits made by subsidiaries of the Company to secure certain banking facilities granted to those subsidiaries.*

(b) Reconciliation of liabilities arising from financing activities

	Interest-bearing borrowings HK$'000
At January 1, 2017	**590,000**
Changes from financing cash flows:	
Drawdown of new bank loan	**100,000**
Drawdown of other borrowing	**145,000**
Repayment of other borrowing	**(40,000)**
	205,000
Other change:	
Loan capitalisation *(Note 25 (c)(iii))*	**(300,000)**
Net changes	**(95,000)**
At December 31, 2017	**495,000**

20. TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	2017 HK$'000	2016 HK$'000
Trade payables	**17,150**	59,135
Accrued expenses and other payables	**235,771**	239,758
Receipts in advance and customers' deposits	**162,494**	183,821
	415,415	482,714

An ageing analysis of trade payables, based on the invoice date is set out as follows:

	2017 HK$'000	2016 HK$'000
0 to 30 days	**9,594**	17,012
31 to 60 days	**3,827**	21,945
61 to 90 days	**848**	12,271
Over 90 days	**2,881**	7,907
	17,150	59,135

21. INTEREST-BEARING BORROWINGS

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

	2017 **HK$'000**	2016 HK$'000
Within one year or on demand		
Bank loan	**395,000**	295,000
Loan from a fellow subsidiary	**–**	295,000
	395,000	590,000
More than one year but within two years		
Loan from Wharf Finance*	**100,000**	–
	495,000	590,000

* The non-current interest-bearing borrowing was carried at amortised cost.

22. AMOUNTS DUE TO FELLOW SUBSIDIARIES

At December 31, 2016, the amounts due to fellow subsidiaries were unsecured, interest-free and repayable on demand, and were arisen in the ordinary and usual course of business of the Group.

23. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

At December 31, 2016, the amount due to immediate holding company was unsecured, interest-free and has no fixed terms of repayment, and was arisen in the ordinary and usual course of business of the Group.

24. OTHER NON-CURRENT LIABILITIES

	2017 **HK$'000**	2016 HK$'000
Accrued expenses and other payables	**21,068**	8,068
Receipts in advance and customers' deposits	**919**	673
	21,987	8,741

25. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Capital and Reserves		
Company	Share capital HK$'000	Accumulated losses HK$'000	Total equity HK$'000
Balance at January 1, 2016	6,857,599	(2,779,021)	4,078,578
Change in equity for 2016:			
Loss and total comprehensive income for the year	–	(1,100,357)	(1,100,357)
Balance at December 31, 2016 and January 1, 2017	**6,857,599**	**(3,879,378)**	**2,978,221**
Changes in equity for 2017:			
Loss and total comprehensive income for the year	**–**	**(2,097,296)**	**(2,097,296)**
Shares issued under open offer *(Note 25(c)(ii))*	**704,029**	**–**	**704,029**
Shares issued under loan capitalisation *(Note 25(c)(iii))*	**300,000**	**–**	**300,000**
Transaction costs incurred in respect of open offer	**(17,156)**	**–**	**(17,156)**
Balance at December 31, 2017	**7,844,472**	**(5,976,674)**	**1,867,798**

(b) Dividends

The board of the Directors (the "Board") does not recommend the payment of any dividend for the year ended December 31, 2017 (2016: HK$Nil).

25. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

(i) Issued share capital

	2017		2016	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Ordinary shares, issued and fully paid:				
At January 1	**2,011,512,400**	**6,857,599**	2,011,512,400	6,857,599
Shares issued under open offer *(Note 25(c)(ii))*	**3,352,520,666**	**704,029**	–	–
Shares issued under loan capitalisation *(Note 25(c)(iii))*	**841,987,090**	**300,000**	–	–
Transaction costs incurred in respect of open offer	**–**	**(17,156)**	–	–
At December 31	**6,206,020,156**	**7,844,472**	2,011,512,400	6,857,599

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

(ii) Shares issued under open offer

During the year ended December 31, 2017, the Company raised gross proceeds of approximately HK$704 million by issuing 3,352,520,666 offer shares of the Company to the qualifying shareholders of the Company at the offer price of HK$0.21 per offer share of the Company on the basis of five offer shares of the Company for every three then existing shares of the Company. The net proceeds, after deduction of related expenses, of approximately HK$687 million from the open offer is applied for the purposes as disclosed in the circular of the Company dated May 12, 2017. The weighted average number of ordinary shares for the purpose of calculation of basic loss per share have been adjusted for the bonus element of the open offer.

(iii) Shares issued under loan capitalisation

During the year ended December 31, 2017, the Company, HKC and Wharf Finance entered into the loan capitalisation agreement pursuant to which Wharf Finance has agreed to effect the loan capitalisation, whereby the loan capitalisation amount in the sum of HK$300 million under the facility provided by Wharf Finance capitalised into 841,987,090 shares of the Company, at the issue price of approximately HK$0.3563 per share of the Company issued to Wharf.

25. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Special capital reserve

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

The Limit may be reduced by the amount of any increase in the issued share capital of the subsidiary or upon a capitalisation of distributable reserves. The Limit may also be reduced after the disposal or other realisation of the relevant assets by the amount of the charge to provision or depreciation made in relation to such asset as at September 30, 2004 less reversal as a result of such disposal or realisation. In the event that the amount standing to the credit of the special capital reserve exceeds the Limit, the subsidiary shall be at liberty to transfer the amount of any such excess to the general reserves of the subsidiary, which shall become available for distribution. As at December 31, 2017, the Limit of the special capital reserve, as reduced by HK$2,306,863 (2016: HK$1,488,247) related to recoveries and reversals of provisions of the relevant assets, was HK$832,640,968 (2016: HK$834,947,831), and the amount standing to the credit of the special capital reserve was HK$13,984,483 (2016: HK$13,984,483).

(ii) Exchange reserve

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

(e) Distributability of reserves

At December 31, 2017, the aggregate amount of reserves of the Company available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was HK$Nil (2016: HK$Nil).

25. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders of the Company and benefits for other stakeholders of the Group, and to support the Group's stability and growth, by pricing products and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders return, taking into consideration the future of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or new debt financing. The Group made no changes to its capital management objectives, policies or processes during the years ended December 31, 2017 and December 31, 2016.

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

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2017	2016
	HK$'000	HK$'000
Overseas taxation	**86**	113

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At January 1, 2016	53,878	(345,515)	(291,637)
Charged/(credited) to the consolidated statement of profit or loss *(Note 6(a))*	497	(6,117)	(5,620)
At December 31, 2016	54,375	(351,632)	(297,257)
At January 1, 2017	**54,375**	**(351,632)**	**(297,257)**
Charged/(credited) to the consolidated statement of profit or loss *(Note 6(a))*	**930**	**(4,698)**	**(3,768)**
At December 31, 2017	**55,305**	**(356,330)**	**(301,025)**

	2017 HK$'000	2016 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(303,472)**	(306,467)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**2,447**	9,210
	(301,025)	(297,257)

(c) Deferred tax assets not recognised:

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

	2017 HK$'000	2016 HK$'000
Future benefit of tax losses	**534,166**	470,059
Impairment loss for bad and doubtful accounts	**188**	28
	534,354	470,087

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a defined credit policy in place with general credit terms ranging from 0 to 90 days in respect of television subscription, and internet and multimedia services and from 0 to 270 days in respect of advertising services. The exposure to credit risks is monitored on an ongoing basis. The Group has no significant concentrations of credit risk from customers. Subscription revenue from customers is settled mainly in cash or via major credit cards.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and its compliance with lending covenants. The Group's objective is to maintain a balance between the continuity of funding and the flexibility through use of bank overdrafts and bank loans. As disclosed in Note 1(b), certain measures have been taken by the Directors to mitigate the liquidity pressures faced by the Group.

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

	2017				2016			
	Contractual undiscounted cash outflow				Contractual undiscounted cash outflow			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount in the consolidated statement of financial position HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount in the consolidated statement of financial position HK$'000
Trade payables	17,150	–	17,150	17,150	59,135	–	59,135	59,135
Accrued expenses and other payables	235,771	21,068	256,839	256,839	239,758	8,068	247,826	247,826
Receipts in advance and customers' deposits	162,494	919	163,413	163,413	183,821	673	184,494	184,494
Interest-bearing borrowings	406,443	102,312	508,755	495,000	600,616	–	600,616	590,000
Amounts due to fellow subsidiaries	–	–	–	–	26,129	–	26,129	26,129
Amount due to immediate holding company	–	–	–	–	3,229	–	3,229	3,229
	821,858	124,299	946,157	932,402	1,112,688	8,741	1,121,429	1,110,813

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

At December 31, 2017, the Group's interest rate risk arises primarily from the revolving loan of HK$100,000,000 from Wharf Finance and HK$395,000,000 from a banking facility. The loans at variable rates expose the Group to cash flow interest rate risk.

At December 31, 2017, the Group's had time deposits with bank amounting to approximately HK$546,973,000 with original maturities of 31 to 365 days.

Apart from the foregoing, the Group has no other significant income-generating financial assets or interest-bearing financial liabilities. The Group's revenue, expenses and cash flows are substantially independent of changes in market interest rates.

Effective interest rates and repricing analysis

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

	Total		Effective interest rate	
	2017	2016	**2017**	2016
Interest rate risk	**HK$'000**	HK$'000	**%**	%
Floating rate:				
Cash at banks	**37,174**	85,814	**–**	–
Interest-bearing borrowings	**(495,000)**	(590,000)	**1.82**	1.35
	(457,826)	(504,186)		
Fixed rate:				
Time deposits with banks	**546,973**	20,000	**0.79**	0.63

At December 31, 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss before tax and increased/decreased the accumulated losses by approximately HK$4,578,000 (2016: HK$5,041,860).

The sensitivity analysis above indicates the instantaneous change in the Group's loss before tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss before tax (and accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2016.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk

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

In view of the Hong Kong dollar pegged to the United States dollar under the Linked Exchange Rate System in Hong Kong, management does not expect that there will be any significant currency risk associated with recognised assets and liabilities denominated in United States dollar. It is therefore assumed that the risk of movements in exchange rates between the Hong Kong dollar and the United States dollar would be insignificant. Accordingly, no sensitivity analysis has been prepared.

(e) Fair values of financial instruments

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at December 31, 2016 and 2017.

28. COMMITMENTS

(a) Capital commitments outstanding as at December 31, 2017 not provided for in the consolidated financial statements of the Group were as follows:

	2017 **HK$'000**	2016 HK$'000
(i) Property, plant and equipment		
— Authorised and contracted for	**15,504**	17,595
— Authorised but not contracted for	**264,822**	210,733
	280,326	228,328
(ii) Programming and other commitments		
— Authorised and contracted for	**226,485**	423,009
— Authorised but not contracted for	**46,711**	61,531
	273,196	484,540
	553,522	712,868

28. COMMITMENTS (Continued)

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

	2017 HK$'000	2016 HK$'000
— Within one year	**22,723**	44,254
— After one year but within five years	**25,592**	25,385
— After five years	**1,322**	7,246
	49,637	76,885

(i) Operating lease commitments

The Group leases a number of premises under operating leases mainly for use as office premises, car parks and warehouses. The terms of the leases vary and may be renewable on a monthly basis or run for an initial period of two to fifteen years (2016: two to fifteen years), with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually adjusted every two to three years to reflect market rentals. None of the leases includes contingent rentals.

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

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

(ii) Future operating lease income

The total future minimum sublease payments receivable under non-cancellable subleases at December 31, 2017 amounted to approximately HK$2,071,000 (2016: HK$3,436,000). The total future minimum lease payments receivable in respect of decoders under non-cancellable operating leases are as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**3,388**	3,505

(c) Funding commitment under television broadcasting licences are as follows:

(i) Upon acceptance of the renewal of the domestic pay television programme service licence of HKC on May 29, 2017 for the period of 12 years from June 1, 2017 to May 31, 2029, HKC has become subject to a commitment of a six-year investment plan of HK$3,447 million from 2017 to 2023, comprising HK$251 million of capital investment and HK$3,196 million of programming investment in content including in-house channels containing self-produced and/or acquired programmes as well as in acquired channels.

28. COMMITMENTS (Continued)

(c) (Continued)

(ii) In accordance with the terms of the domestic free television programme service licence issued to FTL (the "Free TV Licence"), FTL has issued a performance bond in favour of the Hong Kong Government and the balance as at December 31, 2017 was HK$10 million (2016: HK$20 million). Under the terms of the performance bond, unless the Communications Authority otherwise approves or determines:

— within 18 months from the commencement date of the Free TV Licence (being May 31, 2016) (the "Free TV Commencement Date"), FTL should incur not less than HK$168 million as the capital and programming expenditure for providing the domestic free television programme service;

— within 30 months from the Free TV Commencement Date, FTL shall incur not less than HK$336 million as the cumulative capital and programming expenditure for providing the domestic free television programme service; and

— within 42 months from the Free TV Commencement Date, FTL shall incur not less than HK$504 million as the cumulative capital and programming expenditure for providing the domestic free television programme service.

29. CONTINGENT LIABILITIES

As at December 31, 2017, there were contingent liabilities in respect of the following:

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

(ii) Guarantees and indemnities have been provided by the Company to a bank and Wharf Finance totally of HK$500,000,000 (2016: HK$806,000,000) in respect of overdraft and guarantee facilities to the wholly-owned subsidiaries of the Company. Of this amount, at December 31, 2017, HK$495,000,000 (2016: HK$590,000,000) was utilised by the subsidiaries of the Company.

As at the end of the reporting period, the Company has provided two separate guarantees to a bank and Wharf Finance in respect of loan facilities granted to two wholly-owned subsidiaries of the Company. As at December 31, 2017, the Directors did not consider it probable that a claim would be made against the Company under any of the guarantee. The maximum exposure of the Company at the end of the reporting period under the guarantees and indemnities was the amount of facilities drawn down by the wholly-owned subsidiaries of the Company amounted to HK$495,000,000 (2016: HK$590,000,000).

For the years ended December 31, 2017 and 2016, the Group has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured using observable market data and its transaction price was HK$Nil.

30. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements of the Group, the Group entered into the following material related party transactions during the year ended December 31, 2017:

	2017 **HK$'000**	2016 HK$'000
Rentals payable and related management fees on land and buildings *(Note (i))*	**33,171**	55,486
Rentals receivable on land and buildings *(Note (ii))*	**–**	(6,424)
Network repairs and maintenance services charges *(Note (iii))*	**–**	(7,069)
Management fees *(Note (iv))*	**6,036**	8,960
Computer services *(Note (v))*	**–**	523
Leased line and Public Non-Exclusive Telecommunications Service ("PNETS") charges and international bandwidth access charges *(Note (vi))*	**–**	5,132
Telephony services fees *(Note (vii))*	**–**	8,081

Notes:

(i) *These represented rentals and related management fees paid to former fellow subsidiaries in respect of office premises, car parks and warehouses. As at December 31, 2016, rental deposits paid to former fellow subsidiaries amounted to HK$12,507,509.*

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

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

(iv) *This represented fees incurred by a former fellow subsidiary on the Group's behalf which were recharged to the Group.*

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

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

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

On November 9, 2016, Wharf disposed of the entire equity interests in Wharf T&T Limited ("WT&T"). Accordingly, the income and expenses which come from WT&T was no longer included into the material related party transactions since the disposal.

In September 2017, Wharf and its subsidiaries and affiliates ceased to be related parties of the Group. Accordingly, the transactions with Wharf or any of its subsidiaries and affiliates were no longer included into the material related party transactions.

On December 12, 2016, Wharf Finance granted a revolving loan facility of HK$400,000,000 to a subsidiary of the Company on January 1, 2017 with an original maturity date of December 31, 2017. During the year ended December 31, 2017, the amount of loan facility under the Wharf Facility was revised from HK$400,000,000 to HK$100,000,000 and the final maturity date was extended to December 31, 2019. During the year ended December 31, 2017, finance costs paid to Wharf Finance was approximately HK$2,976,000 (2016: HK$2,849,000).

30. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in Note 7 and other members of key management of the Group, is as follows:

	2017 **HK$'000**	2016 HK$'000
Short-term employee benefits	**12,946**	20,318
Post-employment benefits	**407**	586
	13,353	20,904

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

32. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Investments in subsidiaries	*15(a)*	**9**	9
Amounts due from subsidiaries		**2,460,411**	4,317,828
		2,460,420	4,317,837
Current assets			
Prepayments and other receivables		**1,667**	1
Amount due from a subsidiary		**36,000**	–
Bank deposits and cash		**552,635**	16,355
		590,302	16,356
Current liabilities			
Accrued expenses and other payables		**1,800**	1,196
Amounts due to subsidiaries		**1,181,124**	1,349,637
Amounts due to fellow subsidiaries		**–**	5,139
		1,182,924	1,355,972
Net current liabilities		**(592,622)**	(1,339,616)
NET ASSETS		**1,867,798**	2,978,221
Capital and reserves	*25(a)*		
Share capital		**7,844,472**	6,857,599
Reserves		**(5,976,674)**	(3,879,378)
TOTAL EQUITY		**1,867,798**	2,978,221

Approved and authorised for issue by the Board of Directors on March 22, 2018.

Tan Sri Dato' David Chiu
Director

Dr. Cheng Kar-Shun, Henry
Director

33. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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

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

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

Up to the date of issue of the consolidated financial statements of the Group, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended December 31, 2017 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 15, *Revenue from contracts with customers*	January 1, 2018
HKFRS 16, *Leases*	January 1, 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	January 1, 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 a significant impact on the consolidated financial statements of the Group. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for 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 June 30, 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified that the timing of revenue recognition is expected to be affected.

The Group's revenue recognition policies are disclosed in Note 1(l). Currently, revenue arising from the installation services are generally recognised upon completion of the related installation works whereas revenue from licensing of television rights is recognised in full upon delivery of the programmes.

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

HKFRS 15, Revenue from contracts with customers (Continued)

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; and

(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 the new revenue standard is not likely to have significant impact on how it recognises revenue from installation services and licensing of television rights. However, commission expenses to staff is expected to be affected. Currently, the Group recognises commission expenses when the staff is entitled. The Group has assessed that under the transfer-of-control approach in the new standard, commission expenses will generally be recognised in accordance with the duration of sales contract, which will fall into category (i). This may result in commission expenses being recognised later than at present.

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at January 1, 2018. As allowed by HKFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before January 1, 2018. Since the number of "open" contracts for installation services and licensing of television rights at December 31, 2017 is limited, the Group expects that the transition adjustment to be made upon the initial adoption of HKFRS 15 will not be material. However, the expected changes in accounting policies of the recognition of commission expenses as described above could have a material impact on the Group's financial results from 2018 onwards.

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

HKFRS 16, Leases

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

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

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

HKFRS 16 is effective for annual periods beginning on or after January 1, 2019.

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group were approved and authorised for issue by the Board of Directors on March 22, 2018.

FIVE-YEAR FINANCIAL SUMMARY

(Expressed in HK$ million)

	2013	2014	2015	2016	**2017**
Results					
Revenue	1,932	1,666	1,510	1,406	**1,258**
Operating expenses	(2,020)	(1,804)	(1,752)	(1,718)	**(1,702)**
Loss from operations	(88)	(138)	(242)	(312)	**(444)**
Interest income	1	–	–	–	**1**
Finance costs	(3)	(1)	(3)	(5)	**(9)**
Non-operating (expenses)/income	–	–	(1)	(1)	**86**
Loss before taxation	(90)	(139)	(246)	(318)	**(366)**
Income tax (charge)/credit	(3)	–	13	5	**3**
Loss for the year	(93)	(139)	(233)	(313)	**(363)**
Attributable to:					
Equity shareholders of the Company	(93)	(139)	(233)	(313)	**(363)**
Assets and Liabilities					
Property, plant and equipment	934	893	874	894	**889**
Programming library	138	168	156	169	**152**
Intangible assets	4	4	4	2	**1**
Interest in associate	–	–	–	–	**–**
Deferred tax assets	311	303	309	306	**303**
Other non-current assets	56	58	63	43	**39**
Current assets	331	243	193	211	**681**
Total assets	1,774	1,669	1,599	1,625	**2,065**
Current liabilities	539	582	754	1,102	**811**
Deferred tax liabilities	34	25	17	9	**2**
Other non-current liabilities	8	9	9	9	**122**
Total liabilities	581	616	780	1,120	**935**
Share capital: nominal value	2,012	–	–	–	**–**
Other statutory capital reserves	4,846	–	–	–	**–**
Share capital and other statutory capital reserves	6,858	6,858	6,858	6,858	**7,844**
Reserves	(5,665)	(5,805)	(6,039)	(6,353)	**(6,714)**
Total equity attributable to equity shareholders of the Company	1,193	1,053	819	505	**1,130**
Total liabilities and equity	1,774	1,669	1,599	1,625	**2,065**

Note:

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