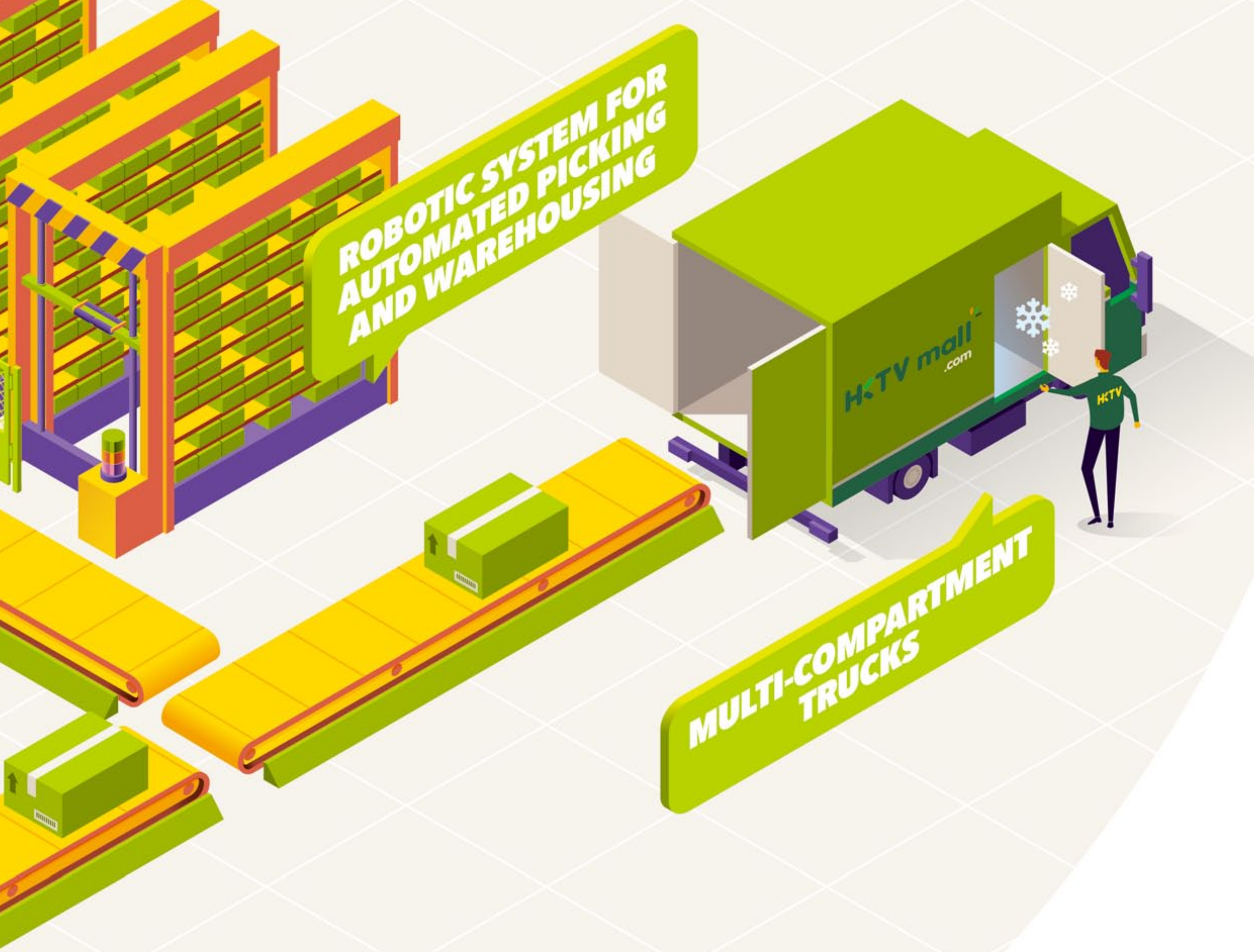
HONG KONG TELEVISION NETWORK LIMITED
香港電視網絡有限公司

SEHK 香港交易所股份編號: 1137

2018 年報 ANNUAL REPORT

Hong Kong is renowned for being a Shoppers' Paradise, and we should not be complacent for this. With 4 years' trial and error experience, we believe that we have found an ideal way for eCommerce in Hong Kong. In coming years, we will continue our investments and to boost order volume in order to achieve breakeven. Combining with technology and innovation, we hope to match the development of eCommerce in Hong Kong with our neighborhood areas.



Contents

Financial Information


HKTV mall
NEW APP DESIGNED FOR SENIORS
OFFLINE PICK-UP POINTS
CUSTOMER SERVICE HANDLING
BUY
24h
Support
SALE
MOVING OUR AGE SEGMENT
UPWARD

OPERATIONAL Highlights

In thousands of Hong Kong dollars unless specified

On Order Intake	For the year ended 31 December 2018	For the year ended 31 December 2017
Gross Merchandise Value ("GMV")[1]	**1,891,256**	1,070,359
Average Daily Order Number (rounded to the nearest hundred)	**10,300**	5,900
Average Order Value (HK$) (rounded to the nearest dollar)	**504**	496
Combined Unique Customers (rounded to the nearest thousand)	**680,000**	477,000

On Order Intake	For the month ended 31 December 2018	For the month ended 31 December 2017
Gross Merchandise Value ("GMV")	**194,850**	126,517
Average Daily Order Number (rounded to the nearest hundred)	**12,200**	7,600
Average Order Value (HK$) (rounded to the nearest dollar)	**516**	537

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

THE UPTREND FOR
ONLINE
SHOPPING
12,200
7,600
2,500
Average
Daily
Orders
2017
JAN
MAR
JUN
SEP
2017
DEC
MAR
JUN
2018
DEC
Record Daily
Order Number
44,100
JAN 8th, 2019

FINANCIAL Highlights

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

	For the year ended 31 December 2018	For the year ended 31 December 2017
Turnover	**896,374**	487,257
Loss attributable to shareholders	**(133,095)**	(204,920)
Loss per share		
– Basic and Diluted (HK dollars)	**(0.16)**	(0.25)
Capital Expenditures	**(154,753)**	(182,128)

	As at 31 December 2018	As at 31 December 2017
Cash position[2]	**105,901**	100,199
Other financial assets	**681,929**	876,165
Total outstanding borrowings	**79,392**	219,623
Total equity attributable to equity shareholders	**1,708,389**	1,862,632
Shares in issue (in thousands)	**814,217**	809,017
Net asset per share (HK$)	**2.10**	2.30
Gearing ratio	**-**	0.06

[2] Cash position means cash at bank and in hand and term deposits, if any.

RECONCILIATION OF

Adjusted EBITDA Loss[3,4]

	For the year ended 31 December 2018 HK$'000	For the year ended 31 December 2017 HK$'000
Loss attributable to shareholders	**(133,095)**	(204,920)
Income tax expense	**337**	1,163
Interest on bank loans	**4,718**	1,778
Investment returns[5]	**(41,987)**	(55,022)
Gain on disposal of a subsidiary	**(161,645)**	-
Depreciation of property, plant and equipment	**67,464**	46,775
Amortisation on intangible assets	**24,016**	15,060
EBITDA loss[3,6]	**(240,192)**	(195,166)
Major non-cash items:		
Valuation gains on investment properties	**(43,550)**	(80,500)
Net exchange loss/(gain)	**2,932**	(18,701)
Reversal of expected credit losses on debt securities measured at FVOCI	**(224)**	-
Non-cash licensing income	**(10,175)**	-
Unrealised fair value loss on units in investment funds measured at FVPL	**12,573**	-
Equity-settled share-based payment expenses	**7,189**	28,805
Adjusted EBITDA loss[4]	**(271,447)**	(265,562)

3 EBITDA loss and Adjusted EBITDA loss are not measures of performance under Hong Kong Financial Reporting Standards ("HKFRSs"). These measures do not represent, and should not be used as substitutes for, net loss or cash flows from operations as determined in accordance with HKFRSs. These measures are not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements. In addition, our definitions of these measures may not be comparable to other similarly titled measures used by other companies.

4 Adjusted EDBITA loss means EBITDA loss adjusted by major non-cash items.

5 Investment returns include bank interest income, dividend income from other financial assets, interest income from other financial assets and gain on disposal of other financial assets.

6 EBITDA loss means loss for the period plus interest on bank loans, income tax expenses, depreciation of property, plant and equipment and amortisation of intangible assets and deduct investment returns.

MAJOR
Milestones and Events

1992

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

1997

JAN Launch of IDD300 Calling Service

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

1998

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

1999

JAN Launch of IDD1666 Direct Calling Service

NOV ADR listing on the NASDAQ National Market of USA

2000

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

MAR Launch of Broadband Internet services by HKBN

2001

MAY CTI International awarded the Satellite-based Fixed Carrier licence

2002

APR HKBN upgraded to become a wireline-based FTNS licensee

JUN Launch of HKBN IDD0030 service

2003

AUG HKBN officially launched IP-TV service

2004

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

2005

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

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

2006

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

2007

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

2008

JAN HKBN launched free WiFi service at public housing estates

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

2009

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

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

MAJOR MILESTONES AND EVENTS

2010

MAR City Telecom celebrated 10 Years on NASDAQ

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

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

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

DEC HKBN launched HD Online Music Portal – MusicOne

2011

MAY Surpassed 10,000 Symmetric 1Gbps Subscribers

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

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

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

2012

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

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

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

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

2013

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

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

2014

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

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

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

DEC Trial run for online shopping mall

2015

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

MAR HKTV app was available on PlayStation®4

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

SEP Construction work of the Multimedia Production and Distribution Centre commenced

2016

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

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

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

2017

JAN Opened the second concept store in South Horizons

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

OCT Opened the 10th O2O Concept Store at Shatin CityOne

MAJOR MILESTONES AND EVENTS

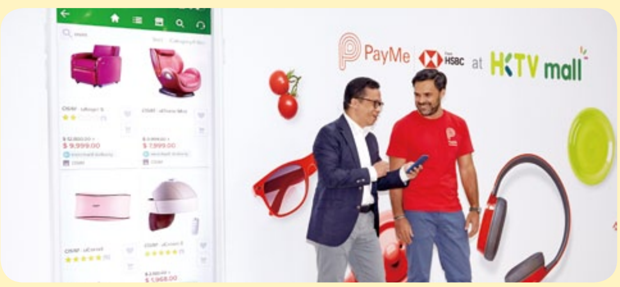
2018

JAN "THE BASE – Ecommerce Incubation Programme" officially launched

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

APR The first Open API partnership with Citibank to launch Citi Pay with Points on HKTVmall

JUN Partners with PayMe to launch seamless, secure mobile payments on HKTVmall app



DEC Opened 4,000 square feet concept store at Hong Kong-Zhuhai-Macao Bridge Passenger Clearance building

2019

JAN Sales record reached historical high at 44,100 daily orders & more than $24.5 million for GMV on 8th January

MAR Phase 2 of automated picking & warehousing system at the logistics centre of Tseung Kwan O headquarter commenced operation

MAR Opened the 46th O2O Concept Store at Tsuen Wan Belvedere Garden


CRM Technologies
Customer Services
O2O Concept Stores
Multi-Temperature Controlled Trucks
eFulfillment Centre
BUILDING ON VALUE
Payment Gateway
Merchant Management System
Order Processing System
Multimedia Production
eCommerce Platform

CHAIRMAN'S Statement

Dear Shareholders,

Our team embraces innovative spirit, and "Always Something New" is indeed one of our core values.

Established in 1992, City Telecom was only supported by HK$2.3 million funding and 10 talents. Later in 1999, Hong Kong Broadband Network Limited was established to provide up to 1Gbps high speed fibre-to-the-home residential broadband services, that was indeed a breakthrough to the market. In February 2015, HKTVmall was officially launched. Aiming to become the largest online shopping mall in terms of product variety, number of suppliers and merchants, we hope that HKTVmall can contribute to sustain Hong Kong's position as a Shoppers' Paradise.

In fact, HKTVmall is not just an online marketplace. We aim to build a digital ecosystem encompassing business operations, trading, retailing, financial services and all aspects of daily lives. This digital ecosystem is also a new retailing model, which is supported by 3 core pillars.

The first core pillar is an all-rounded marketplace. The 2 online portals in our Group, namely "HKTVmall" and "HoKoBuy", work with over 2,800 retailers and suppliers to provide over 270,000 product and service choices. Among all, supermarket and grocery products are catalysts for repeated purchase and stable traffic, as well as getting our customers acquainted to our mall with cross-selling. In 2018, supermarket products accounting for 34%, which ranked highest in our GMV on order intake, with another 18% coming from electrical appliances and 17% from personal care and skincare products.

In additional to this, this marketplace is connected with our existing O2O store network, joining efforts from online and offline on marketing promotions, customer services and brand awareness. While online platform is the main channel for product display and customer orders which are the core for business and profits, offline O2O stores serve as complementary role to reach new customers from different segments, offering customer and self-pickup services.

The second core pillar for new retailing is the robotic and automated warehousing and pick/pack system installed in our 280,000 sq. ft. warehouse space. Among all, installation works for phases 1 and 2 have been completed while the installation work for phase 3 will soon begin. Traditional retailing adopts the flow of "Man to Goods" that customers shop at physical stores and bring the product items back home by themselves, while new retailing model reverts the flow into "Goods to Man" that the robotic system will pick the product items according to customer orders, pack and deliver the orders directly to customers.

As mentioned, this robotic system was introduced from Germany and consists of 3 phases. The first phase was launched in first quarter of 2018 in our Tsing Yi logistics centre, handling 10,000 orders daily; The installation work for phase 2 at the logistics centre located at our Tseung Kwan O headquarter was also completed and started its operation since this month to handle customer orders. Upon the full operation of the system for phase 2, we will be able to handle 20,000 orders daily together with phase 1. Finally, we will install phase 3 of the system at the new warehouse space at Tseung Kwan O headquarter, that will increase our capacity to handle up to 35,000 orders daily. By that time, our logistics, warehousing, pick & pack as well as delivery will become more scalable, cost-effective and accurate.

Apart from the logistics centres located at Tsing Yi and Tseung Kwan O, our 280,000 sq. ft. warehousing space also includes a warehouse with cold storage facilities at Kwai Chung that handles frozen and chilled food, including frozen meat, seafood, packaged food, fruits and vegetables. In future, the Group will extend its logistics centres to various areas to cater for growing demand.

The third core pillar for new retailing is an extensive residential distribution network. We built our fleet from scratch. Currently, we have 250 trucks in operation daily, including outsourced trucks. One thing that worthy for attention is, our trucks were specially designed with multi-compartments: the one at the back of driving compartment sets at -18°C that is ideal for storage of frozen & chilled food, and the more spacious compartment at the back was designed for storage of items at ambient temperature. Upon arrival of the delivery address, our delivery assistants will deliver the items at different temperature levels directly to customers.

Our residential distribution network does not only consist of delivery fleet, but also our existing 46 O2O stores. Different from traditional physical stores, our stores size on average, less than 400 sq. ft., that regularly display different product categories. Most importantly, these stores serve as education centres to reach existing and potential customers to enhance interactivity and connection. In addition, our O2O stores offer self-pickup services, that some stores such as Mei Foo Sun Chuen recorded more self-pickup orders than delivery orders. From this, we observed that delivery team and O2O stores are serving different customer segments and they combine to form an extensive residential distribution network.

As there is no precedented case to follow in Hong Kong, the road to new retailing has never been easy for us. Learning from our 4 years' operation experiences, we derived some thoughts and tactics for this business:

1. This is a new game to everyone including the retailers in Hong Kong and even the public, which is comparatively a level-playing field.

2. As mentioned before, we are a team that is always looking for innovation. We selected a difficult path to build our own logistics team and warehousing system first to set high entry barrier as well as capturing first and fast mover advantage.

3. We understand that this is a volume game to increase gross margin and to lower fulfilment costs with increasing order density.

4. We put more emphasis on senior market for 2 reasons. First, they are loyal and very "social" group that are willing to learn new things and catch up with their peers. Second, they are high spending groups relative to the youth.

Hong Kong is renowned for being a Shoppers' Paradise, and we should not be complacent for this. With 4 years' trial and error experience, we believe that we have found an ideal way for eCommerce in Hong Kong. In coming years, we will continue our investments and to boost order volume in order to achieve breakeven. Combining with technology and innovation, we hope to match the development of eCommerce in Hong Kong with our neighborhood areas.

Wong Wai Kay, Ricky
Chairman

Hong Kong, 27 March 2019


DIGITAL
ONLINE PLATFORM
BIG DATA ANALYSIS
Recommended products
FOR YOU
PREDICTIVE INTELLIGENCE

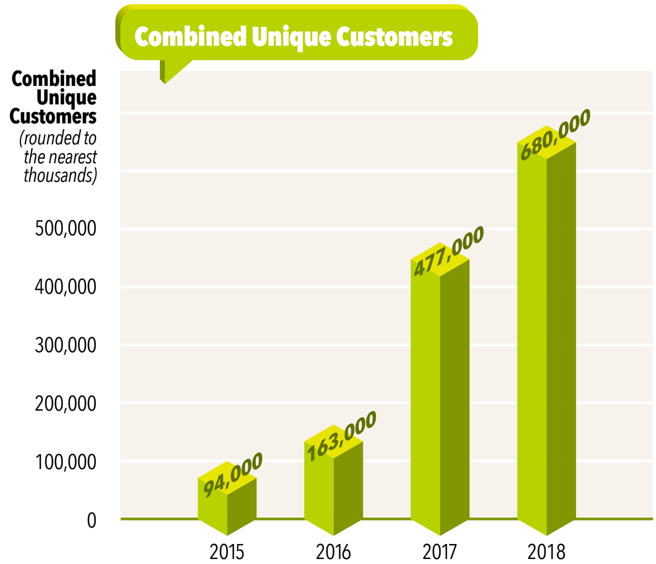
BUSINESS REVIEW

2018 is another year of breakthrough at HKTV – while once there was an argument that Hong Kong does not "Need" eCommerce, in 24 months' time, we proved this "Need" in the Hong Kong consumer market:

Growing Digital Consumer Base

– On the road to becoming the largest online marketplace in Hong Kong, with velocity of about 1.5 million unique devices[7] landing on the product detail pages ("PDP") or performing product searches on HKTVmall and HoKoBuy collectively in December 2018, growing from about 1.1 million in December 2017. This forms a solid digital consumer base for future value conversion when the opportunity arrives.

– During 2018, collectively, we had 680,000 combined unique customers making online purchases on HKTVmall and/or HoKoBuy, a substantial growth by 1.4x relative to 2017, and proportionally, for every 10 people in Hong Kong aged over 18, 1 made purchases on our platforms.



Rising Popularity in Hong Kong

According to surveys conducted by various international bodies during the year, "visiting" HKTVmall is gradually becoming a regular habit for the Hong Kong consumers or even on top of their mind when there is a shopping impulse, no matter on supermarket and grocery products, electronic appliances, skin care and beauty, household products, apparels or others. In terms of velocity, as at 15 March 2019, according to Alexa[8] – among the Top Sites in Hong Kong, HKTVmall ranked 76 versus 110 as at 19 September 2017. From the rankings set out below, it can be seen that HKTVmall is the number 1 Hong Kong based online shopping platform in terms of traffic.

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

8 Source: https://www.alexa.com/topsites/countries;0/HK, Alexa is an amazon.com company. The sites in the top sites lists are ordered by their 3-month Alexa traffic rank. A site's ranking is based on a combined measure of Unique Visitors and Pageviews. The site with the highest combination of unique visitors and page views is ranked #1. The site's metrics are estimated and based on traffic patterns across the web as a whole and using data normalization to correct for any biases that may occur in the data.

Top Sites in Hong Kong as at 15 March 2019

Ranking in Hong Kong	Sites
#1	google.com
#2	youtube.com
#3	facebook.com
#4	google.com.hk
#6	yahoo.com
#9	taobao.com
#15	amazon.com
#17	price.com.hk
#20	tmall.com
#76	**hktvmall.com**
#374	fortress.com.hk
#433	zalora.com.hk
#458	parknshop.com
#517	ztore.com
#993	broadwaylifestyle.com
#1,154	watsons.com.hk
#1,355	wellcome.com.hk
#1,702	fingershopping.com
#1,900	sasa.com
#2,887	mannings.com.hk
#5,668	yata.hk
#8,310	marketplacebyjasons.com

In terms of word of mouth, as published by YouGov BrandIndex[9], HKTVmall is the top 8 "2018 Millennial Word of Mouth" in Hong Kong out of 310 brands as revealed by a research performed among adults aged 18–34 on the "Most Positively Talked About" brand in Hong Kong.

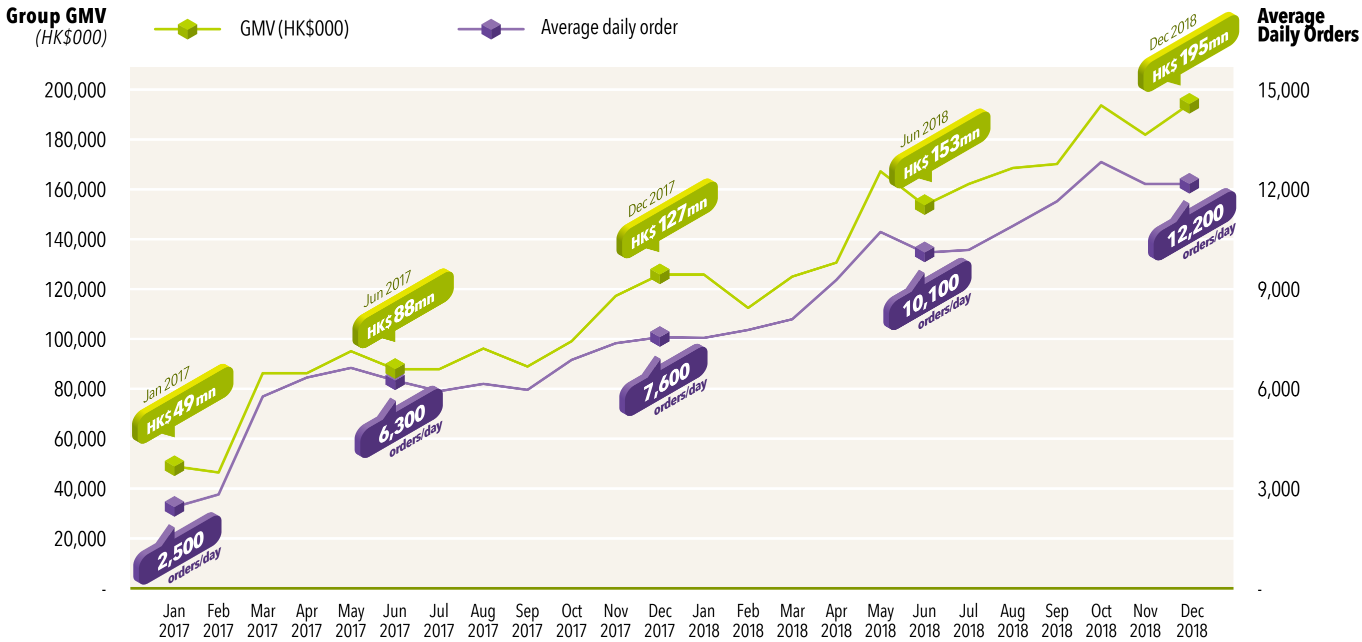
Apart than velocity and word of mouth, we also see encouraging findings on "real purchase" among different shopping platforms in the Greater Bay Area. According to a survey "Tapping into Smart Retail, A Survey of CEOs and Consumers in the Greater Bay Area" published by KPMG and GS1 Hong Kong in November 2018, in the local Hong Kong online market, HKTVmall leads the way as the most commonly used eCommerce platform to buy food and beverages (used by 40% of the respondents), and beauty and wellness products (used by 27% of the respondents) which are ranked the top on both categories, and coming second only to Taobao for apparel and fashion (used by 35% of the respondents).

All these survey results have proven that over the past few years, we have successfully established "HKTVmall" as a leading brand in Hong Kong's online market by the growing confidence and trust level on consumers' minds. This surging traffic and real purchases essentially formed one of the key pillars of our road towards becoming the absolute leader in the eCommerce landscape in Hong Kong.

Exponential business growth

In 24 months' time, we achieved almost 5 times growth in average daily orders from 2,500 orders per day in January 2017 to 12,200 orders per day in December 2018. With the push from the Thanksgiving Festival, our average daily orders even reached 12,900 orders per day in the month of October 2018. With substantial growth in average daily order plus average order value in 2018 maintained at around HK$500, our GMV on order intake also had a 4 times growth from HK$49 million in January 2017 to HK$195 million in December 2018, representing an annualised GMV on order intake of HK$2.3 billion. Below is the performance of the key business parameters for the period from January 2017 to December 2018, including all online and offline performance of HKTVmall and HoKoBuy, which clearly demonstrate the strong growth momentum over the period.

[9] Source: https://www.brandindex.com/ranking/hong-kong/2018-wom



In 2018, we achieved a total GMV on order intake of about HK$1.89 billion (2017: HK$1.07 billion), a growth of 77%. Our achievement was led by the 4 years' experiment and evolution since the launch of HKTVmall in February 2015, which has built us the core "Infrastructure" for the New Retailing model and has also formed the entry barrier for new entrants:

1. **Full Service Marketplace**

   We continue to widen the product category spectrum and to expand the horizon within different product categories so as to "Serve Every Aspect of Life". We now carry more than 270,000 products at HKTVmall, a substantial growth from 174,000 products as disclosed in 2017 annual report, with newly added product categories, such as fresh flowers, insurance products, etc.. We first launched the "Insurance and Finance" street in December 2018 and travel insurance is the first product that reached the market. Other general insurance products, including home, personal accident, medical, critical illness, overseas study, domestic helper and life insurance products (including term life) are also under the pipeline for development and launch in the next 12–18 months.

   While there may be a general perception that we are an online supermarket, we are in fact changing this perception with grooming contribution from non-supermarket products. Supermarket and Groceries products are the "Repeated Purchase Catalyst" to bring regular recurring purchases but two-third of our business were from other categories. In 2018, Supermarket and Groceries products continued to rank at the top contributed to 34% GMV on order intake, with Electrical Appliances being the second at 18%, and Personal Care & Skincare taken the third place at 17%. The remaining 31% came from housewares, mother and baby, pets, fashion, dining and lifestyle, toys, sports and travel, etc..

2. **"Goods to Man" Automated Warehousing Capacity**
   We always mention, "eCommerce" is nothing more than "Logistics". While we have a comprehensive product offering, growing visitor traffic and real orders, we are also preparing for the warehousing capacity for sustainable growth. The first phase of the robotic system for automated picking and storage functions has been fully launched in March 2018 at the Tsing Yi Distribution Centre, and we already saw the benefit on stability, accuracy and cost efficiency. The second phase of the robotic system at the Tseung Kwan O headquarter is just launched in March 2019 which has brought us a total daily capacity to around 20,000 orders. Given prolonged time is required to obtain regulatory clearance on building plan, we estimate the third phase of the robotic system would be launched by end of 2020. By then, our daily order capacity will further increase to about 35,000 orders subject to different system settings and operational flow design. Hence, we are not only preparing resources for growth in 2019 but also for afterward. Sooner or later, we shall start to evaluate the next phase of development for an even longer-term of business growth.

3. **Largest Residential Distribution Network**
   For service quality control and effectiveness benchmarking, we chose to set up self-managed last mile truck fleet from day one and to design a multi-temperature truck compartment capable of carrying -18°C degree, 0-4 °C degree and room temperature products in one-go. Including outsourced car fleet under our management, we had around 250 trucks in operation during 2018 allowing flexibility to cope with order growth and seasonality need. For residential distribution, we believe we are running the largest last mile delivery fleet for end-to-end fulfilment.

   Apart from door-to-door delivery to customer designated address, "Click and Collect" is another fulfilment channel with high value to customers. Supported by the track record of having about 2x to 5x GMV growth from the shop nearby geographic area in two months' time after particular shop opening versus the month before the opening, during 2018, we aggressively expanded the Offline-to-Online ("O2O") convergence from 15 O2O shops in December 2017 to 39 O2O shops in December 2018 for customer visibility and trust so as to capture the untapped "Online Display", "In-store Pick-up" business. In certain shops, we even experienced a higher proportion of shop pick up than delivery, such as shops at Mei Foo Sun Chuen, Tai Wai, Tai Po, etc. which essentially help to drive down the fulfilment costs.

Apart from the top line and order growth, as shown at the below table, we also managed to have a decent growth by 72.2% on the total gross profit and income from concessionaire sales and other service income (before the deduction of certain HKTVmall dollars and promotional coupon which is considered as advertising and promotional expenses under management reporting purpose) though there was a slight decrease in the total gross profit margin and blended commission rate due to shift of product mix in GMV during the year. On direct merchandise sales, its gross margin was increased from 22.6% in 2017 to 24.7% in 2018 benefited from the increasing volume discount or rebates due to growing purchasing power on inventory. On income from concessionaire sales and other service income, the blended commission rate for 2018 is 17.9%, decreased from 20.4% in 2017 mainly due to the higher proportion of GMV on completed orders from Electrical Appliances (increased by 172.7% from 2017) which in general has a lower commission rate than other product categories.

On completed orders and on adjusted basis[10]	2018 HK$'000	2017 HK$'000
Direct merchandise sales		
GMV on completed orders[10,11]	715,093	381,126
Cost of inventories	(538,752)	(295,178)
Gross profit	176,341	85,948
Gross profit margin	24.7%	22.6%
Income from concessionaire sales and other service income		
GMV on completed orders[10]	1,118,970	649,766
Merchant payments (net off by other service income)	(918,582)	(516,918)
Income from concessionaire sales and other service income[12]	200,388	132,848
Blended commission rate	17.9%	20.4%
Total GMV on completed order [10]	1,834,063	1,030,892
Total gross profit and income from concessionaire sales and other service income [11, 12]	376,729	218,795
Total gross profit margin and blended commission rate	20.5%	21.2%

Overall in 2018, we continued our growth momentum in GMV, number of orders and customer base. While we still need time to reach breakeven status, riding on our developed infrastructure, we shall keep on solidifying our foundation for coming monetisation.

Apart from operating online shopping business under HKTVmall and HoKoBuy, during the year under review, the Company continues its business including content distribution and independent content production. We continue to act as digital solution partner to our suppliers and merchant partners, including content creation, multimedia and digital production and marketing functions. Together with our Big Data capabilities and expertise in digital marketing, we are providing an unrivalled end-to-end "Future Retail" solution to our partners.

10 GMV on completed orders represents the total gross sales dollar value for merchandise sold through a particular marketplace and the customer has obtained control of the promised goods and services ordered over a certain time frame, after deduction of any discounts offered by the marketplace, cancellation and returns of merchandise, and is before the deduction of certain HKTVmall Dollars and promotional coupon which is considered as advertising and marketing expenses under management reporting purpose.

11 For Direct merchandise sales, the GMV on completed order is before the deduction of HKTVmall Dollars and use of promotional coupon of HK$29,204,000 (2017: HK$34,953,000).

12 For Income from concessionaire sales and other service income, it is before the deduction of net HKTVmall Dollars of HK$3,030,000 (2017: addition of HK$6,208,000).

On 27 March 2018, the Company informed the Communication Authority ("the Authority") that the Company would not continue to pursue the application for a domestic free television programme service licence, and that its application submitted to the Authority on 11 April 2014 has been withdrawn. The Group has also surrendered the Unified Carrier Licence (No. 041) together with the radio spectrum of 678–686 MHz to the Authority and ceased the provision of the broadcast-type mobile TV service. The Company continues to focus on its development on the eCommerce business.

FINANCIAL REVIEW

By leveraging on the strong growth momentum on GMV and also rising bargaining power on cost of sales, the Group managed to have a growing financial performance on its eCommerce business.

During 2018, the Group recorded a remarkable growth in turnover of HK$896.4 million (2017: HK$487.3 million) representing a growth of 84.0%. Turnover mainly composed of HK$685.9 million from direct merchandise sales (2017: HK$346.2 million), HK$197.4 million from income from concessionaire sales and other service income (2017: HK$139.1 million), HK$13.1 million from licensing of programme rights and net advertising income (2017: HK$2.0 million).

In line with the 98.1% growth in direct merchandise sales in 2018, the cost of inventories increased from HK$295.2 million in 2017 to HK$538.8 million in 2018, an increase only by 82.5%. Given the growing purchasing power of the Group, the volume discount benefit continued to result into a higher margin on direct merchandise sales during the year under review.

Other operating expenses increased by HK$169.0 million to HK$737.6 million in 2018 relative to HK$568.6 million incurred in 2017:

1. Fulfilment costs of HK$332.5 million versus HK$230.2 million in 2017. Though there was an increase of HK$102.3 million relative to last year, it only attributed to 18% of GMV on completed orders in 2018 vs 22% in 2017. The efficiency was gained from the launch of the first phase automated picking and storage system since March 2018 at Tsing Yi fulfilment centre, the volume gain from the growth in number of orders and O2O shop pick-up efficiency which drove down the logistics costs.

2. Marketing, promotional and O2O shop operating expenses of HK$119.1 million in 2018 (excluding HKTVmall Dollars and promotional coupon of HK$32.2 million being deducted in turnover) mainly included the customer acquisition costs, advertising expenses on terrestrial TV commercials, digital advertising, product catalogues, O2O shop operating costs, etc. and all related talent costs. Relative to 2017, there was an increase of HK$55.3 million mainly due to aggressive new customer acquisition programmes including new member promo codes, member-get-member programme, etc., the use of terrestrial TV commercials to reach the non-digital households, distribution and utilisation of promo codes for different seasonal or event campaign, etc. to boost order and GMV growth. Moreover, the expansion of O2O shops from 15 in December 2017 to 39 in December 2018 was another major reason for the increase in expenses.

3. eCommerce operation and supporting costs of HK$188.6 million including merchant relations and acquisition, customer service, information technology, other supporting functions. Relative to 2017, there was an increase of HK$9.7 million mainly due to acquisition of HoKoBuy in March 2017 which full year talent costs was accounted for in 2018, increase in payment processing charge for growth in GMV, expansion of customer service and technical functions for quality of service.

4. Non-cash items of HK$97.4 million in 2018 mainly include depreciation on property, plant and equipment, amortisation of intangible assets and equity settled share based payment, versus HK$95.7 million in 2017. There was an HK$20.7 million increase in depreciation mainly due to the first phase of the robotic system for automated picking and storage functions fully launched in March 2018, plus the effect of the full year depreciation of HKTV Multimedia and ECommerce Centre, and the renovation, furniture and equipment cost for additional O2O shops. Amortisation of intangible assets also increased by HK$9.0 million mainly due to the amortisation of the exchange value on the TV advertising and sponsorship spots in 2018. This was partially net off by the decrease in share based transaction expenses by HK$21.6 million as all share options are vested in March 2018.

During 2018, the Group has disposed one of an investment property holding subsidiary and recognised a gain on disposal of HK$161.6 million. Moreover, a valuation gain on investment properties of HK$43.6 million is recognised based on the valuation carried out by an independent firm of surveyors, represented a decrease of HK$36.9 million relative to HK$80.5 million in 2017.

Other income, net, of HK$46.9 million was earned in 2018 (2017: HK$94.2 million), mainly composed of investment income generated from other financial assets, bank interest income, rental income from investment properties, and net exchange gain. The decrease of HK$47.3 million was mainly caused by the decrease in bank interest income and returns from investment in other financial assets of HK$13.0 million due to the realisation of a portion of the investment portfolio to support the capital expenditures and operating activities of the Group, increase in exchange loss by HK$21.6 million, from net exchange gain of HK$18.7 million in 2017 to net exchange loss of HK$2.9 million in 2018 mainly due to the depreciation of RMB during the year, and a unrealised fair value loss of HK$12.6 million on units in investment funds measured at FVPL upon the adoption of HKFRS 9 in 2018 (2017: Nil).

Finance costs, net increased by HK$2.9 million mainly due to the sentiment in market interest rates increase during 2018 relative to 2017.

Overall, the Group incurred a loss of HK$133.1 million for the year ended 31 December 2018, improved by HK$71.8 million from the loss of HK$204.9 million incurred for the year ended 31 December 2017. If excluding interest on bank loans, income tax expense, depreciation of property, plant and equipment, amortisation of intangible assets, investment returns, gain on disposal of a subsidiary and major non-cash items ("Adjusted EBITDA"), the Group incurred an Adjusted EBITDA loss of HK$271.4 million in 2018 versus loss of HK$265.6 million in 2017.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2018, the Group had total cash position of HK$105.9 million represented cash at bank and in hand (31 December 2017: HK$100.2 million) and outstanding borrowings of HK$79.4 million (31 December 2017: HK$219.6 million) drawn mainly for investment yield enhancement purpose. The increase in total cash position was mainly due to proceeds from disposal of a subsidiary of HK$329.2 million, proceeds from disposal of plant and equipment of HK$1.2 million, net realisation from investment portfolio of HK$142.6 million, net investment income received of HK$45.4 million and proceeds from issuance of new shares of HK$7.6 million from the exercise of share options, partially net off by the resources utilised for operating activities of HK$234.8 million, purchases of property, plant and equipment of HK$140.1 million, net repayment on bank loan borrowing of HK$140.2 million and interest paid on bank loans of HK$5.0 million.

On investment in other financial assets, the Group has invested, at fair value, of HK681.9 million as at 31 December 2018 (as at 31 December 2017: HK$876.2 million). The decrease in investment in other financial assets was mainly due to the use of certain matured debt securities to fund the capital expenditure and operating activities. As at 31 December 2018, there was a net deficit of HK$15.4 million being recorded in fair value reserve (non-recycling and recycling) (31 December 2017: a revaluation surplus of HK$0.1 million) after reclassification of HK$20.3 million to retained profits due to the adoption of HKFRS 9 on 1 January 2018 and the total fair value change during the year. During the year under review, the total fair value change on other financial assets amounted to HK$48.4 million, in which HK$12.6 million, HK$26.4 million and HK$9.4 million was recorded in profit or loss, fair value reserve (recycling) and fair value reserve (non-recycling) respectively.

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

As at 31 December 2018, the Group has utilised HK$79.4 million (31 December 2017: HK$219.6 million) uncommitted banking facilities mainly for investment purpose, leaving HK$1,022.0 million (31 December 2017: HK$957.4 million) uncommitted banking facilities available for future utilisation.

Our total cash and cash equivalents consisted of cash at bank and in hand and term deposits within three months of maturity, if any. There is a pledged bank deposit of US$0.5 million (equivalent to HK$3.9 million) as at 31 December 2018 and 31 December 2017 being security for a banking facility of an equivalent amount granted by a bank for certain short term credit facility arrangement.

The debt maturity profiles of the Group as of 31 December 2018 and 31 December 2017 were as follows:

	31 December 2018 HK$'000	31 December 2017 HK$'000
Repayable within one year	**79,392**	219,623

As at 31 December 2018, our outstanding borrowings bore fixed interest rate and denominated in Hong Kong dollars. After considering the cash at bank and in hand and term deposits, if any, held by the Group, the Group was in net cash position as of 31 December 2018 and hence no gearing ratio is presented (31 December 2017: 0.06 times). The Group is of the opinion that, after taking into consideration of the internal available financial resources and the current banking facilities, the Group has sufficient funds to finance its operations and to meet the financial obligations of its business when they fall due.

	31 December 2018 HK$'000	31 December 2017 HK$'000
Net Debt (note (a))	**-**	(119,424)
Net Asset	**1,708,389**	1,862,632
Gearing (times)	**-**	0.06

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

During 2018, the Group invested HK$154.8 million on capital expenditure included deposits paid, versus HK$182.1 million in 2017. The capital expenditure for 2018 was mainly incurred for robotic system, new shops opening, expansion of truck fleet, renovation of fulfilment centre and IT system capacity expansion. For the upcoming capital expenditure requirements, we will remain cautious and it is expected to be funded by internal resources within the Group and the available banking facilities. Overall, the Group's financial position remains sound for continued business expansion.

Charge on Group Assets

As of 31 December 2018, the Group's bank loans of HK$79.4 million (31 December 2017: HK$219.6 million) were secured by an equivalent amount of other financial assets held by various banks. Moreover, as of 31 December 2018 and 31 December 2017, there is a banking facility of US$0.5 million (equivalent to HK$3.9 million) granted by a bank for certain short term credit facility arrangement which is pledged by an equivalent amount of bank deposit.

Exchange Rates

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

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

Contingent Liabilities

As of 31 December 2018 and 31 December 2017, the Group had no material contingent liabilities or off-balance-sheet obligations.

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. Risks relating to our business and operations

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

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

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

Moreover, as the customer order completion for the online shopping business is highly reliant on the successful product delivery to our customers, any interruption in our fulfilment operation and system, including the warehousing and delivery services, the operating of the robotic system and O2O shops for an extended period, or if we cannot run the logistics and warehousing function in an effective and efficient model which are still human-capital intensive, our business could be materially and adversely affected.

We may incur liability or become subject to penalties for counterfeit or unauthorised products sold on our website, or for products sold on our website or content posted on our website that infringe on third-party intellectual property rights, or for the sale of products and services on our website that do not comply with the applicable laws and regulations, or for other misconduct. Although we have adopted measures to verify, on a best effort basis, the legality, authenticity and authorisation of products and services sold on our website and to avoid potential risks in the course of sourcing and selling products and services, we may not always be successful.

2. Risks relating to the legal and regulatory environment and compliance

Our business is subject to Hong Kong laws and regulations, including without limitation sale of goods and services, trade descriptions, intellectual property, product safety, food safety, data privacy, insurance, dutiable commodities, product eco-responsibility, telecommunications and broadcasting, competition, listing and disclosure, and corporate governance. Whilst we manage compliance proactively and procure to obtain first-rate independent legal services to ensure the highest standards in compliance, any failure to comply with laws and regulations may result in legal proceedings being filed against us and could expose us to civil and/or criminal liability and sanctions. In any event, dealing with complaints, investigations, or legal proceedings, regardless of their outcome, could be costly and time-consuming and could divert management attention. More importantly, the long-term sustainability of our business is largely dependent on a steady and balanced regulatory environment. Unanticipated changes in policies or regulatory practices by the relevant authorities may require us to change our business strategies and practices, and consequently, could materially adversely affect our business.

3. Financial risk management policies and practices

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

PROSPECTS

After 4 years' experience in running an online marketplace in Hong Kong, we found the key strategy for a successful eCommerce business and we are executing on this direction – a level playing field, first and fast mover advantage, adopting mass market approach and a group of loyal, sociable and high spending customers. Evolving from 4 years' ago after putting tremendous effort by the whole Talent team, we believe today we are already the largest online marketplace in Hong Kong running in a large scale with more than 12,000 average daily orders, 1.5 million active digital consumer base, and 680,000 unique real customers.

Being the first mover, we established an infrastructure with end-to-end ownership which is difficult to replicate in a short period of time or with the legacy burden. Looking ahead, an important agenda for the coming year is to drive down the fulfilment costs per order. This can be achieved by:

1. Continued expansion of the automated warehousing system – Phase 3 at our Tseung Kwan O headquarter shall bring our daily capacity to about 35,000 orders;

2. A natural efficiency gain is expected when the order number continues to grow. For example, if on average, we have one order per active building, when we increase to three orders per active building, there will be a nature efficiency in terms of delivery time and costs;

3. Expansion of O2O shops – as at the date of this report, we already opened 46 O2O shops in Hong Kong, with a target to expand to around 120 by end of 2019. The O2O shops not only have brand presence and marketing purpose to bring in additional sales from nearby geographic location, it can also serve as new pick up points and walking distance distribution hub to reduce last mile door-to-door delivery costs.

Another objectives are on new customer acquisition and to increase stickiness to our web and apps by conquering a group of loyal, sociable and high spending customers which we believe they are the elders, not the youth, in the consumer market. This can also be achieved by making use of the social and group purchasing power and creating content beyond "shopping" by brand owners, users or Key Opinion Leader, etc..

In short, 2019 and afterward are the years for us to pursue cost efficiency and monetisation of digital consumer base, so as to bring in long term return to our shareholders. For 2019, our key business targets on the eCommerce business are as follows:

1. Achieve an annual GMV on order intake of HK$3.2 billion

2. Expand the O2O shops to around 120 by December 2019

TALENT REMUNERATION

Including the Directors, as at 31 December 2018, the Company had 1,036 permanent full-time Talents versus 825 as of 31 December 2017. The Company provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Company's and individual performances. The Company also provides comprehensive medical insurance coverage, competitive retirement benefits schemes, staff training programs and operates share option schemes.

ENVIRONMENTAL, Social and Governance Report

ABOUT THE REPORT

Along with the unremitting expansion and development of our business, the average number of orders handled by the Company's eCommerce platforms per day has risen from merely 2,500 per day in January 2017 to 12,200 per day as of December 2018. The Group is thrilled and inspired by the achievement it attained and yet recognises its influence on issues such as the emission of greenhouse gases (GHG) and waste generated from its expansion of business and the need for greater commitment for various social responsibilities. Looking forward to the future, the Group will earnestly fulfill its social responsibilities and take proactive action in safeguarding the interests of different stakeholders. The Group aims to establish a positive image as a contributor to the society and achieve its goals in sustainable development through implementing various systems and measures.

The Group would also like to enhance its transparency by the publication of this report and familiarise the public with the Group's goals to pursue innovation, advancement and stability, and its operational approach other than those related to financial aspects. Apart from consolidating the Group's financial condition, the Group is also committed towards enhancing environmental protection, intensifying the awareness towards social responsibilities and building an efficient corporate governance structure.

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

(1) To optimise efficient use of resources in efforts to minimise our environmental impact;

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

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

Basis of Preparation

The Environmental, Social and Governance Report ("ESG Report") is prepared in accordance with the applicable provisions set forth in "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") in Appendix 27 of the Rules Governing the Listing of Securities (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group's environmental and social management policies and strategies, and the relevant importance and objectives of the respective matters will be disclosed in different sections of this ESG Report. Unless otherwise stated, this report covers the Group's overall business performance during the period from 1 January 2018 to 31 December 2018 and discloses the details of the Group's eCommerce business and the relevant warehousing and delivery services, being the principal business of the Group, in the "Environmental" section.

STAKEHOLDER PARTICIPATION

The Group believes that regular communication with stakeholders will help promote its business development and enhance the understanding on the society's expectations on the Group. The Group has established a multiple of communication channels such as adding different media communication platforms. During the year, the Group also initiated constructive communication with various stakeholders (such as the management, the government, shareholders, merchants, suppliers, Talents and business partners) with an attempt to strike a balance of opinions and interests and hope to familiarise themselves with one another. The Group believes that keeping informed of requests, striving for improvement, and determining an efficient direction of the business are key to achieve sustainable development.

Stakeholders	Communication channels
• Shareholders and investors	– Company's website – Annual reports, interim reports and circulars to shareholders – General meetings with shareholders and investors – Investor conferences – Press releases and announcements
• Customers Business partners General public	– Company's website and social media – Industry conferences – Seminars – Enquiry by e-mail – On-site visit to fulfilment facilities – Product rating
• Governmental institutions	– Submission of documents
• The management Talents	– Regular meetings – Billboard – Annual appraisal meetings – Intranet and e-mail – Channel for complaints and feedback

TALENT ENGAGEMENT

The Group named its employees as "Talents" holding the belief that they are the cornerstone of our business, and recognises that their sense of belonging to the Group could be further enhanced when the Group has successfully created a work environment that promotes inclusive, fair promotion, room for Talent development and has built up a comprehensive management system for its Talents and professionals, which could bring forth a more effective outcome in its operations with more efficient input. As a result, the Talent turnover rate can be reduced, which is beneficial for the Group's long term sustainable development.

The Group has complied with the Employment Ordinance and related laws and regulations in all major respects in Hong Kong and adopted a fair and open Talent management system. An internal staff code (the "Code") has also been established for our Talents. The Code comprises of a clearly-written system in respect of various aspects which include remuneration packages and benefits, holidays, staff attendance, dismissal and a performance management and appraisal as well as a code of conduct. Announcements such as provisions about fair opportunities are regularly issued to Talents to strengthen the Talents' awareness on the respective areas. A whistleblowing policy has been established for Talents to report on any improper activities or escalate complaints directly to their head of department or the head of the Talent management department for relevant matters, or even directly to the Audit Committee Chairman.

Diversified System for Recruitment and Retention

A diversified system for recruitment is adopted by the Group which includes recruitment in schools, external recruitment from the public and internal referrals. In addition to placing advertisements on recruitment portals, the Group also recruits its Talents by various ways such as its Internship Program, Graduate Trainee Program and Management Trainee Program, with the hope to maximising its reach to appropriate candidates with potential talents. Despite various recruitment channels being utilised, fair and systematic procedures are maintained in all channels, which includes interviews, written examinations, on-the-spot assessments to test candidates' professionalism, mentality and technical skills through different ways.

During the recruitment process, the Group treats candidates equally without any discrimination on factors such as nationality, colour, language, ethnicity, religious beliefs, physical disability and political orientation in its selection criteria with the attempt to create an equal and diversified workforce. Anti-discrimination and anti-harassment provisions are also set out in the Talents' handbook for the purpose of raising their awareness to the relevant aspects. Employment of child labour or forced labour is strictly forbidden, and the operation of the Group is in compliance with applicable labour laws and regulations.

In order to attract and retain talents, the Group offers competitive remuneration packages and benefits. Our Group's Talent management department will determine a reasonable remuneration package for Talents, which is in line with the Talent's job responsibilities, performance and personal traits. In addition, the Group also provides comprehensive benefits for its Talents, which includes medical insurance, dental allowances, Mandatory Provident Fund, study allowances, paid annual leave, exam leave, marriage leave and maternity leave. The Group has further increased the number of paid leave, family care leave and birthday leave in 2019 with the attempt to provide enough rest for Talents after their diligent work and enable Talents to spend more quality time with their family and friends.

Apart from the enhanced benefit plan, during the year, the Group also arranged different Talent engagement activities to strengthen the bonding between Talents and the Group, the personal relationship between Talents across different functions, and also engaging their family members to have a better understanding of our Company culture and business, such as holding Kids Day and Family Day in summer and the Christmas season to share the festival and holiday joy, Pets Day to extend the caring to the little family members, annual table tennis championship, singing contest and "Running Mall" games day to uncover different talents among the team. The Group not only wants to enhance our Talents' different skill sets and knowledge, but also trying to build a team with a strong sense of belonging for long term partnership with our Talents.

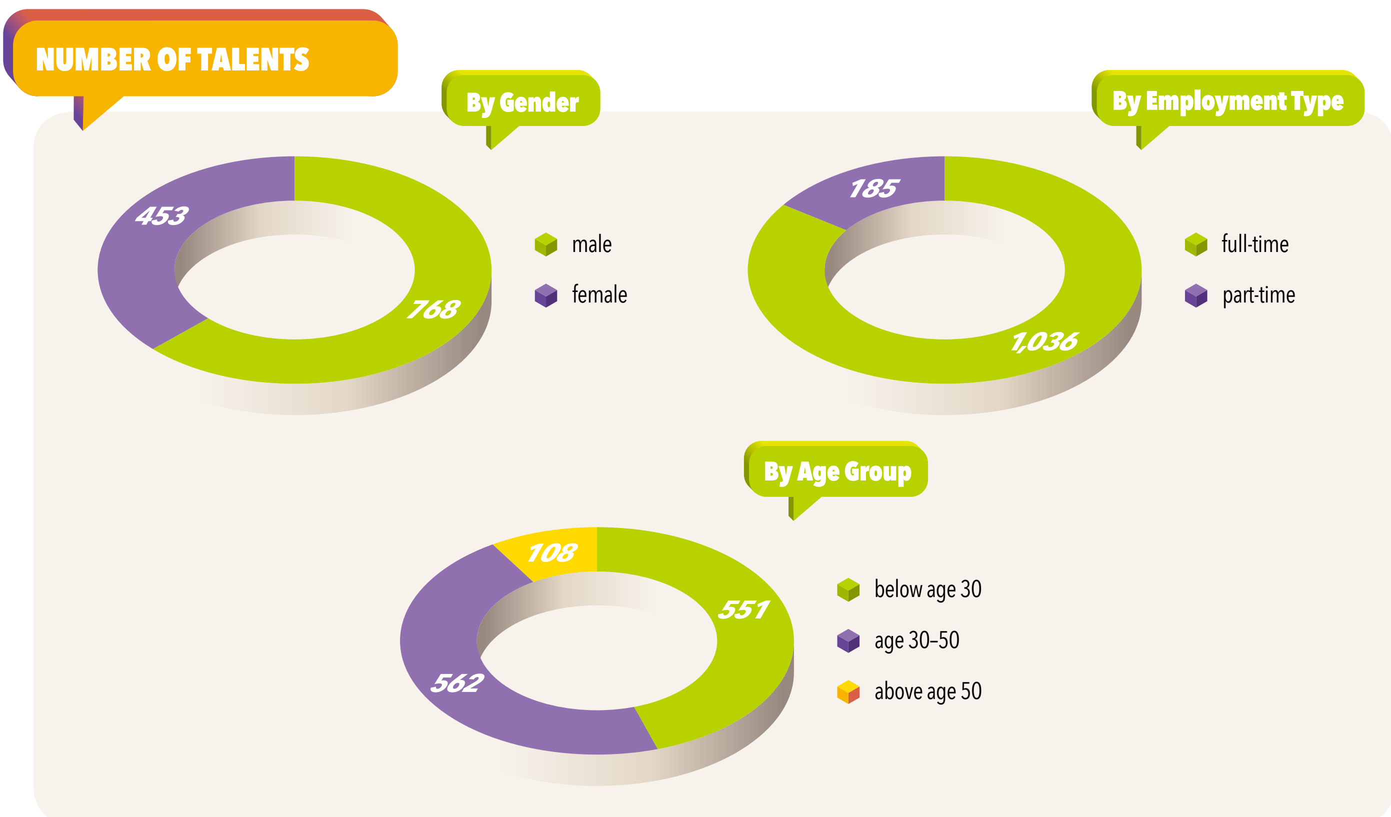
Table Tennis Tournament

Kids' Day

Art Jamming

Annual Dinner

At the end of the reporting period, the Group had a total of 1,221 full-time and part-time Talents in Hong Kong. The Talent structure by gender, employment type and age group are as follows:



Health and Safety

The Group attaches great importance to the physical and mental health of its Talents and is committed to offering a safe, healthy and comfortable working environment for them. The Group also educates its Talents to comply with rules and practices related to health and safety, and to report to their supervisors of any accident, injury or unsafe equipment, operations or work conditions in a timely manner, with the aim to enhancing their safety awareness. Safety posters are posted in various places in the Company and Talents are encouraged to participate in seminars on occupational safety. The Group organises regular seminars on occupational health and safety for Talents and ensures that Talents would receive relevant technical qualifications to safeguard them.

During the reporting period, the percentage of number of working days lost due to work-related injuries was approximately 2.8% (2017: 1.0%). There has been no report of work-related death.

Development and Training

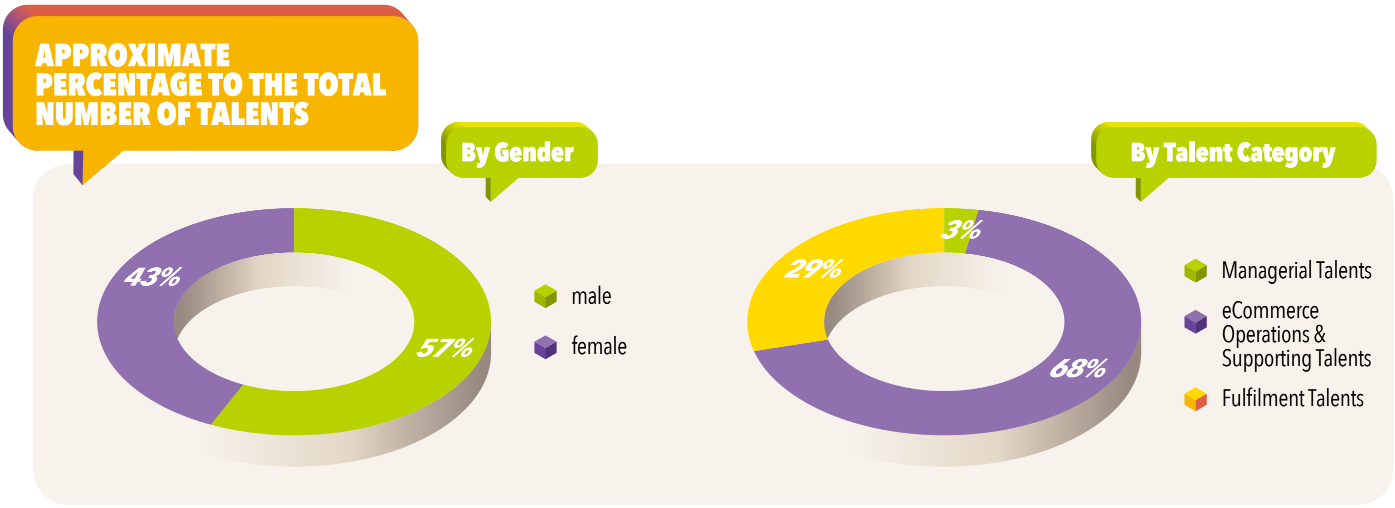
The Group has offered a promising development for its Talents. A multitude of development opportunities in response to different job characteristics are provided to Talents to enhance their career paths and in turn raise the team spirit for a department and optimise the skills of Talents. The Group conducts performance appraisals for Talents every year so as to familiarise Talents with their daily performance and the expectations of both the employer and Talents. The performance appraisal is one of the most effective ways to identify competent Talents for promotion.

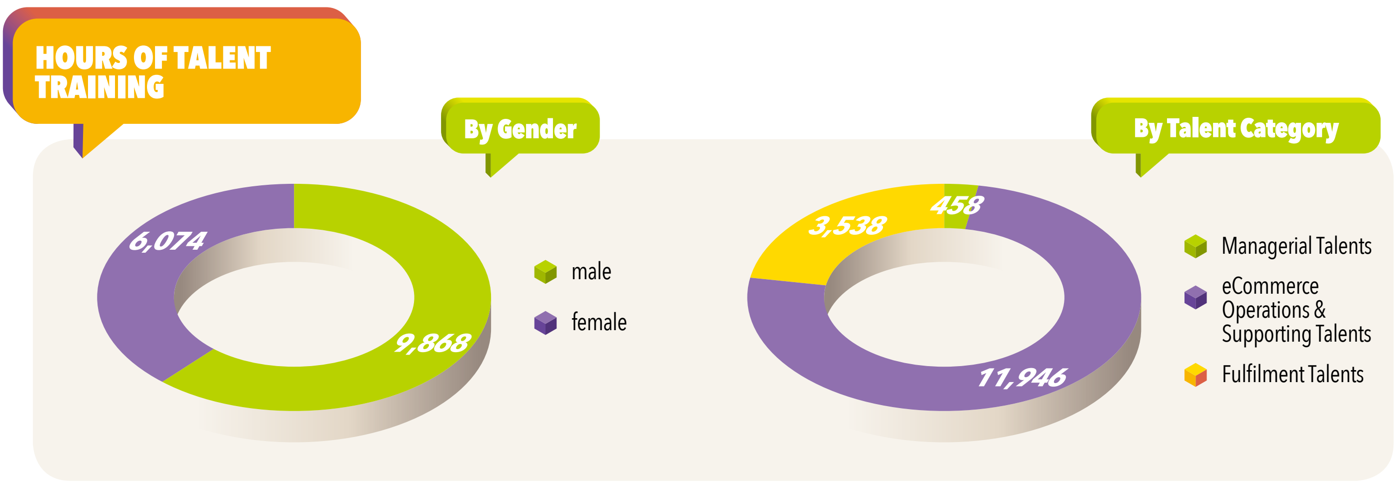
The Group is committed to improving Talents' performance through effective coaching, counselling, and on-the-job development. To meet the changing needs of the market, we have provided our Talents with on-the-job training covering essential work-related skills and knowledge. We also sponsor Talents with potential skill sets to receive external training for advanced skills and techniques. Cross-functional job rotation opportunities are also provided to Talents in order to enrich their knowledge and experience on different departments' job character and the operation of the business. Various departments of the Group formulate training courses that fit in business needs and updates of relevant laws and regulations, which include training on the Listing Rules, accounting standards, risk management knowledge, labour regulations and the employee's Code of Conduct. The Group also regularly invites external speakers from various professions and industries to share their insight and expertise to our Talents.

Sharing by Entrepreneurs and Professionals

Outward Bound Training

The following shows the statistics relating to the Talent training of the Group during the Reporting Period:





ENVIRONMENTAL

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

As a company that conducts its main business as an eCommerce platform, the Group has inevitably caused some environmental impact and used resources in the course of packaging, delivery and handling of goods. The Group's main facilities for its business operations are the headquarters in Tseung Kwan O and the warehouse and delivery fleet in Tsing Yi, Kwai Chung and Tseung Kwan O. O2O concept shops are established across various districts, which mainly confined the environmental effect to emitting GHG emission and air pollutants arising by the use of electricity, motor gasoline and packaging materials. During the reporting period, the Group did not receive any report of violations of relevant laws and regulations.

Emissions

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

We operate a delivery fleet of about 250 vehicles, including refrigerated trucks and outsourced vehicles. In order to reduce gas emissions, 88% of our owned vehicles are Euro V, moreover, we re-planned the route and load of the refrigerated trucks. Refrigerated trucks are uniquely designed to deliver goods at room temperature, 0–4°C and –18°C. By effectively using refrigerated trucks to deliver orders for products with different temperature requirements, we can greatly increase the utilisation rate of delivery fleets, and accordingly gas emissions can be reduced. The refrigerant type of R-404A used in the fleet is an environmentally friendly refrigerant, and the refrigerant used in new refrigerated trucks or the new refrigerant for replacement of the same in existing refrigerated trucks are handled by the respective motor vehicle dealers and repair companies, and therefore statistics on the utilisation and GHG emission of such consuming goods are not included in this report.

We make every effort to optimize the use of energy and resources to reduce air and greenhouse gas emissions. We take energy efficiency and emission performance into consideration when selecting and purchasing vehicles. During the year under review, the Group achieved a GMV on completed orders of HK$1,834,063,000 versus HK$1,030,892,000 in 2017. Though there was a 77.9% increase, the Group managed to fulfill the orders on a more efficient basis with emissions increased on a reducing basis.

	2018	2017
Total GHG emissions (in kilograms of Co2 equivalent)	**7,278,122**	5,019,785
Greenhouse gas intensity (in kilograms of Co2 equivalent/$ million GMV on completed orders)	**3,968**	4,869

Note: The Group's GHG emission mainly arises from its gasoline and purchased electricity consumption that satisfied its operation.

The Group conducts its main business as an eCommerce platform and therefore there is no direct emission or pollutants from production and no hazardous waste to the environment are produced. The resources used in the course of operations, such as purchased electricity, water used in Staff's canteens or motor gasoline will, however, indirectly generate emissions.

Use of Resources

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

The various energy consumption generated by the Group during the year due to business operations are as follows:

	2018	2017
Purchased electricity consumption (in kilowatt hours)	**5,438,610**	2,960,096
Purchased electricity consumption intensity (in kilowatt hours/$ million GMV on completed orders)	**2,965**	2,871
Motor gasoline consumption of owned vehicles (in litres)	**785,404**	627,519
Motor gasoline consumption of owned vehicles intensity (in litres/$ million GMV on completed orders)	**428**	609
Water consumption (in cubic metres)	**15,809**	9,105
Water consumption intensity (in cubic metres/$ million GMV on completed orders)	**9**	9

The Group has used simple packaging on the basis of the products safety being ensured, so as to avoid the wastage of resources caused by over-packaging. Packaging materials include paper shopping bags, paper boxes, plastic shopping bags and packaging bubbles, etc.. In previous years, carton boxes were heavily used in packaging for thousands of orders a day. Since 2017, we gradually replaced the use of carton boxes and paper bags with reusable plastic containers in the delivery process, hoping to significantly reduce the use of packaging materials. To change consumers' mindsets, we have been promoting the concept of "bring your own bag" through our O2O shops.

	2018	2017
Packaging materials used (in kilograms)	**179,590**	139,213
Packaging materials used (in kilograms/$ million GMV on completed orders)	**98**	135
Advertising materials used (in kilograms)	**86,000**	56,118
Advertising materials used (in kilograms/$ million GMV on completed orders)	**47**	54
Paper used in total (in kilograms)	**22,000**	26,875
Paper used in total (in kilograms/$ million GMV on completed orders)	**12**	26

The Group attained the above efficiency gain mainly due to the adoption of a series of measures to enhance the energy conservation, implement energy saving and energy consumption reduction measures and promote electricity and energy saving habits. Through implementing the relevant measures, GHG emissions and resource consumption during operation are expected to decrease relatively in longer term:

– Essential lighting in the office corridors and the Staff's canteen will be maintained while non-essential lighting will be turned off after 7:00 p.m. for the sake of energy saving;

– Electronic communication is promoted and staff members are encouraged to communicate via e-mail in order to reduce paper-based communication;

– Use of durable goods is encouraged with an aim to minimising the purchase of disposable products such as using durable cutlery and having a "no straw policy" in our self-run Staff's canteen – "Freezone";

– Monitors and power of idle computers should be turned off or set to power saving/sleeping mode;

– LED lighting system and energy-saving lamps are installed in place of the existing ones;

– Sensor-activated taps are installed to avoid the wastage from forgetting to turn off the tap;

– Delivery routes of the delivery fleet are regularly reviewed and routes are merged to arrange the most motor gasoline-efficient routes from time-to-time;

– Recycled papers and boxes are used as packaging materials for goods;

– Packaging materials with different sizes are prepared in advance for packaging teams to avoid excessive wastage caused by oversized packaging; and

– unwrapped cardboards and used bundling plastic materials are sent to the recycling companies for recycling instead of disposing as general waste.

The Environment and Natural Resources

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

For the year ended 31 December 2018, as far as the Group is aware, there is no significant non-compliance with laws and regulations on the part of the Group in terms of air and GHG emission, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group, including but not limited to Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Water Pollution Control Ordinance, (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) and the Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong).

OPERATING PRACTICES

Supply Chain Management

While the Group has been recruiting new merchants and suppliers to expand the selection of goods on the platforms, it bears in mind that it should provide rigorous screening during the selection to ensure that the quality of goods and services can be safeguarded. In the screening process, if applicable, merchants and suppliers are required to provide a series of its certification documents and safety registration certificates of goods and beyond, followed by further review and sampling check of the goods to minimise the risk of any issues with product quality or non-compliance with applicable laws and regulations.

The Group works with more than 3,000 global and local brand owners, authorised distributors and retailers offering a variety of products at our eCommerce platforms. The Group is mindful of its merchants' and suppliers' integrity and ability to demonstrate full compliance with the applicable laws and regulations. The Group recognises its merchants and suppliers as its business partners. In this regard, the Group operates its business with integrity and expects the same commitment from them. Our Talents shall abide by the Group's policy to carry out verification checks against each merchant and supplier to ensure on a best effort basis that the products or services offered by merchants and suppliers for sale on our eCommerce platforms are up to standard and compliant with the applicable laws and regulations.

Product Responsibility

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

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

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

Much as we have exceled ourselves in safeguarding the safety and quality of goods or services, there is still possibility to identify goods that are damaged or of subpar quality given the fact that some goods are directly delivered from merchants or sampling check cannot be conducted on every product. Despite this, the Group approaches and offers help to concerned customers within a short period of time whenever any request of product return is lodged with the attempt to minimise the inconvenience caused to customers. Concerning departments will review complaints on a regular basis and warn the merchants or suppliers with poor records. If the situation is not improved, the Group may terminate the partnership with our merchants or suppliers to safeguard the interest of customers.

Information about product recalls during the year due to safety or health reasons:

Products sold:	29,579,623
Products recalled:	3,823
Percentage:	0.01%

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

Anti-Corruption

Corporate culture that recognizes probity is one of the keys to the Company's sustainable and organic development. Our Talents are responsible for upholding a workplace attitude in recognition of probity and ethical values. The Group adopts a zero-tolerance approach towards corruption. Talents are strictly forbidden in participating in any form of bribery, corruption, fraud or money laundering. To ensure that all Talents are well-versed with the Group's policies, mandatory orientation courses are arranged for all new Talents and regular update seminars are offered to existing Talents with an aim to enhance and reinforce their awareness of being law-abiding.

In addition, relevant company policies are issued to Talents so that they can revisit the basic legal requirements and reporting procedures for dealing with conflicts of interest. On the other hand, whistleblowing channels are also established by which Talents can report to the relevant supervisors, the audit committee or the legal and company secretarial departments in case of finding of any inappropriate motives or action in their daily operations.

In case of any allegation reported, the Group will safeguard the privacy of the whistleblowers and conduct lawful investigation and evidence collection. If the allegation is justified and sufficient evidence is identified, the Group will first communicate with the relevant colleague to understand the situation and work around the matter which may include termination of employment or filing a police report.

The Group is convinced that a working environment with probity and integrity is in the hands of every Talent. During the reporting period, there is no report of irregularities against anti-corruption laws.

SOCIAL WELL-BEING

"Taken from society; give back to society" is one of the philosophies that the Group has adhered to when it comes to social well-being. The Group believes that it is the Group's indispensable mission to contribute to the society. Much as the Group is in the headwind of loss-making and cannot fully contribute to those in need monetarily, the Group will not forget its role as a contributor and acts in other ways to pay back to the society in a non-monetary way.

During the year, the management of the Company attended various types of seminars and sharing sessions from time to time to share different topics such as their business ideas, innovative thinking, and corporate update to the general public, in particular the new generation. The Group believes that its innovative business model, aggressive operational attitude and bold business strategies will familiarize the general public to a brand new perspective on online shopping and to accelerate the pace of Hong Kong towards the global convergence on digitalisation.

The Group donates various types of product items to different major charities such as Hong Kong Red Cross, The Salvation Army, Christian Concern for the Homeless Association, Pets Society Club and HK PAWS Guardian Ltd., hoping to help those in need indirectly and reduce social burden and unnecessary waste in society. In the days to come, the Group hopes to increase the number and amount of donations so that it could contribute more to the society. Apart from the donation arrangements, the Group and its colleagues have also taken the initiative to express their sincerity. During the year, various activities were organized, including blood donation day and festive items distributed to the elderly and children in need during festivals. We hope that more warmth could be brought forth to the society by the action we made.

PROFILE OF DIRECTORS AND
Senior Management

EXECUTIVE DIRECTORS

Mr. WONG Wai Kay, Ricky
Chairman

aged 57, is the co-founder and Chairman of the Group and is also a director of certain subsidiaries of the Group. Mr. Wong is primarily responsible for overall strategic planning, management, business strategy and corporate development of the Group. Mr. Wong has extensive experience of over 20 years in the telecommunications and computer industries as well as corporate management. He had worked at a major US-listed computer company as a marketing representative and was responsible for marketing and distribution of computer products in Hong Kong from 1985 to 1989. He was also a co-founder and director of a company principally engaged in import and distribution of computer systems in Canada prior to co-founding the Group. Mr. Wong holds a Bachelor's Degree in Science and a Master of Business Administration Degree (Executive MBA Programme) from The Chinese University of Hong Kong. He is a first cousin of Mr. Cheung Chi Kin, Paul, the Vice Chairman and Chief Executive Officer of the Group. Currently, Mr. Wong is a member of the Board of Trustees of United College, The Chinese University of Hong Kong.

Mr. CHEUNG Chi Kin, Paul
Vice Chairman & Chief Executive Officer

aged 61, is the co-founder, Vice Chairman and Chief Executive Officer of the Group. He is also a director of certain subsidiaries of the Group. Mr. Cheung is primarily responsible for overall strategic planning and day to day management of the Group. He is also responsible for eCommerce, robotic warehousing and logistics system program management of the Group. Mr. Cheung has extensive experience of over 30 years in the telecommunications and computer industries as well as corporate management. He had worked in several companies engaged in application software development and computer consultancy prior to co-founding the Group. Mr. Cheung graduated with a Diploma of Advanced Programming and System Concepts Design from Herzing Institute, Canada. Mr. Cheung is a first cousin of Mr. Wong Wai Kay, Ricky, the Chairman of the Group.

Ms. WONG Nga Lai, Alice
Chief Financial Officer & Company Secretary

aged 44, was appointed as the Executive Director, Chief Financial Officer and Company Secretary of the Group in May 2012 and is also a director of certain subsidiaries of the Group. Ms. Wong is primarily responsible for in various aspects of the Group, including finance, treasury, procurement, administration, talent management, legal and company secretary and investor engagement functions. Prior to that, Ms. Wong was the Financial Controller of the Group. She has extensive experience in financial management, corporate finance and global investor relations, in particular on the telecommunications, multimedia and eCommerce industries. Ms. Wong holds a Bachelor of Commerce degree from the University of Queensland, a Master of Business Administration degree from the Hong Kong University of Science and Technology and a Postgraduate Diploma in Corporate Governance. She is a qualified member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and Association of Chartered Certified Accountants (ACCA). She has been a member of the Student Affairs Sub-committee of ACCA Hong Kong since 2010. Before joining the Group, Ms. Wong had worked for PricewaterhouseCoopers in Hong Kong primarily focusing on the technology, info-communications and entertainment sectors.

Mr. LAU Chi Kong
Chief Operating Officer

aged 37, was appointed as an Executive Director of the Company on 1 December 2017. Mr. Lau is also the Chief Operating Officer of the Group and a director of certain subsidiaries of the Group. He is primarily responsible for robotics, warehousing and logistics system operation management of the Group. Mr. Lau joined the Group in 2004 as a management trainee. Prior to his current role, Mr. Lau held numerous positions and has extensive experience in operations and finance. Mr. Lau holds a Bachelor of Science degree in Actuarial Science from The University of Hong Kong.

Ms. ZHOU Huijing

aged 37, was appointed as an Executive Director of the Company on 1 December 2017. Ms. Zhou is also the Managing Director of Shopping and eCommerce of the Group and a director of certain subsidiaries of the Group. She is primarily responsible for sales and marketing of the Group's online shopping platforms, namely "HKTVmall" and "HoKoBuy". Ms. Zhou joined the Group in 2003 as a management trainee. Prior to her current rule, she held numerous positions and has extensive experience in marketing, business development, customer services, content distribution and partnership and production administration. Ms. Zhou holds a Master of Business Administration degree from The Hong Kong University of Science and Technology and a Bachelor of Social Science degree from The Chinese University of Hong Kong.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEE Hon Ying, John

aged 72, is the managing director of Cyber Networks Consultants Company in Hong Kong. He was the Regional Director, Asia Pacific of Northrop Grumman-Canada, Ltd. He was previously the director of network services of Digital Equipment (HK) Limited and prior to that, worked for Cable and Wireless (HK) Limited and Hong Kong Telecom. He is a chartered engineer and a member of the Institution of Engineering and Technology, the United Kingdom, the Hong Kong Institution of Engineers and the Hong Kong Computer Society. He received a Master's Degree in Information Systems from The Hong Kong Polytechnic University in 1992. In addition, he is a Member of the Commission of International Aids and Development of St. Vincent de Paul, Council General, which is an international charity body with its head office in Paris, France. He is the Vice President of the Parish Council of St. Anthony's Church in Hong Kong. Mr. Lee has been a Director of the Group since June 1997. Mr. Lee has also been appointed as the chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee of the Company.

Mr. PEH Jefferson Tun Lu

aged 59, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia. Mr. Peh holds a Master's Degree in Business from the University of Technology, Sydney. He has extensive experience in finance, accounting and management from listed and private companies in Hong Kong and Australia. Mr. Peh has been a Director of the Group since September 2004. Mr. Peh has also been appointed as a member of the Audit Committee and Remuneration Committee as well as the chairman of the Nomination Committee of the Company.

Mr. MAK Wing Sum, Alvin

aged 66, was appointed as an Independent Non-executive Director of the Group in September 2013. Mr. Mak has also been appointed as a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He is a Chartered Accountant and is a member of the Canadian Institute of Chartered Accountants as well as being a member of the Hong Kong Institute of Certified Public Accountants. Mr. Mak is currently an independent non-executive director of Crystal International Group Limited, Goldpac Group Limited, I.T Limited, Lai Fung Holdings Limited and Luk Fook Holdings (International) Limited, all listed on The Stock Exchange of Hong Kong Limited. Mr. Mak is a member of Hong Kong Housing Society and is currently the Chairman of its Audit Committee and a member of its Special Committee on Investment, Remuneration Committee and Supervisory Committee. After working in Citibank for over 26 years, Mr. Mak retired in May 2012. He last served as the Head of Markets and Banking for Citibank Hong Kong, being the country business manager for its corporate and investment banking business. In Citibank, he had held various senior positions including the Head of Global Banking, where he was responsible for managing all the coverage bankers. Prior to that, he also managed Citibank's Hong Kong corporate finance business, regional asset management business and was the Chief Financial Officer of North Asia. Before joining Citibank in 1985, Mr. Mak was an audit group manager at Coopers & Lybrand (now known as PricewaterhouseCoopers). He worked for Coopers & Lybrand for eight years, five of which was in Toronto, Canada. He graduated from the University of Toronto with a Bachelor of Commerce degree in 1976.

CORPORATE Governance Report

The board of directors (the "Board") of the Company is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its corporate governance code of practices.

Throughout the year ended 31 December 2018, the Company had complied with the applicable code provisions as set out in the CG Code and Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry with the Directors, all of them have confirmed that they have fully complied with the required standard set out in the Model Code and the Company Code throughout the year ended 31 December 2018 and up to the date of this report.

THE BOARD

(i) Responsibilities

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

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

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

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

THE BOARD (continued)

(ii) Board Composition

The Board currently comprises eight Directors with five Executive Directors and three Independent Non-executive Directors.

The composition of the Board during the year ended 31 December 2018 and up to the date of this report is as follows:

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

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

All Executive Directors are responsible for implementing the business strategies and managing the business of the Group in accordance with all applicate rules and regulations, including, but not limited to, the Listing Rules. The Board believes that the balance between Executive and Non-executive Directors (including the Independent Non-executive Directors) is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Company.

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

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

The biographical information of the Directors is set out in the section of "Profile of Directors and Senior Management" on pages 36 to 38 of this annual report.

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

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

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

In accordance with Articles 96 and 99 of the Articles, Mr. Lee Hon Ying, John, Mr. Peh Jefferson Tun Lu and Mr. Mak Wing Sum, Alvin will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

THE BOARD (continued)

(iv) Chairman and Chief Executive Officer

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

(v) Independent Non-executive Directors

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

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

(vi) Number of Meetings and Directors' Attendance

The Board meets from time to time, and on no less than four times a year, to discuss and exchange ideas on the Company's affairs. During the year ended 31 December 2018, the Board held four meetings to deliberate the interim and final results announcements, financial reports, to recommend or declare dividends and to discuss significant issues and general operation of the Company. All of which were convened in accordance with the Articles.

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

Name of Directors	Meetings attended/held
Executive Directors	
Mr. Wong Wai Kay, Ricky	4/4
Mr. Cheung Chi Kin, Paul	3/4
Ms. Wong Nga Lai, Alice	4/4
Mr. Lau Chi Kong	4/4
Ms. Zhou Huijing	3/4
Independent Non-executive Directors	
Mr. Lee Hon Ying, John	4/4
Mr. Peh Jefferson Tun Lu	4/4
Mr. Mak Wing Sum, Alvin	4/4

(vii) Practices and Conduct of Meetings

Notices of regular Board meetings are given to all Directors at least fourteen days before the meetings. For other Board and committees meetings, reasonable notice is generally given.

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

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

THE BOARD (continued)

(viii) Board Diversity Policy

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

At the Nomination Committee Meeting held on 26 March 2019, having taken into account the Company's corporate strategy and the skills, knowledge and experience of the Board members of the Company, the Nomination Committee considered the structure, size and composition of the Board was satisfactory.

(ix) Training and Support for Directors

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

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

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

BOARD COMMITTEES

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

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

(i) Audit Committee

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

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

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

The Audit Committee held four meetings during the year ended 31 December 2018. Executive Directors and the external auditors of the Company were invited to join the discussions at the relevant meetings.

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

(i) reviewed the Company's financial statements for the year ended 31 December 2017 and for the six months ended 30 June 2018;

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

(iii) reviewed the external auditor's report on the review of the Company's audited consolidated financial statements for the year ended 31 December 2017 and the Company's interim financial report for the six months ended 30 June 2018; and

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

The audit committee chairman and other committee members also met in separate private session with the external auditors at least two times during the year under review.

BOARD COMMITTEES (continued)

(i) Audit Committee (continued)

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

Attendance of individual members at Audit Committee meetings

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

(ii) Nomination Committee

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

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

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

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

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

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

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

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

- reviewed the structure, size and composition of the Board and made recommendations to the Board;
- reviewed the proposed appointment of new Executive Directors;
- reviewed the independence of Independent Non-executive Directors;
- made recommendations to the Board on the appointment or re-appointment of Directors by rotation at the forthcoming annual general meeting for the Company; and
- ensured that the Board has a balance of expertise, skills and experience approriate to meet the requirements of the business of the Company.

BOARD COMMITTEES (continued)

(ii) Nomination Committee (continued)

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

Attendance of individual members at Nomination Committee meeting

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

(iii) Remuneration Committee

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

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

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

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

(iii) determine the remuneration packages, bonuses and other compensation payable to executive directors and senior management; and

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

Pursuant to code provision B1.5 of the CG Code, the remuneration of the senior management's emoluments for the year ended 31 December 2018 is set out in Note 10 to the Financial Statements.

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

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

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

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

BOARD COMMITTEES (continued)

(iii) Remuneration Committee (continued)

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

Attendance of individual members at Remuneration Committee meeting

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

b. to review and monitor the training and continuous professional development of Directors and senior management;

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

d. to develop, review and monitor the code of conduct and compliance manual applicable to Talents and Directors; and

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility, with the support from the Finance Department of the Company, for preparing the financial statements of the Group for the year ended 31 December 2018. The Board shall ensure that the financial statements of the Group are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

The statement by the auditor of the Company and the Group regarding its reporting responsibilities and opinion on the financial statements of the Company and the Group for the year ended 31 December 2018 is set out in the "Independent Auditor's Report" on pages 58 to 62 of this annual report.

AUDITOR'S REMUNERATION

KPMG has been re-appointed as the external auditor of the Company by the shareholders of the Company at the 2018 Annual General Meeting.

For the year ended 31 December 2018, the total fee paid to the Company's external auditor, KPMG, in relation to audit related services of the Group amounted to approximately HK$2,342,000. Details are set out below:

Type of Services	FY2018 HK$'000	FY2017 HK$'000
Audit services	**2,342**	2,276
Non-audit services	**-**	588
Total	**2,342**	2,864

COMPANY SECRETARY

The Company Secretary, Ms. Wong Nga Lai, Alice is a Talent of the Company and she is also the Executive Director and Chief Financial Officer of the Company, who has day-to-day knowledge of the Company's affairs. The biographical information of Ms. Wong is set out in the section of "Profile of Directors and Senior Management" on pages 36 to 38 of this annual report.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The management of the Group is responsible for designing, maintaining, implementing and monitoring of the risk management and internal control system and ensuring that the Group established and maintained appropriate and effective systems. Management also assists the Board in the implementation of the Group's policies, procedures and controls by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Group has established an audit committee under the Board, which has the functions of monitoring compliance with laws by the Group's senior management and in its daily operations, and of carrying out investigations for suspected breaches of law. The Company convened meetings with the audit committee periodically to discuss financial, operational and compliance controls and risk management functions. Moreover, the Audit Committee assists the Board in leading the management and overseeing their design, implementing and monitoring of the risk management and internal control systems.

An external audit firm has been appointed to perform the internal audit function in assessing and monitoring the internal controls of the Group. The external audit firm directly reports to the Chairman of the Group and the Audit Committee on findings related to material controls, including financial, operational and compliance risks and the respective risk mitigation activities.

Internal Audit Reports are prepared by the external audit firm and presented to the Group's management and operational teams for attention and appropriate actions. Remediation actions have been developed collaboratively by the Group's management and operational teams to rectify the control weaknesses identified.

The Board has conducted its annual review of the effectiveness of the Group's risk management and internal control systems. The Board considered that, for the year ended 31 December 2018, the risk management and internal control system and procedures of the Group were reasonably effective and adequate, and that no material deficiencies had been identified.

INSIDE INFORMATION POLICY

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

COMMUNICATION WITH SHAREHOLDERS

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

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

Information Disclosure on the Company's Website

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

General Meetings with Shareholders

The annual general meeting (the "AGM") held by the Company on 24 May 2018 was attended by, among others, the Chairman, Chief Executive Officer, Chief Financial Officer, chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, and representatives of KPMG, the external auditor of the Company to answer questions raised by shareholders at the AGM.

COMMUNICATION WITH SHAREHOLDERS (continued)

General Meetings with Shareholders (continued)

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

Name of Directors	AGM attended/held
Executive Directors	
Mr. Wong Wai Kay, Ricky	1/1
Mr. Cheung Chi Kin, Paul	1/1
Ms. Wong Nga Lai, Alice	1/1
Mr. Lau Chi Kong	1/1
Ms. Zhou Huijing	1/1
Independent Non-executive Directors	
Mr. Lee Hon Ying, John	1/1
Mr. Peh Jefferson Tun Lu	1/1
Mr. Mak Wing Sum, Alvin	1/1

SHAREHOLDERS' RIGHTS

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

Convening of general meeting on requisition by shareholders

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

Procedures for putting forward proposals at general meetings by shareholders

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

The request must identify the resolution to be moved at the annual general meeting and must be authenticated by the relevant shareholder(s) and sent to the Company in hardcopy form or in electronic form not later than six weeks before the relevant annual general meeting to which the requests relate; or if later, the time at which notice is given of that meeting.

Procedures for directing shareholders' enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, there were no significant changes in the constitutional documents of the Company.

REPORT OF
the Directors

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2018.

REGISTERED OFFICE

Hong Kong Television Network Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office at HKTV Multimedia and Ecommerce Centre, No. 1 Chun Cheong Street, Tseung Kwan O Industrial Estate, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out in the sections headed "Chairman's Statement" and "Management's Discussion and Analysis" from pages 12 to 13 and pages 15 to 25 of this annual report respectively. Description of the principal risks and uncertainties facing the Company is set out in the section "Principal Risks and Uncertainties" on pages 23 to 24 of this annual report.

RELATIONSHIPS WITH STAKEHOLDERS

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

An account of the Company's relationships with its Talents is set out in the section headed "Management's Discussion and Analysis" from pages 15 to 25 and "Environmental, Social and Governance Report" from pages 26 to 35 of this annual report.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

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

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

In addition, discussion on the Group's environmental policies and performance are contained in the Environmental, Social and Governance Report on pages 26 to 35 of this annual report.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2018 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements from pages 63 to 125 of this annual report.

ANALYSIS ON FINANCIAL PERFORMANCE

An analysis of the Group's performance during the year ended 31 December 2018 is set out in the sections headed "Operational Highlights", "Financial Highlights" and "Management's Discussion and Analysis" on page 3, page 5 and from pages 15 to 25 of this annual report.

DIVIDENDS

No interim dividend was declared during the year ended 31 December 2018 and the year ended 31 December 2017.

The Directors does not recommend the payment of final dividend for the year ended 31 December 2018. No final dividend was declared for the year ended 31 December 2017.

DONATIONS

For the year ended 31 December 2018 and 31 December 2017, the Group did not make any charitable or other donations in cash.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set out in note 21 to the financial statements. Shares were issued during the year on the exercise of share options. Details on the issue of shares are also set out in note 21 to the financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" as set out on pages 54 to 55 of this annual report, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2018, calculated in accordance with the provision of Part 6 of Companies Ordinances (Cap. 622) of the laws of Hong Kong, amounted to approximately HK$1,831,303,000 (2017: HK$1,450,019,000).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results of the assets and liabilities of the Group for the last five financial years is set out on page 126 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

GROUP'S BORROWINGS

The Group's borrowings as at 31 December 2018 are repayable in the following periods:

	2018 HK$'000	2017 HK$'000
On demand or not exceeding one year	**79,392**	219,623

DIRECTORS

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

Executive Directors

Mr. Wong Wai Kay, Ricky *(Chairman)*
Mr. Cheung Chi Kin, Paul *(Vice Chairman and Chief Executive Officer)*
Ms. Wong Nga Lai, Alice *(Chief Financial Officer)*
Mr. Lau Chi Kong *(Chief Operating Officer)*
Ms. Zhou Huijing

Independent Non-executive Directors

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

In accordance with Articles 96 and 99 of the Articles, Mr. Lee Hon Ying, John, Mr. Peh Jefferson Tun Lu and Mr. Mak Wing Sum, Alvin will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

DIRECTORS OF SUBSIDIARIES

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out on pages 36 to 38 of this annual report.

CHANGES IN DIRECTORS' INFORMATION

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

1. Changes in Directors' emoluments during the year ended 31 December 2018 are set out in note 10 to the financial statements.

2. The monthly remuneration of Mr. Wong Wai Kay, Ricky has been adjusted to HK$500,000 with effect from 1 January 2019.

3. The monthly base salary of Mr. Cheung Chi King , Paul has been resumed and increased from HK$288,000 to HK$500,000 with effect from 1 January 2019.

4. The monthly base salary of Ms. Wong Nga Lai, Alice will be increased from HK$154,500 to HK$162,800 with effect from 1 April 2019.

5. The monthly base salary of Mr. Lau Chi Kong will be increased from HK$150,000 to HK$162,800 with effect from 1 April 2019.

6. The monthly base salary of Ms. Zhou Huijing will be increased from HK$71,280 to HK$74,888 with effect from 1 April 2019.

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

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

At 31 December 2018, the interests or short positions of the Company's Directors, chief executive and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code were as follows:

Long position in ordinary shares and underlying shares of the Company

	Interest in shares						
Name of director	Personal interests	Corporate interests	Family interests	Total interest in shares	Interests in underlying shares pursuant to share options	Aggregate interests	Approximate percentage interests in the Company's issued share capital Note (1)
Mr. Wong Wai Kay, Ricky	–	355,051,177 Note (2)(i)	–	355,051,177	10,000,000	365,051,177	44.83%
Mr. Cheung Chi Kin, Paul	26,453,424	24,924,339 Note (2)(ii)	–	51,377,763	9,000,000	60,377,763	7.42%
Ms. Wong Nga Lai, Alice	50,000	–	–	50,000	1,500,000	1,550,000	0.19%
Mr. Lau Chi Kong	–	–	–	–	1,500,000	1,500,000	0.18%
Ms. Zhou Huijing	–	–	–	–	1,000,000	1,000,000	0.12%

Notes:

(1) This percentage is based on 814,216,643 ordinary shares of the Company issued as at 31 December 2018.

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

(i) 355,051,177 shares are held by Top Group International Limited ("Top Group"), a corporation accustomed to act in accordance with Mr. Wong's directions; the interests of Top Group in the Company is also disclosed under the section "Substantial Shareholder" of this annual report.

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

Save as disclosed above, as at 31 December 2018, none of the Directors nor chief executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares and derivative to ordinary shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

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

(1) Purpose

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

(2) Eligible participants

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

(3) The total number of shares available for issue

The total number of shares which may be issued upon exercise of options to be granted under the scheme shall not exceed 10% of the total number of shares in issue as at the date of adoption of the 2012 Share Option Scheme on 31 December 2012 (i.e. 80,901,664 shares). As at the date of this annual report, the number of shares available for issue in respect thereof is 43,561,664 shares, representing approximately 5.35% of the issued share of the Company.

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

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

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

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

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

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

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

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

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

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

(8) The basis of determining the exercise price

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

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

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

(10) Details of the share options granted under the 2012 Share Option Scheme as at 31 December 2018 are as follows:

Participants	Date of grant	Exercise price per share HK$	Balance as at 1 January 2018	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year (Note 1)	Balance as at 31 December 2018	Vesting period	Exercise period
Directors									
Mr. Wong Wai Kay, Ricky	26 May 2017	1.464	10,000,000	-	-	-	10,000,000	26 May 2017 to 28 February 2018	1 March 2018 to 22 March 2027
Mr. Cheung Chi Kin, Paul	26 May 2017	1.464	10,000,000	-	1,000,000	-	9,000,000	26 May 2017 to 28 February 2018	1 March 2018 to 22 March 2027
Ms. Wong Nga Lai, Alice	23 March 2017	1.464	1,500,000	-	-	-	1,500,000	23 March 2017 to 28 February 2018	1 March 2018 to 22 March 2027
Mr. Lau Chi Kong	21 February 2017	1.450	1,500,000	-	-	-	1,500,000	21 February 2017 to 28 February 2018	1 March 2018 to 20 February 2027
Ms. Zhou Huijing	21 February 2017	1.450	1,000,000	-	-	-	1,000,000	(Note 2)	(Note 2)
Talents under continuous employment contracts									
Talents	21 February 2017	1.450	2,300,000	-	400,000	-	1,900,000	(Note 2)	(Note 2)
	21 February 2017	1.450	705,000	-	150,000	-	555,000	(Note 3)	(Note 3)
	21 February 2017	1.450	10,335,000	-	3,650,000	-	6,685,000	21 February 2017 to 28 February 2018	1 March 2018 to 20 February 2027
Total			37,340,000	-	5,200,000	-	32,140,000		

Notes:

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

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

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

4. During the year ended 31 December 2018, no options were cancelled or lapsed.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme" as set out on pages 54 to 55 of this annual report, at no time during the year ended 31 December 2018 was the Company or any of its subsidiaries a party to any arrangements to enable the directors and/or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDER

As at 31 December 2018, the interests or short positions of the persons, other than the directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company required to be kept under Section 336 of the SFO were as follows:

Name	Interests in shares in long positions	Percentage interests (Note)
Top Group International Limited	355,051,177	43.61%

Note: This percentage is based on 814,216,643 ordinary shares of the Company issued as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, the Company had not been notified of any persons (other than directors and chief executive of the Company) having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

SUFFICIENCY OF PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this annual report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules during the year ended 31 December 2018.

INDEPENDENCE CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2018, the Company has complied with the applicable code provisions as set out in the CG Code.

Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 39 to 49 of this annual report.

RETIREMENT SCHEME

Throughout the year ended 31 December 2018, the Group operated a Mandatory Provident Fund scheme. The Group's Occupational Retirement Scheme, which was also a defined contribution retirement scheme, was terminated with effect from 1 December 2017. Particulars of these retirement schemes are set out in note 9 in the financial statements.

AUDITOR

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

On behalf of the Board
Wong Wai Kay, Ricky
Chairman

Hong Kong, 27 March 2019

INDEPENDENT
Auditor's Report

KPMG

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

OPINION

We have audited the consolidated financial statements of Hong Kong Television Network Limited ("the Company") and its subsidiaries ("the Group") set out on pages 63 to 125, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2018, management identified indicators of impairment of the Group's E-commerce business which has sustained operating losses since its commencement in 2015. As at 31 December 2018, the carrying amount of non-current assets relating to the E-commerce business ("the E-commerce assets"), which principally comprised leasehold land and buildings, construction in progress, other property, plant and equipment, the indefeasible right of use of telecommunications capacity, the right of use of telecommunications services and goodwill, totalled HK$926.4 million. Management performed an impairment assessment of the E-commerce assets in which an assessment of the estimated recoverable amounts of these assets was made by considering the value in use of these assets by preparing a discounted cash flow forecast and concluded that no impairment is required. The preparation of a discounted cash flow forecast involves the exercise of significant management judgement, particularly in forecasting the revenue growth rate and the net profit margin and in determining the discount rate applied. We identified assessing potential impairment of non-current assets relating to the E-commerce business as a key audit matter because the impairment assessment prepared by management contains certain judgemental assumptions, which may be inherently uncertain and which could be subject to management bias in their selection.	Our audit procedures to assess the potential impairment of non-current assets relating to the E-commerce business included the following: • evaluating management's identification of the E-commerce business cash generating unit ("CGU") and the allocation of assets to that CGU and assessing the methodology adopted by management in its preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards; • comparing data in the discounted cash flow forecast with the relevant data, including forecast revenue, forecast cost of sales and forecast other operating expenses, included in the annual financial budget which was approved by the management; • comparing the revenue growth rate and net profit margin adopted in the discounted cash flow forecast with past growth rates and the net profit margin achieved by the E-commerce business as well as with those of comparable companies and other available external market data, taking into account recent developments in the E-commerce industry and the Group's future operating plans; • engaging our internal valuation specialists to assist us in assessing whether the discount rate applied in the discounted cash flow forecast was within the range adopted by other companies in the same industry; • comparing the revenue, cost of sales and other operating expenses included in the discounted cash flow forecast prepared in the prior year with the current year's performance to assess the reliability of management's budgeting and forecasting processes and making enquiries of management as to the reasons for any significant variations identified; and • obtaining from management sensitivity analysis of the key assumptions adopted in the discounted cash flow forecast and assessing the impact of changes in the key assumptions, including the revenue growth rate, the net profit margin and the discount rate applied, to the conclusions reached in the impairment assessment and considering whether there were any indicators of management bias in their selection.

Revenue recognition from the E-commerce business

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

The Key Audit Matter	How the matter was addressed in our audit
The Group's E-commerce income, which totalled HK$883.2 million for the year ended 31 December 2018, principally comprises revenue from direct merchandise sales (where the Group acts as principal) and commission income from concession sales to customers (where the Group acts as agent), whereby payments from customers are made through on-line payment processing service providers. E-commerce income comprises a high volume of individually low value transactions. Revenue is recognised when the customer acknowledges the receipt of the goods. The Group's information technology systems are complex and process a large volume of transactions, including details of the date and time of delivery of the goods sold, the combination of products sold together, commission rates for each merchant and price updates applied during the year. The completeness and accuracy of revenue from the Group's E-commerce business is highly reliant on the information technology systems. We identified the recognition of revenue from the E-commerce business as a key audit matter because revenue is one of the key performance indicators of the Group and involves complicated information technology systems, both of which give rise to an inherent risk that revenue could be incorrectly calculated or recorded in the incorrect period.	Our audit procedures to assess the recognition of revenue from the E-commerce business included the following: • inspecting samples of agreements with merchants to assess the Group's revenue recognition policies based on the terms and conditions as set out in the agreements with merchants, with reference to the requirements of the prevailing accounting standards; • engaging our internal information technology specialists to evaluate the design, implementation and operating effectiveness of key internal controls over the capturing and processing of revenue transactions, including the completeness and accuracy of the transaction details contained within the Group's information technology systems; • assessing the design, implementation and operating effectiveness of key manual internal controls over the reconciliation of transaction details captured by the Group's information technology systems with receipts from the on-line payment processing service providers; • comparing settlements received from customers with the relevant details in merchant transaction reports received by the Group from the processing bank and bank statements, on a sample basis; • comparing the transaction details captured by the Group's information technology systems with customers' signed acknowledgement of receipt of the goods sold, on a sample basis; and • comparing the amount of commission income captured by the Group's information technology systems with corresponding details as set out in merchants' statements and recalculating the commission income recorded by the Group by inspecting agreements with merchants and relevant transaction details, on a sample basis.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Wai Shun Wilson.

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

27 March 2019

CONSOLIDATED
Income Statement

For the year ended 31 December 2018 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Turnover	2	**896,374**	487,257
Direct merchandise sales	2	**685,889**	346,173
Cost of inventories		**(538,752)**	(295,178)
		147,137	50,995
Income from concessionaire sales and other service income	2	**197,358**	139,056
Licensing of programme rights and net advertising income	2	**13,127**	2,028
Valuation gains on investment properties	12	**43,550**	80,500
Other operating expenses	4(a)	**(737,567)**	(568,555)
Gain on disposal of a subsidiary	25	**161,645**	–
Other income, net	3	**46,913**	94,230
Finance costs	4(b)	**(4,921)**	(2,011)
Loss before taxation		**(132,758)**	(203,757)
Income tax expense	5	**(337)**	(1,163)
Loss for the year		**(133,095)**	(204,920)
Basic and diluted loss per ordinary share	8	**HK$ (0.16)**	HK$ (0.25)

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 68 to 125 form part of these financial statements.

CONSOLIDATED STATEMENT OF
Comprehensive Income

For the year ended 31 December 2018 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Loss for the year		**(133,095)**	(204,920)
Other comprehensive income for the year	7		
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of an overseas subsidiary		**(43)**	(42)
Available-for-sale securities: net movement in fair value reserve (ii)		**-**	18,547
Debt securities measured at fair value through other comprehensive income – net movement in fair value reserve (recycling)		**(26,445)**	–
		(26,488)	18,505
Items that will not be reclassified to profit or loss:			
Equity instruments designated at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**(9,403)**	–
Gain on revaluation upon transfer of previously self-occupied property to investment property		**-**	23,579
		(9,403)	23,579
Other comprehensive income for the year		**(35,891)**	42,084
Total comprehensive income for the year		**(168,986)**	(162,836)

Notes:

(i) The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018, part of the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. See note 1(c)(i).

The notes on pages 68 to 125 form part of these financial statements.

CONSOLIDATED STATEMENT OF Financial Position

As at 31 December 2018 (Expressed in Hong Kong dollars)

	Note	31 December 2018 HK$'000	31 December 2017 HK$'000
Non-current assets			
Property, plant and equipment	12	**1,115,347**	1,152,387
Intangible assets	13	**87,653**	99,828
Goodwill		**897**	897
Long term receivables, deposits and prepayments		**5,444**	11,912
Other financial assets	16	**656,634**	675,161
		1,865,975	1,940,185
Current assets			
Other receivables, deposits and prepayments	17	**71,449**	63,276
Tax recoverable		**–**	1,007
Inventories	15	**54,322**	26,912
Other current financial assets	16	**25,295**	201,004
Pledged bank deposit	29	**3,905**	3,905
Cash at bank and in hand	18	**105,901**	100,199
		260,872	396,303
Current liabilities			
Accounts payable	19	**146,493**	92,951
Other payables and accrued charges	19	**185,337**	154,840
Deposits received		**5,757**	4,286
Bank loans	20	**79,392**	219,623
		416,979	471,700
Net current liabilities		**(156,107)**	(75,397)
Total assets less current liabilities		**1,709,868**	1,864,788
Non-current liabilities			
Deferred tax liabilities	22	**1,479**	2,156
		1,479	2,156
NET ASSETS		**1,708,389**	1,862,632
CAPITAL AND RESERVES			
Share capital	21(b)	**1,280,191**	1,268,914
Reserves		**428,198**	593,718
TOTAL EQUITY		**1,708,389**	1,862,632

Approved and authorised for issue by the board of directors on 27 March 2019.

Wong Wai Kay, Ricky
Director

Cheung Chi Kin, Paul
Director

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 68 to 125 form part of these financial statements.

CONSOLIDATED STATEMENT OF
Changes in Equity

For the year ended 31 December 2018 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital HK$'000	Retained profits HK$'000	Revaluation reserve HK$'000	Available-for-sale investment fair value reserve HK$'000	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000	Other reserve HK$'000	Total equity HK$'000
Balance at 1 January 2017		1,268,914	588,207	159,759	(18,410)	-	-	19	-	(1,826)	1,996,663
Changes in equity for 2017:											
Loss for the year		-	(204,920)	-	-	-	-	-	-	-	(204,920)
Other comprehensive income	7	-	-	23,579	18,547	-	-	(42)	-	-	42,084
Total comprehensive income		-	(204,920)	23,579	18,547	-	-	(42)	-	-	(162,836)
Equity-settled share-based transactions	11	-	-	-	-	-	-	-	28,805	-	28,805
Balance at 31 December 2017 (note)		1,268,914	383,287	183,338	137	-	-	(23)	28,805	(1,826)	1,862,632
Impact on initial application of HKFRS 9	1(c)(i)	-	(20,258)	-	(137)	12,555	7,840	-	-	-	-
Adjusted balance at 1 January 2018		1,268,914	363,029	183,338	-	12,555	7,840	(23)	28,805	(1,826)	1,862,632
Changes in equity for 2018:											
Loss for the year		-	(133,095)	-	-	-	-	-	-	-	(133,095)
Other comprehensive income	7	-	-	-	-	(26,445)	(9,403)	(43)	-	-	(35,891)
Total comprehensive income		-	(133,095)	-	-	(26,445)	(9,403)	(43)	-	-	(168,986)
Transfer of loss on disposal of an equity security designated at FVOCI to retained profits	16	-	(100)	-	-	-	100	-	-	-	-
Shares issued under share option scheme	21(c)	11,277	-	-	-	-	-	-	(3,723)	-	7,554
Equity-settled share-based transactions	11	-	-	-	-	-	-	-	7,189	-	7,189
Balance at 31 December 2018		1,280,191	229,834	183,338	-	(13,890)	(1,463)	(66)	32,271	(1,826)	1,708,389

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 68 to 125 form part of these financial statements.

CONSOLIDATED
Cash Flow Statement

For the year ended 31 December 2018 (Expressed in Hong Kong dollars)

	Note	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Net cash used in operating activities	*23*	**(234,829)**	(197,958)
Investing activities			
Additions of other financial assets		**(90,780)**	(167,095)
Proceeds from disposal of other financial assets		**32,199**	201,810
Proceeds from maturity of debt securities		**201,153**	307,292
Interest received		**39,082**	56,843
Dividend received		**6,290**	2,240
Payment for the purchase of property, plant and equipment		**(140,106)**	(189,487)
Proceeds from disposal of a subsidiary	*25*	**329,219**	–
Proceeds from disposal of property, plant and equipment		**1,226**	953
Net cash inflow on acquisition of a subsidiary		**-**	11,042
Increase in pledged bank deposit		**-**	(3,905)
Net cash generated from investing activities		**378,283**	219,693
Net cash generated before financing activities		**143,454**	21,735
Financing activities			
Proceeds from new bank loans	*23(b)*	**1,933,823**	1,813,888
Repayments of bank loans	*23(b)*	**(2,074,054)**	(1,778,427)
Proceeds from shares issued under share option scheme		**7,554**	–
Interest paid on bank loans		**(5,030)**	(1,531)
Net cash (used in)/generated from financing activities		**(137,707)**	33,930
Net increase in cash and cash equivalents		**5,747**	55,665
Cash and cash equivalents at 1 January		**100,199**	44,397
Effect of foreign exchange rate changes		**(45)**	137
Cash and cash equivalents at 31 December		**105,901**	100,199

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 68 to 125 form part of these financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties and investments in other financial assets are stated at their fair values as explained in the accounting policies set out below (see notes 1(g) and 1(f)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 28.

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses and impacted by HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in 1(c)(i) for HKFRS 9 and note 1(c)(ii) for HKFRS 15.

(i) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits and reserves at 1 January 2018.

	HK$'000
Retained profits	
Transferred from available-for-sale investment fair value reserve relating to units in investment funds now measured at fair value through profit or loss ("FVPL")	(18,706)
Recognition of additional expected credit losses on debt securities measured at fair value through other comprehensive income ("FVOCI")	(1,552)
Net decrease in retained profits at 1 January 2018	(20,258)
Available-for-sale investment fair value reserve	
Transferred to retained profits relating to units in investment funds now measured at FVPL	18,706
Transferred to fair value reserve (recycling) relating to debt securities now measured at FVOCI	(11,003)
Transferred to fair value reserve (non-recycling) relating to equity instruments now designated at FVOCI	(7,840)
Net decrease in available-for-sale investment fair value reserve at 1 January 2018	(137)
Fair value reserve (recycling)	
Transferred from available-for-sale investment fair value reserve relating to debt securities now measured at FVOCI	11,003
Recognition of additional expected credit losses on debt securities measured at FVOCI	1,552
Net increase in fair value reserve (recycling) at 1 January 2018	12,555
Fair value reserve (non-recycling)	
Transferred from available-for-sale investment fair value reserve relating to equity instruments now designated at FVOCI	7,840
Net increase in fair value reserve (non-recycling) at 1 January 2018	7,840

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, *Financial instruments* (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(a) Classification and measurement of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at FVPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	HKFRS 9 carrying amount at 1 January 2018 HK$'000
Financial assets designated at FVOCI (non-recycling)				
Equity securities (note (i))	–	29,293	–	29,293
Perpetual bonds (note (ii))	–	59,970	–	59,970
	–	89,263	–	89,263
Financial assets measured at FVOCI (recycling)				
Debt securities (note (iii))	–	634,554	–	634,554
Financial assets measured at FVPL				
Units in investment funds (note (iv))	–	152,348	–	152,348
Financial assets classified as available-for-sale under HKAS 39	876,165	(876,165)	–	–

Notes:

(i) Equity securities not held for trading were classified as available-for-sale financial assets under HKAS 39. These assets are designated at FVOCI (non-recycling) under HKFRS 9.

(ii) Perpetual bonds not held for trading were classified as available-for-sale financial assets under HKAS 39. These assets are designated at FVOCI (non-recycling) under HKFRS 9.

(iii) Debt securities not held for trading were classified as available-for-sale financial assets under HKAS 39. These assets continue to be measured at FVOCI (recycling) under HKFRS 9.

(iv) Units in investment funds not held for trading were classified as available-for-sale financial assets under HKAS 39. They are measured at FVPL under HKFRS 9.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, *Financial instruments* (continued)

(a) Classification and measurement of financial assets and financial liabilities (continued)

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 1(f), (k)(i), (n) and (o).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(b) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit losses ("ECL")" model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash at bank and in hand and other receivables);

– debt securities measured at FVOCI (recycling); and

– lease receivables.

Financial assets measured at fair value, including perpetual bonds and equity securities designated at FVOCI (non-recycling) as well as units in investment funds measured at FVPL, are not subject to the ECL assessment.

For further details on the Group's accounting policy for accounting for credit losses, see note 1(k)(i).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	Note	HK$'000
Loss allowance at 31 December 2017 under HKAS 39		–
Additional credit loss recognised at 1 January 2018 on:		
– Debt securities measured at FVOCI (recycling)		1,552
Loss allowance at 1 January 2018 under HKFRS 9	*24(a)*	1,552

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, *Financial instruments* (continued)

(c) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(a) Timing of revenue recognition

Under the requirement of HKFRS 15, revenue from sale of goods and provision of services by the Group is recognised when the customer obtains control of the promised goods and services in the contract. Transfer of significant risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, *Revenue from contracts with customers* (continued)

(b) Presentation of contract liabilities

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

As at 31 December 2018, the Group has contract liabilities of HK$31,188,000 (31 December 2017: HK$45,176,000 as receipt in advance from customers), which represents the obligation to transfer goods to customers for which the consideration has been received, and is included in "other payables and accrued charges" in the consolidated statement of financial position. Except that, the adoption of HKFRS 15 has no significant financial impact on the Group's financial information.

(d) Subsidiaries and controlled entities

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

(e) Group accounting

(i) Consolidation

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Group accounting (continued)

(ii) Translation of foreign currencies

Foreign currency transactions during the year are translated at foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at foreign exchange rates ruling at the end of reporting period. Exchange 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. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign rates ruling at the dates of 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.

(iii) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(f) Investments in other financial assets

The Group's and the Company's policies for investments in other financial assets, other than investments in subsidiaries, are as follows:

Investments in other financial assets are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 24(f). These investments are subsequently accounted for as follows, depending on their classification.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments in other financial assets (continued)

(A) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(u)(iv)).

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

– An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(u)(vi).

(B) Policy applicable prior to 1 January 2018

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

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

Investments in securities held for trading were classified as current assets. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss did not include any dividends or interest earned on these investments as these were recognised in accordance with the policies set out in note 1(u)(vi) and (iv).

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments in other financial assets (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

Dated debt securities that the Group and/or the Company had the positive ability and intention to hold maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost less impairment losses (see note 1(k)(i) – policy applicable prior to 1 January 2018).

Investments in securities which did not fall into any of the above categories were classified as available-for-sale securities. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that did not have a quoted price in an active market for an identical instrument and whose fair value could not otherwise be reliably measured were recognised in the statement of financial position at cost less impairment losses (see note 1(k)(i) – policy applicable prior to 1 January 2018). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in notes 1(u)(vi) and 1(u)(iv) respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities were also recognised in profit or loss.

When the investments were derecognised or impaired (see note 1(k)(i) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss. Investments were recognised/derecognised on the date the Group commits to purchase/sell the investments or they expired.

(g) Investment properties

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment

(i) Construction in progress

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

(ii) Other property, plant and equipment

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

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

- Leasehold land classified as held under finance leases is depreciated over the unexpired term of leases
- Leasehold improvements are depreciated over the shorter of the unexpired term of the leases and their estimated useful lives
- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives of 50 years
- Furniture, fixtures and fittings 4–5 years
- Network, computers and office equipment 3–15 years
- Motor vehicles 4–6 years
- Broadcasting and production equipment 2–10 years

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

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets (other than goodwill)

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

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

– Mobile television broadcast spectrum	12 years
– Indefeasible right of use ("IRU") of telecommunications capacity	20 years
– Right to use of telecommunications services	10 years
– Merchant relationship	2 years
– Brand name	1 year
– TVC and sponsorship spot	units of production

Both the period and method of amortisation are reviewed annually.

(j) Assets held under leases

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

(i) Classification of assets leased to the Group

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Assets held under leases (continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation and impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h) and note 1(k)(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.

(iii) Operating leases charges

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

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

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash at bank and in hand, pledged bank deposit and other receivables);

– debt securities measured at FVOCI (recycling); and

– lease receivables.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and other receivables, deposits and prepayments: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

(A) Policy applicable from 1 January 2018 (continued)

Measurement of ECLs (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

(A) Policy applicable from 1 January 2018 (continued)

Significant increases in credit risk (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 1(u)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset and lease receivable 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.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. other receivables and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties of the debtor;

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

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

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

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

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

– For other receivables and other financial assets carried at amortised cost, the impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting was material. This assessment was made collectively where these financial assets share similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

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

– property, plant and equipment;

– intangible assets;

– goodwill; and

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

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

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

Cost is calculated using the First-In-First-Out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(m) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(u)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(n)).

Policy prior to 1 January 2018

In the comparative period, contract liabilities were presented as "receipt in advance from customers" under "other payables and accrued charges". The balances have been reclassified on 1 January 2018 as shown in note 19 (see note 1(c)(ii)).

(n) Other receivables, deposits and prepayments

Other receivables, deposits and prepayments are recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Other receivables, deposits and prepayments are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(k)(i)).

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Cash at bank and in hand and pledged bank deposit

Cash at bank and in hand comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash that is restricted for use or pledged as security is classified separately in the consolidated statement of financial position, and is not included in the cash and bank balances total in the consolidated statements of cash flows. The pledged bank deposit represented cash maintained at bank as security for bank facility (note 29). Cash at bank and in hand and pleged bank deposit are assessed for expected credit losses in accordance with the policy set out in note 1(k)(i).

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

(ii) Other provisions and contingent liabilities

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

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

(q) Talent benefits

(i) Leave entitlements

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

(ii) Profit sharing and bonus plans

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

(iii) Retirement benefit costs

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Talent benefits (continued)

(iv) Share-based payments

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

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

(r) 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

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

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

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

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

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

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

  - the same taxable entity; or

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

(s) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Interest expense is recognised in accordance with the Group's accounting policy for borrowing cost (see note 1(v)).

(t) Trade and other payables

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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition

Income is classified by the Group as revenue when it arises from the direct merchandise sales, concessionaire sales or licensing of programme rights or provision of advertising and other services.

Income is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

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

Commission income and revenue from merchandise sales are recognised when the customer has taken possession and accepted the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

In the comparative period, E-commerce income was recognised when customer has accepted the goods and the related risks and rewards of ownership. The change in accounting policy does not have a significant impact on when the Group recognises revenue (see note 1(c)(ii)).

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

(iii) Advertising income, net of agency deductions, is recognised when the advertisements are delivered through the online platform.

(iv) Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Borrowing costs

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

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

(w) Segment reporting

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

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

(x) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

2 TURNOVER AND SEGMENT INFORMATION

Turnover

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

Disaggregation of revenue from contracts with customers by nature and by timing of revenue recognition are as follows:

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 (Note) HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by nature		
– Direct merchandise sales	**685,889**	346,173
– Income from concessionaire sales and other service income	**197,358**	139,056
– Licensing of programme rights and net advertising income	**13,127**	2,028
	896,374	487,257
Disaggregated by timing of revenue recognition		
– Point in time	**893,658**	485,589
– Over time	**2,716**	1,668
	896,374	487,257

Note: The Group has initially applied HKFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 (see note 1(c)(ii)). The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15, such that it does not disclose the information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the unsatisfied (or partially satisfied) contracts outstanding as at the end of the reporting period, as such unsatisfied performance obligations have an original expected duration of one year or less.

Segment information

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

(Expressed in Hong Kong dollars unless otherwise indicated)

3 OTHER INCOME, NET

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Bank interest income	**457**	44
Dividend income from other financial assets	**6,440**	2,240
Interest income from other financial assets	**35,079**	50,537
Gain on disposal of other financial assets	**11**	2,201
Unrealised fair value loss on units in investment funds measured at FVPL	**(12,573)**	–
Reversal of expected credit losses on debt securities measured at FVOCI	**224**	–
Rentals from investment properties	**18,455**	18,264
Net exchange (loss)/gain	**(2,932)**	18,701
Others	**1,752**	2,243
	46,913	94,230

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
(a) Other operating expenses		
Depreciation of property, plant and equipment (note 12(a))	**67,464**	46,775
Advertising and marketing expenses (excluding HK$32,234,000 (2017: HK$28,745,000) being deducted in turnover)	**75,416**	40,209
Auditor's remuneration	**2,342**	2,276
Operating lease charges in respect of land and buildings	**44,511**	41,800
(Gain)/loss on disposal of property, plant and equipment	**(997)**	3,436
Write down of inventories	**2,601**	1,609
Talent costs (note 4(c))	**293,709**	259,453
Amortisation of intangible assets (note 13)	**24,016**	15,060
Acquisition-related costs incurred in business combination	**-**	1,068
(Utilisation of)/provision for onerous contract	**(3,156)**	3,300
Total outgoings of investment properties	**1,492**	1,349
Others	**230,169**	152,220
	737,567	568,555
(b) Finance costs		
Interest on bank loans	**4,718**	1,778
Bank charges	**203**	233
	4,921	2,011
(c) Talent costs		
Wages and salaries	**274,449**	221,576
Retirement benefit costs – defined contribution plans (note 9)	**12,071**	9,072
Equity-settled share-based payment expenses (note 11)	**7,189**	28,805
Talent costs included in other operating expenses	**293,709**	259,453

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

(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements in current and prior years as the Group sustained a loss for taxation purpose during the year. The provision for Hong Kong Profits Tax for the year is calculated at 16.5% (16.5% for the year ended 31 December 2017) of the estimated assessable profits for the year.

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

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Current taxation		
Hong Kong		
– Provision for the year	–	–
Deferred taxation		
Origination and reversal of temporary differences (note 22)	**(337)**	(1,163)
	(337)	(1,163)

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

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Loss before taxation	**(132,758)**	(203,757)
Notional tax on loss before taxation, calculated at the prevailing tax rates applicable to profit in the jurisdiction concerned	**21,905**	33,620
Effect of non-taxable income	**40,785**	22,707
Effect of non-deductible expenses	**(5,342)**	(4,909)
Effect of unused tax losses not recognised	**(56,090)**	(52,057)
Others	**(1,595)**	(524)
Income tax expense	**(337)**	(1,163)

6 DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the year ended 31 December 2018 (31 December 2017: nil).

(Expressed in Hong Kong dollars unless otherwise indicated)

7 OTHER COMPREHENSIVE INCOME

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

	Year ended 31 December 2018			Year ended 31 December 2017		
	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000
Equity instruments designated at FVOCI – net movement in fair value reserve (non-recycling)	**(9,403)**	**-**	**(9,403)**	–	–	–
Debt securities measured at FVOCI – net movement in fair value reserve (recycling)	**(26,445)**	**-**	**(26,445)**	–	–	–
Available-for-sale securities: net movement in fair value reserve	**-**	**-**	**-**	18,547	–	18,547
Exchange difference on translation of financial statements of an overseas subsidiary	**(43)**	**-**	**(43)**	(42)	–	(42)
Gain on revaluation upon transfer of previously self-occupied property to investment property	**-**	**-**	**-**	23,579	–	23,579
Other comprehensive income	**(35,891)**	**-**	**(35,891)**	42,084	–	42,084

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

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Equity instruments designated at FVOCI – net movement in fair value reserve (non-recycling):		
– Changes in fair value recognised during the year	**(9,403)**	–
Debt securities measured at FVOCI – net movement in fair value reserve (recycling):		
– Changes in fair value recognised during the year	**(26,210)**	–
– Reclassified to profit or loss upon disposal	**(11)**	–
– Reclassified to profit or loss for reversal of expected credit losses	**(224)**	–
	(26,445)	–
Available-for-sale securities:		
– Changes in fair value recognised during the year	**-**	20,748
– Reclassified to profit or loss upon disposal	**-**	(2,201)
	-	18,547

(Expressed in Hong Kong dollars unless otherwise indicated)

8 LOSS PER SHARE

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Loss attributable to equity shareholders	**133,095**	204,920

The calculation of basic loss per share for the year ended 31 December 2018 and 31 December 2017 are based on the loss for the respective year and the weighted average of 812,165,000 ordinary shares (31 December 2017: 809,017,000 ordinary shares) in issue during the year.

Weighted average number of ordinary shares

	Year ended 31 December 2018 '000	Year ended 31 December 2017 '000
Issued ordinary shares at 1 January	**809,017**	809,017
Effect of share options exercised (note 21(c))	**3,148**	–
Weighted average number of ordinary shares at 31 December	**812,165**	809,017

The diluted loss per share for the year ended 31 December 2018 and 2017 is the same as the basic loss per share, as the Group's share options would result in an anti-dilutive effect on loss per share.

9 RETIREMENT BENEFIT COSTS

The Group contributed to an Occupational Retirement Scheme (the "ORSO Scheme"), a defined contribution retirement scheme, which was available to some of its Talents in Hong Kong. Under the ORSO Scheme, the Talents were required to contribute 5% of their monthly salaries, while the Group's contributions are calculated at 10% and 5% of the monthly salaries of senior management Talents and all other Talents respectively. The Talents are entitled to 100% of the employer's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years' service. Contributions to the ORSO Scheme were reduced by contributions forfeited by those Talents who left the ORSO Scheme prior to vesting fully in the Group's contributions. The ORSO Scheme was terminated with effect from December 2017.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

9 RETIREMENT BENEFIT COSTS (continued)

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

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Gross contributions	**12,071**	9,072

During the year ended 31 December 2018, there was no forfeited contribution available to offset future contributions by the Group to the ORSO Scheme (Year ended 31 December 2017: HK$nil).

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

For the year ended 31 December 2018:

	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Share-based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Chairman						
Wong Wai Kay, Ricky	-	-	-	2,789	-	2,789
Executive directors						
Cheung Chi Kin, Paul	-	-	-	2,789	-	2,789
Wong Nga Lai, Alice	-	1,856	309	145	188	2,498
Lau Chi Kong	-	1,568	334	138	160	2,200
Zhou Huijing	-	2,694	-	92	86	2,872
Independent non-executive directors						
Lee Hon Ying, John	223	-	-	-	-	223
Peh Jefferson Tun Lu	209	-	-	-	-	209
Mak Wing Sum, Alvin	209	-	-	-	-	209
Total	641	6,118	643	5,953	434	13,789

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(a) Directors' emoluments (continued)

For the year ended 31 December 2017:

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

Mr. Cheung Chi Kin, Paul agreed to waive director's salary of HK$3,456,000 for the year ended 31 December 2018.

Notes:

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

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five directors whose emoluments are reflected in the analysis presented above. For the year ended 31 December 2017, the five individuals whose emoluments were the highest in the Group include four directors, whose emoluments are reflected in the analysis presented above except for the emoluments to an individual before the appointment of directorship on 1 December 2017. The aggregate of the emoluments in respect of the remaining individual in year ended 31 December 2017 are as follows:

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Basis salaries, other allowances and benefits in kind	-	5,177
Discretionary bonuses	-	197
Retirement benefit costs – defined contribution plans	-	106
Equity-settled share-based transactions	-	436
	-	5,916

(Expressed in Hong Kong dollars unless otherwise indicated)

11 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

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

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

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

Total equity-settled share-based payment expense of HK$7,189,000 (31 December 2017: HK$28,805,000) was recognised in the consolidated income statement, with the offset in equity reserves, for the year ended 31 December 2018. Particulars and movements of share options during the year ended 31 December 2018 were as follows:

	Year ended 31 December 2018		Year ended 31 December 2017	
	Weighted average exercise price HK$	Number of options	Weighted average exercise price HK$	Number of options
2012 Share Option Scheme				
Outstanding at the beginning of the year	**1.46**	**37,340,000**	-	-
Granted during the year	**-**	**-**	1.46	40,000,000
Exercised during the year	**1.45**	**(5,200,000)**	-	-
Lapsed during the year	**-**	**-**	1.45	(2,660,000)
Outstanding at the end of the year	**1.46**	**32,140,000**	1.46	37,340,000
Exercisable at the end of year	**1.46**	**32,140,000**	-	-

The options outstanding at 31 December 2018 had a weighted average remaining contractual life of 8.2 years (31 December 2017: 9.2 years).

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Construction in progress HK$'000	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and fittings HK$'000	Network, computers and office equipment HK$'000	Motor vehicles HK$'000	Broadcasting and production equipment HK$'000	Total HK$'000
Cost and valuation:									
At 1 January 2018	62,960	392,500	603,481	38,169	9,164	136,494	51,853	83,632	1,378,253
Additions	77,968	-	-	23,997	139	28,465	24,184	-	154,753
Disposal of a subsidiary (note 25)	-	(167,650)	-	-	-	-	-	-	(167,650)
Disposal	-	-	-	(4)	(153)	(232)	(2,131)	-	(2,520)
Fair value adjustment	-	43,550	-	-	-	-	-	-	43,550
At 31 December 2018	140,928	268,400	603,481	62,162	9,150	164,727	73,906	83,632	1,406,386
Representing:									
Cost	140,928	-	603,481	62,162	9,150	164,727	73,906	83,632	1,137,986
Valuation - 2018	-	268,400	-	-	-	-	-	-	268,400
	140,928	268,400	603,481	62,162	9,150	164,727	73,906	83,632	1,406,386
Accumulated depreciation and impairment losses:									
At 1 January 2018	-	-	58,835	3,509	3,879	77,529	15,120	66,994	225,866
Charge for the year	-	-	18,460	10,664	1,762	23,849	9,010	3,719	67,464
Written back on disposal	-	-	-	-	(98)	(108)	(2,085)	-	(2,291)
At 31 December 2018	-	-	77,295	14,173	5,543	101,270	22,045	70,713	291,039
Net book value:									
At 31 December 2018	140,928	268,400	526,186	47,989	3,607	63,457	51,861	12,919	1,115,347

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amount (continued)

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Fair value measurement of investment properties

(i) Fair value hierarchy

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

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

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

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements categorised into			
	Fair value HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurements				
Investment properties:				
– 31 December 2018	**268,400**	**–**	**268,400**	**–**
– 31 December 2017	392,500	–	392,500	–

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 December 2017: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2018. The valuations were carried out by an independent firm of surveyors, CBRE Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Assets leased out under operating lease

The Group leases out investment properties under operating lease. The lease typically runs for an initial period of 10 years (year ended 31 December 2017: 5 years). None of the lease includes contingent rentals.

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

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

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Leases in respect of investment properties which are receivable:		
Within 1 year	**12,744**	22,440
After 1 year but within 5 years	**81,519**	75,767
After 5 year but within 10 years	**134,609**	–
	228,872	98,207

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

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Medium-term leases	**871,161**	1,000,106
Representing:		
Construction in progress carried at cost less impairment loss	**76,575**	62,960
Leasehold land and buildings carried at cost less accumulated depreciation and impairment loss	**526,186**	544,646
Investment properties carried at fair value	**268,400**	392,500
	871,161	1,000,106

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INTANGIBLE ASSETS

	Mobile television broadcast spectrum HK$'000	IRU of the tele-communications capacity HK$'000	Right to use of tele-communications services HK$'000	Merchant relationship HK$'000	Brand name HK$'000	TVC and sponsorship spot HK$'000	Total HK$'000
Cost:							
At 1 January 2018	146,591	226,700	90,243	163	2,477	-	466,174
Addition	-	-	-	-	-	11,841	11,841
Disposal	(146,591)	-	-	-	-	-	(146,591)
At 31 December 2018	-	226,700	90,243	163	2,477	11,841	331,424
Accumulated amortisation and impairment losses:							
At 1 January 2018	146,591	167,384	50,451	61	1,859	-	366,346
Charge for the year	-	4,117	9,025	81	618	10,175	24,016
Reversal of impairment loss upon disposal	(146,591)	-	-	-	-	-	(146,591)
At 31 December 2018	-	171,501	59,476	142	2,477	10,175	243,771
Net book value:							
At 31 December 2018	-	55,199	30,767	21	-	1,666	87,653

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INTANGIBLE ASSETS (continued)

	Mobile television broadcast spectrum HK$'000	IRU of the tele-communications capacity HK$'000	Right to use of tele-communications services HK$'000	Merchant relationship HK$'000	Brand name HK$'000	Total HK$'000
Cost:						
At 1 January 2017	146,591	226,700	90,243	–	–	463,534
Acquired in business combination	–	–	–	163	2,477	2,640
At 31 December 2017	146,591	226,700	90,243	163	2,477	466,174
Accumulated amortisation and impairment losses:						
At 1 January 2017	146,591	163,268	41,427	–	–	351,286
Charge for the year	–	4,116	9,024	61	1,859	15,060
At 31 December 2017	146,591	167,384	50,451	61	1,859	366,346
Net book value:						
At 31 December 2017	–	59,316	39,792	102	618	99,828

Intangible assets included the indefeasible right of use in certain capacity of the telecommunications network of the former subsidiary for a term of 20 years, right to use of the telecommunications services from the former subsidiary for a term of 10 years, an intangible asset relating to the spectrum with frequency at 678–686 MHz and microwave link at the frequency range of 7910–7920 MHz for the provision of broadcast-type mobile television services for a period of about 12 years, merchant relationship and brand name from the acquisition of a subsidiary for terms of 2 years and 1 year respectively, and TVC and sponsorship spot relating to the exchange of the right to broadcast the Group's self-produced television programmes for the advertisement time during the broadcast for terms of 1 year.

During the year ended 31 December 2018, the Group has surrendered the Unified Carrier Licence (No. 041) together with the radio spectrum of 678–686 MHz to the Communication Authority and ceased the provision of the broadcast-type mobile TV service. The Group has disposed of the intangible asset relating to mobile television broadcast spectrum.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group as at 31 December 2018. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	Percentage of interest held
Attitude Holdings Limited	British Virgin Islands	Inactive	Ordinary US$1	100
Best Intellect Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100
City Telecom (H.K.) Limited	Hong Kong	Inactive	Ordinary HK$2	100
Ambition Link Limited	British Virgin Islands	Property investment in Hong Kong	Ordinary US$1	* 100
Blossom Ahead Limited	British Virgin Islands	Property investment in Hong Kong	Ordinary US$1	* 100
Forward Excel Limited	British Virgin Islands	Property investment in Hong Kong	Ordinary US$1	* 100
Scenic Grace Limited	British Virgin Islands	Property investment in Hong Kong	Ordinary US$1	* 100
Excel Billion Profits Limited	Hong Kong	Inactive	Ordinary HK$10,000	100
Golden Trinity Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100
HKTV Japan Company Limited	Japan	Provision of trading service in Japan	Ordinary JPY10,000	100
Hong Kong Broadband Digital TV Limited	Hong Kong	Inactive	Ordinary HK$10,000	100
Hong Kong Broadband Television Company Limited	Hong Kong	Inactive	Ordinary HK$2	100
Hong Kong Media Production Company Limited	Hong Kong	Provision of multimedia production and distribution services in Hong Kong	Ordinary HK$10,000	100
Hong Kong Mobile Television Network Limited	Hong Kong	Provision of Mobile Television Service in Hong Kong	Ordinary HK$37,452,120	100
Hong Kong TV Logistics Network Company Limited	Hong Kong	Inactive	Ordinary HK$1	100
Hong Kong Music Network Limited	Hong Kong	Inactive	Ordinary HK$1	100

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (continued)

The following list contains the particulars of subsidiaries of the Group as at 31 December 2018. The class of shares held is ordinary unless otherwise stated. (continued)

Name of company	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	Percentage of interest held
Hong Kong TV Shopping Network Company Limited	Hong Kong	E-commerce business in Hong Kong	Ordinary HK$1	100
HoKoBuy Limited	Hong Kong	E-commerce business	Ordinary HK$26,509,254	100
Leader Artiste Management Company Limited	Hong Kong	Provision of management and agency services to artistes in Hong Kong	Ordinary HK$100	100
Fortune Land Leasing Limited	Hong Kong	Inactive	Ordinary HK$1	100
Multi Talent Enterprise Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100
Talent Ascent Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100
Home Talent Limited	Hong Kong	Inactive	Ordinary HK$1	100
Sunny Nice Limited	Hong Kong	Inactive	Ordinary HK$1	100
Crown Goal Limited	Hong Kong	Inactive	Ordinary HK$1	100
Win Joint Limited	Hong Kong	Inactive	Ordinary HK$1	100
City Force Limited	Hong Kong	Inactive	Ordinary HK$1	100
Aqua Line Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100
Profit China Limited	Hong Kong	Inactive	Ordinary HK$1	100
Harbour Choice Limited	Hong Kong	Inactive	Ordinary HK$1	100
Smartland Corporate Limited	Hong Kong	Inactive	Ordinary HK$1	100
Talent Discovery Limited	British Virgin Islands	Investment holding in Hong Kong	Ordinary US$1	* 100

* Shares held directly by the Company.

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INVENTORIES

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

16 OTHER FINANCIAL ASSETS

	31 December 2018 HK$'000	1 January 2018 HK$'000	31 December 2017 HK$'000
Equity instruments designated at FVOCI (non-recycling)			
– Equity securities	**25,864**	29,293	–
– Perpetual bonds	**57,820**	59,970	–
	83,684	89,263	–
Debt securities measured at FVOCI (recycling)			
– Maturity dates within 1 year	**25,295**	201,004	–
– Maturity dates over 1 year	**436,686**	433,550	–
	461,981	634,554	–
Units in investment funds measured at FVPL	**136,264**	152,348	–
Available-for-sale debt securities			
– Maturity dates within 1 year	**-**	–	201,004
– Maturity dates over 1 year	**-**	–	624,828
	-	–	825,832
Available-for-sale equity securities			
– Listed	**-**	–	35,794
– Unlisted	**-**	–	14,539
	-	–	50,333
	681,929	876,165	876,165

All of these financial assets were carried at fair value as at 31 December 2018 and 31 December 2017.

Notes:

(i) Available-for-sale financial assets were reclassified to equity instruments designated at FVOCI (non-recycling), debt securities measured at FVOCI (recycling) and units in investment funds measured at FVPL upon the initial application of HKFRS 9 at 1 January 2018 (see note 1(c)(i)).

(ii) The equity instruments designated at FVOCI (non-recycling) mainly include the listed equity securities and perpetual bonds of companies engage in banking and finance industry of HK$53,626,000 (2017: HK$51,875,000), property development industry of HK$12,915,000 (2017: HK$13,838,000) and other industries of HK$17,143,000 (2017: HK$23,550,000), which are individually insignificant. At 1 January 2018, the Group designated these investments as equity instruments at FVOCI (non-recycling), as management intended to hold them for medium to long-term purpose.

During the year, the Group's investment in perpetual bonds issued by a conglomerate with a fair value of HK$15,783,000 has been repurchased by the issuer and realised a loss of HK$100,000. The loss, which had already been included in fair value reserve (non-recycling), has been transferred to retained profits.

(Expressed in Hong Kong dollars unless otherwise indicated)

17 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 December 2018 HK$'000	31 December 2017 HK$'000
Other receivables, deposits and prepayments	**71,449**	63,276

Other receivables, deposits and prepayments consist of rental deposits, interest receivables, prepayments and other receivables. All of the other receivables, except rental deposits and others amounting to HK$19,799,000 (31 December 2017: HK$15,464,000), are expected to be recovered within one year.

18 CASH AT BANK AND IN HAND

	31 December 2018 HK$'000	31 December 2017 HK$'000
Cash at bank and in hand	**105,901**	100,199

19 ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

	31 December 2018 HK$'000	1 January 2018 HK$'000	31 December 2017 HK$'000
Accounts payable	**146,493**	92,951	92,951
Contract liabilities	**31,188**	45,176	–
Other payables and accrued charges	**154,149**	109,664	154,840
	185,337	154,840	154,840
	331,830	247,791	247,791

Note: As a result of the adoption of HKFRS 15 at 1 January 2018, receipt in advance from customers of HK$45,176,000 which was included in other payables and accrued charges is recognised as contract liabilities (see note 1(c)(ii)).

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

	31 December 2018 HK$'000	31 December 2017 HK$'000
Current–30 days	**136,734**	87,591
31–60 days	**4,288**	882
61–90 days	**1,785**	882
Over 90 days	**3,686**	3,596
	146,493	92,951

(b) Other payables and accrued charges

Other payables and accrued charges primarily consist of accruals for Talent salaries and related costs, payable for purchase of property, plant and equipment, outsourced manpower services expenses and advertising and promotional expenses.

Contract liabilities as at 1 January 2018 mainly represent prepayments received from customers upon order placement, and was fully recognised as revenue during the year when the customers have taken possession and accepted the products.

Contract liabilities of HK$31,188,000 were recognised as at 31 December 2018 as a result of the receipt of payments during the year in advance of satisfaction of performance obligation, and are expected to be fully recognised as revenue within one year (2017: HK$45,176,000, which were included under "other payables and accrued charges" and were disclosed separately as "Contract liabilities" as at 1 January 2018 upon the adoption of HKFRS 15).

20 BANK LOANS

The bank loans were repayable as follows:

	31 December 2018 HK$'000	31 December 2017 HK$'000
Within 1 year	**79,392**	219,623

At 31 December 2018, the uncommitted banking facilities of the Group amounted to HK$1,101,382,000 (31 December 2017: HK$1,177,007,000). The facilities were utilised to the extent of bank loans of HK$79,392,000 (31 December 2017: HK$219,623,000).

All of the Group's banking facilities are subject to the fulfilment of covenants as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 24(b). As at 31 December 2018 and 2017, none of the covenants relating to drawn down facilities had been breached.

At 31 December 2018, the bank loans of HK$79,392,000 bore fixed interest rates from 2.3% to 2.8% per annum (31 December 2017: 1.4% to 2.0%). At 31 December 2018 and 2017, all bank loans were secured by certain of the Group's other financial assets with an equivalent amount to the bank loans.

(Expressed in Hong Kong dollars unless otherwise indicated)

21 CAPITAL AND RESERVES

(a) Movements in components of equity

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

Company

	Note	Share capital HK$'000	Capital reserve HK$'000	Available-for-sale investment fair value reserve HK$'000	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2017		1,268,914	-	(18,410)	-	-	1,459,783	2,710,287
Changes in equity for 2017:								
Loss attributable to equity shareholders		-	-	-	-	-	(9,764)	(9,764)
Other comprehensive income		-	-	18,547	-	-	-	18,547
Total comprehensive income for the year		-	-	18,547	-	-	(9,764)	8,783
Equity-settled share-based transactions	11	-	28,805	-	-	-	-	28,805
Balance at 31 December 2017 (note)		1,268,914	28,805	137	-	-	1,450,019	2,747,875
Impact on initial application of HKFRS 9		-	-	(137)	12,555	7,840	(20,258)	-
Adjusted balance on 1 January 2018		1,268,914	28,805	-	12,555	7,840	1,429,761	2,747,875
Changes in equity for 2018:								
Profit attributable to equity shareholders		-	-	-	-	-	401,642	401,642
Other comprehensive income		-	-	-	(26,445)	(9,403)	-	(35,848)
Total comprehensive income for the year		-	-	-	(26,445)	(9,403)	401,642	365,794
Transfer of loss on disposal of an equity security designated at FVOCI to retained profits	16	-	-	-	-	100	(100)	-
Shares issued under share option scheme	21(c)	11,277	(3,723)	-	-	-	-	7,554
Equity-settled share-based transactions	11	-	7,189	-	-	-	-	7,189
Balance at 31 December 2018		1,280,191	32,271	-	(13,890)	(1,463)	1,831,303	3,128,412

Note: The Group, including the Company, has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

(Expressed in Hong Kong dollars unless otherwise indicated)

21 CAPITAL AND RESERVES (continued)

(b) Issued share capital

	2018 No. of shares	2018 Amount HK$'000	2017 No. of shares	2017 Amount HK$'000
Ordinary shares, issued and fully paid:				
At 1 January	**809,016,643**	**1,268,914**	809,016,643	1,268,914
Shares issued under share option scheme (note c)	**5,200,000**	**11,277**	–	–
At 31 December	**814,216,643**	**1,280,191**	809,016,643	1,268,914

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

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

(c) Shares issued under share option scheme

During the year ended 31 December 2018, 5,200,000 ordinary shares were issued at weighted average exercise price of HK$1.45 per ordinary share to share option holders who had exercised their options with an aggregate consideration of HK$7,554,000 of which HK$11,277,000 was credited to share capital and the balance of HK$3,723,000 was debited to the capital reserve.

(d) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for use in note 1(h)(ii).

(e) Fair value reserve (recycling) and available-for-sale investment fair value reserve

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 1(c)(i)). Prior to 1 January 2018, the available-for-sale investment fair value reserve included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with HKAS 39. This amount has been reclassified to fair value reserve (non-recycling), fair value reserve (recycling) and retained profits upon the initial adoption of HKFRS 9 at 1 January 2018 (see note 1(c)(i)).

(f) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity instruments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(c)(i)).

(Expressed in Hong Kong dollars unless otherwise indicated)

21 CAPITAL AND RESERVES (continued)

(g) Exchange reserve

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

(h) Capital reserve

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

(i) Capital management

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

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

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

The net debt to net asset gearing ratio as at 31 December 2018 and 2017 are as follows:

	31 December 2018 HK$'000	31 December 2017 HK$'000
Bank loans	**(79,392)**	(219,623)
Less: Cash at bank and in hand	**105,901**	100,199
Net cash/(debt)	**26,509**	(119,424)
Net assets	**1,708,389**	1,862,632
Net debt to net asset gearing ratio (times)	**-**	0.06

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

(Expressed in Hong Kong dollars unless otherwise indicated)

22 DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised:

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

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

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation HK$'000	Tax losses carried forward HK$'000	Total HK$'000
At 1 January 2017	(28,077)	27,084	(993)
(Charged)/credited to consolidated income statement	(2,310)	1,147	(1,163)
At 31 December 2017	(30,387)	28,231	(2,156)
At 1 January 2018	(30,387)	28,231	(2,156)
(Charged)/credited to consolidated income statement	(7,187)	6,850	(337)
Derecognised through disposal of a subsidiary (note 25)	1,014	–	1,014
At 31 December 2018	(36,560)	35,081	(1,479)

(ii) Reconciliation to the consolidated statement of financial position

	31 December 2018 HK$'000	31 December 2017 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,479)**	(2,156)

(b) Deferred tax assets not recognised

As at 31 December 2018, the Group did not recognise deferred tax assets in respect of unused tax losses of HK$2,063,464,000 (31 December 2017: HK$1,723,527,000) as it is not probable that future taxable profits against which the losses could be utilised would be available in the relevant tax jurisdictions and entity. The tax losses do not expire under the current tax legislation.

(Expressed in Hong Kong dollars unless otherwise indicated)

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	31 December 2018 HK$'000	31 December 2017 HK$'000
Loss before taxation	(132,758)	(203,757)
Adjustments for:		
Depreciation of property, plant and equipment	67,464	46,775
(Utilisation of)/provision for onerous contract	(3,156)	3,300
Bank interest income	(457)	(44)
Equity-settled share-based payment expenses	7,189	28,805
Interest income from other financial assets	(35,079)	(50,537)
Dividend income from other financial assets	(6,440)	(2,240)
Gain on disposal of other financial assets	(11)	(2,201)
Unrealised fair value loss on units in investment funds measured at FVPL	12,573	–
Reversal of expected credit loss of other financial assets measured at FVOCI	(224)	–
(Gain)/loss on disposal of property, plant and equipment	(997)	3,436
Non-cash licensing income	(10,175)	–
Valuation gains on investment properties	(43,550)	(80,500)
Gain on disposal of a subsidiary	(161,645)	–
Amortisation of intangible assets	24,016	15,060
Interest expenses on bank loans	4,718	1,778
Write down of inventories	2,601	1,609
Exchange loss/(gain), net	1,949	(16,460)
Net cash used before working capital changes	(273,982)	(254,976)
Changes in working capital:		
Decrease in long term receivable, deposits and prepayment	–	1
Increase in other receivables, deposits and prepayments	(11,109)	(20,251)
Increase in inventories	(30,011)	(10,688)
Increase in accounts payable, other payables and accrued charges and deposits received	79,266	87,956
Net cash used in operations	(235,836)	(197,958)
Hong Kong profits tax refunded	1,007	–
Net cash used in operating activities	(234,829)	(197,958)

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

(Expressed in Hong Kong dollars unless otherwise indicated)

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Reconciliation of liabilities arising from financing activities:

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

	Bank loans HK$'000 (Note 20)	Interest payable HK$'000	Total HK$'000
At 1 January 2017	184,144	141	184,285
Changes from financing cash flows:			
Proceeds from new bank loans	1,813,888	–	1,813,888
Repayments of bank loans	(1,778,427)	–	(1,778,427)
Interests paid on bank loans	–	(1,531)	(1,531)
Total changes from financing cash flows	35,461	(1,531)	33,930
Exchange adjustment	18	–	18
Other change:			
Interest expenses (note 4(b))	–	1,778	1,778
Total other change	–	1,778	1,778
At 31 December 2017 and 1 January 2018	219,623	388	220,011
Changes from financing cash flows:			
Proceeds from new bank loans	**1,933,823**	**–**	**1,933,823**
Repayments of bank loans	**(2,074,054)**	**–**	**(2,074,054)**
Interests paid on bank loans	**–**	**(5,030)**	**(5,030)**
Total changes from financing cash flows	**(140,231)**	**(5,030)**	**(145,261)**
Other change:			
Interest expenses (note 4(b))	**–**	**4,718**	**4,718**
Total other change	**–**	**4,718**	**4,718**
At 31 December 2018	**79,392**	**76**	**79,468**

(Expressed in Hong Kong dollars unless otherwise indicated)

24 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 business. The Group's exposure to these risks and the financial management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to other receivables, cash at bank and debt securities measured at FVOCI. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

Debt securities measured at FVOCI and bank deposits are invested or placed with counterparties and financial institutions with sound credit quality. To mitigate the risk of non-recovery of investments in debt securities and their related concentration risk, the Group maintains portfolio which comprises mainly of investment grade products, constituents of defined world indices and instruments issued by state owned or controlled enterprises. The Group closely monitors the credit quality and financial positions of counterparties and considers appropriate action if the market value of the securities declines by a predetermined threshold. As at 31 December 2018, there was no significant concentration risk, as the portfolio of the Group's debt securities measured at FVOCI was diversified and comprised of a number of counterparties and no individual counterparty accounted for more than 10% of the portfolio. All deposits were placed with financial institutions with credit rating of investment grade.

At 31 December 2018, the Group does not provide any financial guarantees which expose the Group to credit risk.

The Group measures loss allowance for debt securities measured at FVOCI at an amount equal to 12-month ECLs.

Movements in the loss allowance in respect of debt securities measured at FVOCI during the year are as follows:

	2018 HK$'000	2017 HK$'000
Balance at 31 December 2017 under HKAS 39	–	–
Impact on initial application of HKFRS 9 (note 1(c)(i))	1,552	–
Adjusted balance at 1 January	1,552	–
Impairment loss recognised during the year	682	–
Reversal of impairment loss during the year	(906)	–
Balance at 31 December	1,328	–

Comparative information under HKAS 39

During the year ended 31 December 2017, the Group considered that there were no impairment indicators existed for the available-for-sale debt securities and hence no impairment was considered to be necessary in respect of the available-for-sales debt securities balance.

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(b) Liquidity risk

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

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

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

	31 December 2018			31 December 2017		
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
Current liabilities						
Bank loans	**79,392**	**79,728**	**79,728**	219,623	220,382	220,382
Accounts payable	**146,493**	**146,493**	**146,493**	92,951	92,951	92,951
Other payables and accrued charges	**154,149**	**154,149**	**154,149**	109,664	109,664	109,664
Deposits received	**5,757**	**5,757**	**5,757**	4,286	4,286	4,286
	385,791	**386,127**	**386,127**	426,524	427,283	427,283

(c) Interest rate risk

The Group's interest rate risk arises primarily from debt securities measured at FVOCI, perpetual bonds designated at FVOCI, units in investment funds measured at FVPL and bank loans. Financial instruments with fixed and variable interest rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group actively manages debt securities measured at FVOCI, perpetual bonds designated at FVOCI, units in investment funds measured at FVPL and bank loans by comparing investment yields and quotations from the market, with a view to select terms which are most favorable to the Group.

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

	31 December 2018 HK$'000	31 December 2017 HK$'000
Fixed rate and variable rate instruments		
– Other financial assets:		
Available-for-sale debt securities	**–**	825,832
Debt securities measured at FVOCI	**461,981**	–
Perpetual bonds designated at FVOCI	**57,820**	–
Units in investment funds measured at FVPL	**118,408**	–
– Bank loans	**(79,392)**	(219,623)
	558,817	606,209

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(c) Interest rate risk (continued)

Sensitivity analysis for fixed rate and variable rate instruments

The Group accounts for fixed rate and variable rate instruments (except bank loans at amortised cost) with any change in fair value recognised in profit or loss or other comprehensive income, and accumulated in retained profits or other components of consolidated equity. With other variables held constant, a decrease or increase of 100 basis-points in interest rates at the end of the reporting period would have increased or decreased Group's profit after tax and retained profits by HK$2,737,000 (31 December 2017: HK$nil), other components of consolidated equity would have increased/decreased by approximately HK$14,190,000 (2017: HK$17,871,000).

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

(d) Foreign currency risk

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

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

	Exposure to foreign currencies (expressed in HKD)					
	31 December 2018			31 December 2017		
	USD HK$'000	RMB HK$'000	EUR HK$'000	USD HK$'000	RMB HK$'000	EUR HK$'000
Cash at bank and in hand	8,510	954	17,639	2,361	1,641	42,777
Other financial assets:						
– Available-for-sale debt securities	-	-	-	665,507	112,058	–
– Available-for-sale equity securities	-	-	-	14,539	–	–
– Debt securities measured at FVOCI	429,860	-	-	–	–	–
– Units in investment funds measured at FVPL	70,921	59,711	-	–	–	–
– Perpetual bonds designated at FVOCI	57,820	-	-	–	–	–
	567,111	60,665	17,639	682,407	113,699	42,777

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(d) Foreign currency risk (continued)

Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss for the year and other components of consolidated equity that would arises if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HKD and the United States dollars ("USD") would be materially unaffected by any changes in movement in value of the USD against other currencies. Other components of consolidated equity would not be affected by the changes in the foreign exchange rates.

	Increase/ (decrease) in foreign exchange rate HK$'000	Decrease/ (increase) in loss for the year HK$'000	(Decrease)/ increase in other components of equity HK$'000
31 December 2018			
RMB	**5%**	**3,033**	**–**
	(5%)	**(3,033)**	**–**
EUR	**5%**	**882**	**–**
	(5%)	**(882)**	**–**
31 December 2017			
RMB	5%	6,059	(374)
	(5%)	(6,059)	374
EUR	5%	2,139	–
	(5%)	(2,139)	–

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those assets or liabilities denominated in foreign currency held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis as at 31 December 2017.

(e) Equity price risk

The Group is exposed to equity price changes arising from units in investment funds measured at FVPL and equity securities designated at FVOCI.

Units in investment funds measured at FVPL and equity securities designated at FVOCI portfolio have been chosen based on their long term growth potential and returns and are monitored regularly for performance against expectations. The Group accounts for units in investment funds and equity securities with any change in fair value recognised in profit or loss or other comprehensive income, and accumulated in retained profits or other components of consolidated equity. With other variable held constant, an increase or decrease of 10% in market value of the Group's units in investment funds measured at FVPL and equity securities designated at FVOCI at the end of the reporting period would have increased or decreased equity by HK$4,372,000 (31 December 2017: HK$5,033,000). Any increase or decrease in the market value of the Group's equity securities designated at FVOCI would not affect the Group's loss for the year unless they are impaired or disposed.

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(f) Fair values

(i) Financial assets and liabilities measured at fair value

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

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

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

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
31 December 2018				
Assets:				
– Debt securities measured at FVOCI	**-**	**461,981**	**-**	**461,981**
– Units in investment funds measured at FVPL	**5,632**	**130,632**	**-**	**136,264**
– Equity securities designated at FVOCI	**25,864**	**-**	**-**	**25,864**
– Perpetual bonds designated at FVOCI	**-**	**57,820**	**-**	**57,820**
31 December 2017				
Assets:				
– Available-for-sale debt securities	–	825,832	–	825,832
– Available-for-sale equity securities	35,794	14,539	–	50,333

During the year ended 31 December 2017 and 2018, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of other financial assets are based on quoted market prices for identical or similar financial instruments at the end of the reporting period.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair value as at 31 December 2017 and 2018.

(Expressed in Hong Kong dollars unless otherwise indicated)

25 DISPOSAL OF A SUBSIDIARY

Year ended 31 December 2018

During 2018, the Company entered into a sale and purchase agreement ("SPA") with HKBN Group Limited (a wholly-owned subsidiary of Hong Kong Broadband Network Limited) to transfer the entire issued share capital of Cosmo True Limited, a wholly owned subsidiary of the Company, which is principally engaged in property investment in Hong Kong, at a cash consideration of HK$329,219,000. Completion has taken place on 26 September 2018.

Details of the net assets of Cosmo True Limited and the financial impacts are summarised as follows:

	HK$'000
Net assets disposed of:	
Properties, plant and equipment – investment properties	167,650
Prepayments, deposits and other receivables	439
Trade receivables	631
Other payables and accruals	(132)
Deferred tax liabilities	(1,014)
	167,574
Satisfied by:	
Cash consideration	329,219
Gain on disposal of a subsidiary	161,645

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Cosmo True Limited is as follows:

	HK$'000
Cash consideration received	329,219
Net cash inflow in respect of the disposal of a subsidiary	**329,219**

(Expressed in Hong Kong dollars unless otherwise indicated)

26 COMMITMENTS

(a) Capital commitments

	31 December 2018 HK$'000	31 December 2017 HK$'000
Purchase of computer and office equipment		
Contracted but not provided for	**76,725**	151,389
Construction of E-Commerce and Distribution Centre		
Contracted but not provided for	**3,346**	2,581

(b) Commitments under operating leases

At 31 December 2018 and 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2018 HK$'000	31 December 2017 HK$'000
Within 1 year	**54,561**	35,438
After 1 year but within 5 years	**103,273**	20,812
	157,834	56,250

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 3 years.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

Key management personnel remuneration

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

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Short-term Talent benefits	**7,403**	3,549
Post-employment benefits	**434**	203
Equity-settled share-based payment	**5,953**	21,261
	13,790	25,013

28 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Depreciation of property, plant and equipment

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

(b) Sources of estimation uncertainty

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

29 PLEDGED BANK DEPOSIT

As at 31 December 2018, the Group has a pledged bank deposit of US$0.5 million (equivalent to HK$3.9 million) as security for the banking facilities of US$0.5 million (equivalent to HK$3.9 million) granted by a bank for foreign exchange and interest rate hedging arrangement. As at 31 December 2018, the Group did not enter into any hedging arrangement.

(Expressed in Hong Kong dollars unless otherwise indicated)

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2018 HK$'000	31 December 2017 HK$'000
Non-current assets			
Property, plant and equipment		**2,729**	3,104
Intangible assets		**85,966**	99,108
Investment in subsidiaries		**2,401,416**	1,963,692
Other financial assets		**656,634**	675,161
		3,146,745	2,741,065
Current assets			
Other receivables, deposits and prepayments		**14,060**	16,067
Other current financial assets		**25,295**	201,004
Pledged bank deposit		**3,905**	3,905
Cash at bank and in hand		**56,110**	58,569
Amounts due from subsidiaries		**2,181**	–
		101,551	279,545
Current liabilities			
Other payables and accrued charges		**27,278**	27,976
Bank loans		**79,392**	219,623
Amounts due to subsidiaries		**13,214**	25,136
		119,884	272,735
Net current (liabilities)/assets		**(18,333)**	6,810
NET ASSETS		**3,128,412**	2,747,875
CAPITAL AND RESERVES	21		
Share capital		**1,280,191**	1,268,914
Reserves		**1,848,221**	1,478,961
TOTAL EQUITY		**3,128,412**	2,747,875

Approved and authorised for issue by the board of directors on 27 March 2019.

Wong Wai Kay, Ricky
Director

Cheung Chi Kin, Paul
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard 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 standard is initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16, *Leases*

As disclosed in note 1(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease agreements 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

HKFRS 16, *Leases* (continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, 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 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 26(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$157,834,000 for properties, the majority of which is payable between 1 and 5 years after the reporting date. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to HK$136,239,000 and HK$136,239,000 respectively, after taking account the effects of discounting, as at 1 January 2019. The above overall financial impact is subject to change of assumptions, judgements and estimates to be finalised in the financial statements of 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

FIVE-YEAR

Financial Summary

RESULTS, ASSETS AND LIABILITIES

The following table summarises the consolidated results, assets and liabilities of the Group for the year ended 31 December 2018, 31 December 2017, 31 December 2016, 31 December 2015 and Sixteen months ended 31 December 2014:

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000	Sixteen months ended 31 December 2014 HK$'000
Results					
Turnover	**896,374**	487,257	187,071	112,810	23,027
Loss before taxation	**(132,758)**	(203,757)	(257,042)	(812,466)	(236,797)
Taxation	**(337)**	(1,163)	(74)	(93)	(205)
Loss after taxation	**(133,095)**	(204,920)	(257,116)	(812,559)	(237,002)
Assets					
Property, plant and equipment	**1,115,347**	1,152,387	917,048	560,335	550,159
Intangible assets	**87,653**	99,828	112,248	125,410	391,198
Goodwill	**897**	897	–	–	–
Long term receivable and prepayment	**5,444**	11,912	8,209	31,445	285
Other financial assets	**681,929**	876,165	1,183,425	1,445,752	1,784,363
Current assets	**235,577**	195,299	101,431	255,939	1,212,432
Total assets	**2,126,847**	2,336,488	2,322,361	2,418,881	3,938,437
Liabilities					
Current liabilities	**416,979**	471,700	324,705	179,345	882,450
Non-current liabilities	**1,479**	2,156	993	919	826
Total liabilities	**418,458**	473,856	325,698	180,264	883,276
Net assets	**1,708,389**	1,862,632	1,996,663	2,238,617	3,055,161

Notes:

1 The Group adopted HKFRS 9, *Financial instruments* from 1 January 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to retained profits and reserves as at 1 January 2018. There were no difference in the carrying amounts of the financial assets and financial liabilities. Prior to 1 January 2018, figures were stated in accordance with the policies applicable in those years.

2 The Group adopted HKFRS 15, *Revenue from contracts with customers* from 1 January 2018. As a result, the Group has changed its accounting policies in relation to revenue recognition and contract liabilities. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to "other payables and accrued charges" in the consolidated statement of financial position as at 1 January 2018. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

CORPORATE
Information

FINANCIAL CALENDAR

Financial year ended:
31 December 2018

Annual results announced:
27 March 2019

Closure of register of members for Annual General Meeting:
30 May 2019 to 4 June 2019

Annual General Meeting:
4 June 2019

LISTING

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

Executive Directors

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

Independent Non-executive Directors

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

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

Company Secretary

Ms. WONG Nga Lai, Alice

Authorised Representatives

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

Registered Office

HKTV Multimedia and Ecommerce Centre
No. 1 Chun Cheong Street
Tseung Kwan O Industrial Estate
New Territories, Hong Kong

Auditor

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

Share Registrar

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

American Depositary Bank

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

Principal Bankers

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

Website

www.hktv.com.hk

Where the English and the Chinese texts conflict, the English text prevails
中英文版如有歧異，以英文版作準

Concept, design and printing: REF Financial Press Limited

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

SEHK 香港交易所股份編號: 1137

www.hktv.com.hk

www.hktvmall.com